LIBRARIES NI

AUDIT AND RISK ASSURANCE COMMITTEE

18 January 2017

Minutes of a meeting of the Audit and Risk Assurance Committee held in Lisburn City Library on Wednesday 18 January 2017 at 10:30 am

PRESENT

Mrs Deirdre Kenny
Councillor Seán McGuigan
Professor Bernard Cullen
Alderman Stephen Martin
Councillor Stephen McIlveen

Chairperson
Vice-Chairperson
Chair of Board

IN ATTENDANCE

Ms Irene Knox
Ms Helen Osborn
Mr Desi Miskelly
Mr Brian Doherty
Mrs Kathryn Jauzion
Mrs Sarah Heenan
Mr Ciarán Mee

Chief Executive
Director of Library Services
Director of Business Support
Head of Internal Audit
Trainee Auditor
Northern Ireland Audit Office
Department for Communities

1. APOLOGIES FOR NON ATTENDANCE

Ms Nuala McAuley

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 Mrs K Jauzion to the meeting and congratulated her on her appointment to the position of Trainee Auditor.
4. **CHIEF EXECUTIVE’S BUSINESS**

4.1 The Chief Executive drew attention to the following matters:

- **DAO (DoF) 8/16 (18 October 2016)** regarding the use and approval of confidentiality clauses/agreements in dispute settlements

- **DAO (DoF) 09/16 (1 November 2016)** regarding good practice procedures in Fraud Investigations. The Chief Executive reminded Members that the Head of Internal Audit was qualified and experienced in carrying out fraud investigations

- **DAO (DoF) 10/16 (12 December 2016)** regarding key lessons learned from the NIAO Report and PAC Hearing into the Northern Ireland Events Company. Members noted that this DAO would be drawn to the attention also of the full Board

- **DAO (DoF) 11/16 (20 December 2016): Annual Theft and Fraud Report 2015/16.**

- **FD (DoF) (15 November 2016), Issue and Use of Payment Cards.** The Director of Business Support confirmed that Libraries NI was in the process of researching use of the Government Procurement Card (GPC) as an alternative, or in addition to, a Credit Card and that a report would be brought to the Business Support Committee in due course

- Memos, dated 17 October 2016 and 10 November 2016, from the Department of Finance (DoF) regarding Treasury Minutes relating to Westminster PAC Reports

- **Northern Ireland Audit Office – Board Effectiveness. A Good Practice Guide.** Members noted that this document would be used to support the Board’s own review of its effectiveness which would commence at the February meeting and which would also involve the Committees.

5. **MINUTES OF THE MEETINGS OF THE AUDIT AND RISK ASSURANCE COMMITTEE HELD ON 28 SEPTEMBER 2016 AND 12 OCTOEBR 2016**

5.1 On a proposal by Councillor S Mcllveen, seconded by Councillor S McGuigan, the Committee approved the minutes of the meeting of the Audit and Risk Assurance Committee held on 28 September 2016.

5.2 On a proposal by Councillor S McGuigan, seconded by Professor B Cullen, the Committee approved the minutes of the meeting of the Audit and Risk Assurance Committee held on 12 October 2016.

28 September 2016

Item 6.1 Matters Arising: Chief Executive’s Business (Presentation on N Ireland Events Company)

The Chief Executive confirmed to Members that Ms Allison Cosgrove, Active Communities Division, DfC, gave a presentation to Libraries NI Board Members at the meeting held on 13 October 2016, in relation to the Northern Ireland Events Company.

Item 6.3 Matters Arising: Chief Executive’s Business (Management Statement and Financial Memorandum)

The Chief Executive confirmed that a response was awaited from DoF. Mr Ciarán Mee agreed to follow up on this matter with DoF.

Item 6.5 Matters Arising: Chief Executives Business (Elizabeth Saul Trust)

The Chief Executive reported that she had written to the Northern Ireland Audit Office regarding the preparation of accounts and consequential audits of the Trust Fund. Mrs S Heenan confirmed that correspondence had been received and that discussions were ongoing within NIAO as to the way forward. A response would be issued in due course.

