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|  |  |  |  |  | <p>developers is planned to finalise the LoO. <del>Awaiting the</del> <u>Developers' Project Agreement received in April 2016</u> which will inform the final LoO.</p> <p>Assessing the implications of the rapid increase in applications for the Non Domestic Renewable Heat Incentive Scheme. Internal Audit review of management of the Scheme ongoing. Approach being made to OFGEM for additional independent audit of the Scheme. Response to whistleblowing</p> | Ongoing |  |
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## DETI CORPORATE RISK REGISTER FINAL POSITION AT MAY 2016

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|  |  | <p><u>Energy Division - context</u><br/> DETI exercises the Competent Authority role under the EU TEN-E Regulation. The Regulation sets out guidelines for streamlining the permitting processes for major energy infrastructure projects that contribute to European energy networks. These projects, referred to as “Projects of Common Interest” (PCIs), are eligible to access grant funding under the Connecting Europe Facility (CEF). Two developer-led PCIs proposing energy infrastructure development in Northern Ireland are currently accessing funding under CEF. Member States have been kept at “arms-length” from the CEF application process. However, Grant Agreements between the Commission and project developers reference, inter alia, a requirement for a “statement by the Member State certifying the expenses actually incurred and/or payments made concerning the project” following some form of auditing procedure. <u>Claim to EU for F</u>first draw-down of grant funds is expected at end-March 2016. GSNI completed a technical review of the Islandmagee Storage project drilling and testing works to be funded under CEF. Consultants appointed 7 March 2016 to complete the required audit verification exercises and reports received 22 March 2016. DETI liaised with DECC who provided Member State certification of developers Action Status Reports and financial expenditure where appropriate.</p> |  |  | <p>allegation being followed up.</p> <p>Continue to work with PCI developers in respect of project progress and anticipated CEF grant drawdown timelines.</p> <p>Continue to liaise with DECC to facilitate future Member State <u>CEF</u> sign-off requirements</p> | Ongoing annual requirement. |  |
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## DETI CORPORATE RISK REGISTER FINAL POSITION AT MAY 2016

| Objective – Generic Risk  |                     |            | For risks with a residual assessment of High or Medium Impact and High Likelihood:   |      |      |  |                            |                   |             |       |
|---|---------------------|------------|--|------|------|--|----------------------------|-------------------|-------------|-------|
| Category – Financial / VFM  |                     |            | <u>Number of Board Meetings at this Level:</u> Four (commencing 19 January 2016)   |      |      |  |                            |                   |             |       |
| Risk Appetite - Minimal   |                     |            | CONTROLS IN PLACE  |      |      | Residual Assessment  |                            | ACTION PLANNED    | TARGET DATE | OWNER |
| RISK  | Inherent Assessment |            |  |      |      | Impact   | Likelihood                 |                   |             |       |
|   | Impact              | Likelihood |  |      |      |  |                            |                   |             |       |
| 4. Inability to operate within allocated budget, avoiding overspend and managing underspend within a 2% resource target and a 3% capital target and, in addition, meeting EU expenditure targets. | High                | High       | Monthly cost centre reports produced.  | High | High | Ongoing monitoring of expenditure by NDPBs/Divisions and Finance Branch to get early sight of issues and implement remedies if possible. | Ongoing throughout 2015-16 | ER (Finance HRCS) |             |       |
|   |                     |            | Expenditure profiled monthly.  |      |      | 2015-16 budgets agreed. Ongoing monitoring will be implemented of outcome of VES versus Departmental reductions in 2015-16.              |                            |                   |             |       |
|   |                     |            | Monthly financial reporting to Departmental Board.   |      |      | Programme of engagement with HODs/G6 to  |                            |                   |             |       |
|   |                     |            | Regular budget monitoring meetings with Invest NI and Tourism NI with additional meetings to deal with urgent issues being scheduled as necessary. |      |      |  |                            |                   |             |       |
|   |                     |            | Monitoring rounds.   |      |      |  |                            |                   |             |       |
|   |                     |            | Quarterly Oversight & Liaison meetings with NDPBs.   |      |      |  |                            |                   |             |       |
|   |                     |            | Quarterly risk reporting and six-monthly Assurance reporting.  |      |      |  |                            |                   |             |       |
|   |                     |            | Monitoring EU expenditure levels against forecasts.  |      |      |  |                            |                   |             |       |
|   |                     |            | Monthly reporting to the Departmental Board on the numbers applying for and  |      |      |  |                            |                   |             |       |

## DETI CORPORATE RISK REGISTER FINAL POSITION AT MAY 2016

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|  |  | <p>the outworking of the Voluntary Exit Scheme.</p> <p>Monthly reporting to the Senior Management Team on the workforce position.</p> <p>Bi-Monthly HR Business Partner Reports to the Board which include the staffing position.</p> <p>Regular Resourcing Group meetings to assess workforce position and consider priorities.</p> <p>Gas to the West developers have requested a single (c£25m) end of project grant payment in 2017/18 and this will reduce risks compared to staged grant payments during project construction.</p> <p>DFP approval has been granted for the payments arising from new installations in the Non-Domestic Renewable Heat Incentive Scheme between 29 October</p> |  | <p>examine priorities and assess staffing requirements going forward to ensure ongoing delivery of paybill reductions iro staffing.</p> <p><del>Implement centrally-agreed redeployment measures to secure staff for priority posts and/or reduce staff numbers based on Savings Plan.</del></p> <p>Consideration of <u>LoO issues and grant payment arrangements</u> are ongoing, including seeking <del>Casework and</del> legal advice on <u>mechanisms for timing and method of</u> making a single Gas to the West grant payment at end of construction.</p> | Ongoing | CS<br>(Energy) |
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## DETI CORPORATE RISK REGISTER FINAL POSITION AT MAY 2016

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|  |  | <p>2015 and 31 March 2016. £11.5 m additional AME cover secured for 2015-16.</p> <p>DFP has declined retrospective approval for new commitments under this scheme from 1 April 2015 to 28 October 2015.</p> <p>Because the AME allocation to the Scheme has been capped under the 2015 CSR there is an anticipated shortfall of £31.7m (£50.0m commitments less £18.3m AME allocation) in 2016/17 which will have to be funded from Resource DEL. Future years' commitments are forecast at £50.0m but may increase by up to £3m per year from 2018 onwards if two large biomass plants proceed as preliminary applications have been received.</p> <p>Options on the future of both RHI schemes have been put to the Minister. In light of the budgetary difficulties, both RHI Schemes were closed to new applications from 29 February 2016.</p> |  |  | <p>Forecast RHI AME expenditure for 2015-16 is currently £34m against a Final Plan budget of £30.4m resulting in an estimated £3.6m overspend. The forecast expenditure will be reviewed before finalising outturn. Work ongoing to clarify legal position around two large preliminary CHP applications received before the scheme closed on 29 February 2016.</p> |  |  |
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## DETI CORPORATE RISK REGISTER FINAL POSITION AT MAY 2016

|  |                            |                   |  |                            |                   |   |                    |              |
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| <p><b>Objective – To manage the £175 million commercial loan and a £50 million Financial Assistance grant package in support of a Mutual Access Fund provided in connection with the Presbyterian Mutual Society in line with the agreed financial schedule.</b></p> <p><b>Category – Financial / VFM</b></p> <p><b>Risk Appetite – Cautious</b></p> |                            |                   | <p><b>For risks with a residual assessment of High or Medium Impact and High Likelihood:</b></p> <p><b><u>Number of Board Meetings at this Level:</u> N/A</b></p>  |                            |                   |   |                    |              |
|  | <b>Inherent Assessment</b> |                   | <b>CONTROLS IN PLACE</b>   | <b>Residual Assessment</b> |                   | <b>ACTION PLANNED</b>   | <b>TARGET DATE</b> | <b>OWNER</b> |
| <b>RISK</b>  | <b>Impact</b>              | <b>Likelihood</b> |  | <b>Impact</b>              | <b>Likelihood</b> |   |                    |              |
| 5. The £175m loan and package provided in connection with the Presbyterian Mutual Society is not repaid and as a consequence public expenditure pressures will be created for the Department and the NI Block.   | High                       | Medium            | <p>Formal loan agreements.</p> <p>Due diligence reports on asset values. Departmental oversight and monitoring of supervisors, supported by input from legal and insolvency external consultants as required.</p> <p>Formal legal agreement with supervisors.</p> <p>A formal quarterly reporting mechanism from the supervisors to the Department is in place.</p> <p>An annual updated Business Plan is prepared by the Joint Supervisors and discussed and agreed with DETI prior to the commencement of each financial year.</p> <p>A high level review of financial projections to March 2017 has been completed.</p> | Medium                     | Medium            | Regular meetings of PMS Steering Group to continue to monitor delivery of the Plan. | Ongoing.           | ER (BRD)     |

## DETI CORPORATE RISK REGISTER FINAL POSITION AT MAY 2016

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| <b>Objective:</b><br><br><b>C3 - To maintain and review the effectiveness of the Department's processes for: financial management; corporate governance and risk management; information security; business continuity; emergency planning; and Assembly / Executive business.</b><br><br><b>Category – Compliance – legal / regulatory</b><br><br><b>Risk Appetite – Cautious</b> |                            |                   | <b>For risks with a residual assessment of High or Medium Impact and High Likelihood:</b><br><br><b><u>Number of Board Meetings at this Level:</u> Fifteen (commencing 25 November 2014)</b>  |                            |                   |  |   |              |
|  | <b>Inherent Assessment</b> |                   | <b>CONTROLS IN PLACE</b>  | <b>Residual Assessment</b> |                   | <b>ACTION PLANNED</b>  | <b>TARGET DATE</b>  | <b>OWNER</b> |
| <b>RISK</b>  | <b>Impact</b>              | <b>Likelihood</b> |   | <b>Impact</b>              | <b>Likelihood</b> |  |   |              |
| 6. Information held by the Department is not handled in accordance with relevant legislation with a consequent possibility of legal proceedings, criticism from regulatory authorities and embarrassment to the Department and its Minister.   | High                       | High              | <p>Policies and procedures are in place for information management.</p> <p>Security measures in place include restriction of access to buildings; backups of IT data; ERDMS document storage; accreditation of IT systems and an annual departmental security review.</p> <p>Revised UK-wide Protective Marking Scheme was introduced across NICS Departments wef 2 April 2014. E learning rolled out across DETI.</p> <p>Business Continuity Management regime in place covering Netherleigh and all non-HQ buildings. Internal Audit undertook a follow up review of previous Business Continuity Audit findings. A report was received in December 2014. All recommendations have been</p> | Medium                     | High              | <p>New approaches being trialed / proposed to streamline approval process and improve compliance with FOI/EIR response deadlines.</p> <p>ICO wrote to DETI on 8 October 2014 expressing concern about timeliness compliance rates and asking</p> | <p>Monitored on a regular basis. Key issue is timeliness of issue of responses. Stats published by OFMDFM show that in Qtr 3 2015, DETI issued only 22% of responses within the FOI/EIR statutory</p> | ER (HRCS)    |

DETI CORPORATE RISK REGISTER FINAL POSITION AT MAY 2016

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|  |  |  | <p>implemented.</p> <p>Well established network of Information Managers for FOI requests.</p> <p>Secure File Transfer Protocol in place between Energy Division and System Operator for Northern Ireland (SONI) for management of all records relating to security of electricity supply considerations.</p> |  |  | <p>for further details. A response was issued on 11 November 2014.</p> <p>A second letter was received from the ICO on 8 December, requesting updated position. A response was issued on 8 January 2015.</p> <p>At ICO's request ICO senior officials met DETI IMU staff on 5 March 2015. ICO advised that, at present, they are not putting DETI under formal monitoring, but will continue to watch the situation closely. A further update on compliance rates was sent to ICO at end April 2015.</p> | <p>deadlines.</p> |  |
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DETI CORPORATE RISK REGISTER FINAL POSITION AT MAY 2016

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|  |  |  | <p>New process introduced in November 2015 with the aim of streamlining clearance of FOI responses.</p> |  |  | <p>ICO scrutiny continues. Following an update on compliance rates, ICO held a further meeting with IMU on 2 December 2015. It was noted that compliance rates though still low (55% YTD), had improved and a new process had been put in place to try to streamline clearance. In view of this, ICO advised that they will not move to formal monitoring at this point but have asked, for further background information on our compliance rates YTD. During Jan 2016, DETI was advised by the</p> |  |
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DETI CORPORATE RISK REGISTER FINAL POSITION AT MAY 2016

