LIBRARIES NI

AUDIT AND RISK ASSURANCE COMMITTEE

18 April 2018

Minutes of a Meeting of the Audit and Risk Assurance Committee held in Lisburn
City Library on Wednesday 18 April 2018 at 10.35 am

PRESENT

Councillor Seán McGuigan Chairperson
Ms Nuala McAuley
Councillor Stephen McIlveen

IN ATTENDANCE

Mr Jim O'Hagan Chief Executive
Mr Desi Miskelly Director of Business Support
Mr Brian Doherty Head of Internal Audit
Ms Kathryn Jauzjon Assistant Auditor
Mrs Mandy Bryson Assistant Director
Mrs Daniele Delahunt Boardroom Apprentice
Ms Catherine O'Hagan Northern Ireland Audit Office
Ms Brenda McGilligan Department for Communities
Mr Brian Clerkin ASM

1. APOLOGIES FOR NON ATTENDANCE

Professor Bernard Cullen Chairperson of the Board
Mrs Deirdre Kenny Vice-Chairperson
Alderman Stephen Martin

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 Ms K Jauzjon, Assistant Auditor to the meeting.

3.2 He reminded Members that as part of the Leadership Development Plan it
had been agreed that some staff should attend Board and Committee
meetings as part of their personal development and in that capacity welcomed Mrs M Bryson, Assistant Director to the meeting.

3.3 The Chairperson reported that, prior to the Committee meeting, the annual bi-lateral meeting had been held with the Head of Internal Audit to discuss risk, control and governance. He added that the Head of Internal Audit had given the Committee his assurance on these matters and had confirmed that there had been no impairment to the independence of Internal Audit and that appropriate resources and support were in place to facilitate Internal Audit to carry out its responsibilities.

3.4 The Chairperson of the Committee, on behalf of Members extended deepest sympathies to the Chairperson of the Board, Professor B Cullen on the recent death of his mother.

4. CHIEF EXECUTIVE’S BUSINESS

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

- DAO (DoF) 01/18 Annual Theft and Fraud Report 2016/17 including attachment
- Whole of Government Accounts – Consolidation Officer Appointment Letter including attachment with signed acknowledgement
- DAO (DoF) 02/18 – Accounts Direction 2017/18
- FD (DoF) 09/09 – Revised Guidance on the Appointment of Accounting Officers
- FD (DoF) 09/09 – Departmental Guidance on revised FD Letter
- DAO (DoF) 03/18 – Audit and Risk Assurance Committee Handbook 2018 including attachment

4.2 Members noted in relation to DAO (DoF) 02/18 – Accounts Direction 2017/18 that the Department of Finance had issued a DAO in respect of Accounts Directions for Government Departments and Executive Agencies and had confirmed that this DAO does not apply to Arms-Length Bodies.

4.3 Members also noted that the only material changes to the previous version of the Audit and Risk Assurance Committee Handbook (DAO (DoF) 03/18) were additions relating to key questions on cyber security and on whistleblowing.
5. MINUTES OF THE MEETING OF THE AUDIT AND RISK ASSURANCE COMMITTEE HELD ON 17 JANUARY 2018

5.1 On a proposal by Councillor S McIvraen, seconded by Mrs N McAuley, the Committee approved the minutes of the meeting of the Audit and Risk Assurance Committee held on 17 January 2018.

6. MATTERS ARISING FROM THE MEETING OF THE AUDIT AND RISK ASSURANCE COMMITTEE HELD ON 17 JANUARY 2018

ARAC 02.04.18

Item 4.2: Chief Executive’s Business

6.1 Members noted that the Audit of Information Security would be discussed further at Agenda Item 17.

Item 6.1: Matters arising from the meeting of the Audit and Risk Assurance Committee held on 17 January 2018

6.2 Ms C O’Hagan, Northern Ireland Audit Office (NIAO) reported that discussions were still on-going with the Department of Finance (DoF) in relation to the treatment of the Elizabeth Saul Trust Fund.

