LIBRARIES NI
AUDIT AND RISK ASSURANCE COMMITTEE

20 June 2018

Minutes of a Meeting of the Audit and Risk Assurance Committee held in Lisburn City Library on Wednesday 20 June 2018 at 10:30 am

PRESENT

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

Chairperson
Vice-Chairperson

IN ATTENDANCE

Mr Jim O'Hagan
Mr Desi Miskelly
Mr Brian Doherty
Ms Adrienne Adair
Mrs Mary Walker
Mrs Rita McNamee
Ms Catherine O'Hagan
Mr Conor Hill
Ms Allison Cosgrove
Mr Jonathan McNeill

Chief Executive
Director of Business Support
Head of Internal Audit
Assistant Director
HR Manager
Finance Manager
Northern Ireland Audit Office
Northern Ireland Audit Office
Department for Communities
ASM

1. APOLOGIES FOR NON ATTENDANCE

Professor Bernard Cullen
Councillor Stephen McIlveen

Chairperson of the Board

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 C Hilden, NIAO to the meeting.
He also welcomed Ms A Adair, Assistant Director and Mrs M Walker, HR Manager and 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.

CHIEF EXECUTIVE’S BUSINESS

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

- FD (DoF) 06/18 Annual Theft and Fraud Return 2017/18

The Chief Executive reported that the National Fraud Initiative report had been issued on 19 June 2018, a copy of which would be brought for Member’s attention to the October meeting of the Committee.

MINUTES OF THE MEETING OF THE AUDIT AND RISK ASSURANCE COMMITTEE HELD ON 18 APRIL 2018  ARAC 01.06.18

On a proposal by the 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 18 April 2018.

MATTERS ARISING FROM THE MEETING OF THE AUDIT AND RISK ASSURANCE COMMITTEE HELD ON 18 APRIL 2018  ARAC 02.06.18

Item 6.2: Matters arising from the meeting of the Audit and Risk Assurance Committee held on 18 April 2018

Ms C O'Hagan, Northern Ireland Audit Office (NIAO) reported that the NIAO were still awaiting a decision from the Department of Finance (DoF) in relation to the Elizabeth Saul Trust Fund and that Mr D Lynn, Director, NIAO would contact DoF in the early autumn.

Item 6.3: Matters arising from the meeting of the Audit and Risk Assurance Committee held on 18 April 2018

The Head of Internal Audit updated Members on the position regarding the peer review of Libraries NI’s Internal Audit Service as required by the Public Sector Internal Audit Standards (PSIAS). He reported that the Education Authority (EA) had now commissioned the Chartered Institute of Internal Auditors to carry out an external review of the EA’s Internal Audit service and following completion of this review, which was expected by the end of July 2018 it was hoped that they would be in a position to sign the Service Level Agreement (SLA) with Libraries NI to support the Internal Audit service.

Item 7.2: Internal Audit Activity Report

It was noted that the revised Libraries NI Equality Scheme would be discussed at Agenda Item 8.
Item 8.3: Internal Audit Activity Report – Outstanding Recommendations
It was noted that the cash reporting issue on the SUN system would be
discussed at Agenda Item 8.

It was noted that the Trial Balance for the 2017/18 Annual Accounts would
be submitted to the NIAO for audit along with the draft annual accounts.
This would be confirmed at the next meeting.

Item 11.5: Risk Management Report and Review
It was noted that on-going discussions were continuing with DfC in relation to
longer term planning and that this item would be discussed further at Agenda
Item 11.

Item 12.2: Bi-Annual Assurance Statement (Period Ended 31 March 2018)
This item had been completed and a signed copy of the Bi-Annual
Assurance Statement for the period ended 31 March 2018 had been sent to
DfC on 19 April 2018.

Item 14.1: Annual Board Assurance Statement 2017/18 (Year Ended 31
March 2018)
This item had been completed and the Chairperson had presented the
Annual Board Assurance Statement 2017/18 to the meeting of the Board
held on 19 April 2018.

Item 17.1: Internal Audit Plan 2018/19
It was noted that the Internal Audit Plan 2018/19 would be discussed at
Agenda Item 14.

Item 17.2: Internal Audit Plan 2018/19
It was noted that the start dates for the audits contained in the Internal Audit
Plan 2018/19 would be discussed at Agenda Item 14.