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|  |  |  |  |  |  | <p>ICO that it would likely receive an Enforcement Notice if a specific request was not answered by early February. Although this request was answered by the date of the deadline, the backlog of unanswered requests continues to grow and the risk of further ICO intervention remains high.</p> <p>The clearance of several late responses at the end of March has substantially reduced the number of overdue requests, but the risk of ICO intervention continues to remain high,</p> |  |  |
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## DETI CORPORATE RISK REGISTER FINAL POSITION AT MAY 2016

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|---|----------------------------|-------------------|--|--|--|----------------------------|-------------------|--|--------------------|--|
| <b>Objective:</b>   |                            |                   | <b>For risks with a residual assessment of High or Medium Impact and High Likelihood:</b>  |  |  |                            |                   |  |                    |  |
| <b>B1 – To provide clear policy direction and targets, and the necessary resources to deliver those targets.</b>  |                            |                   | <b>Number of Board Meetings at this Level: N/A</b>   |  |  |                            |                   |  |                    |  |
| <b>B5 – To engage effectively with the European Union to secure the maximum financial and non-financial support available for growing the NI economy.</b>   |                            |                   |  |  |  |                            |                   |  |                    |  |
| <b>Category – Compliance – legal / regulatory</b>   |                            |                   | <b>Risk Appetite - Open</b>  |  |  |                            |                   |  |                    |  |
|   | <b>Inherent Assessment</b> |                   | <b>CONTROLS IN PLACE</b>   |  |  | <b>Residual Assessment</b> |                   | <b>ACTION PLANNED</b>  | <b>TARGET DATE</b> | <b>OWNER</b>                                     |
| <b>RISK</b>   | <b>Impact</b>              | <b>Likelihood</b> |  |  |  | <b>Impact</b>              | <b>Likelihood</b> |  |                    |  |
| 7. Non implementation of EU Directives and/or other relevant EU regulations leading to the imposition of penalties on the Department. Criticism of the Department for providing assistance which is not compliant with the EU's 'industrial' State Aid rules and/or for not replicating GB legislation in NI. | High                       | High              | <p>LMU circulate details of EC Directives that require implementation.</p> <p>Stand alone website for the ERDF Programme with comprehensive guidance.</p> <p>Internal Audit system reviews.</p> <p>Memorandum of Understanding setting out requirements.</p> <p>Audit Authority checks.</p> <p>Managing Authority checks on compliance with MOU and spot checks on expenditure.</p> <p>Regular and ongoing training of those involved in the management of EU funds.</p> <p>Bi-lateral meetings with Intermediary Bodies focused on compliance issues.</p> |  |  | High                       | Medium            | Circulation of relevant EC Directives when received from European Policy and Co-Ordination Unit, OFMDFM. | Ongoing            | ER (ESU) CS (Energy; Tourism, Telecoms and GSNI) |

DETI CORPORATE RISK REGISTER FINAL POSITION AT MAY 2016

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|  |  | <p>Management verification checks on Intermediary Bodies to include specific focus on ERDF requirements.</p> <p>Technical Assistance review undertaken of Intermediary Bodies to examine resource requirements. Bids have been made to the Managing Authority and approval obtained for additional staff.</p> <p>Provision of a State Aid advisory service to DETI Divisions and NDPB's by European Support Unit (ESU).</p> |  |  | <p>ESU to undertake awareness raising activities to ensure aid providers are, aware of the 'industrial' State Aid rules. As required, ESU will offer aid providers with advice to assist them avoid State Aid being present or to obtain the necessary EC approval through the Commission's State Aid Notification Interactive System.</p> | <p>Ongoing</p> |  |
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## DETI CORPORATE RISK REGISTER FINAL POSITION AT MAY 2016

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|  |  | <p>Energy division reports that the following action has been taken in relation to EU Directives and State Aid issues:</p> <p>EC State Aid approval obtained on 11 July 2014 for NI Executive funding of up to £32.5m for provision of new natural gas networks in the West.</p> <p>Energy Division is engaged in ongoing liaison with DECC on a range of EU legislative issues including proposed new EU legislation and review of arrangements put in place pursuant to IME 3 Directive implementation.</p> <p>Energy Division has sought and received advice from DSO on Regulations to provide for Third Party Access (TPA) to off-shore gas storage to comply with EU Third Energy Package requirements. Further <u>DSO</u> legal advice <del>has been</del> requested and <del>awaiting DSO</del> <u>response obtained in May 2016.</u></p> <p>Energy Division is progressing work to implement the extensive Energy Efficiency Directive 2012/27/EU.</p> <p>Regulations for Articles 9-11, 13 &amp; 15 came into operation on 25 July 2014.</p> <p>Regulations to transpose Article 14(10) made on 18 November and came into operation on 10 December 2014.</p> <p>UK-wide Statutory Instruments laid by DECC at Westminster in April and June</p> |  |  | <p>The following additional action is being taken by Energy Division:</p> <p>Continue to engage with DECC, NIAUR and DSO on a range of EU compliance issues. These include measures required for compliance with existing EU requirements relating to off shore gas storage Third Party Access (TPA) and obligations under and pursuant to Electricity and Gas Regulations and the Gas Security of Supply Regulation. Energy Division is also engaging with DECC to assess the implications of forthcoming EU requirements</p> | Ongoing |  |
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DETI CORPORATE RISK REGISTER FINAL POSITION AT MAY 2016

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|  |  |  | <p>2014 – NI is included where required.</p> <p>License modifications to implement Articles 9-11, 13 and 15 made on 23 November 2015.</p> |  |  | <p>including changes to the Gas Security of Supply Regulation, potential security of supply legislation and emerging electricity and gas network codes.</p> <p>Ongoing assessment of resource implications within Energy Division – issues can arise unexpectedly despite best endeavors and prioritisation of compliance issues can impact on other Divisional work.</p> <p>Further subordinate legislation will be made to review the Class Exemptions Order to reflect the requirements of the EED.</p> | <p>March 2016</p> <p><u>Ongoing Consult mid 2016</u></p> |  |
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## DETI CORPORATE RISK REGISTER FINAL POSITION AT MAY 2016

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|  |  |  | <p>Energy Division will work with EU colleagues to ensure state aid approval is granted for any new technologies that may be introduced under phase 2 of the RHI non domestic Scheme.</p> <p>Detailed programme for delivery of wholesale electricity market Target Model requirements published by Regulators.</p> <p>Successful outcome to discussions with European Commission on derogation for Target Model compliance – derogation to 31 December 2017 approved by Commission and referenced in Capacity Allocation and Congestion Management Network Code.</p> <p>State Aid Pre Notification for I-SEM Capacity Remuneration Mechanism and uploaded 3 March 2016. Meeting held with DG Competition 7 March 2016 to discuss requirement for mechanism and case handling arrangements. <u>Further meeting scheduled for 8 June 2016.</u></p> <p>Regulations amending the existing SEM legislation to reflect the EU legislative framework were made 8 March 2016 and came into operation on 31 March 2016. NI response issued to DG Comp sector enquiry to Member States on use of capacity mechanisms in SEM / I-SEM</p> |  |  | <p><u>Consultation paper being prepared.</u></p> <p>Bring forward legislation to implement Phase 2 of the Non-Domestic RHI.</p> <p>Continue to work with DCENR, DECC and Regulators in a structured approach to EU.</p> <p>Engage with DG Comp, DCENR, Regulators and BIS / UKRep to secure State Aid approval for Capacity Remuneration Mechanism in advance of new market “go-live” in 2017.</p> | <p>Deferred due to lack of RHI funding.</p> <p>By Nov/Dec 2016</p> |  |
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## DETI CORPORATE RISK REGISTER FINAL POSITION AT MAY 2016

| <b>Objective:</b> To ensure an orderly transition to the new Department for the Economy on its establishment.   |                     |            | <b>For risks with a residual assessment of High or Medium Impact and High Likelihood:</b>  |                     |            |                |             |       |
|---|---------------------|------------|--|---------------------|------------|----------------|-------------|-------|
| <b>Category – Operational and Policy Delivery</b>   |                     |            | <b>Number of Board Meetings at this Level: N/A</b>   |                     |            |                |             |       |
| <b>Risk Appetite – Open</b>   |                     |            |  |                     |            |                |             |       |
| RISK  | Inherent Assessment |            | CONTROLS IN PLACE  | Residual Assessment |            | ACTION PLANNED | TARGET DATE | OWNER |
|   | Impact              | Likelihood |  | Impact              | Likelihood |                |             |       |
| 8. Insufficient consideration is given to the structures and workflows of the new Department for the Economy with the result that it does not function effectively from the date of its creation. | Medium              | Medium     | <p>Senior Responsible Officer appointed.</p> <p>Project Board established.</p> <p>Full time project manager supported by project management team.</p> <p>Workstreams established to take forward specific areas of work with monthly reporting requirements.</p> <p>Project and work stream plans in place.</p> <p>Staff and stakeholder engagement ongoing.</p> <p>Advisory Group meeting regularly to provide insight and challenge.</p> <p>Gateway health check assessment successfully carried</p> | Medium              | Low        |                |             | ER    |

DETI CORPORATE RISK REGISTER FINAL POSITION AT MAY 2016

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|  |  | <p>out in November 2015. Action Plan in place to address recommendations.</p> <p>Peer Review <u>conducted in April</u> <del>to scheduled for March to</del> assess day 1 readiness.</p> <p><u>Day 1 readiness checklist and assurance statement signed off by work stream leads.</u></p> <p><u>ESS testing in advance of the 'go live' date.</u></p> <p><u>HOB briefing sessions and guidance issued to staff regarding Day 1 changes.</u></p> |  |  |  |  |  |
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**DEPARTMENTAL AUDIT COMMITTEE****TITLE: SIX MONTH ASSURANCE STATEMENT REPORT FOR THE PERIOD ENDING 31 MARCH 2016**

**Paper presented by: Terry Coyne**

**KEY ISSUES**

- No significant internal control issues have been reported by Management Services Group. The Policy Group six monthly assurance statement is currently being finalised and will be provided to Committee members once it has been submitted to the Accounting Officer.
- The Invest NI assurance statement refers to a number of matters including the EU issues, the External Delivery Organisation inspection programme, the Internal Audit Service 2015-16 programme updates on suspected frauds and investigations, information security and current litigation.
- Tourism NI has referred to a significant risk relating to ROI market performance. It has also referred to the substantial completion its new grant management system and has provided updates on four capital projects.
- No issues have been reported by CCNI or HSENI.

**ACTION REQUIRED**

To note position.

**TIMESCALE**

Undertake any remedial work required as soon as possible.

## DEPARTMENTAL AUDIT COMMITTEE

### SIX MONTHLY ASSURANCE STATEMENTS FOR THE PERIOD ENDING 31 MARCH 2016

1. No significant internal control issues were identified in Management Services Group's six monthly assurance statement. The Policy Group six monthly assurance statement is currently being finalised and will be provided to the Committee following this meeting after it has been submitted to the Accounting Officer.

#### Non Departmental Public Bodies

2. The matters summarised in the following paragraphs were referred to in the six monthly assurance statements submitted by Non Departmental Public Bodies.

#### Invest NI

3. Invest NI has referred to the receipt of received retrospective approval from DFP for the provision of an R&D grant to Catagen Ltd. The matter is now closed.
4. In relation to EU issues, Invest NI has referred to the implementation plan for the new system 2014 database procured by DFP being at least 9 months behind schedule. Invest NI is represented on a DFP led Database Project Board which meets monthly to drive the project forward. The lack of a database has meant that no funds have been drawn down from the European Commission although pre-financing has been received and Invest NI continues to proceed with Managing Authority approval until the database is available.

The 2015 Annual Control Report (ARC) was submitted to the European Commission by the Audit Authority at the end of December 2015. 26 Invest NI projects were sampled covering 32 claims with financial irregularities being identified in 5 claims. Invest NI is undertaking an exercise to determine how State Aid requirements have been administered by Local Councils for each of the 150 Local Economic Development (LED) projects supported. The exercise is progressing and is due to be completed by the end of May 2016 with the results being provided to the Managing Authority for review.

5. Invest NI has referred to the continuation of the rolling inspection programme for External Delivery Organisations (EDO) to ensure that adequate controls and sponsor arrangements are in place. The 2015-16 programme of four EDO inspections has been progressed with two inspections at draft report stage and two with fieldwork completed. One outstanding EDO review relating to Enterprise NI from the 2013-14 programme has now been progressed to draft report stage. All 2014/15 reviews are complete.