Item 6.2: Matters arising from the meeting of the Audit and Risk Assurance Committee held on 17 January 2018

6.3 The Head of Internal Audit confirmed that he had further discussions with his counterpart in the Education Authority (EA) in relation to 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 May 2018 following which they would be in a position to sign the Service Level Agreement (SLA) to carry out a peer review of the Libraries NI Internal Audit service. It was hoped that the SLA would be signed before the next meeting of the Committee.

Item 8.2: Internal Audit Activity Report

6.4 Members noted that the issue in relation to the stock catalogue would be discussed further at Agenda Item 17.

Item 11.1: Risk Management Report and Review

6.5 Members noted that the Annual Fraud Risk Assessment would be discussed further at Agenda Item 11.

Item 11.5: Risk Management Report and Review

6.6 Members noted that Cyber Security would be discussed further at Agenda Item 11.

Item 13.2: Minutes of the Accountability Meeting held on 10 October 2017

6.7 The Director of Business Support confirmed that the Finance Manager was developing a contingency plan to enable Libraries NI to meet the proposed deadline for inclusion within the Department for Communities Annual Accounts for 2020.
Item 15.2: Schedule of Mission Critical Projects

6.8 The Chief Executive reported that discussions had taken place with the Department for Communities (DFC) in relation to Belfast Central Library and the Department had confirmed that the Outline Business Case should not be updated at this time but that any revisions needed could be incorporated directly into a Full Business Case should the project progress.

Item 17.2: Internal Audit Charter

6.9 Members noted that the Mission Statement within the Internal Audit Charter had been revised as requested to specify to whom Internal Audit provides assurance and that this item had now been completed.

Item 18.2: NAO Audit and Risk Assurance Committee Effectiveness Checklist

6.10 Members noted that the Chairperson of the Committee had reported to the Board Meeting on 8 February 2018 on the results of the Committee’s Effectiveness Review and a copy of the completed NAO Audit and Risk Assurance Committee Effectiveness had been retained for review by the NIAO and DFC. This item had now been completed.

Item 19.1: NIAO Issues

6.11 It was noted that the Audit Strategy for 2017/18 would be discussed further at Agenda Item 19.

7. INTERNAL AUDIT ACTIVITY REPORT

ARAC 03.04.18

7.1 The Head of Internal Audit reported on the six audits completed since the last meeting of the Audit and Risk Assurance Committee held on 17 January 2018, noting that there had been no Priority One findings. 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>Customer Feedback</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Travel and Subsistence</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Key Service Priorities</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Libraries NI Equality Scheme</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>North West Homecall</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Armagh Homecall</td>
<td>Satisfactory</td>
</tr>
</tbody>
</table>

7.2 The Head of Internal Audit drew attention to the audit of Travel and Subsistence and explained the importance of staff and Board Members submitting claims in a timely manner especially at year end. He also drew attention to the audit of the Libraries NI Equality Scheme which had been due to be reviewed in November 2016. He informed Members that the Equality Commission had been made aware of the delay and were content that it was not as a result of any inconsistencies within Libraries NI. A revised scheme would be issued to Consultees in May 2018 and brought to the July meeting of the Libraries NI Board.
8. INTERNAL AUDIT ACTIVITY REPORT – OUTSTANDING RECOMMENDATIONS
   ARAC 04.04.18

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 17 January 2018, of the 31 recommendations outstanding, 29 had now been cleared, leaving two to be resolved. Members also noted that there had been no Priority One recommendations and that the recommendation relating to the interfacing of cash reporting with SUN had been highlighted in ‘red’ as it had not been implemented within the four months of the originally agreed implementation date.

8.3 The Director of Business Support updated Members in relation to the interfacing of cash reporting with SUN and reported that although a solution had been developed a stable working platform had yet to be delivered. The work undertaken to improve the ‘look’ and ‘feel’ of the Cash Summary Report had received positive feedback from Branch staff and a review of the feasibility of delivery of this solution would be undertaken before the next meeting of the Committee.

