LIBRARIES NI

AUDIT AND RISK ASSURANCE COMMITTEE

28 September 2016

Minutes of a Meeting of the Audit and Risk Assurance Committee held in
Lisburn City Library on Wednesday 28 September 2016 at 10:30 am

PRESENT

Councillor Seán McGuigan  Vice Chairperson (in the chair)
Mrs Deirdre Kenny  Chairperson
Ms Nuala McAuley
Alderman Stephen Martin
Councillor Stephen McIlveen

IN ATTENDANCE

Ms Irene Knox  Chief Executive
Mr Terry Heron  Director of Business Support
Mr Desi Miskelly  Director of Business Support (Designate)
Mr Brian Doherty  Head of Internal Audit
Ms Allison Cosgrove  Department for Communities
Mr Gary Curran  Department for Communities

1. APOLOGIES FOR NON ATTENDANCE

Professor Bernard Cullen  Chairperson of the Board
Ms Catherine O'Hagan  Northern Ireland Audit Office

2. MEMBERS’ DECLARATION OF POTENTIAL CONFLICT OF INTEREST

2.1 The Vice-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 Vice-Chairperson reminded Members that the Chairperson of the Committee had asked him to chair this meeting as she had returned from holiday only the previous day.

3.2 The Vice-Chairperson welcomed Councillor Stephen McIlveen to his first meeting of the Committee.
3.3 The Vice-Chairperson also welcomed the following people to the meeting:
   - Ms A Cosgrove, Department for Communities
   - Mr G Curran, Department for Communities
   - Mr Desi Miskelly, Director of Business Support (Designate)

4. CHIEF EXECUTIVE’S BUSINESS

4.1 The Chief Executive drew attention to the following matters:
   - Notification, dated 12 August 2016, from the Department of Finance (DoF) of general lessons/key issues from the following Memoranda of Reply (MOR) to recommendations contained within Public Accounts Committee (PAC):
     - 36th Report: The Governance of Land and Property in the Northern Ireland Housing Executive (16 June 2016)
     - 34th Report: Northern Ireland Events Company (22 June 2016)
   
   Copies of these MORs were made available to the Committee.

   The Chief Executive reminded Members that DfC was due to brief the Board on the lessons learned from the Northern Ireland Events Company at its next meeting on 13 October 2016.

   - Correspondence from the Northern Ireland Audit Office (NIAO), dated 21 June 2016, regarding the National Fraud Initiative: Data Matching Exercise 2016/17, in which Libraries NI would be participating
   - DAO (DFP) 06/12 (revised 18 May 2016) regarding Departmental Delegations / Requirements for DoF approval
   - DAO (DoF) 07/16 (26 July 2016) regarding Internal Audit Opinions and Prioritisation of Objectives
     Members noted that implementation of the guidance contained in the letter would be effective in Libraries NI in relation to draft reports issued on, or after, 1 October 2016
   - Correspondence from DoF, dated 14 July 2016, providing information on, and links to, the 1st - 14th Reports from the Westminster PAC Session 2015/16.

5. MINUTES OF THE MEETING OF THE AUDIT AND RISK ASSURANCE COMMITTEE HELD ON 22 JUNE 2016

5.1 On a proposal by Alderman S Martin, seconded by Mrs D Kenny, the Committee approved the minutes of the meeting of the Audit and Risk Assurance Committee held on 22 June 2016.
6. MATTERS ARISING FROM THE MINUTES OF THE AUDIT AND RISK ASSURANCE COMMITTEE HELD ON 22 JUNE 2016 ARAC 02.09.16

Item 6.3 Matters Arising: Chief Executives Business

6.1 The Chief Executive noted that Ms A Cosgrove, DfC, would be attending the Board meeting on 13 October 2016 to give a presentation to Board Members on the Northern Ireland Events Company.

Item 6.5 Matters Arising: Gateway 5 Report – e2

6.2 Members noted that the Gateway 5 Report for the e2 project had been received and that the outcome was positive, with the highest possible delivery confidence level. A copy of the Report had been provided to the NIAO.

