Minutes of a Meeting of the Audit and Risk Assurance Committee held in Lisburn City Library on Wednesday 15 October 2014 at 10:30 am.

PRESENT

Alderman Jim Rodgers Chairperson
Ms Judith Andrews
Councillor Charlie Casey
Mrs Deirdre Kenny
Councillor Seán McGuigan
Councillor Mrs Evelyne Robinson

IN ATTENDANCE

Ms Irene Knox Chief Executive
Mr Terry Heron Director of Business Support
Mrs Rita McNamee Finance Manager
Mr Brian Doherty Head of Internal Audit
Ms Dorinnia Carville Director, Northern Ireland Audit Office
Mr Peter O’Sullivan Northern Ireland Audit Office

1. APOLOGIES FOR NON ATTENDANCE

Mr Nigel Macartney Chairperson of the Board
Mr Alastair Hughes Department of Culture, Arts and Leisure
Mr Ciarán Mee Department of Culture, Arts and Leisure

2. DECLARATIONS OF INTEREST

2.1 The Chairperson reminded Members and Officers of the need to declare any actual, potential or perceived conflicts of interest associated with any item on the agenda either now or at the relevant stage during the meeting. No interests were declared.

3. CHAIRPERSON’S BUSINESS

3.1 The Chairperson informed Members that he had met with representatives of the Northern Ireland Audit Office (NIAO) prior to this meeting of the Committee.
3.2 Members noted that Agenda Item 18: Libraries NI Risk Management Strategy (Revised) would be taken after Agenda Item 13: Bi-Annual Assurance Statement for the period ended 30 September 2014.

3.3 The Chairperson referred to the tabled memo from Mr P May, Interim Permanent Secretary, DCAL confirming that Libraries NI would be required to make in-year budget cuts of 4.4%. Members noted that the position regarding the draft budget for 2015/16 was still unclear.

3.4 The Chairperson reported on a meeting he had attended on 13 October 2014, organised by DCAL for Chairpersons of the Audit and Risk Assurance Committees of its Arm’s Length Bodies (ALBs). He informed Members that one of the areas discussed was the importance of consistency across all of DCAL’s ALBs. He also reported that he had informed the Permanent Secretary that Libraries NI’s Audit and Risk Assurance Committee had completed the Self-Assessment Checklist, an exercise which it had found useful and which he would recommend is carried out by all Audit Committees.

4. CHIEF EXECUTIVE’S BUSINESS

4.1 The Chief Executive drew attention to correspondence received since the last meeting as follows:

- Memoranda of Reply to PAC Reports 21, 22 and 23 (7 August 2014)
- Notification from DCAL, dated 12 August 2014, of Attempted Fraud Information
- Correspondence from DCAL, dated 7 August 2014, regarding new governance arrangements
- Notification from DFP, dated 28 July 2014, regarding general removal of delegated limits for office accommodation leases
- Correspondence from DCAL, dated 8 August 2014, regarding the outcome of the June Monitoring Round
- Correspondence from DCAL, dated 22 September 2014, regarding in-year budget reductions
- Correspondence from Chief Executive to DCAL, dated 6 October 2014, regarding the implications of additional in-year budget cuts
- FD (DFP) 09/14 regarding inclusion of Complaints Handling in Internal Audit programmes.

4.2 The Chief Executive noted that:

- Libraries NI remained vigilant regarding the potential for fraud and that staff were advised regularly on fraud prevention measures
- the Head of Internal Audit was a qualified fraud investigator and the Auditor had recently completed a programme of study and had been awarded the Certificate in Investigative Practice
complaints handling had been included in the Internal Audit Plan 2014/15 and a report of the audit was included with the papers for this meeting.

5. MINUTES OF THE MEETING OF THE AUDIT AND RISK ASSURANCE COMMITTEE HELD ON 9 JULY 2014 (ARAC 01.10.14)

5.1 On a proposal by the Chairperson of the Committee, Alderman J Rodgers, seconded by Councillor S McGuigan, the Committee approved the minutes of the meeting of the Audit and Risk Assurance Committee held on 9 July 2014.