9. NIAO RECOMMENDATIONS (2016/17) PROGRESS REPORT
   ARAC 05.04.18

9.1 The Director of Business Support drew attention to the report on progress in relation to the NIAO Recommendations 2016/17. He noted that:

- procedures are now in place in relation to the receipt and processing of invoices for Agency staff
- additional controls were implemented in July 2017 in relation to Voluntary Exit Scheme payments
- procedures have been reviewed in relation to the payment of overtime to staff
- the Trial Balance would be completed prior to issue of papers for the Business Support Committee on 31 May 2018 and will continue into the 2017/18 year.

9.2 Members noted the report.

10. INTERNAL AUDIT DRAFT ANNUAL REPORT 2017/18
    ARAC 06.04.18

10.1 The Head of Internal Audit reminded Members that Public Sector Internal Audit Standards (PSIAS) required him to present a formal annual report giving his opinion on the overall adequacy and effectiveness of the organisation’s risk management, control and governance processes,
highlighting the range of strengths and weaknesses and providing his annual assurance to the Accounting Officer.

10.2 The Head of Internal Audit presented his draft report, highlighting in particular Section 6: Planned v Actual Audit Activity. He advised Members that 32 audits had been completed compared to a planned total of 27 audits adding that this was as a result of efficiency within the Internal Audit unit and the allocated contingency resource had not been required. He reminded Members that as previously advised the audit of ‘Out of Hours Libraries’ had been cancelled as it had been decided that this should take place during the audits of the relevant locations.

10.3 The Head of Internal Audit confirmed that a sufficient number of audits had been completed and the assurance levels were such as to enable him to provide the Chief Executive with assurance that, in his opinion, the risk management, control and governance systems within Libraries NI were operating in a satisfactory manner.

10.4 The Head of Internal Audit drew attention to Appendix 3 Key Performance Indicators noting that only two Priority One recommendations had been made during the year.

10.5 Members commended the Head of Internal Audit and his staff for their work during the year.

11. RISK MANAGEMENT REPORT AND REVIEW  ARAC 07.04.18

11.1 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 14 March 2018.

11.2 Members noted the completion of the Fraud Risk Analysis and in particular the red risk relating to Stock (Losses).

11.3 The Director of Business Support reported that as requested by Members at the January Meeting of the Committee, the Risk Management Group had considered the position of the organisation in relation to the potential risks arising from cyber security using the National Audit Office Good Practice Guide: Cyber Security and Information Risk as a basis on which to form an opinion.

11.4 On completion of the review the Group concluded that appropriate actions were being taken within Libraries NI to identify potential risks relating to cyber security, that appropriate policies and procedures had been established and control and monitoring mechanisms were sufficient to address potential risk. It had been recognised that the field of cyber security is a dynamic area, with new threats emerging and that continual monitoring and refinement of the risk management approaches adopted by Libraries NI were necessary to maintain security.
11.5 The Director of Business Support then drew attention to the Corporate Risk Register highlighting in particular the following:

- 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 2018/19 is now £0.49 per capita
- Risk 2: Stakeholder Engagement – a Stakeholder Engagement Plan would be developed by June 2018
- Risk 3: Staff – the Workforce Strategy would be reviewed in line with the budget allocation and a review of the organisational structure would be carried out by October 2018
- Risk 4: Corporate Governance – the triennial review by Internal Audit of the Board Effectiveness is due to be carried out in January 2019
- Risk 5: Resources – the budget allocation for 2018/19 has now been confirmed at 4% less than last year and presents significant challenges. The cumulative effect of savings year on year is proving difficult
- Risk 6: Planning – it is proving very difficult to plan effectively due to political uncertainty and the setting of one year budgets. Further engagement will take place with the Department in relation to longer term planning
- Risk 7: Information Security – work is on-going to ensure that Libraries NI will be compliant with the new General Data Protection Regulation
- Risk 8: Business Continuity – the competition to appoint Board Members is currently underway and the process to take forward the e3 business plan will commence shortly.