7. INTERNAL AUDIT ACTIVITY REPORT

The Head of Internal Audit reported on the eight audits completed since the
last meeting of the Audit and Risk Assurance Committee held on 18 April
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>Libraries NI Computers: Conditions of Use</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Tandragee Branch Library</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Coleraine Branch Library</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Ballymoney Branch Library</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Armagh City Library</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Magherafelt Branch</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Crumlin Branch Library</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Ballynahinch Branch Library</td>
<td>Satisfactory</td>
</tr>
</tbody>
</table>
The Head of Internal Audit drew attention to the audit of Magherafelt Branch Library and reported that in the almost 10 years since he had commenced auditing within Libraries NI this was the first time that a branch audit had identified no findings. Members commended the staff in Magherafelt Library.

The Head of Internal Audit then drew attention to the audit reports of the seven branch libraries noting that some common issues had arisen throughout, namely the uploading and saving of Property Maintenance Records to the I:drive and the annual testing of emergency lighting. Members noted that the Assets Manager had since issued new guidance to staff on the saving of Property Maintenance Records to the I:Drive. In response to a question from Alderman S Martin, the Director of Business Support explained that it was a requirement that the annual testing of emergency lighting should be carried out by a contractor who was a competent and suitably qualified electrical engineer. He added that this was a procurement issue within the public sector in general as the schedule to which the contracted engineers adhered to may not be in line with the timetable within Libraries NI. The Director of Business Support reported that risks in this area were regularly monitored.

The Head of Internal Audit drew attention to the audit of Libraries NI Computers: Conditions of Use and in response to some concerns raised by Mrs D Kenny placed in context the findings identified in the audit against the number of sessions of computer and Wi-Fi use by customers. He confirmed that he had been advised by Managers that the Library Computers Conditions of Use – Policy and Procedures were being reviewed and the review would take account of the issues identified in the audit.

Ms D Kenny enquired if an audit was planned for the Acceptable Use Policy which applies to staff and which details how Libraries NI will manage and monitor the use of its information assets and systems by staff. The Head of Internal Audit confirmed that he would complete a risk assessment of this area as part of the development of the next audit strategy for 2019.

### INTERNAL AUDIT ACTIVITY REPORT – OUTSTANDING RECOMMENDATIONS

**ARAC 04.06.18**

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 18 April 2018, of the 28 recommendations outstanding, 20 had now been cleared, leaving eight to be resolved. The agreed implementation date for 7 of these recommendations had not yet elapsed. Members also noted that there had been no Priority One recommendations and that one 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 reminded Members of the background to this issue noting that it had been agreed at the last meeting of the Committee that a review of the feasibility of delivering a solution would be undertaken. He reported that a review had taken place and while a substantially operational interface was available issues regarding the accurate calculation of VAT on transactions had materialised. He noted that resourcing difficulties had arisen due to a senior member of staff leaving employment at the end of May 2018 and the development of the e3 project was accelerating placing additional demands on IT staff. He added that it was felt that insufficient resources were available to continue to attempt the development and delivery of a reliable working interface and it was therefore proposed to halt the project at this time but to retain the work produced to date as a basis for defining the interface requirement within the e3 programme.

8.4 Members thanked the Director of Business Support for his detailed analysis of the situation and agreed that the project be halted at this time noting that the improvement to the ‘look and feel’ of the Cash Summary Report which had been carried out during the review had received positive feedback from Branch staff.

8.5 The Director of Business Support reported that the five yearly review of the Equality Scheme had now been completed. The scheme had been considered by Members of the Business Support Committee at the meeting held on 31 May 2018, and had been recommended to the Board for approval. A consultation exercise would be undertaken and a final revised scheme presented to the Board in October.

9. **AUDIT AND RISK ASSURANCE COMMITTEE DRAFT ANNUAL REPORT 2017/18**

9.1 The Chairperson drew attention to the draft Annual Report of the Audit and Risk Assurance Committee 2017/18 and informed Members that he could give his assurance that the Committee had fully discharged its responsibilities during 2017/18 in accordance with its terms of reference. He 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.

9.2 Members noted that the report would be finalised for submission to the Committee at its meeting to be held on 10 October 2018 to coincide with consideration of the audited 2017/18 accounts.

9.3 On a suggestion by the Vice-Chairperson of the Committee, Members agreed to add a footnote at paragraph 3.2 regarding Councillor S McIlveen’s membership of Services Committee.
9.4 On a proposal by Alderman S Martin, seconded by the Vice-Chairperson of the Committee Mrs D Kenny, Members adopted the draft report of the Audit and Risk Assurance Committee 2017/18 and agreed to present the final version to the Board later in the year following completion by NIAO of the audit of Libraries NI's Annual Accounts for 2017/18 and receipt by the Audit and Risk Assurance Committee of the Report to Those Charged with Governance from the Comptroller and Auditor General.

