LIBRARIES NI

AUDIT AND RISK COMMITTEE

7 October 2009

Minutes of a meeting of the Audit and Risk Committee held in Lisburn City Library on Wednesday 7 October 2009 at 10.30 am.

PRESENT

Mr Alastair McDowell
Dr David Elliott
Councillor J Rodgers

Chairperson

IN ATTENDANCE

Ms Irene Knox
Mr Terry Heron
Mr Brian Doherty
Mr Rodney Allen

Chief Executive
Director of Business Support
Head of Internal Audit
Director, Northern Ireland Audit Office

APOLOGIES FOR NON ATTENDANCE

Councillor C Casey
Mr Gavin Patrick
Mr Gavin Stewart
Ms Hazel Campbell

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

The Chief Executive informed the Committee that four new Board Members had been appointed to the Board of Libraries NI and in accordance with the Standing Orders for the Audit and Risk Committee it was hoped that some of them would be appointed to this Committee.

1. APPOINTMENT OF CHAIRPERSON OF THE AUDIT AND RISK COMMITTEE

1.1. The Chief Executive asked for nominations for the position of Chairperson of the Audit and Risk Committee. On a proposal by Councillor J Rodgers, seconded by Dr D Elliott, Members agreed that Mr A McDowell become Chairperson of the Audit and Risk Committee.

2. APPOINTMENT OF VICE-CHAIRPERSON OF THE AUDIT AND RISK COMMITTEE

2.1 The Chairperson assumed the Chair and asked for nominations for the position of Vice-Chairperson of the Audit and Risk Committee. On a proposal by Dr D Elliott, seconded by Mr A McDowell Members agreed
that Councillor J Rodgers become Vice-Chairperson of the Audit and Risk Committee.

3. **CHAIRPERSON’S BUSINESS**

3.1 The Chairperson thanked Members for nominating him as Chairperson of the Audit and Risk Committee.

3.2 The Chairperson asked Members to declare any potential conflicts of interest either now or at an appropriate time during the meeting. No interests were declared.

3.3 The Chairperson welcomed Mr R Allen, Director, Northern Ireland Audit Office to the Audit and Risk Committee Meeting.

3.4 The Chairperson expressed his concern that his impartiality as Chairperson of the Audit and Risk Committee could be compromised by being a member of the Business Support Committee and asked that the Scheme of Delegation for the Business Support Committee be reviewed. Members agreed that the Scheme of Delegation should be reviewed and the Chief Executive advised that a revised Scheme of Delegation for the Business Support Committee would be brought to the next Board Meeting to be held on 12 November 2009.

4. **CHIEF EXECUTIVE’S BUSINESS**

4.1 The Chief Executive informed Members that best practice guidelines suggested that at least one member of the Audit and Risk Committee should have financial background or experience. While there was no specific requirement for any Member to have an accountancy qualification, both DCAL and the Culture Arts and Leisure Committee appeared to have an expectation that at least one member of the Audit and Risk Committee should have such a qualification. It was noted that no Board Member had an accountancy qualification.

4.2 It was agreed that the Chairperson and Chief Executive would draft a job description for a non-executive member of the Audit and Risk Committee and that the Chief Executive would seek advice from DCAL in relation to the recruitment / appointment process and the remuneration to be paid. It was noted that in accordance with Schedule 1, Paragraph 8 (2) and (3) of the Libraries Act (Northern Ireland) 2008 Departmental approval was required for the appointment of a person who is not a member of the Board to a committee of the Authority and for the level of remuneration and allowances to be paid.
5. **MINUTES OF THE MEETING HELD ON 3 JULY 2009** (ARC 01.10.09)

5.1 On a proposal by Dr D Elliott, seconded by Mr A McDowell, the minutes of the meeting held on 3 July 2009 were agreed as an accurate record.

6. **MATTERS ARISING FROM THE MINUTES OF THE MEETING HELD ON 3 JULY 2009**

6.1 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.

6.1.1 **Item 4.1. Scheme of Delegation**
Amendments proposed by the Committee had been incorporated into the Scheme which would be included in Libraries NI’s Publication Scheme after this meeting.

6.1.2 **Item 5.7 Internal Audit Charter**
Amendments proposed by the Committee had been incorporated into the Charter which would be included in Libraries NI’s Publication Scheme after this meeting.

