LIBRARIES NI

AUDIT AND RISK COMMITTEE

22 January 2010

Minutes of a meeting of the Audit and Risk Committee held in Belfast Central Library on Friday 22 January 2010 at 10.30 am.

PRESENT

Mr Alastair McDowell
Councillor C Casey
Ms Helen Roulston
Ms Judith Andrews

Chairperson

IN ATTENDANCE

Ms Irene Knox
Mr Terry Heron
Mr Brian Doherty
Mr Gavin Stewart
Mr Alastair Hughes

Chief Executive
Director of Business Support
Head of Internal Audit
Northern Ireland Audit Office
Department of Culture, Arts and Leisure

APOLOGIES FOR NON ATTENDANCE

Councillor J Rodgers
Mr Arthur Scott
Mr Rodney Allen

Department of Culture, Arts and Leisure
Director, Northern Ireland Audit Office

1. DECLARATIONS OF INTEREST

1.1 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.

2. CHAIRPERSON’S BUSINESS

2.1 The Chairperson welcomed Ms Helen Roulston, Councillor Charlie Casey and Ms Judith Andrews to their first meeting of the Audit and Risk Committee. He also welcomed Mr Alastair Hughes, recently appointed as Head of Libraries Branch, Department of Culture, Arts and Leisure to his first meeting.

2.2 The Chairperson informed Members that the National Audit Office had issued “The Statement on Internal Control: A Guide for Audit
Committees”. The Head of Internal Audit agreed to make copies available to Members.

2.3 The Chairperson referred to correspondence from HM Treasury regarding consultation on a document entitled “Internal Audit Strategic Improvement Plan”. The Head of Internal Audit agreed to review the document and report back to Members.

3. **CHIEF EXECUTIVE’S BUSINESS**

3.1 The Chief Executive informed the Committee that a letter had been sent to all Board Members inviting them to attend the Business Support Committee to be held on 27 January 2010 to discuss the proposed budget allocation for 2010/11.

3.2 Members were also informed that correspondence had been received from DCAL regarding “self-regulation” ie developing an approach to handling payments to Board Members who were unable to attend Board Meetings (eg through illness). It was confirmed that a Scheme would be developed and presented to the Business Support Committee.

3.3 It was also noted that guidelines were being developed regarding receipts for travel and subsistence claims. These guidelines would also be brought to the Business Support Committee.

4. **MINUTES OF THE MEETING HELD ON 7 OCTOBER 2009**

   *(ARC 01.01.10)*

4.1 In the absence of the Vice-Chairman Councillor J Rodgers and as none of the other Members present had attended the October meeting it was agreed to note the minutes of the Audit and Risk Committee meeting held on 7 October 2009.

5. **MATTERS ARISING FROM THE MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING HELD ON 7 OCTOBER 2009**

   *(ARC 02.01.10)*

5.1 Members noted the Report on matters arising which had been circulated with the papers for the meeting. The Chief Executive drew Members’ attention in particular to the undernoted items.

5.1.1 **Item 3.4 Scheme of Delegation**

   It was confirmed that a revised Scheme of Delegation for the Business Support Committee had been adopted at the November meeting of the Board.

5.1.2 **Item 4.1 Chief Executive’s Business**

   The appointment of Judith Andrews to the Audit and Risk Committee enabled best practice guidelines to be met in relation to at least one member of the Committee holding an accountancy qualification.
5.1.3 Item 6.1.3 Risk Management Policy
Members noted that the DCAL workshop to introduce the new Risk Register template had been held on 29 October 2009 and was attended, on behalf of Libraries NI, by the Director of Business Support and the Head of Internal Audit. It had been agreed with DCAL that the new format for Risk Registers would be in place by 31 March 2010.

5.1.4 Item 6.1.8 Management Statement – Financial Memorandum
Members noted that DCAL had received comments on the draft Management Statement and Financial Memorandum from DFP and were currently considering them. The Head of Libraries Branch, DCAL, confirmed that it was the Department’s intention to provide Libraries NI with the amended documents in the next few days.