6. MATTERS ARISING FROM THE MINUTES OF THE MEETING OF THE AUDIT AND RISK ASSURANCE COMMITTEE HELD ON 9 JULY 2014 (ARAC 02.10.14)

6.1 The Chief Executive drew attention to the schedule which had been circulated, detailing actions taken as a result of discussions at, and decisions of the Committee at the previous meeting.

Item 6.7: Matters Arising

6.2 Members were informed that the bid for monies in the June monitoring round to complete the new library in Lisnaskea had been successful. Notification had been received in correspondence, dated 12 September 2014, that £997,000 earmarked funding for Lisnaskea had been allocated thus releasing the £740,000 delegated capital at that time. However, given the late stage in the year there was not sufficient time to fully implement the previously planned projects and the Assets Manager had presented a revised plan for spend by 31 March 2015 to the Business Support Committee held on 24 September 2014.

Item 6.8: Matters Arising

6.3 Members noted that following approval received from DCAL on 5 June 2014, the disposal process regarding Ligoniel and Oldpark libraries had been re-started. The Chief Executive reported that the Public Sector trawl had closed on 30 June 2014 with no expressions of interest in either site. Ligoniel would be offered for sale at the next available property auction in November 2014 and Oldpark would be placed on the open market. Belfast City Council had communicated a late expression of interest in the Oldpark site but Libraries NI had advised Land and Property Services to continue with the marketing of the property and informed Belfast City Council that they could come forward with an offer.

Item 14.2: Internal Audit Risk Register

6.4 The Head of Internal Audit confirmed that the suggested amendment to Corporate Objective 4 of the Internal Audit Risk Register had been made.
6.5 Item 14.3: Internal Audit Risk Register
The Head of Internal Audit confirmed that along with the Auditor he had received refresher Safeguarding Training from one of the designated Safeguarding Officers.

6.6 Item 18.2: Code of Conduct for Board Members
Members noted the clarification received from the Department of Finance and Personnel on concerns raised by Members at the last Board Meeting regarding the revised Code of Conduct for Board Members.

7. INTERNAL AUDIT ACTIVITY REPORT (ARAC 03.10.14)

7.1 The Head of Internal Audit reported on the nine audits which had been completed since the last meeting of the Audit and Risk Assurance Committee held on 9 July 2014. He reported that, of the nine audits completed, eight had received a satisfactory level of assurance and one a substantial level of assurance. Members noted that one Priority One recommendation had been made in respect of a Health and Safety issue in the Irish and Local Studies Library in Armagh, and Libraries NI staff were working closely with Armagh City and District Council, which was the landlord, to progress the issues. Members noted the commitment of managers to implement the recommendations made.

<table>
<thead>
<tr>
<th>Audit Assignment</th>
<th>Assurance Rating</th>
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<tbody>
<tr>
<td>Building Maintenance</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Marketing and Communications</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Health and Safety – Larn Library</td>
<td>Substantial</td>
</tr>
<tr>
<td>Customer Feedback</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Risk Management Assessment</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Newcastle Branch Library</td>
<td>Satisfactory</td>
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<tr>
<td>Dungiven Branch Library</td>
<td>Satisfactory</td>
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<tr>
<td>Newtownards Branch Library</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Irish and Local Studies Library, Armagh</td>
<td>Satisfactory</td>
</tr>
</tbody>
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7.2 Members noted the background to the audit of Larn Library and that concerns had been raised regarding health and safety issues. The Head of Internal Audit advised Members that he had visited the branch along with the Assets Manager and produced a report that provided a substantial level of assurance with regard to health and safety procedures.