6. Invest NI reports that no significant issues have been identified from work arising from the 2015-16 Internal Audit Plan.
7. Invest NI has provided updates on four fraud cases. These will be covered in the separate paper provided to the Committee on fraud and theft.
8. The Invest NI statement concludes by referring to three information security incidents all of which have been assessed as low risk. Invest NI has also provided an update on current legal proceedings.

### **Tourism NI**

9. Tourism NI has referred to the most recent review of its risk register covering the final quarter of 2015-16, which has resulted in the identification of one significant risk relating to the performance of the Republic of Ireland (ROI) market. Tourism NI report that a Republic of Ireland taskforce recovery group has been established to fully understand the challenges of the ROI market and to develop an action plan to maximise its potential.
10. Tourism NI has confirmed that its new grant management system is now substantially complete and the development of the new system has provided it with an opportunity to review and improve existing processes.
11. Tourism NI has provided updates on the following capital projects:
  - The Museum of Free Derry project is due to be completed in June 2016 with dates to be confirmed for opening in June/July 2016. The project is on target with no major issues being reported.
  - The project promoted by the Railway Preservation Society of Ireland is progressing well with the main capital build now 80% complete.
  - Significant delays were experienced with the Titanic Walkways project. Planning approval has now been received but with additional conditions imposed. The cost implications of the additional conditions are currently being reviewed by CPD. The project will have to go back through the procurement process with construction now planned from January to April 2017.
  - The HMS Caroline project is currently proceeding through a reappraisal process due to an increase in costs. The overall project has now been split into three phases. The first phase is due to be completed to commemorate the hundredth anniversary of the Battle of Jutland on 31 May and the ship is due to open to the public on 1 June. The other two phases involving dry docking of the ship and the refurbishment of the Pump House including the Alexandra Dock are due to be complete by March 2017 subject to reassessment once phase 1 is complete and pending the outcome of the reappraisal process.

**Consumer Council for Northern Ireland**

12. No issues have been raised by CCNI.

**Health and Safety Executive for Northern Ireland**

13. No issues have been raised by HSENI.



**DEPARTMENTAL AUDIT COMMITTEE: 25 MAY 2016****TITLE OF PAPER: DEPARTMENTAL AUDIT COMMITTEE'S ANNUAL REPORT TO THE DEPARTMENTAL BOARD FOR THE PERIOD 1 APRIL 2015 TO 31 MARCH 2016**

**Paper presented by: David Beck**

**KEY ISSUES**

- DFP Guidance and the Departmental Audit Committee's Terms of Reference require an annual report to be made to the Departmental Board summarising work done during the year and conclusions reached.
- The attached report provides details of meetings held, membership, the review of audit committee effectiveness, work undertaken, management of risk, financial reporting, internal and external audit arrangements, issues for the Governance Statement and conclusions reached.
- Four issues have been put forward for inclusion in the Governance Statement including the issues that have arisen in relation to the operation of the Non-Domestic Renewable Heat Incentive Scheme. It should be noted that other issues may emerge as Governance Statements are produced for NDPBs.

**DECISION REQUIRED**

- None.

**ACTION REQUIRED**

- Departmental Audit Committee members and attendees to consider report. Any proposed amendments should be provided to the Chairman (copied to the Secretariat, if appropriate).

**TIMESCALE**

- Proposed amendments to be received by the Chairman and Secretariat by 3 June 2015. Report to be presented to the Departmental Board at its next meeting on 21 June 2015.

**DEPARTMENTAL AUDIT COMMITTEE'S ANNUAL REPORT TO THE  
DEPARTMENTAL BOARD FOR THE PERIOD 1 APRIL 2015 TO  
31 MARCH 2016****Introduction**

1. Paragraph 6.4 of the DFP Audit and Risk Assurance Committee Handbook (March 2014) states:

“The Audit and Risk Assurance Committee should prepare an annual report timed to support preparation of the Governance Statement...”

2. This requirement is reflected in paragraph 8 of the Departmental Audit Committee's Terms of Reference, effective from 24 July 2012, which states:

“The Audit Committee will provide the Board and Accounting Officer with an Annual Report, timed to support preparation of the accounts and the Statement on Internal Control, summarising its conclusions from the work it has done during the year.”

3. Paragraph 6.5 of the Audit and Risk Assurance Committee Handbook provides detail on the content of the report:

“The Annual Report should summarise the Audit and Risk Assurance Committee's work for the year past, and present the Committee's opinion about:

- the effectiveness of governance, risk management and control;
- the comprehensiveness of assurances in meeting the Accounting Officer's and Board's needs;

- the reliability and integrity of these assurances;
  - whether the assurance available is sufficient to support the Accounting Officer and Board in their decision taking and their accountability obligations;
  - the implications of these assurances for the overall management of risk;
  - any issues the Audit and Risk Assurance Committee considers pertinent to the Governance Statement and any long term issues to which the Committee thinks the Accounting Officer and/or Board should give attention;
  - financial reporting for the year;
  - the quality of both Internal and External Audit and their approach to their responsibilities; and
  - the Committee's view of its own effectiveness, including advice on ways in which it considers it needs to be strengthened or developed.
4. This report, covering the period from 1 April 2015 to 31 March 2016, supports preparation of the Governance Statement by summarising the work undertaken by the Departmental Audit Committee, presenting the Committee's opinion about the assurances it has obtained during the year, and outlining the conclusions and opinions it has reached.
5. The Accounting Officer and the Departmental Board are invited to:
- a) note the contents of this report and the overall conclusion reached by the Departmental Audit Committee in relation to the provision of assurance to the Accounting Officer and the Departmental Board; and

- b) make any comments they consider to be appropriate.

**Meetings**

6. The Departmental Audit Committee met five times during the 2015-16 year. Meetings were held on 1 June 2015, 24 June 2015, 29 September 2015, 2 December 2015 and 2 March 2016.
7. Draft minutes of each meeting, along with a synopsis of the draft minutes, were provided to the Departmental Board with a verbal report being provided by the Chairman of the Departmental Audit Committee.

**Membership**

8. The following were members of the Departmental Audit Committee during the 2015-16 year:

David Beck, DETI Independent Board Member and Chairman;

Claire Hughes, DETI Independent Board Member;

Bill McGinnis, Independent Audit Committee Member (until 30 June 2015);  
and

Anthony Harbinson, a Senior Civil Servant from another Northern Ireland department.

**Attendance**

9. David Beck and Claire Hughes attended all five of the meetings held during 2015-16, while Anthony Harbinson attended three of the five meetings. Bill McGinnis attended both of the meetings held before he stood down from the Committee on 30 June 2015.

## Review of Effectiveness

10. During 2015-16, the Departmental Audit Committee undertook a formal review of its effectiveness using a questionnaire developed by the National Audit Office. The review led to a small number of recommendations being made to enhance the Committee's effectiveness. The recommendations will be taken forward and implemented in the context of the creation of the Department for the Economy.

## Summary of Work Undertaken during the 2015-16 Year

### Issues Considered by the Departmental Audit Committee

11. The Departmental Audit Committee considered the following assurance related issues during the year:

- (a) Progress made on issues arising from previous meetings;
- (b) Updates on the Annual Control Report and Annual Opinion relating to the European Sustainable Competitiveness Programme;
- (c) The proposed Internal Audit plan for 2015-16;
- (d) Progress reports from the Head of Internal Audit summarising, as appropriate:
  - (i) Work performed (and a comparison with work planned);
  - (ii) Key issues emerging from Internal Audit work;
  - (iii) Management responses to audit recommendations;
  - (iv) Outstanding audit recommendations;
  - (v) Changes to the annual plan arising from a mid year review;
  - (vi) Any resourcing issues affecting the delivery of Internal Audit objectives.
- (e) Reports from the Head of Internal Audit providing details of internal audit reports with limited opinions;

- (f) The Head of Internal Audit's Annual Opinion and Report for 2014-15;
- (g) Internal Audit Service's External and Internal Quality Assessments;
- (h) Accountability updates from Arms Length Bodies (including presentations from the Chairs of the Invest NI and Tourism NI Audit Committees);
- (i) Reports summarising progress made in implementing recommendations made by the Public Accounts Committee;
- (j) Reports summarising significant changes to the Risk Registers of the Department and its NDPBs, including the DETI Corporate Risk Register;
- (k) Reports summarising key issues arising from six monthly assurance statements;
- (l) Reports on issues arising in relation to the operation of the Non-Domestic Renewable Heat Incentive Scheme;
- (m) NIAO's Reports to those Charged with Governance for 2014-15;
- (n) Verbal reports from the NIAO representatives summarising work done on value for money audit and financial audit and emerging findings;
- (o) Information Security;
- (p) The findings of the annual test drilling exercise on economic appraisals and post project evaluations;
- (q) Reports on Direct Award Contracts issued; and
- (r) Reports on the Presbyterian Mutual Society.

12. A number of other issues were also considered by the Committee, including:

- (a) The draft Resource Accounts for 2014-15;
- (b) Accounting Policies;
- (c) NIAO's strategy for the audit of the 2015-16 Resource Accounts;
- (d) Draft Governance Statements for 2014-15 and 2015-16;

- (e) The Departmental Audit Committee's Annual Report to the Departmental Board for 2014-15;
- (f) The Departmental Audit Committee's review of its effectiveness;
- (g) The departmental restructuring project leading to the creation of the Department for the Economy;
- (h) An Internal Audit strategy for audits of EU systems;
- (i) A revised approach to the follow up by Internal Audit of the implementation of its recommendations;
- (j) An indicative 2016-17 Internal Audit Plan for the Department for the Economy;
- (k) Budgetary pressures facing the Department;
- (l) Updated guidance on the acceptance and provision of gifts and hospitality;
- (m) New best practice guidance issued, which included a presentation by NIAO on a good practice guide it has produced on the identification and management of conflicts of interest;
- (n) The National Fraud Initiative; and
- (o) Theft / Fraud Notifications including progress on investigations.

13. *The Departmental Audit Committee has carefully considered the various sources of assurance outlined in paragraph 11 above, and is content that despite the issues which have arisen in relation to the operation of the Non-Domestic Renewable Heat Incentive Scheme, they adequately meet the assurance needs of the Accounting Officer and the Departmental Board in relation to their decision taking and accountability obligations.*

#### Overall Management of Risk

14. The Departmental Board and the Departmental Audit Committee regularly review the Department's Corporate Risk Register, and significant Divisional and NDPB risks. The Departmental Board also considers the degree of risk it is prepared to accept for the Department's Corporate

Risks (its risk appetite). During the year the report on risk management provided to the Departmental Audit Committee was amended at the Committee's request to give greater focus to the process for reviewing risk rather than the management of risk, which is the responsibility of the Departmental Board.

15. *Notwithstanding the issues which have arisen in relation to the operation of the Non-Domestic Renewable Heat Incentive Scheme, the Committee is content that appropriate consideration is being given to risk management and takes assurance from the steps management is taking to mitigate and manage risks. As an example of good practice, the Committee would highlight the attention that was given to the risk relating to the disqualification of directors, the management and mitigation of which was regularly scrutinised by the Departmental Board and the Departmental Audit Committee.*

#### Financial Reporting

16. At its 24 June 2015 meeting the Departmental Audit Committee recommended that the 2014-15 resource accounts be signed by the Accounting Officer. The accounts received an unqualified audit opinion from the Comptroller and Auditor General.

#### Audit Arrangements

17. This section provides the Departmental Audit Committee's opinion on the quality of internal and external audit arrangements.

18. During the year, the Departmental Audit Committee considered a range of issues related to the work of Internal Audit Service. The Committee received regular reports from the Head of Internal Audit summarising progress made against plans, including a mid year review, and providing details of reports with limited opinions. The Committee also considered annual assurance reports produced by internal audit.

