LIBRARIES NI
AUDIT AND RISK ASSURANCE COMMITTEE

17 January 2018

Minutes of a Meeting of the Audit and Risk Assurance Committee held in Lisburn City Library on Wednesday 17 January 2018 at 10.30 am

PRESENT

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

Chairperson
Vice-Chairperson
Chairperson of the Board

IN ATTENDANCE

Mr Jim O’Hagan
Ms Helen Osborn
Mr Desi Miskelly
Mr Brian Doherty
Mrs Trisha Ward
Ms Catherine O’Hagan
Ms Allison Cosgrove
Mr Brian Clerkin
Mr Jonathan McNeill

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

1. APOLOGIES FOR NON ATTENDANCE

Mrs Daniele Delahunt
Boardroom Apprentice

2. MEMBERS’ DECLARATION OF POTENTIAL CONFLICTS 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 Mr J O’Hagan, who had taken up post as Chief Executive of Libraries NI on 11 January 2018, to his first meeting of the Audit and Risk Assurance Committee. He also welcomed Mr B Clerkin and Mr J
McNeill from ASM who had been recently appointed as providers of external audit services, and who would be carrying out the audit of the 2017/18 accounts on behalf of the Northern Ireland Audit Office.

4. **CHIEF EXECUTIVE'S BUSINESS**

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

- Paper from the National Audit Office entitled ‘Cyber and Information Security – Risk Guidance for Audit Committees;
- DAO (DoF) 04/17 - NIAO Good Practice Guide: ‘Managing the Risk of Bribery and Corruption plus attachment;
- NIAO Self-Assessment Checklist: Managing the Risk of Bribery and Corruption;
- Letter from NIAO to Acting Chief Executive regarding the tender for the completion of the audit of Libraries NI’s Annual Accounts; and
- DAO (DoF) 05/17 Appointment / Designation of Accounting Officers

4.2 Members discussed the paper from the National Audit Office in relation to Cyber and Information Security. The Head of Internal Audit informed Members that the audit of Information Security was incorporated in the Internal Audit Strategy and would be included in the Internal Audit Annual Plan for 2018/19. Members also received assurance from the Director of Business Support advising them that Fujitsu, the current provider of IT services within Libraries NI, was a member of the National Cyber Unit and worked closely with the government to deal with threats of cyber-crime.

4.3 The Chief Executive reminded Members of the requirement for them to attend Governance and Accountability training and asked that anyone who had not attended this training to contact his office.

4.4 The Chief Executive reported that due to the adverse weather on the evening of 16 January and the morning of 17 January 2018 a total of 23 libraries including mobiles had to close early. Most of the closures related to the evening of 16 January although there had also been issues regarding the opening of branch libraries on the morning of 17 January 2018.

5. **MINUTES OF THE MEETING OF THE AUDIT AND RISK ASSURANCE COMMITTEE HELD ON 11 OCTOBER 2017**

5.1 On a proposal by the Vice-Chairperson of the Committee, Mrs D Kenny, seconded by the Chairperson of the Board Professor B Cullen, the Committee approved the minutes of the meeting of the Audit and Risk Assurance Committee held on 11 October 2017.
6. MATTERS ARISING FROM THE MEETING OF THE AUDIT AND RISK ASSURANCE COMMITTEE HELD ON 11 OCTOBER 2017

ARAC 02.01.18

Item 6.1: Matters arising from the meeting of the Audit and Risk Assurance Committee held on 11 October 2017
6.1 Ms C O'Hagan advised the Committee that the Northern Ireland Audit Office (NIAO) only carried out statutory audits of Trust Funds and were currently seeking advice from the Department of Finance (DoF) in relation to the Libraries NI Trust Fund. A decision would be made dependent on the advice received.

Item 6.2: Matters arising from the meeting of the Audit and Risk Assurance Committee held on 11 October 2017. Internal Audit External Quality Assessment
6.2 The Head of Internal Audit informed Members that he had engaged with his counterpart in the Education Authority (EA) to carry out a peer review of Libraries NI's Internal Audit Service as required by the Public Sector Internal Audit Standards (PSIAS). An external review of the EA's Internal Audit service is due to be carried out in March 2018 following which they would be in a position to sign the Service Level Agreement to carry out a peer review of the Libraries NI Internal Audit service.

