LIBRARIES NI
AUDIT AND RISK ASSURANCE COMMITTEE

20 April 2016

Minutes of a Meeting of the Audit and Risk Assurance Committee held in
Lisburn City Library on Wednesday 20 April 2016 at 10:40 am

PRESENT
Mrs Deirdre Kenny ............................ Chairperson
Councillor Seán McGuigan ..................... Vice Chairperson
Ms Nuala McAuley
Alderman Stephen Martin

IN ATTENDANCE
Ms Irene Knox ................................. Chief Executive
Mr Terry Heron ................................. Director of Business Support
Mr Brian Doherty .............................. Head of Internal Audit
Ms Melanie Killen ............................ Auditor
Mr Denver Lynn ............................... Northern Ireland Audit Office
Ms Sarah Heenan ............................. Northern Ireland Audit Office
Mr Gary Curran ............................... Department of Culture, Arts and Leisure

1. APOLOGIES FOR NON ATTENDANCE
Professor Bernard Cullen ...................... Chairperson of the Board
Catherine O’Hagan .......................... Northern Ireland Audit Office

2. MEMBERS’ DECLARATION OF POTENTIAL CONFLICT 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 welcomed the following people to the meeting of the Libraries NI Audit and Risk Assurance Committee:
• Mr D Lynn, Director, Northern Ireland Audit Office and Ms S Heenan, Lead Auditor, Northern Ireland Audit Office
• Ms M Killen, Auditor, Libraries NI
3.2 The Chairperson reported that, prior to the Committee meeting, the annual bi-lateral meeting had been held with the Head of Internal Audit to discuss risk, control and governance. She added that the Head of Internal Audit had given the Committee his assurance on these matters and had confirmed that appropriate resources and support were in place to facilitate Internal Audit to carry out its responsibilities.

3.3 In order to facilitate the Director of Business Support who needed to leave the meeting early, it was agreed that items 13, 21, 24 and 25 on the agenda would be taken after matters arising from the minutes.

4. CHIEF EXECUTIVE’S BUSINESS

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

- DAO (DFP) 01/16 Authorisation of 2015/16 Departmental Annual Report and Accounts
- DAO (DFP) 02/16 Guidance on Activity/Event Sponsorship and Partnership Marketing and relevant attachment
- DAO (DFP) 04/16 Annual Theft and Fraud Report 2014/15 and relevant attachment
- Correspondence from the Permanent Secretary DCAL, dated 3 February 2016, regarding the Bi-Annual Assurance Statement (BiASS) and subsequent emails and correspondence between the Director of Sport, Museums and Recreation Division, DCAL and the Chief Executive regarding this matter
- DAO (DFP) 05/16 Departmental Restructuring: Assurance Arrangements
- Memoranda of Reply to N Ireland Assembly Public Accounts Committee Reports (27 – 29)
- Public Accounts Committee Report on The Northern Ireland Events Company (10 February 2016)
- Letter to DCAL, dated 22 March 2016, regarding Libraries NI Internal Audit External Quality Assessment.

4.2 Members noted that a copy of DAO (DFP) 02/16 Guidance on Activity/Event Sponsorship and Partnership Marketing and associated attachment, had been forwarded to the Head of Marketing within Libraries NI to review.

4.3 The Chief Executive drew attention to Papers 4a, 4b and 4bc regarding correspondence between Libraries NI and DCAL in relation to inconsistencies within the Bi-Annual Assurance Statements. She explained in detail the process undertaken to resolve the issues and drew attention to an e-mail dated 19 April 2016 received from Mr F Devitt stating that the two specific issues previously referred to were now closed. The Chief Executive reported that she would be writing again to the Department to ask for
confirmation in a more formal manner that the issues were now resolved adding that she would also be asking for clarification regarding the use of the word 'completed' in respect of Post Project Evaluations (PPEs).