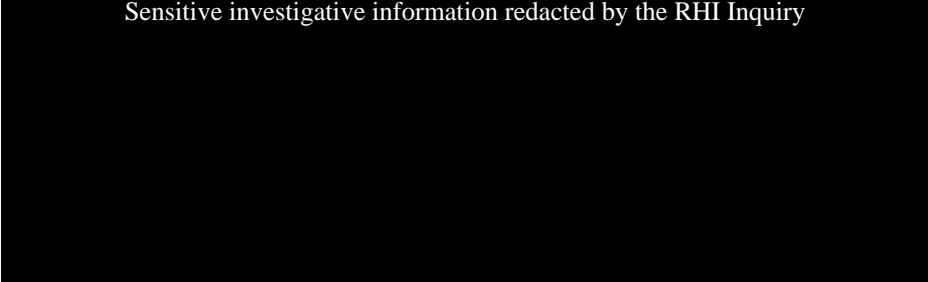


19. In addition, the Departmental Audit Committee considered the internal audit plan for 2015-16 and was provided with updates on actions taken in response to Internal and External Quality Assessments on internal audit.
20. The Committee has also had the opportunity to comment on External Audit strategies and Reports to Those Charged with Governance and is kept appraised of the results of external audit reviews. Members of the Committee met with the NIAO Director with responsibility for financial audit prior to its meeting on 24 June 2015.
21. *The Committee is satisfied with the internal and the external audit arrangements currently in place.*

#### Issues for Governance Statement

22. The Departmental Audit Committee considers that the Department has established robust systems for risk management, corporate governance and internal control and that sound processes are in place for ensuring regularity and propriety of expenditure.
23. Based on its work during 2015-16, the Committee considers that consideration should be given to including references to the following specific issues in the Governance Statement:
- a) The issues which have arisen in relation to the operation of the Non-Domestic Renewable Heat Incentive Scheme;
  - b) The Public Accounts Committee Report on the Bytel project and the response in the form of a Memorandum of Reply;
  - c) The Public Accounts Committee evidence session on the Northern Ireland Events Company, at which Departmental officials provided evidence on the company inspection process; and

d) Sensitive investigative information redacted by the RHI Inquiry



24. At present, there is no indication that there are any other significant issues which merit inclusion in the Governance Statement. The Governance Statement will, however, be amended in the event that a significant internal control issue emerges before the resource accounts are signed.

### **Conclusion**

25. *The Departmental Audit Committee would like to thank Departmental officials and the Northern Ireland Audit Office (NIAO) for their openness and level of engagement during the year.*

26. *Papers presented to the Departmental Audit Committee continue to be of a consistently high standard and presenters knowledgeable, open and willing to debate points and issues at meetings of the Committee.*

27. *The Departmental Audit Committee was disappointed with the issues that have arisen in relation to the operation of the Non-Domestic Renewable Heat Incentive Scheme. The Committee has received regular reports and presentations from Energy Division outlining the situation and detailing remedial action taken and planned including a review by Internal Audit Service. The Committee understands that DETI's 2015-16 Resource Accounts will be qualified by NIAO in respect of irregular expenditure incurred for a period in which DFP approval was not in place and that NIAO is preparing a report on the operation of the Scheme. The Committee will consider what lessons are to be learned from the outcome of the various reviews being undertaken on the Scheme.*

28. *Departmental Audit Committee members note the difficult task faced by the Department in delivering an increasingly complex agenda against a background of structural change and in a climate which is challenging both in financial terms and in terms of reduced staff numbers following the implementation of the Voluntary Exit Scheme. The Committee recognises that it is neither possible nor desirable to completely eliminate risk and, despite the issues that have arisen in relation to the operation of the Non-Domestic Renewable Heat Incentive Scheme, believes that officials are managing risk in a professional and considered way.*
29. *The Committee reiterates its opinion, expressed at paragraph 13 above, that the various sources of assurance it receives adequately meet the needs of the Accounting Officer and the Departmental Board in relation to their decision taking and accountability obligations.*
30. *The Committee is aware that the Department continues to face future challenges in the form of financial constraints and the outworking of departmental restructuring post May 2016. In the face of these challenges the Committee would encourage the Department for the Economy to maintain a focus on effective financial control and good corporate governance.*

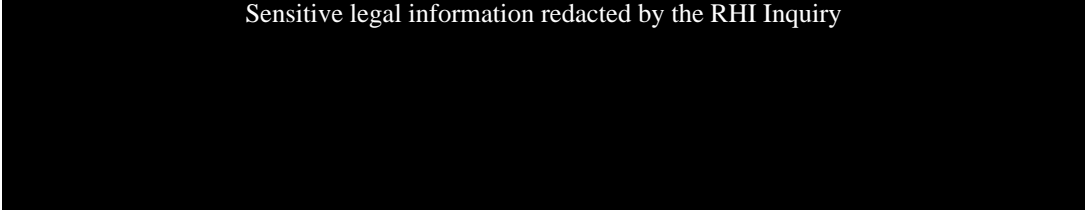
**DEPARTMENTAL AUDIT COMMITTEE****TITLE: DRAFT GOVERNANCE STATEMENT 2015-16**

**Paper presented by: Terry Coyne**

**KEY ISSUES**

- A first draft of the Governance Statement for the 2015-16 Resource Accounts was considered by the Departmental Audit Committee at its previous meeting on 2 March.

**Content**

- Those sections of the Governance Statement which relate to the work of the Departmental Board and the Departmental Audit Committee over the course of the 2015-16 year have been reviewed and updated and capture the totality of work undertaken. Paragraphs 21 and 22, which deal with the DAC Chairman's annual report to the Departmental Board have also been updated.
- In relation to the section on risk management (paragraphs 31 to 35), reference has been made to the DfE project risk at paragraph 34, and to the risks around the Domestic and Non-Domestic Renewable Heat Incentive Schemes at paragraph 35.
- Paragraph 38 has been updated to reflect the annual Information Security Survey which was undertaken and completed in March this year.
- The Internal Audit section (paragraphs 40 to 42) refers to the provision of an overall satisfactory annual IAS opinion.
- Paragraph 43 relates to compliance with the Corporate Governance Code. Reference has been made in this paragraph to the development of a governance framework for DfE. Work is continuing to finalise DfE's corporate governance arrangements.
- Paragraphs 47 and 48 relate to PAC issues. Reference is made to Bytel and to the Northern Ireland Events Company. In relation to the latter, the Governance Statement will be updated to reflect the laying of the Memorandum of Reply in the Assembly (if it is laid before the accounts are signed off).
-  Sensitive legal information redacted by the RHI Inquiry

- Reference is made to the Domestic and Non-Domestic Renewable Heat Incentive Schemes at paragraphs 50 and 51. Provision is made, at paragraph 52, for the inclusion of emphases of matter points raised in the C&AG's audit certificate.
- The draft Governance Statement concludes with the Accounting Officer's statement in relation to his overall assessment of the system of internal control.

### **Next Steps**

The Governance Statement will be further refined where appropriate in light of comments made by the Departmental Board and Departmental Audit Committee, and any other issues that may emerge before the accounts are finalised.

### **ACTION REQUIRED**

Departmental Audit Committee to consider the form and content of the draft Governance Statement and provide comments as appropriate.

### **TIMESCALE**

Governance Statement to be finalised in line with the timetable for preparation of the 2015-16 Resource Accounts.

**Draft @ 18 May 2016**

## **GOVERNANCE STATEMENT 2015-16**

### **Introduction**

1. This Governance Statement reflects the Department of Enterprise, Trade and Investment's governance, risk management and internal control arrangements as they have operated during the 2015-16 financial year. It also provides details of future actions planned by the Department to mitigate risks and to address any internal control weaknesses that have been identified.

### **The DETI Governance Framework**

2. Corporate Governance refers to the way in which organisations are directed and controlled. DETI's governance framework, which ensures the effectiveness of the direction and control of the Department, is set out in the following paragraphs.

### **Individual Responsibilities**

#### *The DETI Minister*

3. The DETI Minister leads the Department and is responsible and accountable to the Northern Ireland Assembly for the policies, programmes and actions of the Department.

#### *The Accounting Officer*

4. The Permanent Secretary is the principal Accounting Officer for the Department and may be called to account in the Northern Ireland Assembly for the stewardship of the resources under the Department's control. As Accounting Officer, the Permanent Secretary is personally responsible for ensuring that the Department, and any subsidiary to it or organisation sponsored by it, operates effectively and to a high standard of probity.

## Organisation and Structures

5. The five key organisational structures which support the delivery of corporate governance in the Department are the:
- Departmental Board;
  - Departmental Audit Committee;
  - Casework Committee;
  - Senior Management Team; and
  - Quarterly Oversight and Liaison meetings with arm's length bodies.

### *The Departmental Board*

6. The Departmental Board manages the Department within the strategic framework set by the Minister. It supports the Permanent Secretary by providing collective leadership and taking ownership of the Department's performance. The Board operates within the guidelines set out in the April 2013 DFP publication "Corporate governance in Central Government Departments: Code of Good Practice NI 2013".
7. The Board is chaired by the Permanent Secretary of the Department. The Deputy Secretaries for Policy Group and Management Services Group are members, as are the Heads of Division with responsibility for Human Resources and Finance. There are also two Independent Board Members (IBMs), David Beck and Claire Hughes.
8. The Board operates as a collegiate forum under the leadership of the Permanent Secretary to manage the running of the Department. It is not involved in policy making, as policy is determined by the Minister. The Board does, however, discuss policy in the context of setting and directing the strategic planning that ensures delivery of Ministerial policy decisions and the operational management of the implementation of those decisions. The Board operates in an advisory and consultative capacity, offering guidance when sought. Day-to-day operational matters are the responsibility of the Deputy Secretaries and Heads of Division.

9. The objective of the Board is to provide collective leadership in the Department and to:
- (i) oversee the delivery of the Department's agreed strategic aims and objectives;
  - (ii) ensure sound financial management is in place and oversee the strategic allocation and monitoring of finance and human resources to achieve strategic objectives;
  - (iii) monitor the Department's performance against its objectives;
  - (iv) set the Department's standards and values;
  - (v) maintain a transparent system of prudent and effective controls (including internal controls);
  - (vi) assess and manage risk; and
  - (vii) lead and oversee organisational development, encouraging innovation and, where appropriate enterprise, to enhance the Department's capacity to discharge its functions efficiently and effectively.
10. In order to achieve these objectives, a formal schedule of matters for consideration by the Board is maintained.

*Corporate and Business Planning*

11. Within the policy and resources framework set by the Minister and the Executive, the Departmental Board sets the strategic and annual direction of the Department through the corporate and business planning process. A Corporate Plan, which aligns with the Executive's Programme for Government and Budget, is normally prepared every three years. More detailed Business Plans are prepared on an annual basis. The detailed stages of the corporate and business planning processes are built into the Departmental Board work programme.



Secretariat

12. The Board is supported by a secretariat, located within Central Management Branch, which is responsible for maintenance of a register of interests. An agenda and papers are circulated one week in advance of each meeting and a record of meetings is circulated to Board members and posted on the Department's web site once approved at the subsequent board meeting. Central Management Branch also provides new Board members with an induction pack and programme.

Board Performance and Effectiveness

13. During the 2015-16 year, the Departmental Board met a total of 10 times. Details of the attendance of board members during the year was as follows:

| <b>Board Member</b> | <b>Number of Meetings Attended</b> | <b>Out of a Possible</b> |
|---------------------|------------------------------------|--------------------------|
| Andrew McCormick    | 9                                  | 10                       |
| Eugene Rooney       | 10                                 | 10                       |
| Chris Stewart       | 9                                  | 10                       |
| Trevor Cooper       | 9                                  | 10                       |
| Wendy Johnston      | 9                                  | 10                       |
| David Beck          | 10                                 | 10                       |
| Claire Hughes       | 9                                  | 10                       |

14. During the 2015-16 year, issues considered by the board included:

- (i) Departmental Restructuring;

- (ii) the draft DETI Business Plan for 2015-16 and draft Operating Plans for non departmental public bodies;
- (iii) the Department's annual Budget submission and issues arising therefrom;
- (iv) management accounting information relating to the actual use of financial resources as well as periodic in-year forecasts of the expected outturn against financial budgets of resource and capital expenditure and of income;
- (v) Reports detailing progress on casework requiring DFP and/or Ministerial approval;
- (vi) human resource issues, including staff engagement, managing attendance and the voluntary exit scheme;
- (vii) human resource management systems and processes (insofar as those are not prescribed at NICS level);
- (viii) legislative priorities (subject to ministerial determination);
- (ix) progress in relation to business plan outputs and outcomes (performance targets);
- (x) issues arising in relation to the operation of the Non-Domestic Renewable Heat Incentive Scheme;
- (xi) six monthly Assurance Statements;
- (xii) the identification and management of risk incorporating a programme of presentations by risk owners;
- (xiii) feedback from Departmental Audit Committee meetings;
- (xiv) feedback from Oversight and Liaison meetings;
- (xv) information security;
- (xvi) Freedom of Information;
- (xvii) overview of assurance work undertaken by Internal Audit Service;
- (xviii) the Governance Statement 2014-15;
- (xix) Direct Award Contracts; and
- (xx) Work to promote diversity in the Department.

