LIBRARIES NI
AUDIT AND RISK ASSURANCE COMMITTEE

23 September 2015

Minutes of a Meeting of the Audit and Risk Assurance Committee held in
Lisburn City Library on Wednesday 23 September 2015 at 10:30 am

PRESENT

Mrs Deirdre Kenny Chairperson
Councillor Seán McGuigan Vice Chairperson
Ms Judith Andrews
Professor Bernard Cullen Chairperson of the Board
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 Rita McNamee Finance Manager
Ms Dorinnia Carville Director, Northern Ireland Audit Office
Mrs Laura Dixon Auditor, Northern Ireland Audit Office
Mr Alastair Hughes Department of Culture, Arts and Leisure

1. APOLOGIES FOR NON ATTENDANCE

There were no apologies noted.

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 briefed the Committee in regard to the pre meeting with the Northern Ireland Audit Office. Discussion had focused on the 2014/15 Annual Accounts. Members had considered the qualification to the Accounts and the recommendations contained in the Report to Those Charged with Governance.
The Chairperson noted that following her appointment as a MLA, Councillor Claire Hanna had resigned from the Board and consequently the membership of the Committee had been reduced by one.

4. CHIEF EXECUTIVE’S BUSINESS

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

- DAO (DFP) 08/15 Code of Practice for Reducing Bureaucracy in Grant Funding to the Voluntary Community Sector.
- FD (DFP) 07/15 – Appraising Financial Assistance: Streamlining of Procedures and Documentation
- DAO (DFP) 10/15 Public Accountability Process: Commenting on NIAO Reports, PAC Reports and Matters under Consideration by PAC.

4.2 The Chief Executive reported that she had been informed by DCAL that, as part of its value for money work, the Northern Ireland Audit Office intended to carry out a preliminary review of the e2 project and, depending on its findings, this work could lead to a published value for money study. She agreed to keep the Committee informed.

5. MINUTES OF THE MEETING OF THE AUDIT AND RISK ASSURANCE COMMITTEE HELD ON 24 JUNE 2015

5.1 On a proposal by Alderman S Martin, seconded by Councillor S McGuigan, the Committee approved the minutes of the meeting of the Audit and Risk Assurance Committee held on 24 June 2015.

6. MATTERS ARISING FROM THE MINUTES OF THE MEETING OF THE AUDIT AND RISK ASSURANCE COMMITTEE HELD ON 24 JUNE 2015

6.1 Item 8.2 Matters Arising

The Chief Executive reported that work was on-going on the revised Management Statement and Financial Memorandum and it would be brought to a future meeting for consideration by Members.

6.2 Item 9.0 Internal Audit Activity Report

The Director of Business Support confirmed that, with regard to the theft of monies from a library, the member of staff concerned had been dismissed and had appeared in Court, as a result of which a Court Order had been made requiring a part compensation payment to be made to Libraries NI.
6.3 **Item 9.2 Internal Audit Activity Report**

The Director of Business Support confirmed that all monies which had been paid in error to a contractor had now been repaid in full.

6.4 **Item 9.3 Internal Audit Activity Report**

The Chief Executive reported that the appeal in relation to the whistleblowing and harassment allegations was scheduled to be considered by the Labour Relations Agency in October.

7. **PROVISONAL REPORT TO THOSE CHARGED WITH GOVERNANCE**

**ARAC.03.09.15**

7.1 The Chairperson invited Ms D Carville, Northern Ireland Audit Office (NIAO) to present the Provisional Report to those Charged with Governance 2014/15.

7.2 Ms Carville, expressed her thanks to Libraries NI staff involved in the audit of the Annual Report and Accounts 2014/15 for their assistance. In relation to significant risks identified in the audit Ms Carville reported that, although significant progress had been made in relation to the Heritage Assets, a qualification would remain in place for 2014/15. The total value of Heritage Assets subject to qualification in 2014/15 was £2.3 million.

7.3 Ms Carville confirmed that the report contained no Priority One recommendations but drew attention to the four priority two recommendations in relation to:

- Carnlough Library Lease
- Recovery of Shared Costs Income
- Attendance of Board Members at meetings
- Legacy Contracts

She noted that three of the recommendations had been accepted and the recommendation in relation to the attendance of Board Members had been partially accepted by management.