4.4 The Chief Executive drew attention to the Memoranda of Reply to NI Assembly Public Accounts Committee Reports, noting in particular that:

- in relation to Recommendation 2 in the 29th Report (The Cross-Border Broadband Initiative), Libraries NI did engage independent experts at an early stage of the e2 project and would do so also at the appropriate stage of the Belfast Central Library Redevelopment Project

- in relation to Recommendation 4 in the same Report, both the Head of Internal Audit and the Auditor were qualified fraud investigators and that Libraries NI had access to additional fraud investigation services if required through its service level agreement with the NICS Group Internal Audit and Fraud Investigation Service.

4.5 The Chief Executive reminded the Committee that Mr F Devitt, Director of Sport, Museums and Recreation Division, DCAL would be attending the Board meeting the next day to brief Members on the Public Accounts Committee Report on the Northern Ireland Events Company.

5. MINUTES OF THE MEETING OF THE AUDIT AND RISK ASSURANCE COMMITTEE HELD ON 20 JANUARY 2016 ARAC 01.04.16

5.1 On a proposal by Alderman S Martin, seconded by the Vice-Chairperson of the Committee Councillor S McGuigan, the Committee approved the minutes of the Audit and Risk Assurance Committee held on 20 January 2016 with the following amendments:

Page 2 paragraph 4.3 should read: Mr Curran explained that the existing Fraud Investigation Service within the Department for Social Development would also be transferring but that this service concentrated on investigating suspected external fraud relating to benefit claims etc and their service did not overlap with the service provided by the GFIS.

Page 5 paragraph 8.4 last bullet point should read: Plans are being developed to reduce costs and increase tariffs to seek to cover the cost of the operation of the Café during 2016/17.

6. MATTERS ARISING FROM THE MINUTES OF THE MEETING OF THE AUDIT AND RISK ASSURANCE COMMITTEE HELD ON 20 JANUARY 2016 ARAC 02.04.16

Item 6.1: Matters arising from the minutes of the meeting of the Audit and Risk Assurance Committee held on 20 January 2016

6.1 The Chief Executive informed Members that the Post-Project Evaluation (PPE) of the e2 Project had been submitted to DCAL at the end of February
2016. She reported also that the Gateway 5 review of the project would take place on Wednesday 4 May and Thursday 5 May 2016.

6.2 Mr D Lynn, Director, Northern Ireland Audit Office (NIAO) reported that his office would be reviewing the PPE for the e2 project and he would correspond in due course with the Chief Executive regarding any decision made in relation to further work by NIAO on the project.

Item 6.2: Matters arising from the minutes of the meeting of the Audit and Risk Assurance Committee held on 20 January 2016

6.3 The Chief Executive reported that most of the issues arising from the review of the Management Statement and Financial Memorandum (MSFM) had been agreed with DCAL but in order to resolve outstanding issues a meeting had been arranged with DCAL officials for Monday 25 April 2016.

Item 6.3: Matters arising from the minutes of the meeting of the Audit and Risk Assurance Committee held on 20 January 2016

6.4 The Director of Business Support updated Members on the theft of monies from a library. He reminded Members that a Court Order had been made requiring a part compensation payment to be made to Libraries NI before 19 January 2016. Although some monies had been received the majority of the compensation was outstanding. The Director of Business Support confirmed that he had written to the Court Service in relation to the outstanding monies. A response had now been received confirming that the Court Service had granted an extension for the repayment of the money and that an agreed monthly payment of £50 would be made to Libraries NI. The first month’s payment had been received.

Item 6.4: Matters arising from the minutes of the meeting of the Audit and Risk Assurance Committee held on 20 January 2016

6.5 The Chief Executive reported that the conciliation process with a member of staff, facilitated by the Labour Relations Agency, had been concluded and that Libraries NI is progressing a number of other matters with the individual concerned under relevant HR procedures. Members noted that the member of staff had been redeployed into another position within the organisation.

7. RISK MANAGEMENT REPORT AND REVIEW ARAC 09.04.16

7.1 The Director of Business Support drew attention to the Risk Management Report and Review and referred Members to the minutes of the Risk Management Group held on 22 March 2016. He reported that initial work had been completed in relation to Assurance Mapping, however this was no longer seen as a priority and would not be taken forward.