15. The Departmental Board reviewed its effectiveness during the year. The Board is content with its performance and the role it plays in the effective governance of the Department including monitoring progress of the actions set out in Corporate and Operating Plans.

*The Departmental Audit Committee*

16. The Departmental Board is supported in its role by the Departmental Audit Committee. The Committee is chaired by David Beck who attended the five meetings held in 2015-16. The other members of the Committee are Claire Hughes and Anthony Harbinson, both of whom are independent of the executive structure of the Department. Claire Hughes attended all of the five meetings held in 2015-16 while Anthony Harbinson attended three of the five meetings. Bill McGinnis was a member of the Committee until his term of office expired on 30 June 2016. He attended the two meetings held during the period 1 April 2015 to 30 June 2015.

17. The role of the Departmental Audit Committee is to support the Departmental Board and the Accounting Officer by advising on:

- (i) The strategic processes for risk, control and governance and the Governance Statement;
- (ii) The accounting policies, the accounts, and the annual report of the organisation, including the processes for review of the accounts prior to submission for audit, levels of error identified, and management's letter of representation to the external auditors;
- (iii) The planned activity and results of both internal and external audit;
- (iv) Adequacy of management response to issues identified by audit activity, including external audit's Report to those Charged with Governance;
- (v) Assurances relating to the corporate governance requirements for the organisation; and
- (vi) Anti fraud policies, whistle blowing processes, and arrangements for special investigations.

18. Each NDPB and cross border body provides the Departmental Audit Committee with a paper in advance of each meeting setting out corporate governance and accountability issues in their organisations.
19. The Departmental Audit Committee also periodically reviews its own effectiveness and reports the results of that review to the Board.

Departmental Audit Committee Reports

20. Following each meeting of the Departmental Audit Committee, the Departmental Board is provided with the draft minutes of the meeting supplemented by a verbal report and a written synopsis from the Departmental Audit Committee Chairman.
21. The Chairman of the Departmental Audit Committee also provides an annual report to the Departmental Board which summarises the Committee's work for the year. The 2015-16 report included:
- (i) Details of meetings and provision of minutes and reports to the Departmental Board;
  - (ii) Details of membership and attendance;
  - (iii) Confirmation that a review of the effectiveness of the Committee had been undertaken during the 2015-16 year which had led to a small number of recommendations being made;
  - (iv) A summary of work undertaken during the 2015-16 year;
  - (v) The Committee's views on the quality of assurances it considered during the year;
  - (vi) The Committee's views on risk management;
  - (vii) The Committee's opinion on the quality of internal and external audit arrangements;
  - (viii) The Committee's views on the issues which merit inclusion in the Governance Statement; and

(ix) The Committee's overall conclusion.

22. The Committee was content with the quality of assurances it received, the management of risk and the quality of internal and external audit.

### **Other Organisational Structures**

23. Other organisational structures that contribute to sound corporate governance in the Department are the Casework Committee, the Senior Management Team and the Quarterly Oversight and Liaison Meetings with Arm's Length Bodies. None of these is a sub-committee of the Departmental Board.

#### ***Casework Committee***

24. The DETI Casework Committee meets as required to consider and approve DETI projects involving expenditure above £500,000. All members of the Departmental Board and DETI Senior Management Team are eligible to participate on the Casework Committee. However, the Head of a Division from which an expenditure proposal emanates is debarred from sitting on the Casework Committee which considers the proposed expenditure.

25. The Casework Committee is chaired by an officer of at least Deputy Secretary level, and requires a minimum of three members to be quorate.

26. Casework Committees are also in place to consider significant expenditure proposals emanating from Invest NI and Tourism NI and the Departmental Board receives regular updates on the progress of Casework across the Department.

#### ***Senior Management Team***

27. Senior Management Team meets regularly to discuss ongoing operational issues, including forthcoming Executive and Assembly business. It is chaired by the Permanent Secretary and membership comprises the Deputy Secretaries responsible for Policy Group and Management Services Group, and Heads of Divisions and Grade 6 Heads of Business Units.

The Head of Central Management Branch, the Principal Information Officer and the Minister's Private Secretary are also in attendance.

*Quarterly Oversight and Liaison Meetings with Arms Length Bodies*

28. The Department sponsors four Non Departmental Public Bodies: Invest NI; Tourism NI; the Consumer Council for Northern Ireland and the Health and Safety Executive for Northern Ireland. Oversight and Liaison meetings with Non Departmental Public Bodies, which Independent Board Members may attend as observers, are normally held on a quarterly basis. The agendas for these meetings contain standing items which include performance monitoring, budgetary and finance matters, risk management and corporate governance. The minutes of Oversight and Liaison meetings are brought to the Departmental Board as "take note" items unless specific issues arise which require Board intervention. If such issues arise they are tabled as a separate agenda item.
29. The Department sponsors two cross border bodies: InterTradeIreland and Tourism Ireland Limited. Quarterly meetings also take place with these bodies. The issues covered by the agendas for these meetings are similar to the issues covered in the NDPB Oversight and Liaison meetings.
30. In addition, Departmental representatives attend the audit committees of NDPBs and cross border bodies.

**Risk Management**

31. The Department's approach is to assign risks to those best placed to manage them, whilst maintaining clear accountability. The Department manages risk at Corporate and Divisional levels.
32. Corporate Risks are managed collectively by the Departmental Board. The Corporate Risk Register is reviewed by the Departmental Board at each meeting along with significant Corporate Risks emanating from NPDBs. On a quarterly basis, the Departmental Board receives a report detailing Divisional Risks which are assessed as having a high or medium impact and a high likelihood of occurrence. The Departmental

Board considers the degree of risk it is prepared to accept for the Department's Corporate Risks (its risk appetite).

33. Corporate risks being managed at 31 March 2016 related to:

- The delivery of commitments contained in the Programme for Government, the Corporate Plan and the Operating Plan;
- The formulation of appropriate strategies and policies for economic development in Northern Ireland;
- Corporate Governance;
- Financial Management;
- The management of financial assistance provided in connection with the administration of the Presbyterian Mutual Society;
- Information Management;
- Implementation of legislation, including EU Directives;
- The disqualification of company directors; and
- The departmental restructuring project.

34. Action is being taken to mitigate the above risks. During the 2015-16 year a new risk was added to the Corporate Risk Register in recognition of the possibility that the new Department for the Economy might not function effectively from the date of its creation in May 2016, as a consequence of insufficient consideration having been given to structures and workflows in advance of its creation. A number of actions were taken to mitigate the risk including the appointment of a Senior Responsible Officer to manage the transition, the establishment of a Project Board supported by a full time project manager and project management team, the establishment of workstreams to take forward specific areas of work, and ongoing staff and stakeholder engagement. An Advisory Group met regularly to provide advice and constructive challenge and a health check was carried out using the "Gateway" process to confirm that the project remained on track.

35. During the 2015-16 year, the Departmental Board considered risks around the Domestic and Non-Domestic Renewable Heat Incentive (RHI) Schemes. A sharp increase in applications for the Non-Domestic scheme during the year resulted in future budgetary pressures. Both Schemes were subsequently closed to new applicants from 29 February 2016. The Department is carrying out a comprehensive review and audit to ensure that the operation of the schemes was in compliance with the scheme requirements and the underpinning legislation. A whistleblowing allegation relating to the Non-Domestic RHI Scheme is also being followed up.

### **Six Monthly Assurance Statements**

36. Each Deputy Secretary and NDPB Chief Executive is required to provide six monthly Assurance Statements to the Permanent Secretary as Departmental Accounting Officer. These six monthly statements confirm the efficacy of the systems of internal control in their areas of responsibility and, where appropriate, draw the attention of the Permanent Secretary to any significant internal control issues.

### **Data Security**

37. The Department is preparing the Departmental Security Health Check (formerly the Security Risk Management Overview (SRMO)). This is an exercise which reports to the Head of the NICS and includes a single return for DETI and all its NDPBs. The report contains an independent assurance statement from the Head of Internal Audit and will be endorsed by the Permanent Secretary as Accounting Officer.

38. The DETI Information Security Policy compendium is updated and disseminated during the year. The Department carried out its annual Information Security Survey in March 2016. The format changed this year and the exercise centred on evidence and assurances from the departments Information Asset Owners (Grade 7's). This provides a further assurance to the Accounting Officer that information is being securely handled and effectively managed across all business areas. Information Security continues to be a regular item at Departmental Board meetings and Heads of Branches are required to review information security compliance in their six monthly internal assurance statement checklists.



## **Business Continuity Management**

39. The Department has in place a Business Continuity Management (BCM) process, whereby each Branch and Departmental building has its own dedicated and managed Business Continuity Plan (BCP). Plans are updated, reviewed and tested on a regular basis. All branch and building BCPs are monitored and reported on at four monthly cross-divisional Plan Holder Committee meetings. This Group met 3 times in 2015-16. A similar committee operates covering the DETI buildings outside of Netherleigh, as well as the Department's Arms Length Bodies (this committee also met 3 times a year). The BCM process is subject to annual review by Internal Audit Service.

## **Internal Audit**

40. The Department has an Internal Audit Service, which operates to HM Treasury's Public Sector Internal Audit Standards. An Internal Audit Strategy was previously in place for the 2011/12 – 2014/15 period from which the annual audit plans were derived. However, it was agreed with senior management that a one year risk based plan for 2015-16 should be developed as an interim measure due to a number of internal and external factors currently relevant to DETI.

41. The Internal Audit plan for 2015-16 was endorsed by the Departmental Audit Committee. The plan was regularly updated to reflect the changing priorities of management, changing circumstances and emerging issues. Any changes to the original plan were endorsed by the Departmental Audit Committee.

42. Internal Audit Service submits regular reports which include the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the Department's system of internal control together with recommendations for improvement. Internal Audit Service has provided an overall satisfactory opinion with regard to the adequacy of the Department's risk management, control and governance processes for the 2015-16 year.

### **Compliance with the Corporate Governance Code**

43. The Departmental Board has carried out an assessment of its compliance with the April 2013 DFP publication “Corporate governance in Central Government Departments: Code of Good Practice NI 2013”. The Departmental Board is content that it is compliant with both the spirit and the principles of the Code. The Board had agreed during the 2014-15 year that the framework within which it operates should be reviewed during the 2015-16 year. The framework has been reviewed in the context of the creation of the Department for the Economy (DfE) and a new framework for DfE was considered by the Restructuring Project Board at its meeting on 22 March 2016. Work is currently being undertaken to finalise corporate governance arrangements in DfE.

### **Quality of Data Used by the Departmental Board**

44. The Departmental Board uses information based on a number of data sources. In relation to performance targets, the Board draws assurance from the fact that a number of the data sources used are also utilised for the publication of Official Statistics or National Statistics. Data relating to financial information and absenteeism is derived from NICS wide systems such as Account NI and HR Connect. The Departmental Board takes assurance on the quality of this data from the internal controls in place in the Department and the scrutiny of the Account NI and HR Connect systems by DFP’s Internal Audit Service and the supply of information on absenteeism to departments by the Northern Ireland Statistics and Research Agency (NISRA).

45. During 2015-16, Internal Audit Service undertook an exercise to provide assurance to the Department that data relating to Invest NI’s performance reporting in 2014-15 was accurately stated and free from any errors or omission. Based on validation work undertaken on a sample of targets selected, Internal Audit Service is satisfied with the accuracy of performance data reported by Invest NI and a draft report is due to issue. It has been agreed with the Invest NI audit Committee that a review will be carried out in April 2016 to review the data underlying the 2015/2016 performance.

## Ministerial Directions

46. No Ministerial Directions were issued during the 2015-16 financial year.

## Public Accounts Committee Issues

47. On 18 March 2015, the Department provided evidence to the Assembly's Public Accounts Committee on an NIAO report "Cross-border broadband initiative: the Bytel project". The Public Accounts Committee's report, containing eight recommendations, was published on 1 July 2015. A Memorandum of Reply responding to the Committee's recommendations was laid before the Assembly on 2 October 2015. The Department is engaged on legal proceedings regarding clawback of grant funding which was provided to the project.