10. LIBRARIES NI DRAFT ANNUAL REPORT AND ACCOUNTS 2017/18
ARAC 06.06.18

10.1 The Chief Executive presented the Draft Annual Report 2017/18 noting that it was a reflection of Libraries NI's achievements throughout the past year. He reported that despite the difficulties and pressures created by the funding situation during 2017/18, staff across the organisation continued to work hard to maintain a high standard of service to customers and this had been reflected in the Key Performance Indicator (KPI) targets most of which had been achieved, and in some cases exceeded.

10.2 He drew attention to some of the highlights which had taken place during the year including the introduction of the pilot scheme for Out of Hours Libraries. The scheme had been introduced in three libraries during the year and it was hoped to extend it to a further three libraries during 2018/19. Members noted that during the year the Marketing Team had been awarded a Bronze Marketing Excellence award for their Two Cities One Book – Belfast Dublin entry by the Chartered Institute of Library and Information Professional's (CILIP) Publicity and Public Relations Group.

10.3 The Finance Manager, Mrs R McNamee presented the draft Accounts for 2017/18 noting that they had been prepared in line with International Accounting Standards, the Financial Reporting Manual 2017/18 (FRReM) 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 2016/17. She explained that the Annual Accounts included accounting adjustments which did not score for budget, 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 £108,000 (0.3%) underspend on the resource budget and £15,000 (0.7%) underspend on the capital budget.

10.4 Members were informed that the proposed new accounting standards in respect of IFRS 16 Leases had not been applied to the 2017/18 accounts. However, it was expected that the amendments in respect of leases would become effective from 2018/19 and the application of the standard would represent a significant change in how leases were presented in the accounts and Libraries NI would be required to recognise an asset and a liability for all material leases with a term in excess of 12 months.
10.5 Members noted that the draft Accounts 2017/18 would be consolidated into the Whole of Government Accounts. The audit of the Accounts would commence week beginning 23 July 2018 and would be brought back to Members for approval at the next meeting of the Committee to be held on 10 October 2018.

10.6 On a suggestion by Members the following was agreed:

- page 17 – revise the wording for the section titled ‘Tackling Poverty and Social Exclusion’ to showcase the work carried out by staff in the area of social exclusion to include the Lesbian, Gay, Bi-sexual and Transgender groups
- page 28 - include the number of applications received to avail of the Work Life Balance and the number of applications approved/rejected
- pages 6/7 add a sentence regarding the Boardroom Apprentice Scheme.

10.7 Members thanked all staff involved in the preparation of the draft Annual Report and Accounts 2017/18.

10.8 On a proposal by Ms N McAuley, seconded by the Chairperson of the Committee Mrs D Kenny, Members recommended to the Board that the Annual Accounts 2017/18 be submitted to the Northern Ireland Audit Office (NIAO) for audit.

11. **RISK MANAGEMENT REPORT AND REVIEW**

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 7 June 2018.

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

- Risk 3: Staff – Industrial Action by Branch Library Managers commenced on 25 May 2018. It is too early to assess the impact this action will have on the organisation. Libraries NI are in discussions with the Trades Union to actively seek a solution
- Risk 5: Resources – additional resources have been secured to support the development of the e3 project
- Risk 7: Information Security – in response to the introduction of the General Data Protection Regulation a Data Protection Officer has been appointed and a Data Protection Steering Group established
- Risk 8: Business Continuity – the competition to appoint new Board Members is currently underway and a number of Board Members have had their Term of Office extended until December 2018. Officers will continue to engage with Trades Union to find a
resolution to the Industrial Action being carried out by Branch Library Managers. Work is on-going to develop the process to take forward the business case for e3.

11.3 Members discussed the contents of the Corporate Risk Register asking Officers a number of questions. In response to questions from Alderman S Martin, the Director of Business Support advised that the engagement with Trade Unions remained positive and that Members would be kept advised of progress. The Director of Business Support further advised that the Director of Library Services was progressing the Stakeholder Engagement Plan. The Human Resources Manager also further confirmed that contracts of employment had been reviewed to ensure that they were GDPR compliant.

11.4 Alderman S Martin referred to the Term of Office of Board Members and reminded officers that local Council Elections were due to take place in 2019 adding that with the possible departure of some Board Members, and the non-appointment of new Members it may result in some Libraries NI Committees becoming inquorate. The Chief Executive noted Alderman Martin’s query and explained that the Accountability meeting with DfC was due to take place next week at which he would raise this issue.

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

12. **ANTI-FRAUD POLICY (REVISED)**

12.1 The Director of Business Support presented the Anti-Fraud Policy (Revised) and informed Members that DfC had recommended that this policy be reviewed annually along with the Fraud Response Plan. The Anti-Fraud Policy was last reviewed in April 2017.