7.2 The Director of Business Support drew attention to the Fraud Risk Analysis noting that a red risk had been identified in relation to Stock Losses. He noted that an audit of Stock was included in the Internal Audit Plan for this financial year as a consequence of this risk assessment.
7.3 Attention was drawn to the Corporate Risk Register which had been substantially revised to take account of the draft Corporate Plan and Business Plan 2016/17 and now included also a section setting out the context and background to the identified strategic risks.

7.4 Members discussed the Corporate Risk Register noting the key risks and the red treated risks in relation to Risk 11: Long term planning and Risk 12: Belfast Central Library Redevelopment Project.

7.5 On a proposal by the Vice-Chairperson of the Committee Councillor S McGuigan, seconded by Ms N McAuley, the Committee recommended the Corporate Risk Register to the Board for approval.

8. SCHEDULE OF MISSION CRITICAL PROJECTS

8.1 The Director of Business Support introduced the Schedule of Mission Critical Projects and updated Members in relation to the Stock Assets Project and the Belfast Central Library Redevelopment Project.

8.2 Mr D Lynn noted the progress being made in relation to Stock Assets and indicated that discussions would take place in relation to the materiality of the remaining Assets.

9. NIAO RECOMMENDATIONS (2014/15) – PROGRESS REPORT

9.1 The Director of Business Support drew attention to the report on progress in relation to the NIAO Recommendations 2014/15. He noted that:

- the Carnlough Library Lease would be signed by the Chairperson and Chief Executive this week
- Libraries NI is continuing to work with the Strategic Investment Board Asset Management Unit to identify and manage unused accommodation within the estate
- an approach has been agreed for the Chairperson to address any attendance issues at an early stage with relevant Board Members. Standing Orders are also in the process of being amended
- arrangements have been put in place to deal with legacy contracts.

9.2 Members noted the report.

10. NIAO ISSUES

10.1 Mr D Lynn and Ms S Heenan drew attention to the NIAO Audit Strategy 2015/16 noting in particular the section on Significant Risks and the Audit
timetable, staffing and fees. Mr Lynn informed Members that the NIAO hoped to be in a position to certify the Annual Accounts 2015/16 on 20 October 2016.

10.2. The Chief Executive informed Members that a special meeting of the Audit and Risk Assurance Committee would be held on Wednesday 12 October 2016 to discuss the Annual Accounts 2015/16 and the Provisional Report to Those Charged with Governance before being brought to the Libraries NI Board Meeting the following day.

11. INTERNAL AUDIT ACTIVITY REPORT (DECEMBER 2015 – JANUARY 2016) ARAC 03.04.16

11.1 The Head of Internal Audit reported on the nine audits completed since the last full meeting of the Audit and Risk Assurance Committee held on 20 January 2016. The assurance ratings for each of the audits are as shown in the table below:

<table>
<thead>
<tr>
<th>Audit Assignment</th>
<th>Assurance Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provision of Assurance (Consultancy)</td>
<td>Not applicable</td>
</tr>
<tr>
<td>Post Project Evaluation e2</td>
<td>Not applicable</td>
</tr>
<tr>
<td>RFID Kiosks Branch Library A (Consultancy)</td>
<td>Not applicable</td>
</tr>
<tr>
<td>Payment Performance</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Managing Attendance</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Keady Branch Library</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Bangor Mobile Library</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Waterside Branch Library</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Creggan Branch Library</td>
<td>Satisfactory</td>
</tr>
</tbody>
</table>

11.2 The Head of Internal Audit briefly referred to the audits of the three branch libraries and one mobile library that had been completed since the last meeting of the Committee. In each case a Satisfactory level of assurance had been provided and there had been no priority one recommendations.

11.3 The Head of Internal Audit referred to the audits of Managing Attendance, Payment Performance and RFID Kiosks Branch Library A (Consultancy), and reported that these audits contained recommendations none of which were Priority One. It was noted that the audits of Managing Attendance and Payment Performance had each received a Satisfactory level of assurance.