6.1.3 **Item 6.3 Risk Management Policy**
DCAL had organised a workshop for the 9 September where the new Risk Register template was to be introduced. However, the workshop had been cancelled at the last minute and a new date for the workshop had not yet been arranged. It was noted that the roll out of the risk register process in Libraries NI had been put on hold pending the introduction by DCAL of the new template and training for Libraries NI staff on corporate governance issues had been arranged for November. Members asked the Chief Executive to raise this matter at her Accountability Meeting with DCAL on 8 October 2009 and urge that the workshop be rearranged as a matter of urgency.

6.1.4 **Item 6.9 Corporate Risk Register**
The Committee was advised that registration for Membership of Public Concern at Work had been completed and Libraries NI was now a member.

6.1.5 **Item 7 Internal Audit Strategy 2009/12**
Amendments and clarification of wording recommended by the Committee had been incorporated into the Strategy.

6.1.6 **Item 12 Report on Implementation of IT Systems**
The Director of Business Support updated Members as follows:

**Payroll**
Staff who were previously paid on a current basis by the Education and Library Boards were now being paid by Libraries NI. The majority of the remaining staff would be paid by Libraries NI at the end of October on
a current basis (M1 payroll). A number of staff, mainly casual employees, would be paid 2 weeks in arrears (M2 payroll). Trades Unions had been consulted on this matter and no significant issues had been identified by them. Staff whose salary payment cycle has been changed would be offered an advance payment to carry them over to their new payroll date.

**Fixed Assets**

Work on transferring the information from the Education and Library Boards was to have commenced at the beginning of October but the member of staff involved had been ill. It was hoped that the transfer would be straightforward since the same system would be used by Libraries NI as operated in the ELBs. It was noted that ELBs were in the process of restating their annual accounts for 2008/09 as a result of the introduction of IFRSs, and that this also included separating out the information relating to Libraries which would constitute Libraries NI’s opening balance. This process was due to be completed for the end of November.

**Disaster Recovery Plan**

The Director of Business Support confirmed that a Disaster Recovery Site had now been established at the Libraries NI Offices at the Sidings Office Park. Daily and weekly back-ups were sent to this server. The system would be tested in November.

The Director of Business Support agreed to bring a list of all mission critical projects to the next meeting of the Committee for their information.

6.1.7 **Item 5.6 O’Fiach Library**

Members noted that DCAL had agreed to fund the O’Fiach Library directly.

6.1.8 **Item 13.1 NIAO Issues**

Members noted that a further revised version of the Management Statement and Financial Memorandum (MSFM) had been received from DCAL together with an Accounts Direction. A copy of the Accounts Direction would be sent to the Chairperson for information. Officers were currently reviewing the latest version of the MSFM and would be responding with comments to DCAL. It was expected that the final version of the document would be available for consideration at the November Board meeting. The Chairperson asked that the Chief Executive raise the importance of having the final version of the MSFM available for the November Board meeting with DCAL at the Accountability Meeting on 8 October.

6.2. In response to a question from the Chairperson with regard to legacy issues, the Head of Internal Audit advised that matters raised by the ELBs in their Handover Statements on Internal Control and in Internal Audit reports prepared by ELBs prior to the handover to Libraries NI
had been taken into account when determining the Internal Audit Plan for 2009/10. He also stated that he intended to issue progress reports to Members on actual versus planned activity for the year to date at the next meeting of the Committee.

6.3 The Chairperson asked that a schedule of internal audit recommendations should be prepared and updated with action taken so that progress on the implementation of the recommendations could be monitored at each meeting of the Audit and Risk Committee.

7. **CORRESPONDENCE**

7.1 There was no correspondence.

8. **TRAINING AND INDUCTION OF MEMBERS**

8.1 Members noted the list of training courses being offered in the near future and after some discussion it was agreed that Officers would check if the course: Best Practice in Audit Committees to be held on 22 October 2009 was facilitated by Suzanne Jones and if so book places for both the Chairperson and Vice-Chairperson. It was also agreed to provisionally book the Chairperson and Vice-Chairperson onto the course: Risk and Assurance in an NDPB – Why it matters to the Audit Committee. It was agreed to consider further the training needs of the new Members when appointed to the Audit and Risk Committee.