12.2 Members noted that the Anti-Fraud Policy sets out the responsibilities of all staff in promoting an anti-fraud culture and the specific responsibilities of the Chief Executive as Accounting Officer, the Director of Business Support, individual managers, Internal Audit and the Audit and Risk Assurance Committee.

12.3 A review of the Policy was carried out and no substantive changes were made.

12.4 On a proposal by Alderman S Martin, seconded by the Vice-Chairperson of the Committee Mrs D Kenny, Members recommended the Anti-Fraud Policy (Revised) to the Board for approval.
13. **FRAUD RESPONSE PLAN (REVISED)**  

13.1 The Director of Business Support presented the Fraud Response Plan (Revised) noting that Libraries NI is required to have in place a Fraud Response Plan to provide detailed guidance on how to proceed in the event of a suspected fraud.

13.2 Members were informed that in the Sponsorship Risk Assessment, the former Department for Culture, Arts and Leisure (DCAL) had recommended that the Anti-Fraud Policy and the Fraud Response Plan be reviewed annually by the Audit and Risk Assurance Committee.

13.3 The Director of Business Support reported that the only material changes to the plan involved new contact details at the Department for Communities and within Libraries NI.

13.4 On a proposal by the Vice-Chairperson of the Committee Mrs D Kenny, seconded by the Chairperson Councillor S Mcguigan, the Committee recommended the Fraud Response Plan (Revised) to the Board for approval.

14. **INTERNAL AUDIT ANNUAL PLAN 2018/19: TIMETABLE**

14.1 The Head of Internal Audit presented the Internal Audit Annual Plan 2018/19 which incorporated the projected start dates and progress to date for each audit. Members were reminded that the Audit Plans calls for the completion of 35 audits during 2018/19.

14.2 The Head of Internal Audit reported that to date eight audits had been completed and eight were underway. He advised Members that he was content that the plan was on target for achievement.

14.3 The Head of Internal Audit reminded Members however, that one of the audit areas included in the Plan was with regard to the Staff Appraisal Process. He advised Members that this was an area that could potentially be materially affected by the industrial action being taken by Branch Managers. He stated that he would keep inclusion of this area in the audit plan under review and advise Members at future meetings.

14.4 Members noted the update on the Internal Audit Annual Plan 2018/19.

15. **INTERNAL AUDIT CUSTOMER SATISFACTION SURVEY**

15.1 The Head of Internal Audit presented the Internal Audit Customer Satisfaction Survey and explained that HM Treasury had developed The Internal Audit Quality Assessment Framework (IAQAF) which was intended
as a tool for evaluating the quality of the Internal Audit service within any organisation. It was also intended to facilitate identification of actions for continuous improvement.

15.2 Members noted that the IAQAF requires Internal Audit to assess the extent to which they have a positive impact on the risk, control and governance of the organisation and one of the ways to determine this is from customer feedback.

15.3 Members were informed that during 2017/18 30 surveys were issued to staff on completion of the final audit report and 30 responses had been returned. All of the responses rated the quality of the Internal Audit service as Good/Excellent and in particular staff found the Assistant Auditor, Ms K Jauzion very courteous and professional. The Head of Internal Audit explained that suggestions provided on the survey forms would be considered and where relevant would be implemented.

15.4 Members noted the report.

16. SCHEDULE OF MISSION CRITICAL PROJECTS ARAC 12.06.18

16.1 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

16.2 Officers were continuing to work with their counterparts in DfC with the aim of creating a road map for progressing the Belfast Central Library Project.

e2 Replacement

16.3 The Strategic Outline Case (SOC) for the e2 replacement (e3) has now been formally approved by DfC, as have the separate business cases to allow the procurement of consultancy support services. Additional resource funding has been provided by DfC to facilitate the development of the Project Outline Business Case (OBC). Officers were progressing the drafting of the OBC with a view to submission to DfC by September 2018. Supporting actions including market testing, financial modelling, legal due diligence and establishment of a procurement route were being progressed in parallel.

16.4 Members noted the report.

17. NIAO ISSUES

17.1 There were no NIAO issues.

18. ANY OTHER NOTIFIED BUSINESS

18.1 There was no other notified business.
19. **DATE OF NEXT MEETING**

19.1 Members noted that the next scheduled meeting of the Audit and Risk Assurance Committee would be held on Wednesday 10 October 2018 at 10:30 am in Lisburn City Library.

20. **MEMBERS ARRIVAL AND DEPARTURE TIMES**

20.1 The meeting ended at 12:15 pm.

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

Ms N McAuley arrived at 10:38 am

Ms N McAuley left at 11:45 am

Signed: 

Date: 10 October 2018