LIBRARIES NI
AUDIT AND RISK ASSURANCE COMMITTEE
22 June 2016

Minutes of a Meeting of the Audit and Risk Assurance Committee held in Lisburn City Library on Wednesday 22 June 2016 at 10:30 am

PRESENT

Mrs Deirdre Kenny Chairperson
Councillor Seán McGuigan Vice Chairperson
Professor Bernard Cullen
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
Mrs Rita McNamee Finance Manager
Mr Michael McClean Deputy Finance Manager
Ms Sarah Heenan Northern Ireland Audit Office
Mr Gary Curran Department of Culture, Arts and Leisure

1. APOLOGIES FOR NON ATTENDANCE

Mr Denver Lynn Northern Ireland Audit Office
Ms 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:
   • Ms S Heenan, Northern Ireland Audit Office
   • Mr G Curran, Department for Communities
   • Mrs R McNamee, Finance Manager, Libraries NI; and
   • Mr M McClean, Deputy Finance Manager, Libraries NI.
3.2 The Chairperson on behalf of Members congratulated the Chief Executive on being awarded the OBE for services to public libraries and the community in Northern Ireland in the Queen’s Birthday Honours. The Chief Executive, in thanking Members for their good wishes, recognised the commitment of staff throughout Libraries NI to providing high quality services for the community.

4. CHIEF EXECUTIVE’S BUSINESS

4.1 The Chief Executive drew attention to the following matters:

- DAO (DFP) 06/16 Public Sector Internal Audit Standards (PSIAS)

  Members noted the DAO and the copy of the revised Standards with which all internal audit service providers in the UK public sector must comply. The Standards have been updated to include a Mission of Internal Audit and Core Principals for the Professional Practice of Internal Auditing. The Head of Internal Audit confirmed that the Internal Audit Charter which would be considered later in the meeting (Item 18) took account of the revised Standards

- correspondence from Alan McKee, Acting Head of Internal Audit at the Department for Communities, dated 7 June 2016, setting out draft Terms of Reference for the External Quality Assessment of Libraries NI’s Internal Audit function. The Chief Executive confirmed that she had agreed the Terms of Reference and that the review, which would take place in July would be carried out by Departmental auditors. The report of the review would be brought to the Committee for consideration

- following the establishment of the Department for Communities and the merger / change of name of other departments, a number of Libraries NI policies and procedures will require amendment. On a proposal by the Mrs D Kenny, seconded by Councillor S McGuigan, it was agreed that revisions to policies and procedures which relate only to name changes as a result of the restructuring of government departments should be agreed by the Senior Management Team and only be brought to the Board for approval if other material revisions are included.

5. MINUTES OF THE MEETING OF THE AUDIT AND RISK ASSURANCE COMMITTEE HELD ON 20 APRIL 2016 ARAC 01.06.16

5.1 On a proposal by the Vice-Chairperson of the Committee, Councillor S McGuigan, seconded by Ms N McAuley, the Committee approved the minutes of the meeting of the Audit and Risk Assurance Committee held on 20 April 2016.

6.1 Item 4.2: Chief Executive’s Business
The Head of Marketing had reviewed the DAO (DFP) 02/16 Guidance on Activity/Event Sponsorship and Partnership Marketing and associated attachment and provided assurance that the guidance was being complied with.

6.2 Item 4.3: Chief Executive’s Business
The Chief Executive confirmed that she had received correspondence from the Department dated 23 May 2016 clarifying the use of the word ‘completed’ in respect of Post Project Evaluations (PPEs). The correspondence stated that a PPE is considered ‘completed’ when the Department is in receipt of it.

6.3 Item 4.5: Chief Executive’s Business
Members noted that Mr F Devitt, Director, Active Communities Division, Department for Communities (DFC) was now unable to attend the July Board Meeting to give a presentation on the Northern Ireland Events Company. Mr Devitt had suggested attending the Board Planning day to be held on 22 September 2016 but as the agenda for that meeting was already quite substantial, it had been suggested that it would be more appropriate for him to attend the Board Meeting scheduled for 13 October 2016. A response is awaited.