11.4 In response to a question from Ms N McAuley regarding the audit of Managing Attendance, the Head of Internal Audit reported that benchmarking attendance against other organisations was difficult as there were many differences in how absence was recorded. It had been agreed previously that the best way for Libraries NI to benchmark its attendance was against itself over time.

11.5 The Head of Internal Audit referred to the audit of Assurance Provision. He reported that by the end of January 2016 he had attended seven meetings of
Operational and Business Support Management and had spoken with approximately 50 Managers to raise awareness regarding the importance of assurance provision. He added that feedback from each of these meetings had been very positive.

11.6 In response to a question from the Chairperson suggesting that this training should be repeated on a regular basis as a number of staff had left through the Voluntary Exit Scheme, the Chief Executive responded that the importance of governance training for staff was recognised and it was intended to provide training for all staff at third and fourth tier level and to repeat the training for Area Managers, as necessary.

11.7 The Head of Internal Audit advised Members that the Internal Audit Annual Plan had included an assignment on the e2 Project. He had recently completed a Post Project Evaluation of the e2 Project. The Executive Summary was presented for the information of Members. The full report was available on request.

12. INTERNAL AUDIT ACTIVITY REPORT - OUTSTANDING RECOMMENDATIONS ARAC 04.04.16

12.1 The Head of Internal Audit drew attention to the report showing progress on the implementation of outstanding audit recommendations from previous Internal Audit Reports.

12.2 Members noted that since the last scheduled meeting of the Audit and Risk Assurance Committee in January 2016, of the 65 recommendations outstanding, 51 had now been cleared leaving 14 to be resolved.

12.3 Members noted that only one Priority One recommendation remained outstanding and it was hoped that this would be resolved following consideration by the Board of recommendations relating to the Board Operating Framework at its meeting to be held on 21 April 2016.

13. INTERNAL AUDIT ANNUAL REPORT 2015/16 ARAC 05.04.16

13.1 The Head of Internal Audit reminded Members that Public Sector Internal Audit Standards required him to present a formal annual report to the Accounting Officer giving his opinion on the overall adequacy and effectiveness of the organisation’s risk management, control and governance processes, highlighting the range of strengths and weaknesses and providing his annual assurance to the Accounting Officer.

13.2 The Head of Internal Audit presented his draft report, highlighting in particular Section 6: Planned v Actual Audit Activity. He advised Members that 34 audits had been completed compared to a planned total of 31 audits. He confirmed that a sufficient number of audits had been completed and the assurance levels were such as to enable him to provide the Chief Executive
with assurance that, in his opinion, the risk management, control and governance systems within Libraries NI were operating in a satisfactory manner.

14. **BI-ANNUAL ASSURANCE STATEMENT (PERIOD ENDED 31 MARCH 2016)**  
**ARAC 06.04.16**

14.1 The Chief Executive presented the Bi-Annual Assurance Statement for the period ended 31 March 2016 and referred in particular to Section 1: Risk Management which outlined existing risks within the organisation and new risks which had been identified.

14.2 Members noted that a draft copy of the Bi-Annual Assurance Statement had been submitted to DCAL to inform its end of year processes. Following review by the Audit and Risk Assurance Committee and the Board a final signed copy incorporating any amendments would be submitted to DCAL.

14.3 Following discussion on the Statement, on a proposal by the Vice-Chairperson of the Committee Councillor S McGuigan, seconded by Alderman S Martin, Members agreed to recommend the Bi-Annual Assurance Statement for the period ended 31 March 2016 to the Board for approval.

15. **DRAFT GOVERNANCE STATEMENT 2015/16**  
**ARAC 07.04.16**

15.1 The Chief Executive presented the first draft of the Governance Statement 2015/16 which had been submitted to DCAL to inform its end of year processes. She reported that the draft would be reviewed and amended as necessary prior to submission for audit of the draft Libraries NI Annual Report and Accounts 2015/16 and again following completion of the external audit of the Accounts.

15.2 Attention was drawn in particular to the significant risks identified during 2015/16 and the associated mitigating action and to the Internal Governance Divergences.