7. INTERNAL AUDIT ACTIVITY REPORT

The Head of Internal Audit reported on the seven audits completed since the last meeting of the Audit and Risk Assurance Committee, held on 12 October 2016. Where applicable, the assurance rating for each of the audits are shown in the table below:

<table>
<thead>
<tr>
<th>Audit Assignment</th>
<th>Assurance Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Branch Libraries – Assessment of Best Practice</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Internal Audit Branch Library C Cash Handling Consultancy</td>
<td>N/A</td>
</tr>
<tr>
<td>Internal Audit – Contracted Hours</td>
<td>Limited</td>
</tr>
<tr>
<td>Internal Audit – Corporate Governance</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Dundonald Library</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Down Mobile</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Belfast Mobile (2)</td>
<td>Substantial</td>
</tr>
</tbody>
</table>

The Head of Internal Audit provided Members with details of the Branch Library Self Assessment audit and the consultancy review of Cash Handling in Branch Library C. He advised Members that the findings from the self-assessment exercise broadly reflected the findings from Branch Library audits. The self-assessments had been scored and would inform the risk assessment used to develop the audit strategy for branch libraries. He
advised Members also that recommendations arising from the consultancy review had been accepted by management and were being implemented.

7.3 The Head of Internal Audit provided details to the Committee regarding the findings and recommendations arising out of the audit report in relation to Contracted Hours. He reminded Members that an audit based on a sample of 18 libraries had previously been completed with a recommendation that testing be extended to all remaining library locations. The Chief Executive provided a summary of the measures taken to seek to ensure that similar issues would not reoccur, noting that a follow-up audit would be undertaken in 2017/18.

7.4 She confirmed that legal advice had been sought regarding the potential outcome of legal proceedings. The advice concluded that there was insufficient evidence to prove fraud beyond reasonable doubt but that Libraries NI could, and should, seek reimbursement of salaries which had been overpaid. She confirmed that this process had commenced and that contact had also been made with the Education Authority to seek reimbursement of overpayments made to Direct Service Organisation cleaners.

7.5 The Chief Executive noted that, currently when a vacancy arises for a cleaner / cleaners in a particular location, a cleaning survey is carried out by the Education Authority on behalf of Libraries NI to determine the number of hours required. She confirmed that this process was now being reviewed to establish if this was the best approach. It was agreed that a report on this review should be presented to the Committee later in the year.

7.6 The Head of Internal Audit presented the audit of Corporate Governance: Conflict of Interests and Gifts and Hospitality, drawing attention in particular to those recommendations impacting directly on Board Members. It was agreed that the Chairperson of the Committee should highlight these matters, when presenting the minutes at the next Board Meeting so that all Board Members were made aware of them.

7.7 The Head of Internal Audit drew Members’ attention also to the audits of one Branch and two Mobile libraries, highlighting that Belfast Number 2 Mobile had received a ‘Substantial’ level of assurance

7.8 Members noted the Internal Audit Activity Report.

8 INTERNAL AUDIT REPORT – OUTSTANDING RECOMMENDATIONS
ARAC 04.01.17

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 September meeting of the Audit and Risk Assurance Committee, of the 62 recommendations outstanding, 50 had now been cleared, leaving 12 to be resolved, none of which had been assessed as Priority One.

8.3 Attention was drawn to one recommendation, highlighted as “red”. The Director of Business Support confirmed that while technical issues had been identified on the cash interface and a plan developed on how to resolve the issues, resourcing pressures meant that the work had not progressed as anticipated.

8.4 Members noted the report.

9. **RISK MANAGEMENT REPORT AND REVIEW**  
   **ARAC 05.01.17**

9.1 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 13 December 2016.

9.2 He drew attention to the Corporate Risk Register highlighting in particular changes to Risks 1 and 2 and the inclusion of a new risk relating to the impact on the organisation of the delay in progressing the appointment of a new Chief Executive, as a result of the review of Arm’s Length Bodies initiated by the Department and the lack of clarity on interim arrangements.