48. On 21 October 2015, the Department provided evidence to the Assembly's Public Accounts Committee on an NIAO report "The Northern Ireland Events Company". The Northern Ireland Events Company was a Non Departmental Public Body sponsored by the Department of Culture, Arts and Leisure. The Department's evidence related to its role in the appointment and oversight of Company Inspectors and subsequent action taken on foot of the Company Inspectors' report. The Committee published its report on 24 February 2016. Two recommendations were made relating specifically to the Department. A response, in the form of a Memorandum of Reply was laid before the Assembly on [DN: Insert Date if laid before the Resource Accounts are finalised]

## Other Governance Issues

49. Sensitive legal information redacted by the RHI Inquiry



50. The Non-Domestic Renewable Heat Incentive Scheme is a UK-wide scheme which is designed to promote heat generation from renewable heat sources through provision of support for applications coming forward which meet the criteria. During the period 1 April 2015 to 28 October 2015, the Scheme operated outside the terms of the approval which had been given by the Department of Personnel (DFP). DFP has declined to provide retrospective approval for new commitments incurred under the Scheme in this period, thereby rendering expenditure incurred under such commitments irregular. A sharp increase in applications during the year resulted in future budgetary pressures.
51. Both the Domestic and Non-Domestic RHI Schemes were subsequently closed to new applicants from 29 February 2016. The operation of the Schemes is currently being reviewed.
52. The Certificate and Report of the Comptroller and Auditor General contains X Emphases of Matter points in relation to Y.

**Conclusion**

53. DETI has a rigorous system of accountability on which I rely, as Permanent Secretary and Accounting Officer, to form an opinion on the probity and use of public funds, as detailed in Managing Public Money Northern Ireland.
54. Having considered the accountability framework within the Department and between the Department and its arm's length bodies, and in conjunction with assurances given to me by the Departmental Audit Committee, I am content that [with the exception of the issue referred to at paragraph 50] the Department has operated a sound system of internal governance during the period 2015-16.

**ANDREW McCORMICK****Accounting Officer****June 2016**

**DAC Agenda Item 18****DEPARTMENTAL AUDIT COMMITTEE: 25<sup>th</sup> May 2016****TITLE OF PAPER: FRAUD NOTIFICATIONS SCHEDULE****Paper presented by: Michael Woods****KEY ISSUES**

- The attached report provides a summary of all fraud notifications received by DETI Internal Audit.
- As previously reported, Internal Audit has carried out a review of all fraud notifications on the Schedule and has identified 18 notifications which can now be removed on the basis that appropriate follow up action has been taken and no further action is required. These are highlighted on the attached schedule. Since the last Audit Committee, 2 additional fraud notifications have been added to the Schedule.
- Internal Audit will continue to provide the Departmental Audit Committee with regular progress updates on all fraud notifications where further action is still required prior to being removed from the Schedule.
- Internal Audit is currently reviewing the schedule and it is intended that all fraud notifications which have been closed for 3 months or more i.e. where no further action is considered necessary, will be removed from the Schedule, subject to Departmental Accounting Officer approval. DFP/NIAO will be updated as necessary.

**DECISION REQUIRED**

- None.

**ACTION REQUIRED**

- Departmental Audit Committee to note the current position of all fraud notifications listed on the Schedule and those identified for closure subject to obtaining approval as outlined above.

**TIMESCALE**

- N/A

Fraud notifications schedule

|                | IAS ref                | Date of incident | Business area | Nature of incident   | Actual/suspected/attempted | Date reported to IAS | DFP template completed? | Date DFP notified | Date C&AG notified | First reported to Departmental Audit Committee | Current Position / Recommended Action   |
|----------------|------------------------|------------------|---------------|--|----------------------------|----------------------|-------------------------|-------------------|--------------------|--|---|
| <b>2012/13</b> |                        |                  |               |  |                            |                      |                         |                   |                    |  |   |
|                | 2012/13 - DETI 01      | Unknown          | Energy        | Claims under the RHPP require a building control certificate or a letter from the building control officer. We have received 3 claims with letters purporting to come from building control officers but we have established that the letters are not authentic. The claims relate to three different applicants but they all have used the same installer.  | Attempted (suspected)      | 30.01.2013           | Yes                     | 06.02.2013        | 06.02.2013         | 13.03.2013                                     | Updated notification issued to DFP/C&AG 2 April 2014. PPS reached a no prosecution decision. 100% desk vouch of all paperwork continues as standard practice. Internal Audit is satisfied that appropriate follow up action has been taken and therefore recommends that this incident is closed and removed from the register.   |
| <b>2013/14</b> |                        |                  |               |  |                            |                      |                         |                   |                    |  |   |
|                | 2013/14 - DETI 01      | Unknown          | Energy        | Renewable Heat Branch under the Micro generation Certification Scheme (MCS). During two routine site visits to inspect an installation of ground source heat pumps (GSHP) it was discovered that the model number of the units installed differed to the model number of the units agreed in the letters of offer (MCS products). The alternative units did not hold MCS accreditation. It should be noted however that the units were from the same manufacturer and were substantially similar. Both inspections had the same installer and records showed that the installer had installed a further 8 GSHP units and 1 air source heat pump (ASHP). We now know that these installations were also unregistered units. | Attempted (suspected)      | 06.11.2013           | Yes                     | 23.12.2013        | 23.12.2013         | 05.03.2014                                     | Updated notification issued to DFP/C&AG 2 April 2014. The GSHP has now been MCS accredited and DETI is content to consider the product as eligible. The ASHP has not been accredited to date and DETI has written to the householder advising that repayment may be sought (£1,700). 100% site visits for the installer will continue for a period of 6 months when the position will be reviewed.<br><br>Internal Audit is satisfied that appropriate follow up action has been taken and therefore recommends that this incident is closed and removed from the register.   |
|                | 2013/14 - DETI 02      | 26.09.2013       | Insolvency    | A short fall in deposit of £100 was identified when the lodgement was being prepared.  | Suspected                  | 08.10.2013           | Yes                     | 07.01.2014        | 07.01.2014         | 05.03.2014                                     | Revised and updated controls were put in place and tested by Internal Audit. A further review of cash handling procedures was carried out in response to a further cash handling incident identified during 2014/15 (2014/14- DETI 02) refers. Internal Audit has made 8 recommendations to improve the system of control. A follow up review has been scheduled to be carried out in 2015/16.<br><br>Internal Audit is satisfied that appropriate follow up has been action taken and therefore recommends that this incident is closed and removed from the register.   |
|                | 2013/14 - Invest NI 01 | 25.07.2013       | Invest NI     | Claim received from client company for the recovery of costs related to a trade visit to South Africa in February 2013. Subsequent requests for additional documentary evidence in support of the claim were unsuccessful.   | Attempted                  | 19.07.2013           | Yes                     | 25.07.2013        | 25.07.2013         | 02.10.2013                                     | Updated notification issued to DFP/C&AG 19 December 2013. The suspected attempted fraud related to a claim for trade visit costs. The case was referred to the PSNI who were unable to find sufficient evidence to recommend prosecution. Currently, services with the client are suspended until the client re-engages. On re-engagement, the client will be treated as high risk. An update status was recently sought from Invest NI on 27th April 2016 and we have been advised that to date there has been no further engagement with the company and the client executive doesn't anticipate any at this stage.<br><br>Internal Audit is satisfied that appropriate follow up action has been taken and therefore recommends that this incident is closed and removed from the register.  |
| <b>2014/15</b> |                        |                  |               |  |                            |                      |                         |                   |                    |  |   |
|                | 2014/15 - DETI 01      |                  | CCNI          | On 17 April 2014 the Consumer Council payroll was being scheduled for payment through the bank. Payments are set up by a member of the finance team and then authorisation to pay is provided using username etc. by two of the list of approved authorisers. During the set up of the payroll payment the finance team was requested (on-line) to authorise their user access. The reason stated for this was that their details were not recognised. The authorisation was provided (on-line) by another user on the account. Subsequently, the finance team member noticed a supplier payment of £37,450.59 had been set up with a first authorisation to pay (awaiting second authorisation).                          | Attempted                  | 01.05.2014           | Yes                     | 02.05.2014        | 02.05.2014         | 28.05.2014                                     | A paper was presented to the CCNI Audit and Risk Committee in April 2014 outlining the actions that had been taken to address the incident. In addition to notifying the PSNI, the following IT actions were taken:<br><br><ul style="list-style-type: none"> <li>• Full anti-virus network scan to ensure the incident was isolated;</li> <li>• Firewall filtering setting increased across the Consumer Council network;</li> <li>• Increased email content filtering;</li> <li>• Full anti-virus scans increased from weekly to daily;</li> <li>• Anti-virus scan level increased; and</li> <li>• Infected computer removed from the network.</li> </ul> Consumer Council also engaged with Danske Bank and the following the actions were identified:<br><br><ul style="list-style-type: none"> <li>• All bank passwords changed;</li> <li>• All Consumer Council authorised users issued with a reminder regarding the importance of on-line banking security protocols;</li> <li>• PSNI notified (crime reference number: 7 May 2014 777);</li> <li>• Weekly payment limits reviewed; and</li> <li>• The Consumer Council's Fraud Policy will be reviewed in light of the attempted fraud.</li> </ul> Internal Audit is satisfied that appropriate follow up action has been taken and therefore recommends that this incident is closed and removed from the register. |

|                        |                           |                          |   |                       |            |     |            |            |            |  |
|------------------------|---------------------------|--------------------------|---|-----------------------|------------|-----|------------|------------|------------|--|
| 2014/15 - Invest NI 01 | 04-Nov-14                 | Invest NI                | Client's accountant raised concerns they had regarding the validity and accuracy of bank account screenshots provided to them in support of a claim for Invest NI Grant for R&D support. Based on an admission by the client that they had falsified the screenshot to show an initial investment in their company of £40,000, further inspection of duplicate bank statements provided by the client's bank highlighted income and outgoings discrepancies between the screenshots and statements.   | (suspected) attempted | 18.11.14   | Yes | 19.11.14   | 19.11.14   | 25.11.14   | Invest NI have advised that their most recent correspondence with the PSNI on 26th March 2016 indicated that the money had not yet been repaid and have a status update is to be requested. A clawback invoice was also issued in August 2015 and the client executive continues to push the company for repayment.  |
| 2014/15 - DETI 02      | 28-Oct-13                 | Insolvency               | On 28 October 13 there was a £40 discrepancy between our lodgement amount and the amount the Bank of Ireland credited to the account. On 27 March 14 a member of staff made up the £40 difference out of personal monies and lodged it to the BOI account.  | Other - Human Error   | 28.11.2014 | Yes | 04.02.2015 | 04.02.2015 | 04.03.2015 | Internal Audit carried out an investigation and made 8 recommendations to improve the system of control. A follow up review has been scheduled to be carried out in 2015/16.<br>Internal Audit is satisfied that appropriate follow up action has been taken and therefore recommends that this incident is closed and removed from the register.  |
| 2014/15 - NITB 01      | 07-Jan-15                 | NITB - Dublin Office     | Theft of Cash (€138) / Mobile phone (worth approx £400) and stamps (nominal value) from Dublin Office.  | Actual                | 28.11.2014 | Yes | 22.01.2015 | 22.01.2015 | 04.03.2015 | Dublin Office reported incident to Garda. Tourism NI are also currently seeking to relocate their East Point Office to a more populated and secure location within the East Point Estate. An investigation has been carried out by Tourism NI however, a number of queries remain outstanding and an update position will be provided to Internal Audit shortly.<br>Internal Audit has sought a position update from Tourism NI on 20.05.2016. |
| 2014/15 - DETI 03      | 26-Jan-15                 | Intertrade Ireland       | ITI received an email purporting to be from a colleague at ITI requesting a EURO payment of €13,650 to an account in London. When applying standard validation controls, it was established that the payment was not warranted.   | Attempted             | 26.01.2015 | Yes | 04.02.2015 | 04.02.2015 | 04.03.2015 | In summary:<br>1. There has been no loss of public funds<br>2. Our IT system security has not been breached<br>The incident was also reported to ActionFraud (UK National Fraud and Cybercrime Reporting Centre). (Ref NFRC150100911271)<br>Internal Audit is satisfied that appropriate follow up action has been taken and therefore recommends that this incident is closed and removed from the register.                                  |
| <b>2015/16</b>         |                           |                          |   |                       |            |     |            |            |            |  |
| 2015/16 - DETI 01      | 20-Apr-15                 | H&W PLC                  | Bank picked up on this as a result of two cheques having the same cheque number. They contacted H&W officials to ask if they had issued two cheques with the same number. It was confirmed that this would not be possible – each cheque is pre-numbered. The bank then sent through copies of the cheques and H&W was able to identify the fraudulent cheque immediately as H&W plc only uses handwritten cheques whereas the fraudulent cheque used printed text.   | Attempted             | 22.04.2015 | Yes | 08.05.2015 | 08.05.2015 | 01.06.2015 | The bank has now passed all the details on to their Fraud Unit. Additionally, the bank's Handling Services Department will be monitoring the cheque activity on this account. No actual loss occurred.<br>Internal Audit is satisfied that appropriate follow up action has been taken and therefore recommends that this incident is closed and removed from the register.  |
| 2015/16 - TNI 01       | 27-Mar-15                 | East Point Business Park | Staff discovered that the office had been burglarised on returning to work after the weekend. The office had been ransacked and high value items taken including 4 tablet devices and a plasma.   | Actual                | 27.04.2015 | Yes | 21.05.2015 | 21.05.2015 | 01.06.2015 | The Guards intend to bring a prosecution against the East Point Employee responsible. Tourism NI are also currently seeking to relocate their East Point Office to a more populated and secure location within the East Point Estate.<br>Internal Audit is satisfied that appropriate follow up action has been taken and therefore recommends that this incident is closed and removed from the register.                                     |
| 2015/16 - DETI 02      | 10.09.2015                | Tourism Ireland          | An email appearing to come from the CEO requesting a funds transfer was a fake sent from an email address almost identical to the CEO's and in the correct TI format  | Attempted             | 14.09.2015 | Yes | Yes        | Yes        | 29.09.2015 | Guarda has been notified and warning issued about this particular type of fraud circulated to all staff.<br>Internal Audit is satisfied that appropriate follow up action has been taken and therefore recommends that this incident is closed and removed from the register.  |
| 2015/16 - TNI 02       | 2010 - Exact date unknown | Tourism NI               | On discovering a case of suspected fraud through internal audit work, allegations were made by Belfast City Council to police alleging that an individual had manipulated invoices and presented them to Belfast City Council to receive monies from the Tourism Innovation Fund in 2009/2010.<br>The total amount of the grant offer under the Tourism Innovation Fund was £123,375.00<br>The total of grant payments released by TNI under the Tourism Innovation Fund in relation to this grant offer was £11,368.98<br>A police investigation is currently underway. TNI is | Suspected             | 11.09.2015 | Yes | 17.12.2015 | 17.12.2015 | 02.03.2016 | A police investigation is currently underway.<br>Internal Audit has sought a position update from Tourism NI on 20.05.2016.  |

