LIBRARIES NI

AUDIT AND RISK ASSURANCE COMMITTEE

10 October 2018

Minutes of a meeting of the Audit and Risk Assurance Committee held in Lisburn City Library on Wednesday 10 October 2018 at 10:35 am

PRESENT

Councillor Seán McGuigan  
Mrs Deirdre Kenny  
Alderman Stephen Martin  
Professor Bernard Cullen  
Ms Nuala McAuley  
Chairperson  
Vice-Chairperson  
Chairperson of the Board

IN ATTENDANCE

Mr Jim O’Hagan  
Mr Desi Miskelly  
Mr Brian Doherty  
Ms Mandy Bryson  
Mr Desi Curry  
Mrs Rita McNamee  
Mrs Amy Lucas  
Ms Catherine O’Hagan  
Mr Ben Smith  
Ms Brenda McGilligan  
Mr Jonathan McNeill  
Chief Executive  
Director of Business Support  
Head of Internal Audit  
Assistant Director  
Head of ICT/ICU  
Finance Manager  
Boardroom Apprentice  
Northern Ireland Audit Office  
Northern Ireland Audit Office  
Department for Communities  
ASM

1. APOLOGIES FOR NON ATTENDANCE

Mr Brian Clerkin, ASM

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 A Lucas the newly appointed Boardroom Apprentice to her first meeting of the Libraries NI Audit and Risk Assurance Committee and Mr B Smith, NIAO.

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 Ms M Bryson, Assistant Director and Mr D Curry, Head of ICT/ICU.

3.3 The Chairperson reported that, prior to the Committee meeting, the annual bi-lateral meeting had been held with representatives from the Northern Ireland Audit Office (NIAO) and ASM to discuss risk, control and governance. He added that Members had been assured that the NIAO and ASM had received all the co-operation and access necessary to carry out their audit.

4. **CHIEF EXECUTIVE’S BUSINESS**

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

- Report by the Comptroller and Auditor General dated 19 June 2018 on the National Fraud Initiative: Northern Ireland. This is a large data matching exercise in which Libraries NI participates, the aim of which is to identify potentially fraudulent transactions.

- FD (DoF) 08/18 Remuneration of Board Members. An uplift of 1% to the remuneration of Chairpersons and Members of Public Bodies has now been agreed and subject to confirmation of attendance and fully satisfactory performance should be paid retrospectively from 1 August 2017.

5. **MINUTES OF THE MEETING OF THE AUDIT AND RISK ASSURANCE COMMITTEE HELD ON 20 JUNE 2018**  
**ARAC 01.10.18**

5.1 On a proposal by Alderman S Martin, seconded by the Vice-Chairperson Mrs D Kenny, the Committee approved the minutes of the meeting of the Audit and Risk Assurance Committee held on 20 June 2018 subject to the following amendment at page 1 paragraph 3.1 which should now read:

*The Chairperson welcomed Mr C Hill, NIAO to the meeting.*
6. MATTERS ARISING FROM THE MEETING OF THE AUDIT AND RISK ASSESSMENT COMMITTEE HELD ON 20 JUNE 2018 ARAC 02.10.18

Item 4.2: Chief Executive's Business

6.1 This item had been completed and was noted at paragraph 4.1 above.

Item 6.1: Matters arising from the meeting of the Audit and Risk Assurance Committee held on 20 June 2018

6.2 Ms C O'Hagan, NIAO reported that there were no further developments on this matter but that she would ask Mr D Lynn, Director NIAO to raise the issue again with the Department of Finance.

Item 6.2: Matters arising from the meeting of the Audit and Risk Assurance Committee held on 20 June 2018

6.3 The Chief Executive reported that Mr D Anderson Head of Internal Audit and Assurance at the Education Authority was content with the draft Service Level Agreement (SLA) which had been issued to him. A meeting with Mr Anderson has been arranged for Friday 19 October 2018 at which the SLA, including the issue of fees, would be discussed and finalised. An update would be brought to the next meeting of the Committee.