Item 11.2: Bi-Annual Assurance Statement for the period ended 30 September 2017
6.3 Members noted that a copy of this document had been submitted to the Department for Communities (DFC) following approval at the Board Meeting held on 11 October 2017.

6.4 This item would be discussed further at Agenda Item 10.

Item 16.2: Minutes of the Accountability Meeting held on 13 June 2017
6.5 The minutes of the Accountability Meeting held on 10 October 2017 would be discussed further at Agenda Item 13.

Item 20.3: Schedule of Mission Critical Projects, e2 Replacement
6.6 This item would be discussed further at Agenda Item 15.

Item 20.4: Schedule of Mission Critical Projects, Strategic Outline Case for the e2 replacement (e3)
6.7 This item would be discussed further at Agenda Item 15.

7. FINAL REPORT TO THOSE CHARGED WITH GOVERNANCE 2016/17

ARAC 03.01.18

7.1 The former Acting Chief Executive drew attention to the Final Report to Those Charged with Governance 2016/17 which contained the findings and
opinion of the NIAO arising from the audit of the Libraries NI’s 2016/17 Annual Report and Accounts.

7.2 Ms C O’Hagan, NIAO confirmed that the document had not changed since the Provisional Report seen by Members at the previous meeting of the Committee in October 2017.

8. INTERNAL AUDIT ACTIVITY REPORT ARAC 04.01.18

8.1 The Head of Internal Audit reported on the five audits completed since the last meeting of the Audit and Risk Assurance Committee held on 11 October 2017, noting that there had been no Priority One findings. Where applicable, the assurance rating 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>Stewardship Reporting</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Stock Management</td>
<td>Consultancy Audit</td>
</tr>
<tr>
<td>Delegated Limits of Financial Authority</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Kells and Connor Branch Library</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Draperstown Branch Library</td>
<td>Satisfactory</td>
</tr>
</tbody>
</table>

8.2 The Head of Internal Audit drew attention to the audit of Stock Management and advised that although it had been included in the Internal Audit Plan since 2015 it had been deferred due to delays in implementing revised stock management procedures. In advance of the audit, Managers were aware of errors identified in the stock catalogue. The Head of Internal Audit worked with the Service Development Manager with responsibility for Stock to make recommendations to enhance the accuracy of the catalogue. Additional work is planned for early 2018 to determine whether the accuracy of the stock catalogue had improved and if the recommendations contained in this report had been implemented. An assurance rating would then be provided as part of the Final Report.

9. INTERNAL AUDIT ACTIVITY REPORT – OUTSTANDING RECOMMENDATIONS ARAC 05.01.18

9.1 The Head of Internal Audit drew attention to the report showing progress on the implementation of outstanding audit recommendations from previous Internal Audit Reports.

9.2 Members noted that since the last scheduled meeting of the Audit and Risk Assurance Committee on 11 October 2017, of the 51 recommendations outstanding, 38 had now been cleared, leaving 13 to be resolved. Members also noted that there had been no Priority One recommendations and that a number of recommendations were marked ‘red’ i.e. that the action had not been implemented within 4 months of the agreed implementation date.
9.3 Members received an update on the red recommendations noting that progress is being made to resolve the issue regarding the cash interface between stock and finance. Members also noted that work was on-going to resolve the issues relating to the accuracy of the stock catalogue and that arrangements are now in place to carry out the PAT (Portable Appliance Testing) testing.

10. INTERNAL AUDIT ANNUAL PLAN 2017/18 PROGRESS REPORT
ARAC 06.01.18

10.1 The Head of Internal Audit presented the Internal Audit Annual Plan 2017/18 which incorporated the projected start dates and progress to date for each audit.

10.2 He explained that the Audit Plan had originally called for the completion of 27 audits during 2017/18 and as at 31 December 2017 26 audits had been completed. Members were advised that the rate of progress for completion of the audit plan was because there had been no need for contingency audits to be carried out and the audit of branch libraries had become streamlined and more efficient. He reported that five additional audits had been added to the Plan for this financial year to include the audits of three Homecall Vehicles, the audit of Customer Feedback and Travel and Subsistence.

10.3 Members noted the report.

11. RISK MANAGEMENT REPORT AND REVIEW
ARAC 07.01.18

11.1 The Director of Business Support drew attention to the Risk Management Report and Review noting in particular the minutes of the Risk Management Group held on 9 January 2018. He advised Members that the Group had agreed to complete the Annual Fraud Risk Assessment at the meeting to be held in March 2018, and any material risks identified would be considered for inclusion in the Corporate Risk Register. He also reported that the Group had assessed the Bribery and Corruption risk within Libraries NI and had determined it to be ‘low’. The Group had confirmed that the Policies, procedures and controls currently in place were fit for purpose.