7.4 Members discussed the draft management responses to the audit recommendations, noting in particular the progress made in relation to Heritage Assets and the valuation work that would be undertaken in 2015/16, subject to funding availability and the recommendation regarding Board Members’ attendance at meetings. It was noted that, although on occasions some Board Members cannot attend meetings, they may be actively involved in other ways in promoting Libraries NI. The Chairperson outlined the approach he would take to resolve such incidences of non-attendance in the future.

7.5 Members noted the Provisional Report to those Charged with Governance.
8. LIBRARIES NI DRAFT ANNUAL REPORT AND ACCOUNTS 2014/15
ARAC.04.09.15

8.1 The Chief Executive drew the Committee’s attention to changes made to the Annual Report, and in particular to the Governance Statement, since the first draft had been reviewed by the Committee in June. She noted that in the first quarter of 2015/16 there had been considerable uncertainty about recurrent funding and this was reflected in the Risk Management and Internal Governance Divergences sections of the Governance Statement. With in-year cuts of 1.2% now confirmed and funding allocated in relation to the Voluntary Exit Scheme, these sections had now been updated. The Chief Executive confirmed that the issue in relation to lack of capital funding from DCAL for the Lisburn Library PFI capital element is still outstanding.

8.2 The Finance Manager presented the Annual Accounts which had been subject to audit. She explained that the most material change, compared to the version previously seen by the Committee, was the de-recognition of £1.6m Heritage Assets. In addition, the change to the accounting treatment of outstanding fines had been shown in the first draft of the Accounts as a prior year adjustment. Because the amount involved was not material, it was decided, with the agreement of the NIAO, that a prior year adjustment was not necessary and therefore the impact was shown fully in the 2014/15 Accounts. The Finance Manager referred Members to the Financial Target page attached to the Accounts which reconciled the Accounts with the regular finance reports, with which Board Members would be familiar, noting that there had been a recurrent underspend of £35,000 and a capital underspend of £37,000 at year end.

8.3 The Chief Executive reminded Members that the Board had delegated authority to the Business Support Committee, which would meet on 1 October 2015, to approve the Annual Report and Accounts, allowing them to be signed by the Chairman and Chief Executive.

8.4 On a proposal by the Chairperson, Mrs D Kenny, seconded by Alderman S Martin, the Committee recommended the Libraries NI Draft Annual Report and Accounts 2014/15 to the Business Support Committee for approval.

9. AUDIT AND RISK ASSURANCE COMMITTEE ANNUAL REPORT
ARAC 05.09.15

9.1 The Chairperson referred Members to the Audit and Risk Assurance Committee’s Annual Report, reminding them that they had considered a draft version at their last meeting. The Report had been updated following completion of the audit of the Accounts and receipt of the provisional Report to those Charged with Governance.

9.2 The Head of Internal Audit drew Members’ attention specifically to Appendix 3 of the Report, which set out his assurance to the Accounting Officer in relation to the operation of the risk management, control and governance
systems in Libraries NI. He referred Members also to the Internal Audit Performance Indicators 2010-2015 (Appendix 3.2), highlighting updates since the last version.

9.3 On a proposal by Ms J Andrews, seconded by Councillor S McGuigan, the Committee agreed to adopt the Audit and Risk Assurance Committee Annual Report, noting that it would be taken into account by the Business Support Committee when considering the Annual Report and Accounts for approval.

10. INTERNAL AUDIT ACTIVITY REPORT ARAC 06.09.15

10.1 The Head of Internal Audit reported on the six audits and one preliminary investigation which had been completed since the last meeting of the Audit and Risk Assurance Committee held on 24 June 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>Branch Library Timesheets</td>
<td>N/A</td>
</tr>
<tr>
<td>Information Security</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Ormeau Road Branch Library</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Donaghadee Branch Library</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Belfast Central Library</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Kilkeel Branch Library</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Colin Glen Branch Library</td>
<td>Satisfactory</td>
</tr>
</tbody>
</table>

10.2 The Head of Internal Audit reported on the background leading to the preliminary investigation of Branch Library Timesheets. He noted that this matter was being taken forward under the terms of the Disciplinary policy.

10.3 The Head of Internal Audit provided details of the Information Security Audit. He reported also that in the five branch libraries audited there were 24 findings with none being Priority One. The Head of Internal Audit noted that the small number and the level of the findings were indications of on-going improvement.

10.4 Members noted the reports.

11. INTERNAL AUDIT ACTIVITY REPORT: OUTSTANDING RECOMMENDATIONS ARAC 07.09.15

11.1 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 June 2015, of the 17 recommendations outstanding, 13 had now been cleared leaving four to be resolved. Members noted that no Priority One recommendations remained outstanding.
11.2 Members noted the report.