Item 6.5: Matters arising from the meeting of the Audit and Risk Assurance Committee held on 20 June 2018

6.4 The Chief Executive confirmed that the Trial Balance for the 2017/18 Annual Accounts had been submitted with the draft accounts.

Item 7.5: Internal Audit Activity Report

6.5 The Chief Executive confirmed that the risk assessment regarding the acceptable use of computers by staff had now been completed as part of the development of the 2019/20 Audit Strategy.

Item 8.5: Internal Audit Activity Report – Outstanding Recommendations

6.6 Members noted that the revised Libraries NI Equality Scheme would be brought to the Board in December 2018 and not October as previously advised. The delay was due to the absence of key members of staff. The Equality Commission have been informed and are content with the new submission date.

Items 9.3 and 9.4: Audit and Risk Assurance Committee Draft Annual Report 2017/18

6.7 Members noted that these items would be discussed at Agenda Item 8.

Items 10.5 and 10.6: Libraries NI Draft Annual Report and Accounts 2017/18

6.8 Members noted that these items would be discussed at Agenda Item 9.

Item 11.3: Risk Management Report and Review

6.9 The Chief Executive advised Members that since the last meeting of the Committee there had been a number of developments and both he and the Chairperson of the Board had met with Mr P Mackel, Assistant Secretary, NIPSA on 1 October 2018. A delegation from NIPSA is to present its case to
Board Members at the Board Meeting to be held on 11 October 2018. Members would be kept informed of progress on this matter.

**Item 11.4: Risk Management Report and Review**

6.10 It was noted that this matter would be discussed at Agenda Item 10.

**Item 14.3: Internal Audit Annual Plan 2018/19: Timetable**

6.11 Members noted that this matter would be discussed at Agenda Item 16.

7. **PROVISIONAL REPORT TO THOSE CHARGED WITH GOVERNANCE**

**ARAC 03.10.18**

7.1 The Chairperson invited Ms C O’Hagan, NIAO to present the Provisional Report to Those Charged with Governance 2017/18. Ms O’Hagan thanked the Director of Business Support and the Finance Manager and staff for their assistance in the audit of the Annual Report and Accounts 2017/18 and advised the Committee that Mr J McNeill, ASM, would present the report.

7.2 Mr McNeill reminded Members that this was the first year that the audit had been outsourced and congratulated all staff involved. He reported that he could confirm that no significant regularity or impropriety issues were identified during the audit and that the Annual Report was consistent with the financial statements, and had been properly prepared. He advised the Committee that all the recommendations contained in Appendix 3: Implementation of Prior Year Recommendations had now been implemented.

7.3 The Committee recorded its thanks to all staff involved in the preparation of the Annual Report and Accounts 2017/18 which had resulted in a positive Report to Those Charged with Governance.

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

**ARAC 04.10.18**

8.1 The Chairperson of the Audit and Risk Assurance Committee, Councillor S McGuigan presented the Committee’s Annual Report 2017/18 which had been amended to reflect the suggestion made at the last Committee meeting. He drew attention to the following:

- paragraph 11.1: the year-end underspend of £82,000 in respect of recurrent expenditure and £15,000 underspend in respect of capital expenditure
- section 12 Report from the Comptroller and Auditor General on the audit of the 2017/18 Accounts
- section 15: Audit and Risk Assurance Committee Opinion and Statement of Assurance
• Appendix 3 Section 8: in which the Head of Internal Audit gives his assurance to the Accounting Officer that the risk management, control and governance systems within Libraries NI are operating in a satisfactory manner.

8.2 On a proposal by Alderman S Martin, seconded by the Vice-Chairperson of the Committee, Mrs D Kenny, Members recommended the Audit and Risk Assurance Committee’s Annual Report 2017/18 to the Board for approval subject to the following amendment to the footnote at the bottom of page 5 which should now read:

A nominated Assistant Director fulfilled the role of Director of Library Services for the purposes of the operation of the Risk Management Group until January 2018.

