LIBRARIES NI

AUDIT AND RISK ASSURANCE COMMITTEE

20 January 2016

Minutes of a Meeting of the Audit and Risk Assurance Committee held in
Lisburn City Library on Wednesday 20 January 2016 at 10:30 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 Catherine O'Hagan     Northern Ireland Audit Office
Mr Cachal McCann         Department of Culture, Arts and Leisure
Mr Gary Curran           Department of Culture, Arts and Leisure

1. APOLOGIES FOR NON ATTENDANCE

Professor Bernard Cullen   Chairperson of the Board

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 their first meeting of the Libraries NI Audit and Risk Assurance Committee:

• Ms N McAuley who has been co-opted to the Committee for a period of four years.
• Mr C McCann and Mr G Curran from DCAL. Mr G Curran will attend future meetings of the Committee instead of Mr A Hughes who previously represented DCAL.

• Ms C O’Hagan from the Northern Ireland Audit Office. Ms O’Hagan has replaced Mr P O’Sullivan.

4. CHIEF EXECUTIVE’S BUSINESS

4.1 The Chief Executive welcomed Ms N McAuley, Mr C McCann, Mr G Curran and Ms C O’Hagan to the Libraries NI Audit and Risk Assurance Committee.

4.2 She then drew attention to correspondence received since the last meeting as follows:

• FD (DFP) 09/15 NIAO Publication: Fraud Risk in a Changing Environment: A Good Practice Guide

• FD (DFP) 09/15 Attachment

• FD (DFP) 10/15 Update DFP Guidance on Appraisals and Business Cases

• DCAL correspondence, dated 8 December 2015, confirming approval for the co-option of Ms N McAuley as a non-Executive member of the Audit and Risk Assurance

• Service Level Agreement with NICS Group Internal Audit and Fraud Investigation Service

4.3 In response to a question from the Chairperson the Chief Executive confirmed that the SLA with the NICS Group Fraud Investigation Service (GFIS) would continue after the implementation of the new Departmental structure when Libraries NI would become part of the Department for Communities. Mr McCann 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.

4.4 The Chief Executive informed Members that Libraries NI had been approached before Christmas by Sport NI enquiring about a shared audit service. The Director of Business Support and the Head of Internal Audit had met with representatives from Sports NI to discuss their requirements. Upon completion of an internal business case it was concluded that, unfortunately, Libraries NI could not meet their requirements within its current staffing resources but had agreed to look at the matter again when the Department for Communities became operational in May 2016.
5. MINUTES OF THE MEETINGS OF THE AUDIT AND RISK ASSURANCE COMMITTEE

23 September 2015

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 meeting of the Audit and Risk Assurance Committee held on 23 September 2015.

15 October 2015

5.2 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 meeting of the Audit and Risk Assurance Committee held on 15 October 2015.

6. MATTERS ARISING FROM THE MINUTES OF THE MEETINGS OF THE AUDIT AND RISK ASSURANCE COMMITTEE

23 September 2015

Item 4.2: Chief Executive’s Business

6.1 The Chief Executive updated Members on the NIAO review of the e2 Project. She reported that the Head of ICU/ICT, Mr D Curry, had held discussions with the NIAO in relation to the value for money audit. The Post Project Evaluation was currently being finalised and it was hoped to have a draft copy to DCAL and the NIAO by the end of January 2016.

Item 6.1: Matters arising from the minutes of the meeting of the Audit and Risk Assurance Committee held on 24 June 2015

6.2 The Chief Executive reported that work was on-going on the revised Management Statement and Financial Memorandum. She reported that the Director of Business Support had met with DCAL officials to discuss the Financial Memorandum. Members noted that it was hoped to have comments on the Management Statement with DCAL shortly.

Item 6.2: Matters arising from the minutes of the meeting of the Audit and Risk Assurance Committee held on 24 June 2015

6.3 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 had not been received. The Director of Business Support confirmed that he had written to the Court Service asking whether Libraries NI could expect further payments or whether the outstanding amount of the agreed compensation payment should be written off. A response was awaited.
Item 6.4: Matters arising from the minutes of the meeting of the Audit and Risk Assurance Committee held on 24 June 2015, Internal Audit Activity Report

6.4 The Chief Executive reported that none of the allegations regarding whistleblowing and harassment had been upheld. The member of staff is involved in a conciliation process and Libraries NI is progressing with a related disciplinary matter. It was hoped that all issues would be resolved by the end of January 2016.

15 October 2015

Item 3.3: Bi-Annual Assurance Statement April to September 2015

6.5 The Director of Business Support confirmed that capital funding had been received from DCAL in respect of the unitary charge for Lisburn City Library.