6.4 Item 6.1: Matters arising from the Minutes of the Meeting of the Audit and Risk Assurance Committee held on 20 April 2016
The Chief Executive reported that the Department had approved the e2 Post-Project Evaluation (PPE) and that the Gateway 5 review had resulted in a very positive report, with a ‘green’ delivery confidence rating, the Review Team having concluded that the project had been a ‘great success and had delivered many benefits’. A copy of the Gateway Report had been considered by the Business Support Committee and had been provided to the Department.

6.5 Item 6.2: Matters arising from the Minutes of the Meeting of the Audit and Risk Assurance Committee held on 20 April 2016
Members noted that a copy of the Gateway 5 report had been forwarded to the Northern Ireland Audit Office (NIAO) for review but as yet no response had been received.

6.6 Item 6.3: Matters arising from the Minutes of the Meeting of the Audit and Risk Assurance Committee held on 20 April 2016
Members noted that the Management Statement and Financial Memorandum (MFSFM) were currently with the Department and a response was awaited.
Item 18.4: Internal Audit Strategy for Branch Libraries 2016/17

6.7 It was noted that the revised self-assessment document had been issued to all branch libraries through the Area Managers. A report on the self-assessments would be brought to the next meeting of the Committee. It was also noted that the self-assessments were scored and used to prioritise the order in which branch libraries were audited.

Item 19.1: Internal Audit Annual Plan 2016/17

6.8 Members noted that this would be discussed at Agenda Item 14.

Item 22.1: Internal Audit Charter (Review)

6.9 Members noted that this would be discussed at Agenda Item 18.

Item 25.3: Audit and Risk Assurance Committee Self-Assessment

6.10 Members noted that page 18 of the self-assessment document had been amended to reflect that the Letter of Representation had been seen by the Committee.

Item 25.4: Audit and Risk Assurance Committee Self-Assessment

6.11 The Chief Executive confirmed that a copy of the completed self-assessment document was available for review by the NIAO and DfC.

Item 26.1: Any Other Notified Business

6.12 Ms S Heenan, NIAO reported that the NIAO was in discussions 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 adding that she would keep the Committee informed of progress.

6.13 Members noted the report.

7. INTERNAL AUDIT ACTIVITY REPORT

7.1 The Head of Internal Audit reported on the three audits completed since the last full meeting of the Audit and Risk Assurance Committee held on 20 April 2016. Where applicable, the assurance rating for each of the audits is shown in the table below:

<table>
<thead>
<tr>
<th>Audit Assignment</th>
<th>Assurance Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Branch Library A Photocopyer (Consultancy)</td>
<td>Not applicable</td>
</tr>
<tr>
<td>Branch Library B Key Security (Consultancy)</td>
<td>Not applicable</td>
</tr>
<tr>
<td>Business Continuity</td>
<td>Satisfactory</td>
</tr>
</tbody>
</table>

7.2 The Head of Internal Audit drew attention to the two consultancy audits confirming that in each case all recommendations had been implemented or were in the process of being implemented. He reported that at forthcoming staff meetings the importance of secure storage of keys would be emphasised.
7.3 The Committee discussed whether it was appropriate and would be of value to highlight the results of consultancy reviews particularly where these reviews led to disciplinary action being taken against employees. The Chief Executive advised that she would seek advice on this matter and report back to the Committee.

7.4 Members noted the report.

8. INTERNAL AUDIT ACTIVITY REPORT – OUTSTANDING RECOMMENDATIONS ARAC 04.06.16

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 on 20 April 2016, of the 43 recommendations outstanding, 35 had now been cleared, leaving eight to be resolved.