7.3 Members noted the Internal Audit Activity Report.

8. OUTSTANDING RECOMMENDATIONS (ARAC 04.10.14)

8.1 The Head of Internal Audit drew attention to the report showing progress on the implementation of Outstanding Audit Recommendations from previous Internal Audit reports. Members noted that, since the last meeting of the
Audit and Risk Assurance Committee in July 2014, of the 26 recommendations that were outstanding, 18 had now been cleared leaving eight to be resolved. Members noted that the outstanding issues were mostly concerned with the use of evacuation chairs and procedures for the procurement of agency staff.

8.2 Members noted that a local supplier of evacuation chairs had been identified and had given a successful demonstration of the use of the chairs to members of the Health and Safety Committee. A procurement process was currently underway in respect of the chairs.

9. INTERNAL AUDIT ANNUAL PLAN 2014/15: PROGRESS REPORT
   (ARAC 05.07.14)

9.1 The Head of Internal Audit updated Members on progress in implementing the 2014/15 Internal Audit Plan. He stated that the Plan called for the completion of 29 audit assignments during the year and, as at the end of September 2014, 14 had been completed. He confirmed that he was content that by the year end the plan would be materially complete and that he would be in a position to provide an annual assurance to the Accounting Officer and to the Committee.

9.2 Members noted the report.

10. LIBRARIES NI DRAFT ANNUAL REPORT AND ACCOUNTS 2013/14
    (ARAC 06.10.14(T))

10.1 The Chief Executive referred to the tabled copy of the Draft Annual Report and Accounts 2013/14, noting that it had been revised in light of the provisional Report to those Charged with Governance, received a few days prior to the meeting.

10.2 Members noted that the amendments to the Annual Report had not been substantial and had related mostly to the format. She drew attention to a table on page 9 which had been added and which showed the gender balance of Board Members and staff within Libraries NI and also to a paragraph on page 11 entitled ‘Principal Risks and Uncertainties’ which related to the uncertainty around government finances which has resulted in plans being required for cuts to in-year budget allocations.

10.3 The Finance Manager briefed the Committee on the Annual Accounts, drawing attention to the key financial statements. She noted, in particular, the derecognition of a proportion of the Heritage Assets and the additional pension liability arising from a revised actuarial valuation provided by NILGOSC.

10.4 Members agreed at this stage to give consideration to the provisional Report to those Charged with Governance.
11. PROVISIONAL REPORT TO THOSE CHARGED WITH GOVERNANCE 2013/14 (ARAC 07.10.14(T))

11.1 The Chairperson invited Ms D Carville, Northern Ireland Audit Office (NIAO) to present the provisional Report to those Charged with Governance 2013/14.

11.2 Ms Carville thanked the Libraries NI staff involved in the audit of the Annual Report and Accounts 2013/14 for their help and assistance adding that it had been a co-operative and constructive audit. In relation to the key strategic risks identified in the Audit Strategy, she reported as follows:

- although progress had been made to resolve the issue of Heritage Assets, the qualification would remain for 2013/14
- no issues had been identified in relation to the e2 Project.

11.3 Ms Carville informed Members that the report contained no Priority One recommendations and drew Members' attention to the two recommendations on page 5 of the report relating to Book Stock Valuation Expenditure and Issues noted with Supporting Documentation, adding that both issues were being dealt with by the Libraries NI Senior Management Team.

11.4 Ms Carville confirmed that the NIAO was content that the Libraries NI Senior Management Team were making progress in relation to the two recommendations contained in last year's Report to those Charged with Governance ie Heritage Assets and Amounts due from Library Borrowers.

11.5 The Chief Executive drew Members' attention to the paragraph highlighted on page 15 of the report and explained that Libraries NI were still in discussions with the NIAO regarding the wording, adding that she was content with the provisional Report.

11.6 On a proposal by Councillor Mrs E Robinson, seconded by Ms J Andrews, Members noted the provisional Report to those Charged with Governance and agreed to recommend the Libraries NI Draft Annual Report and Accounts 2013/14 to the Board for approval.