11.6 On a proposal by Councillor S McIlveen, seconded by Ms N McAuley, Members recommended the Corporate Risk Register to the Board for approval.

12. **BI-ANNUAL ASSURANCE STATEMENT (PERIOD ENDED 31 MARCH 2018)** ARAC 08.04.18

12.1 The Chief Executive presented the Bi-Annual Assurance Statement for the period ended 31 March 2018 and referred in particular to Section 3: Risk Management which outlined existing risks within the organisation and new risks which had been identified during the reporting period. The Chief Executive also drew attention to those areas which had been marked ‘Working towards Compliance’.

12.2 Members noted that a draft copy of the Bi-Annual Assurance Statement had been submitted to the Department to inform its end of year processes. Following a review by the Audit and Risk Assurance Committee and the
Board a final signed copy incorporating any amendments, would be submitted to the Department.

12.3 Following discussion of the Statement, on a proposal by Councillor S McIlveen, seconded by the Chairperson of the Committee Councillor S McGuigan, Members agreed to recommend the Bi-Annual Assurance Statement for the period ended 31 March 2018 to the Board for approval.

13. **DRAFT GOVERNANCE STATEMENT 2017/18**  
13.1 The Chief Executive presented the first draft of the Governance Statement 2017/18, and reported that the draft statement would be reviewed and amended as necessary prior to its inclusion in the draft Libraries NI Annual Report and Accounts 2017/18, and again on completion of the external audit of the Accounts.

13.2 The Chief Executive drew attention in particular to the significant risks identified during 2017/18 and the associated mitigating actions and to Section 9: Internal Governance Divergences.

13.3 The Committee noted the first draft of the Governance Statement 2017/18.

14. **ANNUAL BOARD ASSURANCE STATEMENT 2017/18 (YEAR ENDED 31 MARCH 2018)**  
14.1 In the absence of the Chairperson of the Board, the Chief Executive presented the Annual Board Assurance Statement for the year ended 31 March 2018 noting that no issues or actions had been reported. He explained that the Chairperson of the Board would present the Assurance Statement at the Board Meeting to be held on 19 April 2018.

14.2 On a proposal by Councillor S McIlveen, seconded by Ms N McAuley, Members agreed the Annual Board Assurance Statement and recommended it to the Board for approval.

15. **INTERNAL AUDIT STRATEGY 2018 – 2021**  
15.1 The Head of Internal Audit briefed the Committee on the proposed Internal Audit Strategy 2018 – 2021 which had been developed in the format recommended in the Public Sector Internal Audit Standards (PSIAS). The Strategy provides details of the audits to be completed over the next three years and how they would be resourced. Amendments to the strategy since it was last brought to Members were indicated in blue font.

15.2 On a proposal by Ms N McAuley, seconded by Councillor S McIlveen, the Committee approved the Internal Audit Strategy 2018 – 2021 and recommended it to the Board for adoption.
16. INTERNAL AUDIT STRATEGY FOR BRANCH LIBRARIES 2018/19
   ARAC 12.04.18

16.1 The Head of Internal Audit informed Members that the Internal Audit
Strategy provides that each branch library should be audited at least once in
every audit cycle of seven/eight years. The 2018/19 Internal Audit Plan has
allocated 84 audit days to the completion of branch library audits and it is
estimated that this resource would allow for the completion of approximately
15 branches in the year.

16.2 Members noted Appendix 2 of the Strategy showed how the branch libraries
had been prioritised and indicated the order in which they would be audited.

16.3 The Head of Internal Audit referred Members to Appendix 3 which
summarised areas to be considered when completing branch library audits.

16.4 On a proposal by Councillor S McIlveen, seconded by Ms N McAuley, the
Committee approved the Internal Audit Strategy for Branch Libraries 2018/19
and recommended it to the Board for adoption.