8.3 The Head of Internal Audit referred to the red rating in respect of the audit of the Belfast Central Library Coffee Shop, and advised that enhanced cash summary reports which included the automatic recording of the date and sequential numbering had now been developed and were being piloted in a number of locations. He also drew attention to the amber rating in respect of the part-finding in relation to the Code of Conduct for staff, advising that the review of this document was progressing and it would be presented to the Board for approval in due course. He agreed to update the report for the next meeting of the Committee to show only the outstanding portion of this recommendation.

8.4 Members noted the report.

9. BUSINESS SUPPORT ARAC 05.06.16

9.1 The Director of Business Support reported on investigations carried out by the Human Resources Department in relation to the alleged misconduct of two employees.

9.2 He reported that the first investigation had been carried out under the terms of the Libraries NI Disciplinary Procedure and a supplementary investigation had been carried out under the requirements of the Anti-Fraud Policy and the Fraud Response Plan. Members noted that this member of staff had resigned from his position during the disciplinary process.

9.3 The Director of Business Support confirmed that in light of the investigation Internal Audit had been asked to conduct an audit to review some of the issues which arose.
The Director of Business Support advised Members of the investigation into the alleged misconduct by the second employee which had been carried out under the terms of the Libraries NI Whistleblowing Policy. Members noted that the employee had met with his line managers who had dealt with the matter appropriately.

Members noted the reports.

10. **AUDIT AND RISK ASSURANCE COMMITTEE DRAFT ANNUAL REPORT 2015/16**

10.1 The Chairperson referred to the draft Annual Report of the Audit and Risk Assurance Committee 2015/16 and reminded Members that the report would remain in draft pending completion by the NIAO of the audit of the Accounts and receipt of the report of the Comptroller and Auditor General.

10.2 Members noted that the report would be finalised for submission to the Committee at its meeting to be held on 28 September 2016 to coincide with consideration of the audited 2015/16 Accounts.

10.3 On a proposal by Alderman S Martin, seconded by Councillor S McGuigan, Members adopted the draft report and agreed to present it to the Board after certification of the Annual Accounts 2015/16.

11. **LIBRARIES NI DRAFT ANNUAL REPORT AND ACCOUNTS 2015/16**

11.1 The Chief Executive presented the Draft Annual Report 2015/16 noting that it complied with the prescribed format and that it was a reflection of Libraries NI's achievements throughout the past year.

11.2 She explained that there were a number of changes from last year in relation to the format and content of the Annual Report and Accounts ie that there were now three main sections to the document: Performance Report, Accountability Report and Financial Statements, and that some disclosures which had previously been in the Financial Statements would now be included in the Accountability Report. In addition, the Financial Statements would include detailed notes only for material figures in the accounts.

11.3 The Finance Manager, Ms R McNamee presented the draft Accounts for 2015/16 noting that they had been prepared in line with International Accounting Standards, the Financial Reporting Manual 2015/16 (FReM) and NDPB Green formats. She drew attention to key figures in the Statement of Comprehensive Net Expenditure and the Statement of Financial Position, explaining the main reasons for the results, as compared to 2014/15. She explained that the Annual Accounts included accounting adjustments which differed from the normal management accounts and referred Members to the Financial Target schedule which reconciled the two reporting processes for
both revenue and capital spend and demonstrated that Libraries NI had lived within its budgets, with a £144,000 (0.47%) underspend on resource, and £1,000 (0.18%) underspend on capital. She drew attention to the accounting in respect of the PFI contract for Lisburn City Library and to disclosures for pensions.

11.4 The Finance Manager referred to the figure for Heritage Assets. She reminded Members that in prior years the Annual Accounts had received a qualification in respect of Heritage Assets, however progress was continuing to be made on this issue.

11.5 The Chief Executive and the Finance Manager responded to questions from the Committee.

11.6 Members thanked all staff involved in the preparation of the draft Annual Report and Accounts 2015/16.

11.7 On a proposal by Councillor S McGuigan, seconded by Ms N McAuley, Members recommended to the Board that the Annual Accounts 2015/16 be submitted to the Northern Ireland Audit Office for audit.