The Chief Executive indicated that if the amended documents were received in time, it would be her intention that they be considered at the next Board meeting on 11th February.

The Chairperson asked that Members receive copies of the both the Management Statement and Financial Memorandum, when finalised.

5.1.5 Item 10.3 Appointment of Trainee Auditor
It was noted that the post of Trainee Auditor had been advertised within Libraries NI before Christmas and, although there had been a number of expressions of interest, no completed applications had been received. The post has now been advertised throughout all RPA affected bodies. The closing date for applications is 22nd January 2010.

5.1.6 Item 18.1 Audits in Dromore and Lurgan Branches
Members noted that the audit carried out in Dromore Branch Library had been completed and an audit of Lurgan Library had been arranged for March 2010.

5.1.7 Item 22.1 Finance Systems and Outputs
The Director of Business Support provided a verbal update on the current position regarding implementation of the systems. It was agreed that he would make a presentation on Finance systems/controls to the Audit and Risk Committee at their first meeting in the new financial year.

6. **CORRESPONDENCE**

6.1 Treasury Minutes, Westminster and NI Assembly PAC Reports

(ARC 03.01.10)

Members noted information on the NI Assembly PAC Reports and Treasury Minutes which are circulated regularly by Accountability and Accountancy Services Division (AASD) to all Departmental Agency Accounting Officers and Finance Directors.
The Head of Internal Audit informed Members that 4 reports had been issued since the last meeting. Copies of the reports can be made available to Members on request and any reports identifying issues of special significance would be brought to the attention of Members.

7. TRAINING AND INDUCTION

7.1 Members

The training courses which had been offered to Audit and Risk Committee Members were noted. Councillor C Casey gave his apologies for the training course due to be held on 10 February 2010.

It was agreed that a further possible training opportunity offered by CIPFA would not be attended as the date of the course clashed with the date of the March Board Meeting. The Chairman asked that details of the training day in March be forwarded to him although it coincided with the LNI Board Meeting.

7.2 Staff

The Chief Executive informed Members that the training this year had concentrated on corporate governance issues including the Gifts and Hospitality Policy, Whistleblowing Policy, Code of Conduct for Staff and Fraud Awareness, as well as the corporate values and planning processes within the organisation. The training had consisted of 16 one day training sessions with all branch libraries closing for 1 day to enable the training to take place. The training had been well received by staff. Mop-up sessions would be held for staff who had been unable to attend.

Members recorded their appreciation of the work undertaken by Mr R Russell, Head of Internal Audit, North Eastern Education and Library Board and Mr B Doherty, Head of Internal Audit, Libraries NI in planning and delivering the corporate governance training.

In response to a question about the need for more training the Chief Executive replied that the internal audits carried out in branch libraries had identified common issues which required further training. These issues would be taken on board and incorporated into training and development plans for next year.

8. LIBRARIES NI GIFTS AND HOSPITALITY POLICY (DEFINITION OF HOSPITALITY FOR FINANCE CODING PURPOSES) (ARC 06.01.10)

8.1 The Director of Business Support presented the paper highlighting the difference between subsistence and hospitality. Members noted the definitions.

8.2 The Director of Business Support confirmed that authorisation forms were in place to support the provision of hospitality and were appended to the Libraries NI Gifts and Hospitality Policy.
9. LIBRARIES NI FRAUD RESPONSE PLAN (ARC 07.01.10)

9.1 Members noted that the Libraries NI Fraud Response Plan had been amended to reflect the changes suggested by DCAL with the exception of one item i.e. use of Appendix ii to the DCAL Fraud Response Plan (External Referral Document). The Head of Internal Audit explained that Libraries NI did not intend to use the Central investigation Unit at DARD to assist with investigations of fraud, since he held the necessary qualification to undertake such investigations and additional assistance was available from qualified investigators within the ELBs on a call-off basis if required.

9.2 Following discussion Members agreed the revised Fraud Response Plan subject to inclusion of an additional amendment to paragraph 3.10 which would now read as follows:

At this stage the Director of Business Support should advise the Chief Executive and the Chairperson of the Audit and Risk Committee of the findings of the preliminary investigation.