15.3 The Committee noted the first draft of the Governance Statement 2015/16.

16. **ANNUAL BOARD ASSURANCE STATEMENT (YEAR ENDED 31 MARCH 2016)**  
**ARAC 08.04.16**

16.1 Members noted the Annual Board Assurance Statement for the year ended 31 March 2016 which had been prepared by the Chairperson of the Board. As the Chairperson of the Board was unable to attend the Meeting, the Chief Executive presented the Statement on his behalf.
16.2 On a proposal by the Vice-Chairperson of the Committee Councillor S McGuigan, seconded by Alderman S Martin, Members agreed the Chairperson’s Annual Board Assurance Statement, noting that it had been submitted to DCAL and recommended its adoption to the Board.

17. INTERNAL AUDIT STRATEGY 2016/19 ARAC 10.04.16

17.1 The Head of Internal Audit briefed the Committee on the proposed Internal Audit Strategy for 2016/19 which had been developed in the format recommended in the Public Sector Internal Audit Standards (PSIAS). The Strategy provides details of the audits to be completed and how they would be resourced.

17.2 On a proposal by Alderman S Martin seconded by the Vice-Chairperson of the Committee Councillor S McGuigan, the Committee approved the Internal Audit Strategy 2016/19 and recommended it to the Board for adoption.

18. INTERNAL AUDIT STRATEGY FOR BRANCH LIBRARIES 2016/17 ARAC 11.04.16

18.1 The Head of Internal Audit informed Members that the Internal Audit Strategy provides that each branch library should be audited at least once in every audit cycle of 8 years. The 2016/17 Internal Audit Plan has allocated 84 audit days to the completion of branch library audits. It is estimated that this resource would allow for the completion of approximately 12 branches in the year.

18.2 Members noted Appendix 2 of the Strategy which showed how the branch libraries had been prioritised and indicating the order in which they would be audited.

18.3 The Head of Internal Audit referred Members to Appendix 3 which summarised areas to be considered when completing branch library audits.

18.4 Members noted that the self-assessment document used to prioritise the order in which branch libraries were audited is currently being revised and would be issued to branches over the summer. It was expected that a report on the self-assessment exercise would be brought to the October meeting of the Audit and Risk Assurance Committee.

18.5 On a proposal by the Chairperson of the Committee, Mrs D Kenny, seconded by the Vice-Chairperson Councillor S McGuigan, the Committee approved the Internal Audit Strategy for Branch Libraries 2016/17 and recommended it to the Board for adoption.
19. INTERNAL AUDIT ANNUAL PLAN 2016/17 ARAC 12.04.16

19.1 The Head of Internal Audit drew attention to the Internal Audit Annual Plan 2016/17 and informed Members that the Plan would be kept under review to identify any amendments needed to reflect changing priorities and emerging needs within Libraries NI. Members noted that quarterly updates on the Plan would be brought to future meetings of the Audit and Risk Assurance Committee.

19.2 Members noted that the Plan provided for 28 audits to be conducted during the 2016/17 year.

19.3 On a proposal by the Chairperson of the Committee, Mrs D Kenny, seconded by Alderman S Martin, the Committee approved the Internal Audit Annual Plan 2016/17 and recommended it to the Board for adoption.

20. ACCOUNTABILITY MEETING MINUTES FEBRUARY 2016 ARAC 13.04.16(T)

20.1 Members noted the minutes of the Chief Executive’s Accountability meeting with DCAL held on 9 February 2016.

21. AUDIT AND RISK ASSURANCE COMMITTEE SCHEME OF DELEGATION (REVIEW) ARAC 14.04.16

21.1 The Chief Executive reminded Members that Corporate Governance best practice recommends that Schemes of Delegation are reviewed regularly. It is also good practice to review the Scheme of Delegation following the appointment of a number of new Members to a Committee.

21.2 She reported that the Scheme of Delegation for the Audit and Risk Assurance Committee was last reviewed in July 2014 following the issue of the revised Audit and Risk Assurance Committee Handbook from HM Treasury.