12. RISK MANAGEMENT REPORT AND REVIEW ARAC08.06.16

12.1 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 1 June 2016.

12.2 He then drew attention to the Corporate Risk Register highlighting in particular the changes to Risks 9, 11 and 12 which had been made since the last meeting.

12.3 Following discussion, Members noted the report and recommended the Corporate Risk Register to the Board for approval.

13. RISK MANAGEMENT STRATEGY ARAC 09.06.16

13.1 The Director of Business Support presented the Risk Management Strategy. He reminded Members that the HM Treasury Risk Management Assessment recommends regular formal reviews of the Strategy. He noted that no significant changes had been made to the Strategy and amendments mostly related to the change of name of the Sponsor Department.

13.2 On a proposal by Mrs D Kenny, seconded by Alderman S Martin, Members agreed to recommend the Risk Management Strategy to the Board for approval.
14. INTERNAL AUDIT ANNUAL PLAN 2016/17 TIMETABLE AND PROGRESS REPORT  
ARAC 10.06.16

14.1 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 the Audit Plan calls for the completion of 28 audits, which is a reduction from previous years and is due to a temporary gap in resources within the Internal Audit Department.

14.2 The Head of Internal Audit confirmed that three audits had been completed to date, two of which were not listed on the Audit Plan. He added that he was reasonably content that the Audit Plan would be materially complete by year end.

14.3 Members noted the report.

15. LIBRARIES NI FRAUD RESPONSE PLAN (REVISED)  
ARAC 11.06.16

15.1 The Director of Business Support presented the Libraries NI Fraud Response Plan (Revised).

15.2 He advised Members that the Department of Culture, Arts and Leisure (DCAL) in its Sponsorship Risk Assessment had recommended that the Libraries NI Fraud Response Plan be reviewed annually by the Audit and Risk Assurance Committee. Members noted that the Plan was last reviewed in January 2016 and that the current review took account of revised reporting arrangements implemented as a result of the establishment of DfC.

15.3 Members discussed the Plan at length and on a proposal by Mrs D Kenny, seconded by Councillor S McGuigan, Members agreed to recommend the Libraries NI Fraud Response Plan (Revised) to the Board for approval, subject to:
- in paragraphs 3 and 5.2, including the job titles of the contact people in DfC
- ensuring consistency between the Fraud Response Plan and the Anti-Fraud Policy
- in the flowchart and in the appendices, including references for the various proforma to be completed.

16. LIBRARIES NI ANTI-FRAUD POLICY (REVISED)  
ARAC 12.06.16

16.1 The Director of Business Support presented the revised Libraries NI Anti-Fraud Policy. He advised Members that DCAL in their Sponsorship Risk Assessment had recommended that the Libraries NI Anti-Fraud Policy be reviewed annually by the Audit and Risk Assurance Committee. Members noted that the Plan was last reviewed in January 2016 and that the main changes related to the dissolution of DCAL and the establishment of DfC.
16.2 Following discussion, on a proposal by Mrs D Kenny, seconded by Ms N McAuley, Members agreed to recommend the Libraries NI Anti-Fraud Policy to the Board for approval subject to the following amendment:

- in paragraph 3.2, include reference to the PSNI.

17. INTERNAL AUDIT QUALITY ASSURANCE PROGRAMME: QUALITY ASSESSMENT QUESTIONNAIRE  ARAC13.06.16

17.1 The Head of Internal Audit reminded Members that the Public Sector Internal Audit Standards require the Chief Audit Executive (ie the Head of Internal Audit) to establish an internal audit Quality Assurance and Improvement Programme, comprising both internal and external assessments. He noted that DfC Internal Audit would be undertaking the external quality assessment.