12. **INTERNAL AUDIT PLAN 2015/16: PROGRESS REPORT ARAC 08.09.15**

12.1 The Head of Internal Audit reported on the progress in implementing the Annual Internal Audit Plan year to date. He noted that a similar report would be brought to each meeting of the Committee.

12.2 He highlighted that continued work associated with the appeal by a member of staff against the findings of an investigation into allegations of whistleblowing and harassment was unplanned and might have an impact and if so, the audit of Equality may be deferred until next year. The remainder of the Plan would progress as scheduled.

12.3 Members noted the report.

13. **GOVERNANCE AND ACCOUNTABILITY MEETING: 3 JUNE 2015 ARAC 09.09.15**

13.1 The Chief Executive presented the minutes of her Accountability Meeting held on 3 June 2015.

13.2 Members noted the minutes.

14. **WHISTLEBLOWING POLICY AND PROCEDURE ARAC 10.09.15**

14.1 The Director of Business Support presented the revised Whistleblowing Policy and Procedures. He noted that the Northern Ireland Audit Office, together with the Audit Offices for England, Scotland and Wales and Public Concern at Work, had issued a good practice guide regarding Whistleblowing in the Public Sector. DCAL had also issued a revised policy and guidance. The Libraries NI Whistleblowing Policy had been reviewed in light of both of these documents.

14.2 On a proposal by Councillor S McGuigan, seconded by Ms J Andrews, the Committee approved the Whistleblowing Policy and Procedure and recommended it to the Board for approval.

15. **CONFLICTS OF INTEREST POLICY ARAC 11.09.15**

15.1 The Director of Business Support presented the new policy noting that in June 2015 the DCAL Permanent Secretary issued a letter to all ALB Chief Executives and Chairs of Audit Committees advising them that the NIAO had recently published a good practice guide to conflicts of interest in the Public Sector. The Permanent Secretary made a recommendation that each ALB
should develop its own Conflicts of Interest Policy based on the good practice guide.

15.2 The Director of Business Support explained that the proposed policy brought together current practice from other Libraries NI documents and the recently published good practice guide. He confirmed that associated guidance notes were being prepared and would be brought to a future meeting of the Committee for the information of Members.

15.3 On a proposal by the Chairperson, Mrs D Kenny, seconded by Councillor S McGuigan, the Committee approved the Libraries NI Conflict of Interest Policy and recommended it to the Board for approval.

16. RISK MANAGEMENT REPORT AND REVIEW

16.1 The Director of Business Support presented the Risk Management Report and the revised Corporate Risk Register. He noted that the Register had been prepared when there had been an increased level of risk due to the uncertainty surrounding the level of funding for Libraries NI and perceived budget constraints. Having had the recurrent budget cut confirmed at 1.2%, this level of risk had been reduced.

16.2 Having noted that there remained an issue with capital funding from DCAL to meet the Lisburn City Library PFI commitment and following discussion, Members agreed that the red risk in relation to Capital funding should continue and therefore the recurrent and capital risks should be shown separately on the risk register.

16.3 With this amendment, on a proposal by Councillor S McGuigan, seconded by Ms J Andrews, the Committee recommended the Libraries NI Risk Management Report and Review for approval by the Board.

17. CHAIRPERSON'S REGISTER OF GIFTS AND HOSPITALITY

17.1 Members noted the Chairperson’s Register of Gifts and Hospitality (nil return) for the period 1 April 2015 to 30 June 2015.

18. SCHEDULE OF MISSION CRITICAL PROJECTS

18.1 The Director of Business Support noted that there were two mission critical projects, the Heritage Assets Project and Belfast Central Library Refurbishment. He referred Members to discussions earlier in the meeting regarding the on-going work in relation to Heritage Assets and confirmed that, in relation to Belfast Central Library, the Outline Business Case had been agreed by DCAL subject to clarification on a number of minor issues.
18.2 Members noted the report.

19. NIAO ISSUES

19.1 Ms D Carville, NIAO confirmed that there was nothing further to report but wished to thank Libraries NI for having an open dialogue with the Northern Ireland Audit Office.

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 will take place on Wednesday 20 January 2016 at 10:30 am in Lisburn City Library.

22. MEMBERS ARRIVAL AND DEPARTURE TIMES

22.1 The meeting ended at 12:02 pm.

22.2 All Members arrived for the commencement of the meeting and remained until it ended.

Signed: [Signature]

Date: 20/1/16