8.2 Mr R Allen, Director, Northern Ireland Audit Office agreed to provide information on training for Audit and Risk Committees being facilitated by other organizations.

9. **TIMETABLE FOR MEETINGS OF THE AUDIT AND RISK COMMITTEE**

9.1 Members noted the proposed schedule of times and locations for future meetings of the Audit and Risk Committee meetings.

9.2 It was agreed to that all meetings should commence at 10.30 am.

9.3 It was agreed to change the date of the January meeting to Friday 22 January 2010, the venue to be decided closer to the date of the meeting.

9.4 It was agreed that the proposed date of the May meeting would be kept under review to ensure that its timing was appropriate to allow consideration of the draft annual accounts, including the Statement on Internal Control.
10. INTERNAL AUDIT PLAN TIMETABLE

10.1 As agreed at the last meeting, Appendix 1 to the Internal Audit Annual Plan had been revised to include additional information on the proposed timetable for the start of each planned audit.

10.2 The Head of Internal Audit stated that since the Internal Audit Plan had been drawn up, the provision of training on governance issues for staff during November and December 2009 had been identified as an additional requirement which had resource implications.

10.3 Dr D Elliott enquired if the trainee auditor had been appointed. The Head of Internal Audit reported that he had met with the LNI Human Resource Department and it was hoped that a job description for the trainee auditor post would be sent for job evaluation within the next 7 – 10 days. He added that he would update Members at the next Audit and Risk Committee meeting.

10.4 The Chairperson asked if the audit on Corporate Governance had commenced and the Head of Internal Audit replied that a list of policies and procedures had been supplied and that a meeting had been arranged for Thursday 15 October with the Heads of Internal Audit of the Western Education and Library Board and the North Eastern Education and Library Board who had been engaged to carry out the work.

10.5 The Head of Internal Audit confirmed that the audits of Risk Management and Corporate Governance were to be combined.

10.6 In response to a question from the Chairperson, the Director of Business Support replied that he would be in communication with the Northern Ireland Audit Office to agree the timetable for the External Audit Strategy.

10.7 Members noted the document.

11. BRANCH LIBRARY AUDITS

11.1 Members noted that Branch Library Audit Strategy had been developed in order to make the best use of resources. It also provided information to Members on the content of the branch library audit.

11.2 The Head of Internal Audit explained that LNI had 109 branch libraries and it was not viable to audit all of them every year. A 5 year audit cycle was planned up to 23 branches being audited per year. The aim of the Audit Strategy was to prioritise branches for inclusion within the cycle and make best use of resources. Members noted also the proposed scope of branch library audits.
11.3 The Vice Chairperson expressed concern that some branch libraries had not been audited in ten years and welcomed the Libraries NI target of every branch library being audited at least every 5 years.

11.4 In response to a question from the Chairperson about other types of quality assurance mechanisms the Chief Executive explained that the Education and Training Inspectorate had a role to play in relation to monitoring and evaluating the quality of provision being made in libraries. She cited a recent Inspection Report which reported on the provision being made by libraries for people for whom English was not their first language and those who had literacy difficulties. It was noted that Libraries NI would also be investigating other approaches to quality assurance including EFQM and IIP. The Chief Executive confirmed that quality assurance matters would be considered by the Services Committee.

11.5 On a proposal by Dr D Elliott, seconded by the Vice-Chairperson Councillor J Rodgers Members approved the Branch Library Audits Strategy.

12. **REVISED GIFTS AND HOSPITALITY POLICIES** ARC 07.10.09

12.1 The Chief Executive drew attention to the amendments which had been made to the Gifts and Hospitality Policies following the issue of revised DAOs by the Department of Finance and Personnel i.e.

- the need to record in Gifts and Hospitality Registers all offers received, not just those that had been accepted; and
- procedures for the publication of Gifts and Hospitality Registers on an organisation’s website.

12.2 It was noted that the opportunity had also been taken to revise Sections 3.3. and 3.7 of the Guidance on the Provision of Gifts and Hospitality to allow for the provision of refreshments at internal meetings where participants had been required to travel long distances and where it provided value for money compared to the alternative of officers claiming subsistence.