17.2 He noted that the internal assessment must include ongoing monitoring of performance of the internal audit activity and a periodic self-assessment, which takes account of the views of stakeholders. He drew attention to the proposed Internal Audit Quality Assurance Questionnaire, based on the HM Treasury Internal Audit Quality Assessment Framework (IAQAF) template, for stakeholders of internal audit to assess Internal Audit’s impact on the risk, control and governance framework within Libraries NI.

17.3 The Head of Internal Audit asked Members to complete and return the Questionnaire to him at the Board Meeting to be held on 7 July 2016 or alternatively they could be returned confidentially to Mrs M McGrady, PA to the Chief Executive. All comments on the Questionnaires would be treated confidentially. It was noted that the Questionnaire would be circulated also to the Senior Management Team and the Strategic Leadership Group in Libraries NI.

17.4 Members noted the report.

18. INTERNAL AUDIT CHARTER (REVIEW)  ARAC14.06.16

18.1 The Head of Internal Audit drew attention to the Internal Audit Charter. He informed Members that the Chief Audit Executive must periodically review the Internal Audit Charter and present it to Senior Management and the Board for approval. He advised that the Charter was last reviewed in March 2012.

18.2 Members noted that the Public Sector Internal Audit Standards (PSIAS) had been revised and re-issued in April 2016 and the present revision of the Charter has been made in light of changes to the PSIAS.

18.3 On a proposal by Alderman S Martin, seconded by Councillor S McGuigan, Members agreed to recommend the revised Internal Audit Charter document to the Board for approval.
19. SCHEDULE OF MISSION CRITICAL PROJECTS

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

- Stock Assets Project – further valuations had been carried out on the remaining stock assets that were subject to qualification and the results incorporated in the 2015/16 draft Accounts. Regular updates would be brought to the Business Support Committee.

- Belfast Central Library – the Outline Business Case (OBC) was approved in May 2016 and work had commenced on the preparation of the Final Business Case (FBC), but progress was limited, given that no capital funding was available. Regular updates on the Project would be brought to the Business Support Committee.

19.2 Members noted that an additional Project had been added to the Schedule as follows:

- e2 Replacement – initial strategic consideration is underway regarding the replacement of the e2 Project. It was agreed at the last meeting of the Business Support Committee that this would be a standing item on the agenda until such times as an Information Systems Committee was established.

19.3 Members noted the report.

20. NIAO RECOMMENDATIONS 2014/15 PROGRESS REPORT

20.1 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 was executed by the Mid and East Antrim Borough Council on 13 June 2016. Libraries NI would now finalise agreed financial adjustments for periods when the building was not available.

- Recovery of Shared Costs Income – Libraries NI is continuing to engage with the Education Authority to agree appropriate notice periods for use of premises. On-going discussions were taking place with the Strategic Investment Board (SIB) Asset Management Unit to identify and manage unused accommodation within the estate. SIB was still awaiting a response in relation its Business Case for the use of Omagh Regional Administrative Centre.

- the remaining two recommendations had been fully implemented.

20.2 Members noted the report.
21. NIAO ISSUES
21.1 Ms S Heenan, Lead Auditor, NIAO confirmed that she had no further issues to report to the Committee.

22. ANY OTHER NOTIFIED BUSINESS
22.1 The Chairperson informed the Committee that she had asked the Vice-Chairperson, Councillor S McGuigan to chair the next meeting of the Audit and Risk Assurance Committee to be held on 28 September 2016.

23. DATE OF NEXT MEETING
23.1 The next meeting of the Audit and Risk Assurance Committee will take place on Wednesday 28 September 2016 at 10.30 am in Lisburn City Library.

24. MEMBERS ARRIVAL AND DEPARTURE TIMES
24.1 The meeting ended at 11.50 am.
24.2 All Members arrived for the commencement of the meeting and remained until it ended with the exception of the following:

Professor B Cullen arrived at 10.32 am
Alderman S Martin arrived at 10.47 am

Signed: 

Date: 28.9.16