Item 6.6 Matters Arising: ARAC Meeting held on 20 April 2016

6.3 The Chief Executive noted that a response was still awaited in relation to the draft revised Management Statement and Financial Memorandum (MSFM). Ms Cosgrove confirmed that the draft MSFM had been forwarded to DoF for approval and indicated that she would arrange to follow-up with DoF.

Item 6.7: Branch Self-assessments

6.4 It was noted that the Head of Internal Audit would present the report on Branch Self- Assessments at the January 2017 meeting of the Committee.

6.12 Matters Arising: Any Other Business

6.5 Members noted that discussions were still ongoing with NIAO regarding the most appropriate means of dealing with the audit of the Trust Fund which had transferred to Libraries NI from the Education Authority.

Item 7.3 Internal Audit Activity Report

6.6 The Chief Executive informed the Committee that advice had been sought regarding the circulation of information resulting from consultancy reviews and subsequent disciplinary hearings. She noted that the outcome of disciplinary proceedings is confidential, unless legal proceedings are initiated and the matter is heard in open court. Lessons learned as a result of disciplinary proceedings could be disseminated as long as the individuals concerned were not able to be identified.

Item 15.3 Libraries NI Fraud Response Plan (Revised)

6.7 Members noted that the recommended amendments to the Fraud Response Plan had been made.

Item 16.2 Libraries NI Anti-Fraud Policy (Revised)

6.8 Members noted that the recommended amendments to the Anti-Fraud Policy had been made.

7. INTERNAL AUDIT ACTIVITY REPORT ARAC 03.09.16

7.1 The Head of Internal Audit reported on the nine audits completed since the last meeting of the Audit and Risk Assurance Committee, held on 22 June
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>Internal Audit Quality Assessment Framework</td>
<td>Generally Conforms</td>
</tr>
<tr>
<td>Managing the Risk of Fraud</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Consultancy – Contracted Hours</td>
<td>Limited</td>
</tr>
<tr>
<td>Irvinestown Branch</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Glengormley Branch</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Grove Branch</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Larne Branch</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Dromore Branch</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Dungannon Mobile</td>
<td>Satisfactory</td>
</tr>
</tbody>
</table>

7.2 The Head of Internal Audit drew attention to the audit report on Contracted Hours. He noted that that, in April 2016, an investigation had been undertaken by Human Resources into allegations that a cleaner in a branch library, whose contracted hours were outside the regular opening hours of the branch, was not working all of those contracted hours for which she was being paid. He reminded Members that a report on this investigation had been considered by the Audit Risk and Assurance Committee in April 2016. As a result of this investigation and reports on two similar incidents in previous years, the Head of Internal Audit met with the Accounting Officer and the Senior Management Team and it was agreed that he would complete an audit of the contracted hours of cleaning and building supervisor staff to determine the level of assurance that actual contracted hours were being worked. The completed audit provided a ‘Limited’ level of assurance and there were three Priority One recommendations.

7.3 The Director of Business Support provided Members with a report on progress in implementing the recommendations in this Report and follow-up action being taken.

7.4 The Committee discussed the importance of staff working their contracted hours and how this should be emphasised to them as part of the induction process. The Senior Management Team confirmed that, as a result of this audit, a number of measures would be put in place to enhance controls and minimise the risks in this area and that the Committee would be kept informed.

7.5 The Head of Internal Audit also provided brief details on the Internal Audit Quality Assessment Framework and the remaining audits in the activity report. All reports had a 'Satisfactory' level of assurance and there were no further priority one recommendations.

7.6 Members noted the contents of the Activity Report.
8. INTERNAL AUDIT ACTIVITY REPORT – OUTSTANDING RECOMMENDATIONS

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 Risk and Assurance Committee on 22 June 2016, of the 21 recommendations outstanding, 9 had now been cleared, leaving twelve to be resolved, none of which was assessed as Priority One.