The Chairperson confirmed that he would also ensure that Members of the Audit and Risk Committee were briefed at an early stage and noted that in accordance with paragraph 5.4 the Audit and Risk Committee would be kept informed of the progress of any investigation into suspected fraud.

9.3 It was further agreed that:
- a flowchart should be appended to the Fraud Response Plan summarising the steps to be followed; and
- in light of the PAC Report on Suspected Contractor Fraud in the BELB, consideration would be given to the requirement for a Fraud Response Plan specifically to address suspected external fraud.

10. RISK MANAGEMENT GROUP – ACTION PLAN (ARC 08.01.10)

10.1 The Director of Business Support presented the paper setting out actions taken or required to be taken as discussed by the Risk Management Group at its quarterly meeting held on 8th January 2010.

10.2 Members noted that an additional risk had been identified, namely failure to prepare and present annual accounts within the timeframe. The Director of Business Support explained that this risk had been included as Libraries NI was a new organisation and therefore had not previously prepared annual accounts. He confirmed that arrangements were in place to manage the risk.

10.3 Members noted also that consideration would be given at the next meeting of the Risk Management Group to closing the risk relating to Swine Flu.
11. CORPORATE RISK REGISTER

11.1 The Chief Executive drew attention to key issues and answered Members' questions. The following matters were discussed and agreed:

**Risk 2**
- Inclusion of additional risk identified by the Risk Management Group of failing to prepare and present annual accounts within the required timeframe
- Retention of risk of insufficient funding to allow for voluntary redundancies in 2010/11 since the Business Case had still to receive DCAL approval and no monies had been made available in the December monitoring round. Funding for the voluntary redundancies would have to be found from within the Libraries NI 2009/10 budget, supplemented from funds within DCAL.

**Risk 3**
- Review the contributing factors to take account of issues associated with the infrastructure e.g. restricted space and the difficulties which this presented for layout and thus adequate supervision of users, including lack of appropriate toilet facilities
- Operational risk registers to be reviewed to ensure appropriate action was being taken to manage risks associated with the protection of children and vulnerable adults

**Risk 5**
- Amend the terminology "Strategic Review of the Estate" since it did not adequately reflect the fact that the work underway dealt with vision, services and buildings
- Incorporate an additional contributing factor relating to the failure to appoint a Head of Marketing and Communication

**Risk 6**
- The Director of Business Support confirmed that the 2 main contracts inherited from ELBs were the ELFNI contract (10 years, PFI, ending in March 2012) and the Lisburn Library (PPP, 25 years) and that they had been reviewed to ensure that they remained relevant to the needs of Libraries NI

**Risk 7**
- The assessment of residual risk may be too low and should be reviewed, given that not all staff are in post and training has still to be rolled out
- A presentation will be made to the Audit and Risk Committee on information security measures following the completion of the internal audit of this area
- Consideration to be given to inclusion of risks associated with copyright and intellectual property rights and password security
Risk 8  • Risk to be reviewed in light of consultation currently underway on Meeting the Demands for a Modern Public Library Service in Northern Ireland: Stage 1 – Greater Belfast

Risk 9  • Consideration to be given to closing this risk

11.3 It was agreed that a full review would be agreed that a full review would be undertaken of all residual risks at the next meeting of the Risk Management Group.

11.4 It was noted that work was underway to convert the Corporate Risk Register into the new template required by DCAL. Members recognised the importance of the risk management process being owned by the Board as a whole and agreed that a presentation should be made to the full Board on the Corporate Risk Register in the new format to coincide with consideration of the 2010/11 Business Plan.

12 RARE BOOK COLLECTION  (ARC 09.01.10(T))

12.1 Members considered that arrangements in place for the storage of the rare books collections across the 5 Education Boards. Concern was expressed that in some cases valuable material might be at risk, particularly if not stored appropriately in fireproof cabinets, and agreed that the Risk Management Group should consider this matter with a view to identifying action that could be taken to improve the arrangements.