11.2 He then drew attention to the Corporate Risk Register highlighting in particular the following changes:

- Risk 1: Participation and Relevance - the target spend for stock in Public Library Standard (PLS) 7 is £2.25 per capita. The revised budgeted spend in 2017/18 is now £2.03 per capita
- Risk 3: Staff – the date for the Review of the Workforce Strategy has been amended to March 2018. Members noted the difficulty facing officers when carrying out the Review with no clear indication of the budget for 2018/19
• Risk 6: Planning – a new action has been added in relation to the submission of Business Cases aligned with the draft Programme for Government delivery plans
• Risk 7: Information Security – a new action in relation to the General Data Protection Regulations (GDPR) due to be completed by March 2018
• Risk 8: Business Continuity – an additional action was added in relation to an on-going staffing situation.

11.3 In response to a question regarding controls which are currently in place to prevent Bribery and Corruption within Libraries NI, the Head of Internal Audit confirmed that the Annual Fraud Risk Assessment paper would be brought to Members at the next meeting of the Committee.

11.4 In response to a question from the Chairperson of the Committee, Councillor S McGuigan, the Chairperson of the Board, Professor B Cullen confirmed that he had received confirmation from the Department that the term of office for the six Board Members which was due to expire in February 2018, had now been extended to the end of May 2018.

11.5 In response to concerns from Members regarding Cyber Security, the Director of Business Support confirmed that this issue would be discussed at the next meeting of the Risk Management Group to be held in March 2018 and reported to Members at the April meeting of the Committee.

11.6 On a proposal by the Vice-Chairperson of the Committee, Mrs D Kenny, seconded by Alderman S Martin, Members recommended the Corporate Risk Register to the Board for approval.

12. RISK MANAGEMENT STRATEGY ARAC 08.01.18

12.1 The Director of Business Support presented the revised Risk Management Strategy for consideration by Members. He reminded them that the HM Treasury Risk Management Assessment recommends a formal review of the Strategy on a regular basis. The Strategy was last reviewed in October 2014.

12.2 The Director of Business Support then drew attention to the amendments to the strategy noting in particular paragraph 3.5 Risk Appetite within Libraries NI, and advised that the remainder of the amendments mostly related to terminology and clarifying periods for action.

12.3 On a proposal by the Vice-Chairperson of the Committee Mrs D Kenny, seconded by the Chairperson of the Board, Professor B Cullen, Members agreed to recommend the Risk Management Strategy to the Board for approval.
13. MINUTES OF THE ACCOUNTABILITY MEETING HELD ON
10 OCTOBER 2017

13.1 The former Acting Chief Executive drew attention to the minutes of her
meeting with DfC held on 10 October 2017. She reported that although the
meeting involved the normal process of challenge and of being held to
account, there were no issues that were a significant cause for concern.

13.2 In response to a question from the Chairperson of the Board, Professor B
Cullen regarding the challenges being faced by Libraries NI with regard to
the review of the NI Financial Process and the need to include Libraries NI
within the DfC Annual Accounts for 2020, the Director of Business Support
advised Members that Libraries NI has received a projected timetable and
departmental requirements may impact on the year-end process. He stated
that this may place additional pressure on Finance Staff but that the Finance
Manager was developing contingency planning to enable Libraries NI to
meet the deadline.

13.3 Members noted the report.

14. BOARD CHAIRPERSON – REGISTER OF GIFTS AND HOSPITALITY
FOR THE PERIOD ENDED 31 DECEMBER 2017

14.1 The Chief Executive reminded Members that the Libraries NI Policy on
Offers and Acceptance of Gifts and Hospitality stated that the Audit and Risk
Assurance Committee would monitor the Board Chairperson’s Register of
Gifts and Hospitality on a quarterly basis.

14.2 Members noted the Board Chairperson’s Register of Gifts and Hospitality for
the period 1 October 2017 to 31 December 2017.