9.3 The Head of Internal Audit reminded Members that it was the responsibility of the Principal Accounting Officer (the Permanent Secretary of DfC) to ensure that an Accounting Officer was in place with effect from 1 March 2017.

9.4 Members discussed the Corporate Risk Register in light of the recent political situation, the dissolution of the N Ireland Assembly and the lack of budget information for 2017/18. On a proposal by Councillor S Mclvleen, seconded by Mrs D Kenny, Members agreed that officers should review the Risk Register to ensure that the implications of these developments were adequately reflected and a revised Register should be brought to the next Board meeting for approval.

10. **INTERNAL AUDIT ANNUAL PLAN 2016/17: PROGRESS REPORT**  
    **ARAC 06.01.17**

10.1 The Head of Internal Audit presented the Internal Audit Annual Plan 2016/17 which incorporated the projected start dates for each audit. He reported that of the 28 audits set out in the Annual Plan, it was projected that 25 audits would be completed by year end, which would be sufficient to allow him to provide his annual assurance to the Accounting Officer.
10.2 He advised Members that it had been necessary to defer some of the planned audits because of the additional time required to complete the audit on Contracted Hours, the illness of his former colleague and her subsequent appointment, with effect from 1 October 2016, as Internal Auditor with the Department of Agriculture, Environment and Rural Affairs (DAERA). He reported that the outstanding audits would be carried forward for inclusion in the 2017/18 Audit Plan.

10.3 The Head of Internal Audit introduced Mrs K Jauzion who had recently taken up post as Trainee Auditor.

10.4 Members noted the report.

11. MINUTES OF ACCOUNTABILITY MEETING 22 NOVEMBER 2016
ARAC 07.01.17

11.1 The Chief Executive presented the Minutes of the Accountability Meeting held on 22 November 2016.

11.2 Members noted the Minutes.

12. FINAL REPORT TO THOSE CHARGED WITH GOVERNANCE 2015/16
ARAC 08.01.17

12.1 The Director of Business Support drew attention to the Final Report to Those Charged with Governance 2015/16, noting, in particular that the Heritage Assets qualification would remain in respect of the 2015/16 Accounts. However the Northern Ireland Audit Office had recognised the significant work which Libraries NI had undertaken in relation to the valuation of the Heritage Assets.

12.2 Members noted the report.

13. INTERNAL AUDIT QUALITY ASSURANCE FRAMEWORK – EXTERNAL ASSESSMENT
ARAC 09.01.17

13.1 The Head of Internal Audit presented a report on the External Assessment of Libraries NI’s Internal Audit service. He noted that the Public Sector Internal Audit Standards (PSIAS) required an External Quality Assessment (EQA) of an organisation’s Internal Audit service to be undertaken at least once every five years. The previous assessment had been carried out in 2011. The Head of Internal Audit confirmed that an EQA had been completed by the Department for Communities (DfC) Internal Audit during the summer of 2016.
13.2 The Head of Internal Audit advised Members of the scope of the audit and the resulting recommendations. He noted that there were seven recommendations made, none of which were a priority one.

13.3 The Head of Internal Audit confirmed that a number of the recommendations had already been implemented and that a progress report on the recommended actions would be brought to the next Committee meeting.

13.4 He advised Members that the report had concluded that Libraries NI Internal Audit ‘generally conforms to statements of best practice outlined in the Internal Audit Quality Assessment Framework and therefore largely complies with the Public Sector Internal Audit Standards’.

13.5 Members noted the report.

14. **INTERNAL AUDIT CHARTER (REVISED)  ARAC 10.01.17**

14.1 The Head of Internal Audit presented the Revised Internal Audit Charter to the Committee. He noted that the Libraries NI Internal Audit Charter was last reviewed by the Committee in January 2015.

14.2 Following discussion, on a proposal by Councillor S McIlveen, seconded by Councillor S McGuigan, the Committee recommended the Internal Audit Charter to the Board for approval.