13. DCAL RISK REGISTER TEMPLATE  (ARC 10.01.10)

13.1 Members noted the new Corporate Risk Register template supplied by DCAL.

14 QUARTERLY ASSURANCE STATEMENT  (ARC 11.01.10)

14.1 Members noted the Quarterly Assurance Statement for the period ended 31 December 2009 which had been submitted to DCAL.

15 GOVERNANCE AND ACCOUNTABILITY MEETING (OCTOBER 2009)  (ARC 12.01.10)

15.1 Members noted the Minutes of the Chief Executive’s Governance and Accountability Meeting held on 8 October 2009. The Chief Executive indicated that a further Accountability Meeting had been held on 17th December 2009, but that minutes were not yet available.

15.2 In response to a question from the Chairperson regarding progress on implementation of IFRSs, the Director of Business Support indicated that ELBs had restated their accounts, but that there were still some
queries to be resolved with the NIAO. Information on opening balances would be available when those matters had been resolved.

16. INTERNAL AUDIT ACTIVITY REPORT (ARC 13.01.10)

16.1 Members noted the audits which had been completed since the last meeting of the Audit and Risk Committee in October 2009. The Head of Internal Audit reported that, following a tendering process, Deloitte had been engaged to carry out the audit of payroll and that work should begin during the week commencing 8 February.

16.2 The Head of Internal Audit informed Members that at the start of the new financial year a checklist showing the findings of the audits so far would be issued as guidance for Branch Library Managers to enable them to review controls in their own branch.

16.3 The Chairperson asked that he receive a copy of the Branch Library Audit test programme.

16.3 In response to a question on the vetting of volunteers the Head of Internal Audit replied that some volunteers had already been vetted and no additional volunteers would be taken on by LNI until the vetting process had taken place. An update would be brought to the next Audit and Risk Committee meeting.

16.4 The Chairman enquired about the problems with the catalogue records and asked if it was an ongoing problem or specific to branches. The Head of Internal Audit replied that SMT were looking at measures to ensure the accuracy of the stock record. A stock take would take place in March. The stock record on Galaxy would then be amended and kept up to date on an ongoing basis thereafter.

16.5 Members noted that at the end of the financial year it was expected that at least 12 branch library audits would be completed and any common issues would be identified so that they could be incorporated into training and development programmes.

16.6 In response to a query regarding the circulation of the audit reports the Head of Internal Audit replied that the Branch Library Manager receives a copy for their branch. The Operations Manager and Business Managers receive copies of reports for their branches as do the Directors. Area Managers will also receive a copy. The Business Support Managers (Assets, Finance, Human Resources) also receive any reports that contain any relevant findings.

16.7 The Head of Internal Audit confirmed that all areas of the audit are subject to a follow up procedure and this would be reflected in a Management Report which would show progress on the recommendations in order of priority.
17. OUTSTANDING AUDIT RECOMMENDATIONS (ARC 14.01.10)

17.1 Members reviewed to schedule of outstanding audit recommendations. It was agreed that those recommendations which had been implemented would be removed from future reports.

17.2 The Chairperson enquired if there were any outstanding audit recommendations from the Education Boards and if any work was being done to identify priority 1 recommendations so they could be incorporated into the schedule. The Head of Internal Audit stated that Priority 1 findings from ELB Audits influenced the Internal Audit Plan. The Chairman asked for assurance that these recommendations were being implemented and added that at some stage he would like a report. The Head of Internal Audit stated he would provide Members with a schedule of recommendations from ELB reports and report progress on the implementation of recommendations.

18. INTERNAL AUDIT PLAN – QUARTERLY PROGRESS REPORT (ARC 15.01.10)

18.1 Members noted the progress report advising them on the progress in implementing the Annual Internal Audit Plan.

18.2 It was noted that a similar report would be brought to the October, January and March meetings each year.

18.3 The Chairperson congratulated the Head of Internal Audit and said that given his limited resources he had made very good progress in implementing the annual internal audit plan.

18.4 Members noted that a draft report had been issued for audits carried out in Corporate Governance and Risk Management and Procurement and that audits in relation to Payroll and Estates Services – Maintenance had just commenced.