15. SCHEDULE OF MISSION CRITICAL PROJECTS

15.1 The Director of Business Support presented a report on the current status of
the existing two Mission Critical Projects and updated Members as follows:

Belfast Central Library

15.2 Members noted that as there has been no change in political or funding
conditions the development of the project remains at a standstill. However,
as it has been approximately two years since the Outline Business Case
(OBC) was approved by the Department, some of the procurement routes
have since changed. The OBC now requires to be updated in the hope that
the project would soon be able to progress to the next stage. Members
agreed with Managers’ suggestion to explore options to either revise the
OBC for any amendments or incorporate them into the Full Business Case
(FBC).
15.3 Members were reminded that the Addendum to the e2 Full Business Case was previously submitted to DfC. Queries were raised by DfC and have now been responded to and negotiations concluded with the current supplier to establish a full cost model.

15.4 A DfC Casework Committee has been scheduled for 22 January 2018 with a view to streamlining the addendum approval process. Libraries NI will attend this meeting and present the case for extension of the contract.

15.5 Members noted the report.

16. AUDIT AND RISK ASSURANCE COMMITTEE – SCHEME OF DELEGATION

ARAC 12.01.18

16.1 The Chief Executive reminded Members that Corporate Governance best practice recommends that Schemes of Delegation are reviewed regularly. The Audit and Risk Assurance Committee Effectiveness Checklist also requires regular reviews of the Committee’s Terms of Reference. Members noted that the Scheme was last reviewed in April 2016 when minor amendments were made.

16.2 On a proposal by Alderman S Martin, seconded by Ms N McAuley, Members agreed to recommend to the Board that the existing Scheme of Delegation for the Audit and Risk Assurance Committee was fit for purpose.

17. INTERNAL AUDIT CHARTER

ARAC 13.01.18

17.1 The Head of Internal Audit presented the revised Internal Audit Charter to the Committee noting that the Charter was last reviewed in January 2017. He explained that the Charter was normally reviewed annually but the Public Sector Internal Audit Standards (PSIAS) were revised in March 2017 necessitating some additions to be made to the Charter. He drew attention to the changes especially those at Section 1: Internal Audit Mission, and Section 8: Resourcing of Internal Audit.

17.2 Following discussion of the amendments it was agreed to expand the Mission Statement within the Charter to specify to whom Internal Audit provides assurance i.e. the Accounting Officer and the Libraries NI Board.

17.3 On a proposal by the Vice-Chairperson of the Committee Mrs D Kenny, seconded by Councillor S McIlveen, the Committee recommended the Internal Audit Charter to the Board for approval.
18. **NAO AUDIT AND RISK ASSURANCE COMMITTEE EFFECTIVENESS CHECKLIST**

**ARAC 14.01.18**

18.1 The Chairperson reminded Members that the Audit and Risk Assurance Committee Handbook states that the Committee should carry out a periodic review of its overall effectiveness including its Terms of Reference and ways in which it might be strengthened or developed. It was noted that the Committee last completed a review of its effectiveness in January 2017.

18.2 The Chief Executive drew attention to the NAO Audit and Risk Assurance Committee Effectiveness Checklist and Members considered each question carefully and their views and comments were recorded. It was agreed that the Chairperson would report on the results of the self-assessment at the next meeting of the Board, and a copy of the completed document would be made available for review by the Northern Ireland Audit Office and the Department for Communities.

18.3 Members completed the Checklist and on a proposal by the Vice-Chairperson of the Committee Mrs D Kenny, seconded by Alderman S Martin, Members recommended the completed NAO Audit and Risk Assurance Committee Effectiveness Checklist to the Board for approval.

19. **NIAO ISSUES**

19.1 Ms C O'Hagan, NIAO informed the Committee that the annual audit cycle was due to commence for the 2017/18 financial year and the Audit Strategy 2017/18 would be brought to the next meeting of the Committee for information.

20. **ANY OTHER NOTIFIED BUSINESS**

20.1 There was no other notified business.

21. **DATE OF NEXT MEETING**

21.1 Members noted that the next scheduled meeting of the Audit and Risk Assurance Committee would be held on Wednesday 18 April 2018 at 10.30 am in Lisburn City Library.

22. **MEMBERS’ ARRIVAL AND DEPARTURE TIMES**

22.1 The meeting ended at 11.44 am
22.2 All Members arrived for the commencement of the meeting and remained until it ended with the following exceptions:

Professor B Cullen arrived at 10.32 am  
Councillor S McIlveen arrived at 10.35 am  
Alderman S Martin arrived at 10.38 am

Signed: [Signature]

Date: 18/04/2018