12. AUDIT AND RISK ASSURANCE COMMITTEE DRAFT ANNUAL REPORT 2013/14 (ARAC 08.10.14)

12.1 The Head of Internal Audit drew attention to the Audit and Risk Assurance Committee Draft Annual Report 2013/14. Members noted that this report was incomplete while awaiting a report from the Director of Business Support and Finance Manager on the Annual Report and Accounts and from the NIAO on the provisional Report to those Charged with Governance. Now that these reports had been received a form of words was agreed by Members to finalise the Audit and Risk Assurance Committee Annual Report.
12.2 On a proposal by Councillor C Casey, seconded by Ms D Kenny, Members agreed to adopt the report as the Audit and Risk Assurance Committee's Annual Report 2013/14 and to present it at the next meeting of the Board.

12.3 The Chairperson agreed to liaise with the Head of Internal Audit to ensure that the approved version of the report was made available to Members and was ready to be tabled at the next meeting of the Board.

13. **BI-ANNUAL ASSURANCE STATEMENT (PERIOD ENDED 30 SEPTEMBER 2014)**

13.1 The Chief Executive drew attention to the Bi-Annual Assurance Statement for the period ended 30 September 2014. She reminded Members that the Bi-Annual Assurance Statement had replaced the Quarterly Assurance Statement.

13.2 The Chief Executive drew attention in particular to Section 1: Risk Management which outlined the new risks identified, especially those in relation to the late notification of in-year budget cuts and addressed questions from Members.

13.3 Following further discussion of the statement, on a proposal by Councillor S McGuigan, seconded by Ms D Kenny, Members agreed to recommend the Bi-Annual Assurance Statement for the period ended 30 September 2014 to the Board for approval.

As agreed the Committee moved to Agenda Item 18: Libraries NI Risk Management Strategy (Revised)

14. **LIBRARIES NI RISK MANAGEMENT STRATEGY (REVISED)**

14.1 The Director of Business Support presented the revised Libraries NI Risk Management Strategy for consideration by Members. He reminded them that the HM Treasury Risk Management Assessment recommends a formal review of the Strategy on an Annual basis. The Strategy was last reviewed in June 2013.

14.2 The Director of Business Support drew attention to amendments to the strategy which were recorded in blue. Members noted that the amendments included a definition of a key risk, revisions to Libraries NI's Risk Appetite and also, on the recommendation of the Risk Management Group (RMG), an additional overarching objective in the Corporate Risk Register.

14.3 On a proposal by Ms J Andrews, seconded by Ms D Kenny, Members agreed to recommend the Libraries NI Risk Management Strategy (Revised) to the Board for approval.
15. RISK MANAGEMENT REPORT AND REVIEW (ARAC 10.10.14)

15.1 The Director of Business Support introduced the papers on the Risk Management Report and Review and referred Members to the minutes of the Risk Management Group held on 25 September 2014.

15.2 Members noted that as a result of the in-year budget cuts the Risk Management Group (RMG) had determined that a fundamental review of the Corporate Risk Register should be carried out. The RMG had also agreed that an additional overarching objective was required in relation to the ability of Libraries NI to deliver its statutory responsibilities in relation to a comprehensive library service in light of the in-year budget reductions in 2014/15 and the uncertainty regarding future funding provision.

15.3 In response to a question from Councillor S McGuigan, the Director of Business Support advised Members that the high levels of residual risk were largely the result of the uncertainty over future budget allocations, which meant that strategic planning was almost impossible. Members noted that if the projections currently being made regarding funding in 2015/16 and beyond were accurate, it would be necessary to undertake a fundamental review of services with a view to sizing provision commensurate with funding availability.

15.4 Members noted the changes that had been made to the Corporate Risk Register.

16. DCAL INTERNAL AUDIT REPORT ON ALB PERFORMANCE AND MONITORING (ARAC 11.10.14)

16.1 The Chief Executive introduced the paper on the DCAL Internal Audit Report on ALB Performance and Monitoring. She advised Members that in September 2014, DCAL Internal Audit had completed an audit on ALB Performance and Monitoring. On completion of the report it was forwarded to Libraries NI with a plan to progress the recommendations.