9. LIBRARIES NI DRAFT ANNUAL REPORT AND ACCOUNTS 2017/18
ARAC 05.10.18

9.1 The Chief Executive drew Members’ attention to the draft Libraries NI Annual Report and Accounts 2017/18 noting that some drafting changes had been made to the document, in particular to the Remuneration and Staff Report since the draft was last reviewed by the Committee.

9.2 Following discussion and having agreed the Provisional Report to Those Charged with Governance, on a proposal by the Vice-Chairperson of the Committee Mrs D Kenny, seconded by Ms N McAuley, the Committee recommended the Libraries NI Annual Report and Accounts 2017/18 to the Board for approval and to submit for certification.

10. LETTER OF REPRESENTATION
ARAC 06.10.18

10.1 The Chief Executive drew attention to the Letter of Representation which he would sign as Accounting Officer and submit to the NIAO with the Annual Report and Accounts 2017/18.

10.2 Members noted that this document attests to the accuracy of the financial statements and confirms that all information relevant to the financial statements has been disclosed to the NIAO.

10.3 Members noted the Letter of Representation.

11. INTERNAL AUDIT ACTIVITY REPORT (JUNE TO SEPTEMBER 2018)
ARAC 07.10.18

11.1 The Head of Internal Audit reported on the 12 audits completed since the last meeting of the Audit and Risk Assurance Committee held on 20 June
2018. 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>Stock Management</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Payroll</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Heritage Assets</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Procurement</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Enniskillen Branch Library</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Lisburn City Branch Library</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Lisburn Road Branch Library</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Saintfield Branch Library</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Newry Mobile Library</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Armagh Mobile Library</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Dungiven Branch Library</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Causeway Mobile Library</td>
<td>Satisfactory</td>
</tr>
</tbody>
</table>

11.2 The Head of Internal Audit informed Members that Saintfield and Dungiven libraries were taking part in the Out of Hours Libraries project and additional audit tests had been carried out. No findings were reported.

11.3 Ms N McAuley drew attention to the audit of Enniskillen Branch Library and the finding in relation to a Health and Safety issue which is a ‘serious breach of legislation, having the potential for serious injury to occupants’. The Director of Business Support explained the background to the matter and confirmed that all legal requirements were being met. He reported that a risk assessment had been carried out and procedures were in place to mitigate risk. Members discussed the need for Management’s response to findings involving risk to be recorded more fully and to include the compensating measures which would be implemented to reduce the risk. The Head of Internal Audit agreed to take this forward for future reports.

11.4 Alderman S Martin commended staff on the detail of the audit testing especially in relation to the Supplementary Audit of Heritage Assets.

11.5 In response to a question from Ms N McAuley the Head of Internal Audit provided some additional background regarding one of the findings and recommendations made in the audit of Procurement.

11.6 Members noted the report.

12. INTERNAL AUDIT ACTIVITY REPORT – OUTSTANDING RECOMMENDATIONS

ARAC 08.10.18

12.1 The Head of Internal Audit drew attention to the report showing progress on the implementation of outstanding audit recommendations from previous Internal Audit Reports.
12.2 Members noted that since the last scheduled meeting of the Audit and Risk Assurance Committee held on 20 June 2018, of the 31 recommendations outstanding, 18 had now been cleared, leaving 13 still to be resolved. Members also noted that there had been no Priority One recommendations and all recommendations were highlighted ‘Amber’ as they had not yet reached the agreed implementation date. He also confirmed that in each case Officers had agreed to the implementation of the recommendations.

12.3 Members noted the report.

13. BI-ANNUAL ASSURANCE STATEMENT FOR THE PERIOD ENDED
30 SEPTEMBER 2018 ARAC 09.10.18

13.1 The Chief Executive drew attention to the Bi-Annual Assurance Statement for the period ended 30 September 2018.

13.2 Members noted that a copy of the draft Assurance Statement had been forwarded to the Department for Communities (DfC) at their request. Following discussion and review at today’s Audit and Risk Assurance Committee and the Board Meeting on 11 October 2018 a signed version of the document incorporating any changes agreed by Members would be forwarded to DfC.