12.3 Members considered also paragraph 2.22 of the Guidance on Offers and Acceptance of Gifts and Hospitality and in particular the provisions relating to the acceptance of tickets to public sporting, cultural or social events and were content that the policy made adequate provision for an approvals process to be followed before such invitations could be accepted.

12.4 On a proposal by Councillor J Rodgers, seconded by Dr D Elliott Members approved the Revised Gifts and Hospitality Policies.
13. QUARTERLY ASSURANCE STATEMENT

13.1 The Chief Executive informed Members that she had been conservative in her approach to completion of the Quarterly Assurance Statement bearing in mind that Libraries NI was a new organization which had been in existence for only 6 months. A draft copy of the Quarterly Assurance Statement had been forwarded to DCAL for discussion at the Accountability Meeting on 8th October, on the basis that it might be subject to amendment following that day’s Audit and Risk Committee Meeting.

13.2 It was noted that a number of Board Members had not yet submitted a Declarations of Interest Form. The Chief Executive agreed to follow up on this matter.

13.3 It was agreed to recommend to the Board that Declaration of Interests should be included as a separate item on the agenda for each Board and Committee meeting.

13.4 The Chief Executive referred to the format of the Quarterly Assurance Proforma and indicated that she would be raising the following matters with DCAL:
   • to seek clarification on Section 1 (Risk Management) as to level of risks realized that should be recorded;
   • to suggest that the wording in Section 6 should be amended from “all staff are aware of...” to “all staff have been made aware of...”
   • to highlight the difficulties posed in a new organization of confirming that the Internal Audit Service met the standards set out in GIAS since a full external assessment of the Service was unlikely to take place for 5 years.

13.5 Members noted the Chief Executive’s Quarterly Assurance Statement. The Chief Executive indicated that a copy of the agreed minutes of her Accountability Meeting would be presented to the Board for information when available.

14. RISK MANAGEMENT GROUP – REVIEW OF AGREED ACTIONS

14.1 The Director of Business Support informed Members that the Risk Management Group comprised the 3 Directors and was facilitated by the Head of Internal Audit. It had met on 2 occasions to date to review the Corporate Risk Register. At the last meeting the Group had also commenced the process of completing a fraud risk analysis.

14.2 It was noted that the Risk Management Group had identified Swine Flu as a risk and had added it to the Corporate Risk Register. Contingency plans were in place to deal with this matter.
14.3. Members noted the action being taken by the Risk Management Group.

15. REVIEW OF CORPORATE RISK REGISTER  

15.1 Members noted the revised Libraries NI Corporate Risk Register. Amendments / updates to the Register since the last Committee meeting had been recorded in blue ink.

15.2 It was noted that the existing LNI template was still in use as the Workshop to introduce the proposed new common format for all DCAL ALBs had been postponed.

15.3 The Chief Executive drew attention to key amendments to the Corporate Risk Register and answered Members’ questions. The following matters were noted:

- a paper on Stage 1 of the Strategic Review of the Estate would be submitted to the Services Committee in November
- a Stock Manager had now taken up post and was initiating a review of Stock Management Services
- plans would be submitted to the Business Support Committee in October regarding one off essential spend
- the DCAL policy on Protection of Vulnerable Adults was awaited.
- induction training for Board Members was scheduled for 12th October 2009
- training for Libraries NI staff on corporate governance issues, including fraud awareness, would take place during November and December
- Service Level Agreements with ELBs were operating, although they had not all been signed off by the Boards as yet
- the Internal Audit Plan included reporting on Security of Information and Data Protection issues since there was now a requirement for this matter to be included in the Statement on Internal Control
- consideration was being given to additional staffing resources with project management experience to support capital development and in particular the Belfast Central Library Project.

15.4 Members were content that the risks were being reviewed and monitored appropriately and noted the Corporate Risk Register.
16. NI ASSEMBLY PAC – REPORT ON THE INVESTIGATION OF SUSPECTED CONTRACT FRAUD

16.1 The Chief Executive reported that the Public Accounts Committee (PAC) had recently published its report on the Investigation of Suspected Contract Fraud in the Belfast Education and Library Board. Officers were currently considering the PAC recommendations with a view to agreeing action required within Libraries NI to ensure compliance. A schedule of the recommendations and associated actions would be brought to the next meeting of the Audit and Risk Committee.