16.2 Members noted the report which contained five recommendations and the Chief Executive reported that she would be writing to the Department regarding the recommendations.

16.3 Members noted the report.
17. SCHEDULE OF MISSION CRITICAL PROJECTS

17.1 The Director of Business Support introduced the Schedule of Mission Critical Projects.

17.2 He updated Members on the IS/IT Programme and reported that a Project Evaluation Report (PER) would be prepared to evaluate how the Procurement and Implementation stages of the project had been managed. It had been agreed with DCAL that this would be submitted in December 2014. A full Post Project Evaluation (PPE) to evaluate how the business case objectives had been met is planned for September 2015. At that point the OGC Gateway 5 Review (Benefits Realisation) would take place.

17.3 Members were reminded that the terms of reference for the Information Systems Committee were limited to oversight of the procurement and implementation phases of the project. Given that implementation is now nearing completion, a recommendation would be taken to the Board Meeting to be held the next day, that responsibility for on-going monitoring of the contract and service-related issues related to the operation of e2 should transfer to the Business Support Committee and Services Committee as appropriate and that the Information Systems Committee should stand down.

17.4 Members noted that the Outline Business Case for Belfast Central Library would be re-submitted to DCAL in November 2014.

17.5 Members noted the report.

18. REVIEW OF COMPLETED AUDIT COMMITTEE CHECKLIST

18.1 The Chairperson informed Members that the Audit and Risk Committee Handbook states that the Audit and Risk Assurance Committee should form a view of its own effectiveness, including advice on ways in which it considers it needs to be strengthened or developed. It also states that the Chairperson should ensure that there is a periodic review of the overall effectiveness of the Audit Committee and its Terms of Reference.

18.2 The Audit and Risk Assurance Committee had completed the NAO Audit Committee Self-Assessment Checklist following the Committee meeting in July 2014, and Members were asked to consider the document and confirm that it was an accurate reflection of the views of the Committee.

18.3 Following discussion of the document, Members agreed that it was an accurate reflection of the views of the Committee and asked that the Head of Internal Audit forward a copy to DCAL for information.
19. **AUDIT AND RISK ASSURANCE COMMITTEE ANNUAL AGENDA**
   (ARAC 15.10.14)

19.1 As requested during the completion of the Audit Committee Self-Assessment Checklist and in order to give Members, particularly those recently appointed, an idea as to the timing of reports and the range of issues to be considered by the Committee, the Head of Internal Audit presented the proposed agenda for each meeting during the forthcoming year.

19.2 Members noted the documentation.

20. **LNI CHAIRPERSON’S REGISTER OF GIFTS AND HOSPITALITY FOR THE PERIOD ENDED 30 SEPTEMBER 2014**
   (ARAC 16.07.14)

20.1 Members noted the Register of Gifts and Hospitality for the period ended 30 September 2014, submitted by the Chairperson of the Board.

21. **NIAO ISSUES**
   (ARAC 17.10.14)

21.1 The NIAO had no issues, other than those already noted in respect of the provisional Report to those Charged with Governance.

21.2 The Director of Business Support drew attention to the National Fraud Initiative Status Report and informed Members that no issues had arisen during this exercise.

21.3 Members noted the update.

22. **ANY OTHER NOTIFIED BUSINESS**

22.1 There was no other notified business.

23. **DATE OF NEXT MEETING**

23.1 The next meeting of the Audit and Risk Assurance Committee will take place on Wednesday 14 January 2015 at 10:30 am in Dungannon Library.

24. **MEMBERS ARRIVAL AND DEPARTURE TIMES**

24.1 The meeting ended at 12:22 pm.
24.2 All Members arrived for the commencement of the meeting and remained until it ended.

Signed: [Signature]

Date: 21st January 2015