18.6 It was also noted that the audit into implementation of opening balances and payments had been deferred until April or May because of staff training which had taken place before Christmas.

19. SUSPECTED CONTRACT FRAUD (ACTION PLAN) (ARC 16.01.10)

19.1 The Head of Internal Audit reminded Members that at the last Audit and Risk Committee meeting it had been agreed to develop a schedule of recommendations and associated required actions in relation to the report on suspected contractor fraud in the BELB. It was noted that 30 recommendations were contained in the report but that not all applied to LNI.
19.2 The Chief Executive confirmed that LNI had a Whistleblowing Policy and that staff had been made aware of its contents during the training which had taken place in November / December. She confirmed that the policy was available on the intranet and reported also that LNI had taken out a subscription to PCAW (Public Concern at Work).

19.3 Members noted the schedule and that SMT would take it forward.

20. LIBRARIES NI – CHAIRPERSON’S REGISTER OF GIFTS AND HOSPITALITY (ARC 17.01.10)

20.1 Members noted the Gifts and Hospitality Register for the Chairperson of Libraries NI for all Gifts and Hospitality received by him in the period since the last meeting.

21. SCHEDULE OF MISSION CRITICAL PROJECTS (ARC 18.01.10)

21.1 The Director of Business Support confirmed that the major project during this year had been implementation of the corporate services ICT systems. It was noted that corporate services had previously been provided for libraries by the Education Boards. He added that all systems were now operational except for Asset Management.

21.2 Members noted that the current contract with AMEY to provide electronic support to libraries would end in April 2012. Arrangements were being put in place to establish a project board and project team to take forward the “ELFN12” project which would replace the current arrangements. Updates on progress would be brought to either the Services Committee or the Business Support Committee.

22. BELFAST CENTRAL LIBRARY CAPITAL DEVELOPMENT PROJECT (ARC 19.01.10)

22.1 The Chief Executive reported that the Strategic Outline Case had been submitted to DCAL prior to Christmas. Subject to Ministerial approval it would then be forwarded to DFP. Work on the Full Business Case would not commence until DFP approval had been secured.

22.2 The Chief Executive explained the proposed governance structures for the Project as shown in Appendix 3 of the paper and indicated that regular reports would be made to the Board via the Services and Business Support Committees. It was noted that DCAL, as Investment Decision Maker and because of the size and scale of the project, would chair the Project Board and that the Chief Executive would fulfil the role of Senior Responsible Owner.

22.3 The Director of Business Support confirmed that the Job Description for the Project Manager was currently being job evaluated.
22.7 Members noted that it had been agreed at the last Services Committee to arrange a workshop for all Board Members to consider in some detail the vision for the new Belfast Central Library.

23. DATA PROTECTION REGISTRATION

23.1 The Director of Business Support updated Members on the progress in relation to LNI registering under the Data Protection Act.

23.2 He confirmed that ELfNI and LNI have been registered and that a policy is currently being developed which will be brought to the Services Committee.

24. NIAO ISSUES

24.1 The Chairperson thanked Mr Gavin Stewart for the Audit Strategy which had been received the previous day. It was agreed to defer detailed discussion until the next meeting.

24.2 In light of the fact that the date for submission of the draft accounts and annual report to NIAO was 30th June 2010, the Chairperson requested that officers review the timetable for Audit Committee meetings and bring revised dates to the next meeting.

25. ANY OTHER NOTIFIED BUSINESS

25.1 The Chairperson suggested that as the Committee was now at full strength it would be useful to review its Terms of Reference. It was agreed that this would be undertaken at the next meeting of the Committee.

26. DATE OF NEXT MEETING

26.1 It was agreed that the next meeting of the Audit and Risk Committee would be held on Friday 5 March 2010 at 10.30 am in Lisburn City Library.

27. MEMBERS ARRIVAL AND DEPARTURE TIMES

27.1 The meeting ended at 1.05 pm. All Members arrived for the commencement of the meeting, and remained until it ended.

27.2 Following the meeting Members were toured Belfast Central Library.

Signed: ____________________________

Date: ____________________________

5/3/2010