8.3 Attention was drawn to three recommendations, now highlighted as ‘red’ because the original date for implementation had been exceeded by four or more months. It was noted that none of these recommendations was a Priority One. The Head of Internal Audit and the Director of Business Support provided progress reports on these recommendations.

8.4 Members noted the report.

9. RISK MANAGEMENT REPORT AND REVIEW

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 31 August 2016 and the Action Plan.

9.2 He drew attention to the Corporate Risk Register highlighting in particular changes to Risks 1, 8, 9 and 12 which had been made since the last meeting.

9.3 Following discussion, on a proposal by Mrs D Kenny seconded by Alderman S Martin, Members agreed to recommend the Corporate Risk Register to the Board for approval.

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

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, 12 had been completed to date, seven are underway and three are under consideration for deferral.

10.2 The Head of Internal Audit advised Members that the reasons for the proposed deferrals were as a result of the additional time required to complete the supplementary audit on Contracted Hours and also that his colleague, Melanie Killen, would be leaving Libraries NI as of 30 September 2016 to take up a post as Internal Auditor with the Department of Agriculture, Environment and Rural Affairs (DAERA). He wished to express his thanks to Miss Killen for her assistance over the past six and a half years. He advised Members that
the vacancy had been publicly advertised and the recruitment process was well advanced. Members recognised Miss Killen's significant contribution to the work of Internal Audit over the past six years and extended their best wishes to her in her new post.

10.3 The Head of Internal Audit expressed his confidence that sufficient work would be completed by the year end to allow him to provide his annual assurance. He stated that he would keep the Committee advised.

10.4 Members noted the report.

11. MINUTES OF THE ACCOUNTABILITY MEETING AUGUST 2016

ARAC 07.09.16

11.1 The Chief Executive presented the Minutes of the Accountability Meeting, held on Tuesday 16 August 2016.

11.2 Members noted the minutes.

12. INTERNAL AUDIT QUALITY ASSURANCE PROGRAMME ARAC08.09.16

12.1 The Head of Internal Audit provided Members with a progress report on the completion of the external assessment of the provision of internal audit services within Libraries NI. He confirmed that the audit was nearing completion by the Departmental Auditors. He anticipated that the report should be finalised in the next few weeks and would be brought to the January 2017 meeting of the Committee.

13. SCHEDULE OF MISSION CRITICAL PROJECTS ARAC 08.09.16

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

- Stock Assets Project – although further valuations had been carried out on the remaining stock assets the qualification in the Annual Report and Accounts was expected to remain for 2015/16.

- Belfast Central Library – it had been agreed to establish a Committee for the Belfast Central Library project and to seek legal advice in relation to procurement.

- e2 replacement – it was agreed that regular updates would be provided to the Business Support Committee

13.2 Members noted the report.
14. THE NATIONAL FRAUD INITIATIVE

14.1 Members noted the report from the Comptroller and Auditor General on the fourth data matching exercise (2014/15).

15. ANY OTHER NOTIFIED BUSINESS

15.1 The Chief Executive reminded Members that a Special Meeting of the Committee would be held on 12 October 2016 to consider the Provisional Report to those Charged with Governance, the Audit and Risk Assurance Committee's Annual Report and the final draft of the Annual Report and Accounts, with a view to recommending approval of the Annual Report and Accounts to the Board, at its meeting on 13 October 2016.

15.2 On behalf of all Members of the Committee the Vice-Chairperson expressed thanks and appreciation to the Director of Business Support for his work and support to the Committee since the establishment of Libraries NI in 2009 and wished him a long and happy retirement.

16. DATE OF NEXT MEETING

16.1 The next meeting of the Audit and Risk Assurance Committee will take place on Wednesday 12 October 2016 at 10.45 am in Lisburn City Library.

17. MEMBERS ARRIVAL AND DEPARTURE TIMES

17.1 The meeting ended at 12.20 pm.

17.2 All Members arrived for the commencement of the meeting and remained until the end with the following exception(s):

Mrs Deirdre Kenny arrived at 10:35am

Signed: [Signature]

Date: 19/1/17