|                        |            |                           |  |               |            |     |            |            |            |  |
|------------------------|------------|---------------------------|--|---------------|------------|-----|------------|------------|------------|--|
| 2015/16-TNI 03         | 22.09.2015 | Tourism NI - Finance Unit | Finance Manager received an email purporting to be from the Chief Executive requesting a wire transfer. Email was caught by the Tourism NI firewall and notified to the Finance Manager through the quarantined email notification.  | Attempted     | 05.10.2015 | Yes | 14.10.2015 | 14.10.2015 | 02.12.2015 | The incident has been reported to the PSNI and a staff communication has been issued to the organisation to raise awareness of such phishing attempts.<br><br>On this basis, Internal Audit is satisfied that appropriate follow up action has been taken and therefore recommends that this incident is closed and removed from the register.   |
| 2015/16 - DETI 03      | 14.10.2015 | Tourism Ireland           | An email appearing to come from the CEO requesting a funds transfer was a fake sent from an email address which had been made to look like his email address.  | Attempted     | 19.10.2015 | Yes | 23.10.2015 | 23.10.2015 | 02.12.2015 | Warning about this particular type of fraud recently circulated to all staff as last attempt 4 weeks ago. As the funds were to be transferred to a bank branch within the country, the bank was advised about the nature of the account at the branch.<br><br>Internal Audit is satisfied that appropriate follow up action has been taken and therefore recommends that this incident is closed and removed from the register.  |
| 2015/16 - DETI 04      | 18.11.2015 | Insolvency                | One of the Insolvency Service's (IS) Bankruptcy Examiners was contacted on Tuesday 17 November 2015 by an employee of an external insolvency practitioner (IP) firm making enquiries about a bankrupt who had been interviewed by IS on Monday 16 November. It was not clear how the IP employee could have known about the details of the case, or known who to approach directly about the case, without "inside" information. The IP could therefore have potentially been appointed as trustee and subsequently claimed case administration fees. The IP who was next on the IP rota would therefore have lost the opportunity to claim fees, a portion of which would represent profit.                               | Suspected     | 14.01.2015 | Yes | 21.01.2016 | 21.01.2016 | 02.03.2016 | Internal Audit completed an initial preliminary investigation and presented our findings to management who referred the case to the Group Head of Fraud and Investigatory Services. The Group Head advised that the matter should be dealt with as a conduct matter. Internal Audit subsequently investigated 2 more similar instances and passed on details of our findings to DHR.<br><br>Internal Audit is satisfied that appropriate follow up action has been taken and therefore recommends that this incident is closed and removed from the register.  |
| 2015/16 - DETI 05      | 28.01.2016 | Energy                    | An anonymous and undated note relating to the Renewable Heat Incentive Scheme administered on DETI's behalf by OFGEM was received stating that the scheme is being abused by applicants who are not working within the intended guidelines.  | Suspected     | 04.02.2016 | Yes | 05.02.2016 | 05.02.2016 | 02.03.2016 | OFGEM's Internal Auditors are currently investigating the issues raised.<br><br>DfE Internal Audit has issued a draft report on the Non-domestic RHI scheme to management on 19.05.2016 for consideration and review.  |
| 2015/16 - Invest NI 01 | 14.12.2015 | Carbon Trust              | A suspected fraud was identified during EDO routine procedures. A loan of total value of £10,666.67, of which £3,200 had been advanced as a deposit payment on receipt of a valid deposit invoice from the supplier for equipment. The EDO review identified discrepancies in the commissioning certificate and final invoice which were presented by the client in order to draw down the final 70% of the loan.  | Opportunistic | 18.12.2015 | Yes | 12.02.2016 | 12.02.2016 | 02.03.2016 | The Carbon Trust actively sought recovery of the advanced amount. The Carbon Trust has since confirmed that they have received full repayment of the amount that was suspected from the business and that there is no balances outstanding.<br><br>Internal Audit is satisfied that appropriate follow up action has been taken and therefore recommends that this incident is closed and removed from the register.   |
| 2015/16 - Invest NI 02 | 15.01.2016 | Invest NI                 | An Invest NI client company's (Merchant Hotel) former employee had written to Invest NI's CEO to allege that the company has falsified claims over the period from 2010 to FY 2014/15. The letter specified that named employees of the company forged the signatures of former employees on legal documents (specifically, training records) in order to increase the amount being claimed.<br><br>The letter further alleges that Invest NI staff involved in the claims process assisted in this activity by advising on how claims could be increased.<br><br>The letter also details the attempts of the whistleblower to report the activity to other company Directors whilst still in employment with the company. | Suspected     | 29.01.2016 | Yes | Yes        | 11.03.2016 | 25.05.2016 | 1. An initial review into the source and potential credibility of the allegations has concluded that: (i) the value of claims paid to the company in a number of the years in question are in line with the amounts stated in the letter; (ii) the individuals named in the letter have been involved in the claims process during the time period quoted; (iii) that training records signed by company employees have been supplied as supporting documentation during the claims process; and (iv) that the whistleblower (if the letter is taken at face value) appears to have held the position within the company that he claims to have held.<br><br>2. Internal Audit has been in contact with the whistle blower and is seeking to arrange a meeting on 27.05.2016 that will be attended by the DfE HIA.<br><br>3. Invest NI's Claims Team has carried out an expenditure review and a formal response is awaited. |
| 2016/17                |            |                           |  |               |            |     |            |            |            |  |



|  |                  |            |                    |   |           |            |     |     |            |            |   |
|--|------------------|------------|--------------------|---|-----------|------------|-----|-----|------------|------------|---|
|  | 2016/17 - DFE 01 | 15.04.2016 | Insolvency Service | On 15/04/16 I received an e-mail from the Insolvency Service's banking provider, Barclays, to state that they had picked up an attempted fraud on the Insolvency Account in relation to two cheques totaling £2,480.41. The cheques contained our correct account number but incorrect address for Barclays bank and incorrect signatory details. No loss was incurred by the Insolvency Service. | Attempted | 18.04.2016 | Yes | Yes | 19.05.2016 | 25.05.2016 | Insolvency Service has contacted senior management within the Insolvency Practitioner and are awaiting further information. The Group Head of Fraud and Investigatory Services has been notified and they are currently liaising with the PSNI. |
|--|------------------|------------|--------------------|---|-----------|------------|-----|-----|------------|------------|---|

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## MINUTES OF DEPARTMENTAL AUDIT COMMITTEE HELD ON 25 MAY 2016 AT CONFERENCE ROOM A, NETHERLEIGH

**Present:** David Beck (Chairman)  
 Claire Hughes (Audit Committee Member)  
 Anthony Harbinson (Audit Committee Member)

**In attendance:** Heather Cousins (DfE)  
 Stephen McMurray (DfE)  
 Michael Woods (DfE)  
 Frances MacBride (DfE)  
 Terry Coyne (DfE)  
 Pat Cunningham (DfE)  
 David Conliffe (DfE)  
 Tomas Wilkinson (NIAO)

**Apologies:** Dr Andrew McCormick (DfE)

**Minutes:** Lee-Anne Hutchinson (DfE)

### PRELIMINARY

1. The Chairman welcomed everyone to the meeting. He informed members and attendees that Andrew McCormick would be unable to attend as he was meeting the new Economy Minister, and that Anthony Harbinson would have to leave early to meet with the new Justice Minister. The Chairman also welcomed Heather Cousins and Stephen McMurray.

### POTENTIAL CONFLICTS OF INTEREST

2. Audit Committee members confirmed that there were no changes to the interests they had previously declared.

### APPROVAL OF MINUTES OF PREVIOUS MEETINGS

3. The minutes of the previous meeting on 2 March 2016 were approved and adopted.

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## **SUMMARY OF PROGRESS ON MATTERS RAISED BY THE COMMITTEE AT PREVIOUS MEETINGS**

4. The Schedule of Action Points arising from previous meetings of the Departmental Audit Committee was reviewed. The Committee noted that the majority of actions have now been finalised and can be removed from the Schedule. Terry Coyne updated the Committee on the position in relation to approval of InterTradelreland's 2016 Business Plan. The Business Plan has been approved by the Finance Minister in line with the legislative requirement. The final step in the process will be ratification of the plan by the North South Ministerial Council to ensure the regularity of expenditure funded by DfE. It is now anticipated that a meeting of the NSMC will be held in June and, in the interim period, the ROI sponsor department, the Department of Jobs, Enterprise and Innovation, has been funding InterTradelreland.

## **NON DOMESTIC RENEWABLE HEAT INCENTIVE (RHI) SCHEME**

5. The Chairman confirmed that the Audit Committee had a number of serious concerns regarding the operation of the Non-Domestic RHI Scheme. These centred on the establishment and management of the scheme and on the implications of the significant expenditure commitments that had been created. The Chairman confirmed that there had been a number of discussions with Andrew McCormick on the matter and that these had provided a degree of comfort with the Department's handling of the matter.
6. Stephen McMurray informed the Committee that NIAO had drafted a report for inclusion in the 2015-16 Resource Accounts which had identified the key issues that arose in the operation of the Scheme. Stephen confirmed that a Steering Group had been established, chaired by Andrew McCormick or, in his absence, by Heather Cousins. The Group will meet on a regular basis to oversee remedial action using project management methodology. The Chairman welcomed the Steering Group's establishment and asked that the Committee be provided with its draft Terms of Reference.
7. The Chairman noted that Audit Committee members had not yet been sighted on the draft NIAO report and suggested that members meet with officials on 6 June, outside the confines of the Audit Committee, to gain a deeper appreciation of the issues involved and future action planned. The Chairman asked for the NIAO report to be provided to members in advance of the planned discussion on 6 June.
8. In response to a question from the Chairman, Tomas Wilkinson confirmed that the agreed NIAO report would be published in the 2015-16 Resource Accounts. The accounts would be qualified on the grounds of regularity on

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the basis that expenditure had been incurred during the period 1 April 2015 to 28 October 2015 without DFP approval. Heather Cousins confirmed, in response to a question from Tomas Wilkinson, that a number of options for controlling costs would be considered but that changes to legislation would require a specific process to be followed. Anthony Harbinson stressed the importance of follow process and of ensuring that any action taken would stand up to scrutiny through a judicial review.