17. INTERNAL AUDIT PLAN 2018/19
   ARAC 13.04.18

17.1 The Head of Internal Audit drew attention to the Internal Audit Annual Plan
2018/19 and informed Members that the Plan would be kept under review to
identify any amendments needed to reflect the changing priorities and
emerging needs within Libraries NI. Members noted that quarterly updates
on the Plan would be brought to future meetings of the Committee.

17.2 Members were informed that the Plan provided for 35 audits to be conducted
during the 2018/19 year and the projected start dates for the planned audits
would be brought to the June meeting of the Committee.

17.3 On a proposal by Ms N McAuley, seconded by Councillor S McIlveen, the
Committee approved the Internal Audit Annual Plan 2018/19 and
recommended it to the Board for adoption.

18. MINUTES OF THE ACCOUNTABILITY MEETING HELD ON 23 JANUARY
    2018
   ARAC 14.04.18

18.1 The Chief Executive presented the minutes of the Accountability Meeting
held with the Department for Communities on 23 January 2018.

18.2 He reported that issues such as the Budget 2018/19, e2 and Belfast Central
Library had been discussed. Members noted that the Department had
sought assurances that there would be no further delay in relation to the
Coleraine Library project and assurances had been provided on this matter.

18.3 Members noted the report.
19. EXTERNAL AUDIT STRATEGY AND LETTER OF UNDERSTANDING
ARAC 15.04.18

19.1 Ms C O'Hagan, NIAO drew attention to the External Audit Strategy 2017/18 and Letter of Understanding which had been issued to Libraries NI. She informed Members that the Audit Strategy was intended to fulfil two functions i.e. to inform Libraries NI of the audit approach and underpinning assumptions and to agree a plan for the production of the Financial Statements and for carrying out the audit.

19.2 Mr B Clerkin, Director ASM explained the Audit Strategy 2017/18 in depth and the roles and responsibilities of the NIAO and ASM. He drew attention to the timetable for completion of the annual accounts.

19.3 Members noted the report.

20. BOARD CHAIRPERSON – REGISTER OF GIFTS AND HOSPITALITY FOR THE PERIOD ENDED 31 MARCH 2018 ARAC 16.04.18 (T)

20.1 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 Register of the Chairperson of the Board on a quarterly basis.

20.2 Members noted the Chairperson's Register of Gifts and Hospitality for the period ended 31 March 2018 (Nil Return) which had been tabled at the meeting.

21. SCHEDULE OF MISSION CRITICAL PROJECTS ARAC 17.04.18

21.1 The Chief Executive and 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

21.2 Members noted that the Chief Executive together with the Chairperson of the Board had held discussions with the Permanent Secretary, DfC, regarding Belfast Central Library during which agreement had been sought to move to the next phase of the project development i.e. the initial design phase. It was also noted that advice had been received from the Departmental Economists not to revise the Outline Business Case at the moment but to delay this review until a more favourable funding environment develops.

e2 Replacement

21.3 Members noted that the addendum to the e2 Full Business Case (FBC) for contract extension had received DfC/DoF approval on 26 February 2018 and the relevant contract extension clauses had been implemented. The Strategic Outline Case (SOC) for the e2 replacement (e3) had been
submitted to DfC in October 2017 and approval is expected shortly. Separate Business Cases to allow the procurement of consultancy services to support the drafting of an e3 Outline Business Case (OBC) by July 2018 are currently under consideration by DfC.

22. **NIAO ISSUES**

22.1 There were no NIAO issues.

23. **ANY OTHER NOTIFIED BUSINESS**

23.1 There was no other notified business.

24. **DATE OF NEXT MEETING**

24.1 Members noted that the next scheduled meeting of the Audit and Risk Assurance Committee would be held on Wednesday 20 June 2018 at 10.30 am in Lisburn City Library.

25. **MEMBERS ARRIVAL AND DEPARTURE TIMES**

25.1 The meeting ended at 12.37 pm.

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

Mr B Clerkin, ASM left at 12.30 pm

Signed: [Signature]

Date: [Date]