LIBRARIES NI

AUDIT AND RISK ASSURANCE COMMITTEE

21 June 2017

Minutes of a meeting of the Audit and Risk Assurance Committee held in Lisburn City Library on Wednesday 21 June 2017 at 10:31 am

PRESENT

Councillor Seán McGuigan         Chairperson
Mrs Deirdre Kenny                Vice-Chairperson
Ms Nuala McAuley
Alderman Stephen Martin

IN ATTENDANCE

Ms Helen Osborn                 Acting Chief Executive
Mr Desi Miskelly                Director of Business Support
Mr Brian Doherty                Head of Internal Audit
Ms Adrienne Adair               Assistant Director
Mrs Rita McNamee                Finance Manager
Mr Denver Lynn                  Director, Northern Ireland Audit Office
Mr Ciarán Mee                   Department for Communities

1. APOLOGIES FOR NON ATTENDANCE

Professor Bernard Cullen        Chairperson of the Board
Councillor Stephen McIlveen

2. MEMBERS’ DECLARATION OF POTENTIAL CONFLICTS OF INTEREST

2.1 The Outgoing 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. ELECTION OF CHAIRPERSON AND VICE-CHAIRPERSON

3.1 On a proposal by Mrs D Kenny, seconded by Ms N McAuley, and in accordance with Standing Orders, Councillor S McGuigan, the current Vice-Chairperson was elected as Chairperson of the Committee.
3.2 The Chairperson requested nominations for the position of Vice-Chairperson, reminding Members that in accordance with Standing Orders the position of Vice-Chairperson should be filled by a non-Councillor Member.

3.3 The Chairperson of the Committee, Councillor S McGuigan proposed Mrs D Kenny for the position of Vice-Chairperson, this was seconded by Ms N McAuley. There being no further nominations, Mrs D Kenny was elected as Vice-Chairperson of the Audit and Risk Assurance Committee.

4. CHAIRPERSON’S BUSINESS

4.1 The Chairperson thanked Members for his election and congratulated Mrs D Kenny on being elected as Vice-Chairperson of the Committee. He thanked Mrs Kenny for her leadership of the Committee during her term as Chairperson.

5. CHIEF EXECUTIVE’S BUSINESS

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

- DAO (DoF) 02/17 Public Sector Internal Audit Standards
- DAO (DoF) 02/17 Attachment
- Raising Awareness of Spam Emails amongst Staff

5.2 The Head of Internal Audit referred to DAO (DoF) 02/17 and informed Members that two new standards had been added to the Public Sector Internal Audit Standards (PSIAS) relating to the objectivity and independence of the Chief Audit Executive Officer, and confirmed that he had no roles or responsibilities that fall outside of internal audit which could impair his independence or objectivity.

5.3 The Acting Chief Executive drew attention to Paper 2 which was a copy of an e-mail sent to all staff on 12 June 2017 reminding them to be vigilant in relation to spam e-mails and giving practical advice in relation to e-mail safety.

5.4 The Acting Chief Executive referred to an e-mail she had received from the Chief Executives’ Forum offering training in Public Accountability and Governance for Members of Audit and Risk Assurance Committees. This training was due to take place on 14 September 2017 and she encouraged any Member who wished to attend to contact her office.

5.5 Members noted that the accountability meeting with the Department for Communities had taken place on 13 June 2017. The Acting Chief Executive reported that whilst the meeting contained the required element of challenge,
all of the issues raised could be addressed in a satisfactory manner. It was noted that the minutes of this meeting would be available for the next meeting of the Committee.

6. MINUTES OF THE MEETING OF THE AUDIT AND RISK ASSURANCE COMMITTEE HELD ON 12 APRIL 2017 ARAC 01.06.17

6.1 On a proposal by the Vice-Chairperson of the Committee, Mrs D Kenny, seconded by the Chairperson Councillor S McGuigan, the Committee approved the minutes of the meeting of the Audit and Risk Assurance Committee held on 12 April 2017.

7. MATTERS ARISING FROM THE MEETING OF THE AUDIT AND RISK ASSURANCE COMMITTEE HELD ON 12 APRIL 2017 ARAC 02.06.17

Item 4.2: Chief Executive’s Business

7.1 It was noted that this item was dealt with at paragraph 5.3 above.

Item 6.2: Matters Arising from the meeting of the Audit and Risk Assurance Committee held on 12 April 2017

7.2 Mr D Lynn, Director, Northern Ireland Audit Office (NIAO) informed the Committee that the NIAO had not yet reached a decision as to whether or not they would have the resources available to undertake an audit of The Trust Fund but he hoped to complete work over the summer months and reach a decision by September 2017.

Item 11.4: Minutes of the Governance and Accountability Meeting held on 14 February 2017

7.3 The Director of Business Support informed Members that the Department for Communities (DfC) had now approved the tender report for the Coleraine Library project and that the capital allocation had now been received. He reported that the contract had been awarded and work had formally started on site on 19 June 2017.