9. Stephen confirmed that an additional funding requirement of £32m had been identified for 2015-16 and that, subject to Ministerial agreement, a bid would be submitted in the June monitoring round.
10. The Chairman concluded by reiterating the Committee's concern around the issues relating to the establishment and operation of the Non-Domestic Renewable Heat Incentive Scheme, although he took comfort from the establishment of the Steering Group led by senior officers.

**Action: Draft NIAO Report and Terms of Reference of the Steering Group to be issued to members in advance of the discussion on 6 June.**

#### **THE EUROPEAN SUSTAINABLE COMPETIVENESS PROGRAMME NI**

11. Frances MacBride provided an update on the EU programme of work for 2016. She confirmed that Invest NI had completed its review of 150 projects supported under the Local Enterprise Development programme. The purpose of the review was to confirm that Local Councils had correctly administered State Aid requirements. Frances confirmed that the Managing Authority has reviewed Invest NI's work which would now be subject to Audit Authority review prior to a response being provided to the Commission.
12. Frances confirmed that follow up work in respect of the 2015 Annual Control Report is ongoing and that all actions taken by management have been found to be satisfactory.
13. Frances left the meeting at this point.

#### **INTERNAL AUDIT- ANNUAL REPORT AND OPINION 2015-16**

14. Michael Woods confirmed that Internal Audit's annual report and opinion for 2015-16 was satisfactory. Michael informed the Committee that Internal Audit Service had one major area of concern in relation to the establishment and operation of the Non Domestic RHI Scheme but considered that, despite its significance, the issues which had arisen were confined to Energy Division and he did not consider that they pointed to

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systemic issues across the Department. Heather Cousins concurred with this assessment and pointed to RHI being the only report relating to the former DETI and its arm's length bodies with a less than satisfactory opinion.

15. In relation to the review of RHI, Michael confirmed to the Chairman that he had not come under any pressure to revise the unacceptable opinion contemplated in the draft report. Michael confirmed that he had discussions with Energy Division management during the audit and that they had not attempted to defend the weaknesses identified. Management's response to the draft report is due by 17 June 2016.
16. Michael outlined the issues in relation to the delay in the development by DFP of the database for the new 2014-2020 ERDF programme. Although he confirmed that IAS had no significant concerns with the Department's management and control systems he pointed to the need to get the database operational as expeditiously as possible.
17. In relation to staffing resources, Michael outlined the challenges faced by IAS in terms of maintaining continuity and an effective audit function in an environment in which time and effort is invested in training staff who, once they are trained and are adding value, move to other departments following success in promotion competitions.
18. Pat Cunningham joined the meeting at this stage.

**Action: Michael Woods to circulate members with final IAS report on Non-Domestic RHI after management comments have been received.**

#### **INTERNAL AUDIT- PROGRESS ON INTERNAL AUDIT PLANS**

19. Michael Woods confirmed that the audit plan for 2016-17 had been agreed by the Permanent Secretary and would be endorsed by the DfE Board. Michael informed the Committee that the plan includes work from the predecessor departments and also assigns extra days for RHI reviews.
20. The Chairman asked if the design and operation of the proposed Energywise Scheme would take account of the issues that had arisen in the RHI Scheme and queried whether, in light of past experience, the Department possessed sufficient capability to manage such a project. Stephen McMurray confirmed that the Energywise Scheme differed significantly from the RHI Scheme and that similar issues were not expected to arise.
21. The Chairman concluded by asking Michael to give an overall assessment of the challenges, including staffing challenges, faced by IAS in delivering an audit programme for DfE in the first year of its operation. Michael confirmed that he was examining options for staffing and pointed to the

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possibility of using contingency days to complete audits. Michael also stressed the importance of having an audit manager dedicated to EU funded programmes. Stephen McMurray informed the Committee that the amalgamation of the former DEL and DETI was going well and that areas of good practice in the predecessor departments were being rolled out in DfE. For example, DfE will use the DETI Casework Committee system and DEL's contract management and procurement processes.

## **UPDATE ON INFORMATION SECURITY**

22. Pat Cunningham confirmed that the Annual Departmental Security Health Check had been completed and is with Internal Audit Service (IAS) for review prior to sign off by the Permanent Secretary. Pat confirmed that no issues had been identified.
23. Terry Coyne informed the Committee that Invest NI had identified three low impact security incidents as part of its six monthly assurance statement process but that there was no evidence that the issues had been reported to the Department through the information security reporting process. Pat will follow up the issue with Invest NI.
24. Pat confirmed that an internal Annual Departmental Information Security Survey had been completed in March 2016. Two low level security breaches were identified. The first involved the loss of two Blackberries by HSE – the devices were remotely disabled. The second incident related to the temporary loss of an i pad. The i pad, which was encrypted, was later returned to the Department.
25. Pat informed the Committee that the annual Business Continuity Plan exercise had taken place in Netherleigh. The exercise was desk based and no major issues were identified.
26. Pat left the meeting at this stage.

**Action: Pat Cunningham to follow up the three low impact security breaches at Invest NI.**

## **CORPORATE RISK REGISTER**

27. Terry Coyne confirmed that following the final meeting of the DETI Board, the Corporate Risk Register had been circulated to Heads of DETI Divisions and Units to arrive at a closing position for DETI. Terry informed the Committee that this area of work will fall within the remit of Corporate Governance, Planning and Equality Branch in DfE.

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28. Terry went on to outline the key issues included in the risk register. In response to a question from Stephen McMurray on references to risks surrounding RHI in the Corporate Risk Register, Terry Coyne confirmed that actions to be taken in relation to RHI were included under the financial risk at Risk 4 (the risk of being unable to operate within budget) rather than being included in the risk register as a separate risk.

29. Anthony Harbinson left the meeting at this stage.

### **SIX MONTHLY ASSURANCE STATEMENTS**

30. Terry provided an update on the six monthly assurance statements. He confirmed that no significant internal control issues had been highlighted by Management Services Group. The Policy Group statement had not been submitted to the Accounting Officer at the time of the meeting as a Divisional return was outstanding. Terry Coyne undertook to provide Committee members and attendees with a copy when the statement was submitted and concluded by outlining issues raised in the Invest NI and Tourism NI six monthly assurance statements.

**Action: Terry Coyne to provide members and attendees with a copy of Policy Group's six monthly assurance statement.**

### **AUDIT COMMITTEE'S ANNUAL REPORT TO THE BOARD**

31. The Chairman provided an update on progress on the Committee's annual report to the Departmental Board. He confirmed that he would discuss some changes around the RHI Scheme with Terry Coyne and would share the updated draft with Claire Hughes and Anthony Harbinson.

**Action: Chairman to discuss changes to the report with Terry Coyne provide Claire Hughes and Anthony Harbinson with a copy of the updated draft.**

### **DRAFT GOVERNANCE STATEMENT 2015-16**

32. Terry Coyne outlined the amendments that had been made to the draft Governance Statement since the Committee's last meeting on 2 March 2016. He confirmed that the key issue to be referenced in the Governance Statement was RHI, with reference also to be made to grant clawback from Sensitive investigative information redacted by the RHI Inquiry and Public Accounts Committee issues relating to the Bytel project and the Northern Ireland Events Company.

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## DRAFT RESOURCE ACCOUNTS 2015-16

33. David Conliffe outlined the contents of DETI's draft Resource Accounts for 2015-16. He confirmed that the accounts had been streamlined and simplified this year and that next year's accounts for DfE would also follow the 2015-16 format. Tomas Wilkinson confirmed, in response to a question from the Chairman, that the presentation of DETI's accounts was identical to that of other departments.
34. David drew the Committee's attention to the disclosure of the Presbyterian Mutual Society loan in the accounts. The Chairman asked Tomas Wilkinson whether NIAO still regarded uncertainty over the repayment of the loan as an issue that required to be disclosed as an "emphases of matter" in the C&AG's report. Tomas indicated that the matter may be open to debate. In response to a question from the Chairman in relation to the repayment schedule for the loan, David confirmed that additional flexibility has been provided for the timing of repayments with the amount to be repaid each year being decided each November.
35. David Conliffe concluded by drawing the Committee's attention to the resolution of the issue regarding the Invest NI CFER balance which had been raised in the 2014-15 Report to Those Charged with Governance, and to the Related Party Transactions note.
36. The Chairman indicated that he had a small number of comments on the accounts which he would provide to David Conliffe after the meeting. He thanked David and his team for their work in completing the accounts.

## PRESBYTERIAN MUTUAL SOCIETY (PMS)

37. David Conliffe confirmed that issues relating to the Presbyterian Mutual Society has been drawn to the Committee's attention in the context of the Resource Accounts.

## BYTEL – PROGRESS ON IMPLEMENTATION OF PAC RECOMMENDATIONS

38. Terry Coyne confirmed progress had been made on implementing commitments made in response to the eight recommendations contained in the Public Accounts Committee report on the Bytel project and confirmed that the Bytel MOR Implementation Plan would be on the agenda until it was fully implemented.



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## SUMMARY OF DIRECT AWARD CONTRACTS (DACs)

39. Terry Coyne confirmed there were seven DACs in the last six months of the 2015-16 financial year with a total value of £1.06m. 15 DACs were awarded in total during 2015-16 with a total value of £1.33m. Terry confirmed that all DACs have been approved by the Accounting Officer.

## FRAUD/THEFT NOTIFICATIONS

40. Michael Woods confirmed that the 18 historical fraud/theft notifications still needed to be removed from the current schedule as no further action is required. He asked the Committee to note that two new notifications have been added: Sensitive investigative information redacted by the RHI Inquiry.

## ANNUAL TEST DRILLING REPORT

41. Terry Coyne provided the Committee with an overview of the draft annual test drilling report for 2015. He confirmed that the report was positive with the percentage of Economic Appraisals and PPEs being completed to a satisfactory standard rising to 99% and 96% respectively. Terry confirmed that an approach had been agreed for the 2016 sample which would involve stratified sampling of Economic Appraisals to ensure that projects would be sampled at various value bands.

## UPDATES FROM NDPBs AND CROSS BORDER BODIES

42. Terry Coyne confirmed that the majority of governance related issues highlighted by NDPBs and Cross Border Bodies in their updates had already been discussed earlier in the meeting. No issues had been raised by HSENI and the Consumer Council. Stephen McMurray drew the Committee's attention to the transfer of sponsorship responsibility for NI Screen from the former DCAL to DfE. In response to a question from the Chairman, Michael Woods confirmed that the Tourism NI Audit Committee had discussed issues relating to the HMS Caroline project and Tourism NI's new IT platform.

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## **NIAO REPORTS**

43. Tomas Wilkinson provided a verbal update regarding NIAO reports. He confirmed that DETI's 2015-16 Resource Accounts would be qualified as a result of irregular expenditure on the RHI Scheme during a period when DFP approval was not in place. A report was being drafted for inclusion in the accounts. Tomas undertook to review the continuing necessity for the two emphases of matter paragraphs that had been included in the 2014-15 accounts.
44. The Chairman asked Tomas if the Resource Accounts would be qualified for irregular expenditure over the 20 year lifespan of the RHI Scheme. Tomas considered that this was a possibility but that future qualification may be avoided if DoF were to subsequently provide retrospective approval for the expenditure.
45. The Chairman requested that NIAO provide its Report to Those Charged with Governance to the Audit Committee at least 24 hours before the next meeting on 22 June. Stephen McMurray asked if any more NIAO reports were expected. Tomas confirmed that currently NIAO is currently working on an Invest NI related report on Access to Finance.

## **GUIDANCE ISSUED**

46. Terry Coyne provided an update on the guidance issued since the last meeting of the Audit Committee. He confirmed that DoF had drawn issues arising from the Bytel PAC report to the attention of departments and had issued guidance on sponsorship. The Department was engaging with DoF on the sponsorship guidance as Tourism NI had raised some potential difficulties.

## **FORWARD LOOK AT BUSINESS FOR NEXT MEETING**

47. The Chairman confirmed that the main business of the next meeting would be to consider the 2015-16 Resource Accounts, and NIAO's Report and Opinion. The meeting would also cover RHI, the Governance Statement and the Letter of Representation.

## **ANY OTHER BUSINESS**

48. The Chairman said that he would like 10 minutes prior to the meeting on 22 June for separate discussions with Internal Audit Service and NIAO. The Chairman also thanked staff in Accountability and Casework Branch for the contribution they had made to the Departmental Audit Committee over the years.