

# DEPARTMENTAL AUDIT AND RISK ASSURANCE COMMITTEE

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### 1. Introduction

- 1.1 The Department's overriding purpose is to connect people and opportunities through our infrastructure. It delivers services to every citizen, visitor and business in the region multiple times a day. The Department brings together functions formally within five separate Departments. These include DfI Rivers, Waterways Ireland, Driver Vehicle Agency, Planning and Road Safety.
- 1.2 In line with the "Corporate Governance in Central Government Departments: Code of Good Practice NI 2013" (the "Code") the Department for Infrastructure has established an Audit and Risk Assurance Committee, which functions in accordance with the Audit and Risk Assurance Committee Handbook (NI) (the "Handbook").
- 1.3 This annual report of the Departmental Audit and Risk Committee (DARAC) details its work and the discharge of responsibilities.

### 2. Terms of Reference

- 2.1 The DARAC Terms of Reference is available on the Department's internet site as an annex to the Corporate Governance Framework document. The Terms of Reference for the DARAC was approved during the first meeting of the DfI DARAC on 22 June 2016. The Committee noted that the Terms of Reference would be kept under continuous review and formally updated biennially.

### 3. Membership

- 3.1 The "Handbook" recommends that the Committee should comprise at least three "independent and objective" members. The Department adhered to this best practice guidance throughout the year. All of the independent members of the previous DRD Audit and Risk Committee seamlessly moved continued to serve with the formation of the DfI DARAC.

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- 3.2 David Gray was appointed as an Independent Board Member and a member of the DRD Audit Committee on 1 January 2014. He assumed the role of Chair on 1 January 2015 and as of 01 January 2017 he was re-appointed to this position for 3 years up to 31 December 2019.
- 3.3 Robert Gilmore was appointed as an Independent Board Member and a member of the Committee on 1 January 2015. As of 01 January 2017 Robert has been re-appointed to the DARAC position to 31 December 2017.
- 3.4 Brigitte Worth, Director of Finance and Corporate Services in the Department of Finance was originally appointed as an Independent Member on 1 April 2013. Brigitte has served notice that she intends to resign. A replacement is currently being sought and Brigitte has confirmed that she will continue as an independent member until a replacement is appointed.
- 3.5 Attendees at Committee meetings included:
- Permanent Secretary;
  - Deputy Secretary for Transport and Resources (Previously Governance, Policy & Resources);
  - Deputy Secretary for Roads and Rivers (Previously TransportNI);
  - Deputy Secretary for Planning, Water and DVA
  - Chief Executive, DVA
  - Director of Finance;
  - Director of Transport Strategy;
  - Director of Public Transport (NI Transport Holding Company Sponsor Division);
  - Director of Rivers;
  - Director of Water and Drainage Policy (NI Water Sponsor Division);
  - Head of Internal Audit;
  - Director of Engineering,

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- Director of Planning Policy;
- Northern Ireland Audit Office
- representative from NI Water to provide presentation
- Strategy, Equality and Governance
- Chair NI Water Audit Committee

### 4. Secretariat, Meetings and Attendance

- 4.1 Strategy, Equality & Governance Branch provided the secretariat functions for the Committee.
- 4.2 The Committee held **five** meetings relating to Departmental matters during the 2016/17 year. **Annex A** confirms Members' attendance at each meeting.
- 4.3 The Committee Chair held a number of bilateral meetings during 2016/17, these included the following:
- Accounting Officer (May 2016 & February 2017)
  - Head of Internal Audit (February 2017).
  - NI Audit Office representatives (February 2017)

### 5. Agenda and Training

- 5.1 A forward work programme was agreed by the Chair and Committee Members in advance of the 2016-17 year. This informed the agenda for each meeting as set by the Chair and secretariat, with input from other members and attendees.
- 5.2 The forward work programme followed the suggested structure in the "Handbook's" Example Core Work Schedule, tailored to reflect the needs of the Department.
- 5.3 Training opportunities were regularly offered to the Chair and members of the Committee.

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### 6. Summary of Work 2016-17

- 6.1 Each meeting considered reports from Internal Audit, NI Audit Office and Finance Division. Corporate governance and risk management updates were regularly provided by Strategy, Communication & Change Division. The Committee received updates, through presentation, from DVA on its activities and transformation programme. DfI Rivers also presented an overview of its activities, including work on flood risk management.
- 6.2 Sponsor Divisions provided reports to each meeting updating the Committee on relevant issues arising from ALB Board and Audit Committee meetings. Regular updates were provided on NI Water and the North / South Body, Waterways Ireland and NITHC. Specific mention was made of the budgetary challenges facing business areas in the period following the dissolution of the devolved administration. Funding issues proved to be a key risk for the Department and for both NI Water and NITHC during 2016-17. The Committee notes that the Department continues to work with the Boards of NIW and Translink to consider what financial assurances can be provided to both bodies in the current financial climate.
- 6.3 Written reports of Committee proceedings were made to the next available Departmental Board meeting by the Committee Chair and copied to the Head of Internal Audit and to the NIAO.

### 7. Internal Audit

- 7.1 This section provides the Committee's opinion on the quality of Internal Audit arrangements. Internal Audit has provided services in terms of:
- assurance over systems in operation; and
  - consultancy, advice and guidance.