Item 26.2: Internal Audit External Quality Assessment – Progress Report

7.4 The Head of Internal Audit reported that all the recommendations arising from the review had been implemented except for two which related to a Service Level Agreement and a Peer Review both involving the Head of Internal Audit of the Education Authority. He explained that the recruitment process for this post was still on-going, and that on appointment of the successful candidate he would make contact to progress this issue and would update Members at the next meeting of the Committee.

8. INTERNAL AUDIT ACTIVITY REPORT ARAC 03.06.17

8.1 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 April
2017. 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>Payment Performance</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Health and Safety</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Carnlough Branch Library</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Randalstown Branch Library</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Derry Central Library</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Comber Branch Library</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Bangor Carnegie Library</td>
<td>Satisfactory</td>
</tr>
</tbody>
</table>

8.2 The Head of Internal Audit provided Members with details of the audit of Health and Safety, reporting that there were two findings, one of which was in respect of the audit visit carried out at the Regional Administration Centre in Armagh, noting that this was a Priority One finding. He referred to recent changes in the management structure at the location. The Head of Internal Audit confirmed that he was content with the response of the new Service Development Manager for the location and the Assets Manager to the audit findings and he was also content, that once implemented, they would address the issues arising from the audit.

8.3 Members noted the Priority One finding in relation to Health and Safety at Carnlough Library, noting that all recommendations had now been accepted and implemented.

8.4 Members noted the report.

9. **INTERNAL AUDIT ACTIVITY REPORT – OUTSTANDING RECOMMENDATIONS**

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 12 April 2017, of the 48 recommendations outstanding, 37 had now been cleared, leaving 11 to be resolved. Members noted that only one Priority One recommendation remained outstanding in relation to a review audit which was projected to commence in September 2017.

9.3 The Director of Business Support drew attention to the four recommendations highlighted as ‘red’ as the original date for implementation had been exceeded by four or more months and updated Members as follows:

- Branch Library (Y) Cash Handling (one recommendation) - work was on-going with Fujitsu to resolve the software issue
• Business Continuity (three recommendations) - work had commenced to develop a Business Continuity Plan, however, progress has been delayed as a result of the on-going re-organisation of roles and responsibilities within Libraries NI, and the uncertainty in relation to resourcing and the lack of ability to plan for the long term.

9.4 In response to a question from Ms N McAuley, the Director of Business Support advised Members that no contingency fund within the Department was available as a potential source of funding in the event of an emergency which impacted on business continuity such as a fire. Bids would have to be submitted to the Department for their consideration.

9.5 Members noted the report.

10. AUDIT AND RISK ASSURANCE COMMITTEE DRAFT ANNUAL REPORT 2016/17 ARAC 05.06.17

10.1 The Chairperson drew attention to the draft Annual Report of the Audit and Risk Assurance Committee 2016/17 and asked Mrs D Kenny, outgoing Chairperson to report to Members on the work undertaken by the Committee during the year.

10.2 Mrs D Kenny informed Members that as outgoing Chairperson she could give her assurance that the Committee had fully discharged its responsibilities during 2016/17 in accordance with its terms of reference. She 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.

10.3 Members noted that the report would be finalised for submission to the Committee at its meeting to be held on 27 September 2017 to coincide with consideration of the audited 2016/17 accounts.

10.4 On a proposal by Alderman S Martin, seconded by Mrs D Kenny, Members adopted the draft report of the Audit and Risk Assurance Committee 2016/17 and agreed to present the final version to the Board along with the Annual Report and Accounts 2016/17 with their recommendation to issue the Annual Report and Accounts to the NIAO for certification.

11. LIBRARIES NI DRAFT ANNUAL REPORT AND ACCOUNTS 2016/17 ARAC 06.06.17

11.1 The Acting Chief Executive presented the Draft Annual Report 2016/17 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 The Finance Manager, Mrs R McNamee presented the draft Accounts for 2016/17 noting that they had been prepared in line with International Accounting Standards, the Financial Reporting Manual 2016/17 (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 2015/16. 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 £111,000 (0.33%) underspend on resource and £44,000 (2.75%) underspend on capital.

11.3 In response to a question regarding a building which had not currently been listed for resale, the Director of Business Support explained that the building was a shared resource with a Health Trust and an issue existed regarding a right of way. He confirmed that Officers were in contact with the Trust to resolve the issue.

11.4 Members thanked all staff involved in the preparation of the draft Annual Report and Accounts 2016/17.

11.5 On a proposal by Ms N McAuley, seconded by Alderman S Martin, Members recommended to the Board that the Annual Accounts 2016/17 be submitted to the Northern Ireland Audit Office for audit.

12. RISK MANAGEMENT REPORT AND REVIEW ARAC 07.06.17

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 2017.

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

- Risk 2: Stakeholder Engagement – Members noted that the Stakeholder Plan was now in place and that presentations had been given by Libraries NI to civil servants at the Library Policy Hackathon event and NICS Live. Both these events were a positive way to promote Libraries NI and engage with current and potential stakeholders.