7. INTERNAL AUDIT ACTIVITY REPORT

7.1 The Head of Internal Audit reported on the 15 audits completed since the last full meeting of the Audit and Risk Assurance Committee held on 23 September 2015. 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>Board Operating Framework</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Recruitment and Selection</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Branch Library (Y) Cash Handling Preliminary Investigation</td>
<td>N/A</td>
</tr>
<tr>
<td>Safeguarding</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Cash Drawdown Process</td>
<td>Substantial</td>
</tr>
<tr>
<td>Library (Z) Cash Handling Preliminary Investigation</td>
<td>N/A</td>
</tr>
<tr>
<td>Ballymena Mobile</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>North West Mobile</td>
<td>Substantial</td>
</tr>
<tr>
<td>Tyrone Mobile</td>
<td>Substantial</td>
</tr>
<tr>
<td>Newtownbreda Branch Library</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Cregagh Branch Library</td>
<td>Substantial</td>
</tr>
<tr>
<td>Newry City Library</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Downpatrick Branch Library</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Mellon Centre for Migration Studies</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Lisnaskea Branch Library</td>
<td>Satisfactory</td>
</tr>
</tbody>
</table>

7.2 The Head of Internal Audit reported that four audits had received a Substantial level of assurance with the remainder receiving a Satisfactory level of assurance. Four Priority One recommendations had been made, three in relation to the preliminary investigations in libraries and the fourth in relation to the implementation of tachographs in Mobile Library vehicles.

7.3 The Head of Internal Audit referred to the final audit reports of the audits carried out two libraries. He reported that following a preliminary investigation of both incidents it was unclear if a potential fraud had occurred
of if an error in cash handling/record keeping had occurred. He explained that the issue could only be investigated further by interviewing relevant staff under the disciplinary policy and it was unlikely that this process would determine the cause of the loss. He had recommended that as a result of this and because of the relatively small amounts of cash the investigation in both cases be brought to a conclusion. He stated that consideration and implementation of the recommendations contained in each report should minimise the risk of similar incidents occurring in future. Further visits from Internal Audit would be arranged for both libraries.

7.4 The Committee noted the reports.

8. INTERNAL AUDIT ACTIVITY REPORT – OUTSTANDING RECOMMENDATIONS ARAC 04.01.16

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.

8.2 Members noted that since the last scheduled meeting of the Audit and Risk Assurance Committee in September 2015, of the 32 recommendations outstanding, 21 had now been cleared leaving 11 to be resolved.

8.3 Members noted that no Priority One recommendations remained outstanding however three recommendations were outstanding for a period in excess of the recommended four months’ implementation date and were therefore highlighted in red.

8.4 The Director of Business Support updated members on the recommendations which have been outstanding more than four months as follows:

- Fire Safety Awareness: tenders have been sought for the provision of an online fire safety awareness training package for all staff. Tender evaluations took place on 18 January 2016 and it was hoped to have the training in place and operational by early March 2016

- Cash Summary Reports: these have been improved to include the automatic recording of the date and a sequential number. A number of other enhancements are also being developed to improve these reports and make them more user friendly

- Service Level Agreement for Belfast Central Library Coffee Shop: a detailed review has been carried out on the costs of the service and tariffs charged. Plans are being developed to ensure the tariffs cover the cost of the operation of the Café during 2016/17.

8.5 The Head of Internal Audit drew attention to the outstanding recommendations regarding Colin Glen Branch Library. He reported that all the recommendations had been accepted and were mostly implemented. It was expected that the outstanding recommendations would be shown as
green in the next report which would be taken to the Audit and Risk Assurance Committee in April 2015.

8.6 In response to a question from Councillor S McGuigan, the Head of Internal Audit advised Members of the established process should an Auditee not agree with an audit recommendation. He advised Councillor McGuigan that a process of dialogue enhanced the understanding of the Auditee as to why the recommendation was necessary or, in many cases, enhanced the understanding of the Head of Internal Audit as to why it was not necessary. At the end of the process however, Internal Audit retained the authority to issue a recommendation even if the Auditee did not agree with it. The Head of Internal Audit advised Members that this had only been necessary once in the last 4 years.

9. INTERNAL AUDIT ANNUAL PLAN 2015/16 PROGRESS REPORT
   ARAC 05.01.16

9.1 The Head of Internal Audit reported on progress in implementing the 2015/16 Annual Internal Audit Plan noting that a similar report would be brought to each meeting of the Committee.

9.2 Members were reminded that the Internal Audit Annual Plan 2015/16 had called for the completion of 31 audit assignments during the year and at present 25 had been completed. The Head of Internal Audit reported that he was reasonably confident that six more audits would be completed before the year end which would be sufficient to enable him to provide the Chief Executive, as Accounting Officer, with an opinion on the effectiveness of risk management and internal controls to inform the governance statement.