13.3 The Chief Executive referred to the Assurance Statement and drew attention in particular to Section 3: Risk Management which outlined the risks currently identified within the organisation. He reported that although no new risks had been added, the risk rating for a number of existing risks had increased during the reporting period.

13.4 Following discussion, it was agreed that the wording on Page 2, Section 2: Board and Committees at Issue 1 should be amended as follows:

_The terms of office of six Board Members has expired. Although extensions are in place until December 2018 this situation has the potential to impact on and disrupt Board /Committee operations going forward._

13.5 The Chief Executive also drew attention to those sections of the Statement which had been recorded as ‘Working towards Compliance’ and explained the issues behind the selection of this option and where applicable actions being taken to remedy the situation.

13.6 Following discussion of the Statement, on a proposal by the Vice-Chairperson of the Committee, Mrs D Kenny, seconded by Ms N McAuley, and subject to the amendment at paragraph 13.4 above, Members agreed to recommend the Bi-Annual Assurance Statement for the period ended 30 September 2018 to the Board for approval.
14. MINUTES OF THE ACCOUNTABILITY MEETING HELD ON 28 JUNE 2018
   ARAC 10.10.18

14.1 The Chief Executive presented the minutes of the Governance and
    Accountability Meeting held with DfC on 28 June 2018. He drew attention in
    particular to:

    • paragraph 5.2.1 which noted that the Libraries NI Senior
      Management Team and Members of the Board were concerned
      about the challenges Libraries NI would face with the reduced
      budget position in 2018/19
    • paragraph 6.1.1 concerning the risk register which highlighted that
      the current financial position and added pressures were increasing
      exposure to risk and was impacting on resilience, capability and
      capacity to deliver services.

14.2 Members noted that the Term of Office of Board Members had been
    discussed and further information and clarity was to be provided by the
    Department.

14.3 Members noted the report.

15. RISK MANAGEMENT REPORT AND REVIEW
    ARAC 11.10.18

15.1 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 27 September 2018.

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

    • Risk 1: Participation and Relevance – a bid has been submitted in
      the October Monitoring round for additional resources to purchase
      book stock. As yet no response has been received
    • Risk 3: Staff – the Senior Management Team will monitor the impact
      and seek to mitigate the implications of the on-going industrial action
      carried out by the Branch Library Managers. The review of the
      organisational structure is to be completed by December 2018
    • Risk 5: Resources – reduced maintenance budgets year on year
      have represented poor value for money and in the longer term will
      have an adverse effect on the fabric and condition of the library
      estate. The Senior Management Team will consider the viability of a
      small scale Voluntary Exit Scheme.
    • Risk 6: Planning – the difficulty in planning effectively in the current
      financial and political environment
• Risk 8: Business Continuity – additional wording has been added regarding the resilience and ability of the organisation to respond to emerging issues

• In response to a request from the Chairperson of the Board, Professor B Cullen, the Chief Executive and Director of Business Support agreed to emphasise the potential risk to Governance resulting from the soon to expire terms of office of all the non-Councillor Members of the Board. It was agreed that the following would be added to Corporate Risk 4.

_The terms of office for six non-elected Board Members and the Chairperson are due to come to an end in 2018/19 and Local Council elections are scheduled for May 2019. This situation has the potential to impact on and disrupt Board/Committee operations going forward._

15.3 Following discussion and subject to the amendment noted above, Members noted the report and 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.

16. **INTERNAL AUDIT PLAN 2018/19: PROGRESS REPORT**

**ARAC 12.10.18**

16.1 The Head of Internal Audit presented the Internal Audit Plan 2018/19 Progress Report 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 35 audits during 2018/19 of which 20 audits had now been completed.