- Risk 5: Resources - the budget allocation had now been confirmed by the Department and a saving of 4% was required and not 5% as previously advised, resulting in the amendment of the Interim Savings Delivery Plans. Members noted that the draft Savings Delivery Plans had been taken to the Business Support Committee in May 2017 and would be brought to the next meeting of the Board to be held on 6 July 2017 for approval.
12.3 Following discussion, Members noted the report and recommended the Corporate Risk Register to the Board for approval.

13. **BOARD OPERATING FRAMEWORK (REVISED) ARAC 08.06.17**

13.1 The Acting Chief Executive drew attention to the revised Board Operating Framework and reminded Members that in April 2013 the former Department of Finance and Personnel (DFP) issued DAO (DFP) 06/13 a revised code of good practice on Corporate Governance in Central Government Departments.

13.2 Members were reminded that the Management Statement and Financial Memorandum (MSFM) had recently been revised and as a result the Board Operating Framework required amendment to reflect changes made to the MSFM.

13.3 Following a discussion of the amendments to the document and on a proposal by Alderman S Martin, seconded by Ms N McAuley, Members agreed to recommend the revised Board Operating Framework to the Board for approval.

14. **ANTI-BRIBERY POLICY (REVISED) ARAC 09.06.17**

14.1 The Director of Business Support drew attention to the revised Anti-Bribery Policy, noting that it had last been reviewed in 2012. He reminded Members that governance arrangements in public sector organisations must include arrangements for preventing, countering and dealing with fraud. The Anti-Bribery Policy sets out the controls and related policies promoting an anti-bribery culture and ways to manage the risk of related fraud. Members noted that the Anti-Bribery Policy should be read in conjunction with other government policies and guidance and be seen within the context of overall risk management within Libraries NI.

14.2 The Director of Business Support drew attention to some minor amendments to the Policy and on a proposal by the Vice-Chairperson of the Committee Mrs D Kenny, seconded by Ms N McAuley, the Committee approved the revised Anti-Bribery Policy and recommended it to the Board for adoption.

15. **INTERNAL AUDIT ANNUAL PLAN 2017/18: PROGRESS REPORT ARAC 10.06.17**

15.1 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. Members were reminded that the Audit Plan calls for the completion of 27 audits during 2017/18.
15.2 The Head of Internal Audit explained that to date seven audits had been completed and ten were underway. He reported that the Project Assurance work in relation to Out of Hours Libraries Assurance had been discontinued and an alternative approach developed which is to include a sample of the Out of Hours branch libraries in the 2018/19 Audit Plan. The audit of Charge Cards had been brought forward and had commenced.

15.3 He also reported that the Trainee Auditor Ms K Jauzion had successfully completed the first examination in her training with the Institute of Internal Auditors and as a result her designation would now change from Trainee Auditor to Assistant Auditor. Members sent their congratulations to Ms Jauzion.

15.4 Members noted the update on the Internal Audit Annual Plan 2017/18.

16. SCHEDULE OF MISSION CRITICAL PROJECTS ARAC 11.06.17

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

- Belfast Central Library – no further progress has been made in project development due to lack of funding and political movement
- e2 Replacement – the revised IS Strategy was presented to the Business Support Committee in May 2017, together with proposals to extend the current contract for a further 2 years. The Committee had agreed to the proposal to extend the e2 contract until April 2020. An addendum to the e2 Full Business Case for the extension of the contact is currently being developed and will be brought for approval to the next meeting of the Board on 6 July 2017.

16.2 Members noted the report.

17. NATIONAL FRAUD INITIATIVE STATUS REPORT ARAC 12.06.17

17.1 The Finance Manager introduced the status report of the National Fraud Initiative informing Members that to date no issues in relation to fraud or errors had been detected. She confirmed that the investigation of a small number of matches was still work in progress and she would report more fully to Members when all issues had been resolved.

18. NIAO ISSUES

18.1 Mr D Lynn, Director NIAO explained to Members that the audit timetable was provisional and that the completion of the Report to Those Charged with Governance within the proposed timeframe was dependent on sufficient audit resources being available. He confirmed that the audit of the Annual Accounts would commence on 17 July 2017.
19. ANY OTHER NOTIFIED BUSINESS

19.1 There was no other notified business.

20. DATE OF NEXT MEETING

20.1 Following discussion of the audit timetable and in order to allow sufficient time for the NIAO to complete the Provisional Report to Those Charged with Governance, Members agreed to cancel the next scheduled meeting of the Committee on Wednesday 27 September 2017 and to reschedule the meeting for Wednesday 11 October 2017 at 10:30 am in Lisburn City Library, at which time it was hoped that the Provisional Report to Those Charged with Governance would have been received and responded to by Libraries NI Management.

21. MEMBERS’ ARRIVAL AND DEPARTURE TIMES

21.1 The meeting ended at 11:44 am.

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

Alderman S Martin arrived at 10:35 am
Mr D Lynn arrived at 10:36 am

Signed: [Signature]

Date: 11 October 2017