9.3 Members noted that some of the audits proposed in the Plan would be deferred to the next financial year as some adjustments to the Plan had been required in-year. They were advised that the audit of Business Continuity would commence before the end of this financial year.

9.4 Members noted the report.

10. FINAL REPORT TO THOSE CHARGED WITH GOVERNANCE
    ARAC 06.01.16

10.1 The Director of Business Support drew attention to the Final Report to Those Charged with Governance 2014/15 and informed Members that the Annual Accounts 2014/15 had been certified on 6 October 2015. He drew attention, in particular to Section 1 of the Report and the NIAO findings in relation to Heritage Assets. Members noted that the limitation of scope qualification in respect of the valuation and completeness of the Heritage Assets continue, but the NIAO had recognised that continued progress had been made in relation to this matter. Ms O'Hagan confirmed that the NIAO was content with the progress that continues to be made.
10.2 The Director of Business Support drew attention also to the four recommendations made by the NIAO in relation to the Carnlough Library Lease, Recovery of Shared Costs Income, Attendance of Board Members at meetings and Legacy Contracts. Members noted that all recommendations had been accepted with the exception of the Attendance of Board Members at meetings which had been partially accepted, and actions had been put in place to address these issues.

10.3 In response to a question regarding shared costs income from the new departmental structure, the Director of Business Support responded that Libraries NI was keen to work with all public sector partners to promote libraries and to maximise the use and efficient occupancy of the estate. He added that Libraries NI had been actively working with the Strategic Investment Board Asset Management Unit to identify and manage unused accommodation.

10.4 The Committee noted the Final Report to Those Charged with Governance and the updated position on implementation of the recommendations contained therein.

11. MINUTES OF THE GOVERNANCE AND ACCOUNTABILITY MEETING: NOVEMBER 2015 ARAC 07.01.16

11.1 The Chief Executive presented the minutes of her Accountability Meeting held on 23 November 2015 drawing attention to Item 3.5.

11.2 She drew attention to the issue of Libraries NI withdrawing from the Review of Public Administration (RPA) Affected Group, identified in the minutes, noting that the process incurred additional costs due to the time and resource requirements involved, adding that other organisations had withdrawn from this process. DCAL had agreed to raise the issue with the Department of Finance and Personnel (DFP). She was pleased to report that an email had been received the previous day (19 January 2016) from DFP stating that the Public Services Commission would cease to exist with effect from 31 March 2016 as its work was now complete. Therefore the RPA Affected Group would no longer exist and Libraries NI could proceed with recruitment as per agreed procedures.

11.3 Members noted the report and that the next Accountability Meeting would take place on 9 February 2016.

12. FRAUD RESPONSE PLAN (REVISED) ARAC 08.01.16(a)

12.1 The Director of Business Support presented the Fraud Response Plan (Revised) and informed Members that changes to the Plan since it was last revised in October 2012 were indicated in blue font.
12.2 Members noted that the key change/addition related to the new Service Level Agreement for fraud investigation with Northern Ireland Civil Service Group Internal Audit and Fraud Investigation Services from 1 April 2015 to 31 March 2018 which has been included in Schedule 1.

12.3 In response to a question from the Chairperson regarding how the Fraud Response Plan and procedures are communicated to staff, the Head of Internal Audit responded that the process was on-going but that currently he was arranging a series of meetings with managers where awareness with regard to the provision of assurances was being discussed. The Fraud Response Plan and related policies were also on the agenda for discussion at these meetings. A report on these meetings would be brought to the next meeting of the Committee.

12.4 In response to a question from Ms O'Hagan, the Head of Internal Audit confirmed that the Fraud Response Plan advised staff who had concerns of the names of people with whom they could raise those concerns and that the Whistleblowing Policy and associated procedures had also been updated recently. In response to a question from Councillor McGuigan, he also confirmed that all concerns raised, including those raised anonymously were taken seriously and subject to a preliminary investigation. The difficulty with anonymous disclosures was that it was not possible to seek follow-up information and neither was it possible to disclose the results of the preliminary information.

12.5 On a proposal by Alderman S Martin, seconded by the Vice-Chairperson of the Committee Councillor S McGuigan, the Committee recommended the Fraud Response Plan (Revised) for approval by the Board.

**ANTI-FRAUD POLICY (REVISED) ARAC 08.01.16(b)**

12.6 The Director of Business Support presented the Anti-Fraud Policy (Revised) and informed Members that it had been revised in light of guidance received from the NIAO. He explained that governance in public sector organisations must include arrangements for preventing, countering and dealing with fraud. The document sets out the responsibilities of all staff in promoting an anti-fraud culture and the specific responsibilities of each members of staff and management.