16.2 Members were reminded that one of the audit areas included in the Plan was the audit of the Staff Appraisal process. The completion of this audit had been affected by the industrial action being taken by Branch Library Managers and the Head of Internal Audit informed the Committee that he had therefore decided to remove the audit from the 2018/19 Audit Plan and to replace it with the on-going audit of Heritage Assets and had already carried out visits to Carrickfergus and Holywood Libraries to review the small collections held in those locations. Members would be kept informed of future plans for auditing the Staff Appraisal process.

17. **INTERNAL AUDIT QUALITY ASSESSMENT FRAMEWORK – QUESTIONNAIRE**

**ARAC 13.10.18**

17.1 The Head of Internal Audit reminded Members that the Public Sector Internal Audit Standards require the Chief Audit Executive (i.e. the Head of Internal Audit) to establish an internal audit Quality Assurance and Improvement Programme, comprising both internal and external assessments.
17.2 He drew attention to the proposed Internal Audit Quality Assurance Questionnaire, based on the HM Treasury Internal Audit Quality Assessment Framework (IAQAF) template, for stakeholders of internal audit to assess Internal Audit’s impact on the risk, control and governance framework within Libraries NI, noting that the Questionnaire was last completed in 2016.

17.3 The Head of Internal Audit asked Members to complete and return the Questionnaire to him if convenient at the Board Meeting to be held on 11 October 2018 or by the requested return date of 19 October 2018. Alternatively they could be returned in confidence to Mrs M McGrady, PA to the Chief Executive. All comments on the Questionnaires would be treated confidentially. It was noted that in addition to Members of the Audit and Risk Assurance Committee, the Questionnaire had been issued to the Chief Executive, the Senior Management Team and the Senior Leadership Group. Representatives of the Sponsor Department, the Northern Ireland Audit Office and ASM were also asked to complete and return the questionnaire.

18. **CHAIRPERSON’S REGISTER OF GIFTS AND HOSPITALITY 2018/19**

18.1 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 Chairperson’s register on a quarterly basis.

**Period Ended 30 June 2018**  

18.2 Members noted the Board Chairperson’s Register of Gifts and Hospitality (Nil Return) for the period 1 April to 30 June 2018.

**Period Ended 30 September 2018**  

18.3 Members noted the Board Chairperson’s Register of Gifts and Hospitality (Nil Return) for the period 1 July to 30 September 2018.

19. **SCHEDULE OF MISSION CRITICAL PROJECTS**  

19.1 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**

19.2 Members noted that no substantive progress has been made in relation to this project. The Chief Executive had written to DfC on 8 July 2018 suggesting an approach that would allow progress to be made in relation to further development of the concept design and updating of cost information for the Outline Business Case, a response has not been received to date. The 130th anniversary presented an opportunity to raise the profile of the Belfast Central Library and the plans to refurbish and redevelop the library.
e2 Replacement

19.3 Members noted that work on this project was progressing. The Draft Outline Business Case had been presented to the Business Support Committee at the end of September 2018 and was recommended to the Board for approval.

19.4 On a suggestion by the Vice-Chairperson of the Committee, Mrs D Kenny, it was agreed that the order in which the Mission Critical Projects were listed in the report should be amended so that the e2 Replacement is first.

19.5 Members noted the report.

20. NIAO ISSUES

20.1 There were no NIAO issues.

21. ANY OTHER NOTIFIED BUSINESS

21.1 There was no other notified business.

22. DATE OF NEXT MEETING

22.1 Members noted that the next scheduled meeting of the Audit and Risk Assurance Committee would be held on Wednesday 16 January 2019 at 10.30 am in Lisburn City Library.

23. MEMBERS ARRIVAL AND DEPARTURE TIMES

23.1 The meeting ended at 12.05 pm.

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

Ms N McAuley arrived at 10.53 am

Signed: [Signature]

Date: 16-1-19