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- 7.2 The Committee regularly reviews Internal Audit strategies, plans and reports in order to inform its recommendation to the Accounting Officer in terms of the Department's Annual Report and Accounts, including the Governance Statement. During the year the Committee has received reports and information on a number of issues identified through the work of Internal Audit. Members took assurance from the level of Internal Audit engagement in these areas and were content that progress was being made to address the issues of concern.
- 7.3 The Committee considered the 2016-17 Internal Audit Annual Report and Opinion for Dfl and noted that the report provided a 'Satisfactory' audit opinion: *"Overall there is a satisfactory system of governance, risk management and control. While there may be some residual risk identified, this should not significantly impact on the achievement of system objectives."*
- 7.4 In February 2017 Internal Audit reported on a review of Accountability Grids within Dfl. A number of recommendations were made on monitoring and updating of Accountability Grids. SEG management accepted and implemented these recommendations.
- 7.5 Internal Audit issued a total of 59 Internal Audit reports in 2016-17 (for the Department and DVA), 41 received overall satisfactory opinions and two received overall limited opinions. Opinions were not relevant to six special exercises; three consulting exercises and seven follow-up reviews which were undertaken. Within these, there were a number of recommendations for improvement and there is regular review of implementation of these. The NICS wide review of the management of IT Security and Information Risk received an overall "limited" opinion. The review considered the governance structures, processes, roles and responsibilities which underpin the Information Assurance Framework. While a number of instances of good practice were identified, the review

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highlighted significant issues that impacted systemically across all departments.

- 7.6 Internal Audit is an essential component of governance in the public sector and Internal Audit is required to operate to Public Sector Internal Audit Standards. The Department's Internal Auditors have been suitably trained and developed so that all auditors hold the required Government Internal Audit Certificate. All internal audits are led or supervised by internal auditors who hold a Certificate.
- 7.7 The Committee is satisfied with the Internal Audit arrangements in place.
- 7.8 The Committee was kept up to date on progress on centralisation of Internal Audit across NICS. An undertaking was given that IA resource provision would not be affected. Centralisation will be effective from the Summer of 2017.

#### **8. External Audit Activity**

- 8.1 Audit is currently being conducted and will be reported on at end of June
- 8.2 Representatives from the NIAO attended meetings of the Committee. The work of External Audit is primarily conducted for the benefit of the Assembly, but is also of significant benefit to the Department. The NIAO engaged with the Committee on discussions relating to key accounting policies and disclosures and updated members on the emerging findings from relevant Financial and Value for Money reports including the Report to those Charged with Governance. The good working relationship between NIAO staff and officials throughout the Department was also recognised.
- 8.3 The Committee is aware that the Department currently has one open Accountability Grid with regards to the following: Effectiveness of Public

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Transport in NI (PAC Hearing 29<sup>th</sup> April 2015). Two commitments are on track for achievement and six are likely to be achieved with delay.

- 8.4 An Accountability Grid to monitor the commitments given in the Memorandum of Reply (MOR) has been circulated and agreed with DoF. The Accountability Grid has been updated regularly and monitored to ensure that all commitments are met on a timely basis. The DfI ARAC will be provided with regular updates through the biannual Implementation of Audit Recommendations Report.
- 8.5 The Committee also had the opportunity to comment on External Audit strategies and was kept apprised of issues relating to Public Accounts Committee Reports.
- 8.6 This engagement has enabled the Committee to derive a greater level of assurance and to form a more comprehensive opinion on risk management and control within the Department.

**9. General Long Term Issues**

- 9.1 Going forward, the DARAC will be particularly conscious of the need to monitor the impact of a challenging budget position for 2017-18.
- 9.2 The Committee also discussed concerns over the consequences to EU funding following the outcome of the Referendum decision on EU membership.

**10. Committee Opinion**

- 10.1 The Committee was satisfied with the comprehensiveness of assurances in meeting the Board and Accounting Officer's assurance needs and the reliability and integrity of those assurances.

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10.2 Overall, the Committee considered that the assurance available was sufficient to support the Board and the Accounting Officer in their decision taking and their accountability obligations and that it raised no implications on the overall management of risk.

10.3 The Committee is content with the level of financial reporting, and that any significant internal control issues have been identified in the Governance Statement.

**11. Compliance with the Audit and Risk Assurance Committee Handbook**

11.1 The Committee reviewed its arrangements with the Handbook and the Terms of Reference of the Committee over the reporting period. While the Committee was largely satisfied that its practices were compliant with the handbook, some relatively minor amendments to the Terms of Reference were required.

11.2 Representatives from Sponsor Divisions attend the Audit Committees of ALBs and provide updates to the Committee as appropriate.

11.3 To help maintain compliance, the Department has produced a “Guide for Members” which summarises the role of the Committee Chair and Members – this is updated annually.

**12. Effectiveness of the Departmental Audit Committee**

12.1 The Committee completed an annual review of effectiveness during February 2016.

12.2 The review concluded that the Committee continued to operate effectively and received appropriate secretariat support.

**Departmental Audit and Risk Assurance Committee**

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**25 May 2017**

**DEPARTMENT FOR REGIONAL DEVELOPMENT  
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**ANNEX A**

**Meetings held during 2016-17 and Members' Attendance**

<b>Date of Meeting</b>	<b>DARAC MEMBER ATTENDANCE</b>		
	<u>David Gray</u>	<u>Robert Gilmore</u>	<u>Brigitte Worth</u>
25 May 2016	✓	✓	✓
22 June 2016	✓	✓	X
14 September 2016	✓	✓	✓
16 November 2016	✓	✓	✓
15 February 2017	✓	✓	✓
<b><u>Summary:</u></b>	<b>5/5</b>	<b>5/5</b>	<b>4/5</b>