16.2 It was noted that DFP was currently drawing up the Memorandum of Response to the PAC Report.

16.3 In response to Recommendation 12 of the PAC Report a Property Record Form had been produced by Libraries NI which would be used by branch staff to record contractors who visit library buildings.

16.4 Members noted the PAC Report and the action being taken.

17. TREASURY MINUTES, WESTMINSTER AND NI ASSEMBLY PAC REPORTS

17.1 Members noted the details of Westminster and NI Assembly PAC Reports and Treasury Minutes and recently published National Audit Office reports which had been provided for information.

17.2. The Head of Internal Audit agreed to provide Members with a full copy of the NAO report of 27th February 2009: Financial reporting and financial management: General report of the Comptroller and Auditor General for 2008. Officers agreed to consider also the relevance of the NAO Report of 3rd June 2009 on the Northern Ireland Policing Board: Continuous Improvement Arrangements.

18. INTERNAL AUDIT ACTIVITY REPORT

18.1 Members noted the copies of the Audit Reports completed since the last meeting of the Committee and were informed that since the papers had been issued a further two draft reports had been received which would be brought to the next meeting. In response to questions from Members, the Head of Internal Audit reported that:

- full audits would be undertaken in Dromore Library and Lurgan Library as a follow up to the report on the cash loss in Dromore

- procedures for regular stock auditing were currently being considered by the Director for Service Delivery and the Stock Manager.
18.2 It was agreed that a schedule of audit recommendations would be prepared and updated with action taken for consideration by the Committee at each meeting.

19. INTERNAL AUDIT PLAN – QUARTERLY PROGRESS REPORT
   ARC 14.10.09

19.1 Members noted the progress report.

19.2 The Head of Internal Audit confirmed that the internal audit on the employee vetting procedures was underway. Some findings had been identified but at this stage none were considered material for Libraries NI as a whole.

19.3 Members were advised that Location Audits in Branch Libraries were ongoing with 1 completed, 2 in draft and 8 underway.

19.4 It was noted that the audit of Corporate Governance and Risk Management had commenced.

19.5 The Head of Internal Audit advised of an additional commitment of resources with regard to staff training which had been identified since the issue of the Plan. Members agreed that this was a worthwhile investment of time.

19.6 Councillor J Rodgers enquired how many staff were in Internal Audit and was advised that currently only the Head of Internal Audit was in place but that a recruitment process was in place to employ a trainee. Internal Audit Services were provided on the basis of Service Level Agreements with ELBs and additional resources would be acquired through private audit consultancies if required.

20. LIBRARIES NI – CHAIRPERSON’S REGISTER OF GIFTS AND HOSPITALITY
   ARC 15.10.09

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

20.2 It was agreed that the Libraries NI Chairperson (Dr D Elliot) should complete separate registers of Gifts and Hospitality identifying those gifts and hospitality that had been offered to him as a consequence of his role as Chairperson of Libraries NI and gifts and hospitality offered as a consequence of other activities not related to Libraries NI.

20.3 Members noted the Chairperson’s Register of Gifts and Hospitality for the year to date.

21. NIAO ISSUES

21.1 Mr R Allen briefed Members on NIAO issues including the following:
• the Letter of Understanding had still to be finalised.

• the Northern Ireland Audit Office would be engaging with Libraries NI Officers in the coming months as they prepare for audit of the 2009/10 accounts and the impact of the implementation of IFRSs.

22. ANY OTHER NOTIFIED BUSINESS

22.1 The Chairperson suggested that it may be beneficial for Members to see the new Finance System and outputs e.g. the general ledger and accounts payable. He suggested that this take place within the next 6 months. The Director of Business Support agreed to follow up on this matter.

22.2 Mr R Allen drew Members’ attention to the HM Treasury publication ‘The Audit Committee Handbook’, particularly Annex F ‘Key questions for an Audit Committee to ask’ which was a useful document for the Committee to consider in reviewing its operation.

23. DATE OF NEXT MEETING

23.1 It was agreed that the next meeting of the Audit and Risk Committee would be held on Friday 22 January 2010 at 10.30 am, venue to be confirmed.

24. MEMBERS ARRIVAL AND DEPARTURE TIMES

24.1 The meeting ended at 12.35 pm. All Members arrived for the commencement of the meeting, and remained until it ended.

Signed: ____________________________

Date: 5/3/2010