21.3 Members noted that a number of minor amendments had been made to the Scheme which were indicated in blue font.

21.4 Following discussion of the amendments, on a proposal by the Chairperson of the Committee, Mrs D Kenny, seconded by the Vice-Chairperson Councillor S McGuigan, the Committee approved the revised Audit and Risk Assurance Committee Scheme of Delegation and recommended it to the Board for adoption.
22. INTERNAL AUDIT CHARTER (REVIEW)  

22.1 The Head of Internal Audit introduced this paper and informed Members that the internal audit charter must be reviewed periodically and presented to senior management and the Board for approval. The Charter was last revised in March 2012. However, since this revised version had been issued to Members with the papers of the meeting, the Public Sector Internal Audit Standards had been revised. This meant that the Charter would require further review. A revised document would be brought for Members’ attention to the next meeting of the Committee.

22.2 Members noted the report.

23. BOARD OPERATING FRAMEWORK  

23.1 The Chief Executive drew attention to the Board Operating Framework and informed Members that in April 2013 DFP issued DAO (DFP) 06/13 a revised Code of Good Practice on Corporate Governance in Central Government Departments. The Code contains guidance that states that the Board should collectively affirm and document its understanding of the organisation’s purpose and the Board’s role and responsibilities in a Board Operating Framework.

23.2 She reminded Members that the existing Framework had been agreed by the Board in October 2013. This document had now been reviewed as a result of an internal audit of compliance with the Code and other changes. The proposed amendments were highlighted for Members’ information.

23.3 Following discussion, on a proposal by Alderman S Martin, seconded by the Vice-Chairperson of the Committee Councillor S McGuigan, the Committee approved the revised Board Operating Framework and recommended it to the Board for adoption.

24. CHAIRPERSON’S REGISTER OF GIFTS AND HOSPITALITY  

Quarter 3: 1 October – 31 December 2015  

24.1 Members noted the Board Chairperson’s Register of Gifts and Hospitality (Nil Return) for the period 1 October to 31 December 2015.

Quarter 4: 1 January – 31 March 2016  

24.2 Members noted the Board Chairperson’s Register of Gifts and Hospitality (Nil Return) for the period 1 January to 31 March 2016 which had been tabled at the meeting.
25. AUDIT AND RISK ASSURANCE COMMITTEE SELF-ASSESSMENT
   ARAC 19.04.16

25.1 The Chairperson drew attention to The Audit Committee Self-Assessment Checklist which had been completed by Members following the last Committee meeting. Members were now asked to consider the document to ensure it accurately reflected the responses provided during the review.

25.2 Mr D Lynn, NIAO referred to page 18 of the document and reported that Members would have received the Letter of Representation with the Report to Those Charged with Governance.

25.3 On a proposal by Alderman S Martin, seconded by the Vice-Chairperson of the Committee Councillor S McGuigan, Members agreed to amend page 18 of the Self-Assessment document to reflect that the Letter of Representation had been seen by the Committee. It was also agreed that the Chairperson would report on the results of the self-assessment at the next meeting of the Board to be held on 21 April 2016.

25.4 Members noted that a copy of the completed self-assessment document would be made available for review by the NIAO and DCAL.

26. ANY OTHER NOTIFIED BUSINESS

26.1 Mr D Lynn advised that the NIAO would liaise with the Director of Business Support and the Finance Manager regarding the requirement for the preparation of accounts and consequential audit of the Trust Fund which had transferred to Libraries NI from the Education Authority.

27. DATE OF NEXT MEETING

27.1 The next meeting of the Audit and Risk Assurance Committee will take place on Wednesday 22 June 2016 at 10.30 am in Lisburn City Library.

28. MEMBERS' ARRIVAL AND DEPARTURE TIMES

28.1 The meeting ended at 12.40 pm.

28.2 All Members arrived for the commencement of the meeting and remained until it ended with the exception of the following:
   Mr T Heron, Director of Business Support left at 11.47 am
   Ms N McAuley, left at 11.52 am.

Signed:  

Date:  22/6/16