15. **INTERNAL AUDIT ANNUAL CUSTOMER SATISFACTION SURVEY  ARAC 11.01.17**

15.1 The Head of Internal Audit reported that the Internal Audit Quality Assurance Framework (IAQAF) requires Internal Audit to assess the extent to which it has a positive impact on the risk, control and governance structures of the organisation and that one of the ways of doing this is through customer feedback.

15.2 He presented a summary of customer feedback on the Internal Audit service during 2015/16, noting that customer satisfaction surveys had been issued on completion of each of the 27 audit assignments undertaken and 22 had been returned. The completed surveys indicated consistently that the auditees felt that the quality of the service from Internal Audit was either excellent or good.

15.3 Members noted the report.
16. AUDIT AND RISK ASSURANCE COMMITTEE ANNUAL AGENDA
   ARAC 12.01.17

16.1 The Head of Internal Audit presented a proposed agenda for the forthcoming
    year. He noted that this had been requested in order to provide Members
    with information on the timing of meetings and the range of issues to be
    considered. He confirmed that the agenda for each meeting may vary on
    occasion as the year progressed. The Chairperson reminded Members that
    the election of a new Committee Chairperson was scheduled to take place at
    the June meeting.

16.2 Members noted the Annual Agenda.

17. SCHEDULE OF MISSION CRITICAL PROJECTS
    ARAC 13.01.17

17.1 The Director of Business Support presented a report on the current status of
    the existing three Mission Critical Projects.

17.2 Members noted the report.

18. LIBRARIES NI CHAIRPERSON'S REGISTER OF GIFTS AND
    HOSPITALITY
    ARAC 14.01.17

18.1 The Chief Executive referred Members to the Libraries NI Policy on Offers
    and Acceptance of Gifts and Hospitality which stated that the Audit and Risk
    Assurance Committee would monitor the Chairperson's register on a
    quarterly basis. She presented the registers for the periods ended 30 June
    2016, 30 September 2016 and 31 December 2016 which were provided for
    review.

18.2 Members noted the registers.

19. NIAO AUDIT STRATEGY 2016-17
    ARAC 15.01.17

19.1 Mrs S Heenan, Northern Ireland Audit Office, presented the Audit Strategy
    2016-17. She noted that the Audit Strategy was intended to fulfil two
    functions i.e. to inform Libraries NI of the audit approach and the
    underpinning assumptions and to agree a plan with Libraries NI for the
    production of the Financial Statements and carrying out the audit.

19.2 Members noted the Audit Strategy 2016-17.

20. OTHER NIAO ISSUES

20.1 Mrs S Heenan confirmed there were no further issues to report.
21. ANY OTHER NOTIFIED BUSINESS

21.1 On behalf of the Committee the Chairperson expressed her thanks and appreciation to the Chief Executive for her work and support to the Committee since the establishment of Libraries NI in 2009 and wished her a happy retirement. The Chief Executive thanked the Committee for its support for her as Accounting Officer and for their good wishes.

22. DATE OF NEXT MEETING

22.1 Members noted that the next scheduled meeting of the Audit and Risk Assurance Committee would be held on Wednesday 12 April 2017 at 10.30 am in Lisburn City Library.

22.2 Members of the Senior Management Team withdrew from the meeting.

23. NAO – THE AUDIT COMMITTEE SELF-ASSESSMENT CHECKLIST
   ARAC.16.01.17

23.1 The Chairperson reminded Members that the Audit and Risk Assurance Committee Handbook states that the Committee carry out a periodic review of its overall effectiveness including its terms of reference and ways in which it might be strengthened or developed. The Committee last completed a review of effectiveness in January 2016.

23.2 The Chairperson led a discussion on the National Audit Office Audit Committee Self-Assessment Checklist which had been circulated to Committee Members. Comments were recorded by the Head of Internal Audit. It was agreed that the completed document would be presented at the next meeting of the Committee for agreement.

24. MEMBERS’ ARRIVAL AND DEPARTURE TIMES

24.1 The meeting ended at 12.14 pm.

24.2 All Members arrived for the commencement of the meeting and remained until it ended with the following exceptions:

   Alderman S Martin arrived at 11.41 am

Signed:  

Date: 12/4/17