12.7 Members noted that the policy was last reviewed in October 2012.

12.8 Having discussed the Anti-Fraud Policy, on a proposal by Alderman S Martin, seconded by the Vice-Chairperson of the Committee Councillor S McGuigan, the Committee recommended the Anti-Fraud Policy (Revised) for approval by the Board.
13. RISK MANAGEMENT REPORT AND REVIEW

13.1 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 8 January 2016.

13.2 He drew attention to the Corporate Risk Register which had been reviewed by the Risk Management Group, highlighting the changes which had been made.

13.3 Members noted that as capital allocations had now been received some of the uncertainty surrounding the financial risks has been reduced resulting in a lower treated risk.

13.4 The Director of Business Support in response to a question from the Chairperson reported that late funding had been received from DCAL and had been allocated to the Maintenance Budget. Maintenance priorities had been revised to account for the additional monies but, as funding had been received so late in the year it may not be possible to carry out substantial maintenance on library buildings as the remainder of the cost would fall into next year’s budget.

13.5 The Committee noted the Risk Management Report and the Corporate Risk Register.

14. CHAIRPERSON’S REGISTER OF GIFTS AND HOSPITALITY 2015/16

Quarter 2: 1 July – 30 September 2015

14.1 Members noted the Chairperson’s Register of Gifts and Hospitality (Nil Return) for the period 1 July to 30 September 2015.

Quarter 3: 1 October – 31 December 2015

14.2 Members noted that this Register was unavailable and would be presented at the next meeting of the Committee to be held on Wednesday 13 April 2016.

15. SCHEDULE OF MISSION CRITICAL PROJECTS

15.1 The Director of Business Support introduced the Schedule of Mission Critical Projects and updated Members as follows:

- Stock Assets Project – a plan has been developed for the valuation/de-recognition of the remaining £1.7 million material which was the subject of the qualification
- Belfast Central Library - as previously reported the Outline Business Case had been submitted to the Department of Finance and Personnel (DFP) in December 2015. Comments have been received
and are being actioned by officers and a visit to Belfast Central Library for DFP officials had been arranged, at their request.

15.2 It was agreed to remove the project: To account for and securely store stock assets from future Schedules of Mission Critical Projects as the project was now closed.

15.3 Members noted the update to the Mission Critical Projects.

16. ARAC ANNUAL AGENDA 2016/17

16.1 As requested during the completion of a previous 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.

16.2 Ms C O’Hagan, NIAO referred to the proposed agendas and informed the Committee that due to reorganisation within the NIAO it may not be possible to accommodate the proposed timetable for certification of the Annual Report and Accounts. Ms O’Hagan agreed to keep Members informed.

16.3 In response to a question from the Chief Executive, Members confirmed that they were content that the meetings of the Audit and Risk Assurance Committee continue to be held on a Wednesday morning except for the meeting scheduled for 12 January 2017 which would be held on a Thursday morning.

16.4 In response to a question from Mr G Curran, DCAL the Director of Business Support confirmed that issues regarding procurement, including Single Tender Actions were brought to the Business Support Committee.

16.5 The Head of Internal Audit also advised Members that the Internal Audit Plan for 2016/17 would be brought to the next meeting of the Committee.

16.6 Members noted the documentation.

17. NIAO ISSUES

17.1 Ms C O’Hagan, NIAO confirmed that she had nothing further to report.

18. NAO AUDIT COMMITTEE SELF-ASSESSMENT CHECKLIST

18.1 Members were reminded that the Audit and Risk Assurance Committee Handbook states that the Audit Committee should form a view of its own
effectiveness, including advice on ways in which it considers it needs to be strengthened or developed, and 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 In order to comply with the Audit and Risk Assurance Committee Handbook Members would meet immediately after the Committee in order to complete the annual self-assessment document. The Head of Internal Audit would be available to provide support and to assist with the completion of the document.

19. NFI STATUS REPORT: JANUARY 2016

19.1 The Director of Business Support drew attention to the National Fraud Initiative Status Report and informed Members that four issues had arisen during this exercise. All four are being investigated.

19.2 The Director of Business Support confirmed that no fraudulent activity or errors had been identified to date and that only four payroll queries remained to be investigated. Ms O’Hagan NIAO advised him that only those matches that had been ‘red-flagged’ (and perhaps a small sample of others) need be investigated.

19.3 Members noted the update.

20. ANY OTHER NOTIFIED BUSINESS

20.1 There was no other notified business.

21. DATE OF NEXT MEETING

21.1 The next meeting of the Audit and Risk Assurance Committee would take place on Wednesday 13 April 2016 at 10.30 am in Lisburn City Library.

22. MEMBERS’ ARRIVAL AND DEPARTURE TIMES

22.1 The meeting ended at 11.46 am. All Members arrived for the commencement of the meeting and remained until it ended.

Signed: [Signature]

Date: 20 April 2016