LIBRARIES NI
AUDIT AND RISK COMMITTEE
22 September 2010

Minutes of a meeting of the Audit and Risk Committee held in Antrim Library on
Wednesday 22 September 2010 at 10.30 am.

PRESENT

Mr Alastair McDowell         Chairperson
Ms Judith Andrews            
Councillor J Rodgers          Vice Chairperson
Ms Helen Roulston            

IN ATTENDANCE

Ms Irene Knox                Chief Executive
Mr Terry Heron               Director of Business Support
Mr Desi Curry                Head of ICU & ICT
Mr Brian Doherty             Head of Internal Audit
Ms Melanie Killen            Assistant Auditor
Mr Peter O'Sullivan          Northern Ireland Audit Office
Mr David Polley              Libraries Branch, Department of Culture, Arts
and Leisure                 

1. APOLOGIES FOR NON ATTENDANCE

Councillor C Casey
Dr David Elliott             Chairperson, Libraries NI
Mr Rodney Allen              Northern Ireland Audit Office
Mr Alastair Hughes          Head of Libraries Branch, Department of
Culture, Arts and Leisure    

2. DECLARATIONS 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 M Killen to her first meeting of the Audit
and Risk Committee.
3.2 The Chairperson informed Members that he had attended a meeting with DCAL on 25th August 2010 regarding potential conflicts of interest declared by the Chairperson of the Board. The Vice Chairperson of the Board and the Chief Executive had also been present. The Chief Executive reminded Members that, at the last Board meeting, it had been agreed that she should write to the Department setting out the issues and requesting the meeting. Subsequent to the letter and the meeting an email had been received from Mr Mick Cory, Director, DCAL which would be made available to Board Members at their next meeting.

3.3 The Chairperson suggested to Members that a draft workplan should be developed before the next meeting to cover the next 18 – 24 months and this was agreed.

3.4 The Chairperson drew attention to The Audit Committee Self-Assessment Checklist, published by the National Audit Office and indicated that it would be reviewed for best practice and input into the Committee’s work plan.

3.5 The Chairperson drew attention to correspondence, dated 18th June 2010, from the Permanent Secretary, DCAL regarding the quarterly assurance statement on internal control. Members noted the requirement set out in the correspondence for the Audit and Risk Committee to ensure that all details on the Assurance Statement were correct and that no relevant information had been excluded. The Chief Executive indicated that the timetable for the completion and submission to DCAL of the Assurance Statement at the end of each quarter was extremely tight, for example DCAL required the Chief Executive’s quarterly assurance statement for the period to the end of June 2010 to be submitted to the Department by 9th July. In order for the Chief Executive to complete her quarterly assurance statement she required assurance statements to be completed by the Directors, who, in turn, needed to receive assurance from their Business Managers. Given that the assurance statement cannot be prepared until the end of the period to which it relates, it is difficult to see how the statement could be reviewed by the Audit and Risk Committee prior to submission and within the timescale, except via email. It was also unclear from the letter as to whether the Audit and Risk Committee should be reviewing the statement prior to submission to DCAL or if a post-submission review was adequate. It was agreed that the Chairperson and Chief Executive would discuss how this matter might be progressed.

4. CHIEF EXECUTIVE’S BUSINESS

4.1 Memoranda of Replies laid before the NI Assembly by DFP / Treasury Minutes and Reports from Westminster PAC

The Chief Executive drew attention to the summaries of the Memoranda of Replies and the Treasury Reports from Westminster PAC. She highlighted one report which related to the Review of the Gateway
Process and advised Members that the Gateway Process would be applied to both the Belfast Central Library and ELfNI projects. In response to a question from the Chairperson she stated that the Gateway Process originated with OGC and was managed locally by the Centre of Expertise for Programme and Project Management in DFP.

The Head of Internal Audit advised Members that full copies of the report referred to in the Memoranda were available on request.

Mr D Polley joined the meeting at this stage.

4.2 Letter from Permanent Secretary DCAL and response from Chief Executive

The Chief Executive referred Members to the correspondence from the Permanent Secretary detailing concerns regarding recent thefts at a number of branch libraries and her response. Ms H Roulston asked whether the cause for concern related to stock losses or the theft of cash from two branch libraries. The Chief Executive stated that she was content that the cause for concern was in relation to theft of cash, but she stated that she would confirm that this was the case. In response to a question from Councillor J Rodgers the Chief Executive stated that the Governance Support Unit at DCAL was advised of all cash thefts.

5. MINUTES OF THE MEETING OF THE AUDIT AND RISK COMMITTEE HELD ON 2 JUNE 2010 (ARC 01.09.10)

5.1 On a proposal by Ms H Roulston, seconded by Ms J Andrews, the minutes of the meeting held on 2 September 2010 were agreed as an accurate record. In response to a request from Ms J Andrews, the Chief Executive agreed to arrange for her to be provided with access to Board papers via the extranet.

6. MATTERS ARISING FROM THE MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING HELD ON 2 JUNE 2010 (ARC 02.09.10)

6.1 Item 3.10 Chairperson’s Business

The Chief Executive confirmed that a review of service provision, including the provision of DVDs and CDs was underway and information would be brought to the Services Committee in due course.

6.2 Item 5.2 Shared Internal Audit Service

The Chief Executive referred to the minutes of the Governance and Accountability Meeting held on 11 August 2010 at which Mr Gavin Patrick from DCAL Governance Support Unit had indicated that this matter had been shelved for the moment.

6.3 Item 13.1 ALB Sponsorship Risk Assessment

It was noted that this matter had not been progressed by DCAL due to staff absence.
6.4 **Item 6.5 Discussions with CPD**
The Director of Business Support informed the Committee that he had met with CPD to agree a process for transferring from the current Centres of Procurement Expertise (COPE) to CPD. CPD had agreed to act as the COPE for all new capital projects but legacy projects would remain with the Education and Library Boards. In relation to goods and services, however, CPD had indicated that it would not be possible for Libraries NI to have access to the CPD catalogue since it was only available on Account NI. CPD was proposing that an alternative older form of the catalogue could be made available, but there were concerns that it would not meet needs. CPD had agreed to provide access to this system over the next few weeks to allow a review of its usefulness to be undertaken. Members would be advised of progress.

6.5 **Item 6.10 Audit Report Recommendations**
In response to a request at the last meeting, the Head of Internal Audit advised Members of the procedures for ensuring that recommendations contained in audit reports were implemented. He stated that audit report recommendations were agreed with the auditee, their comments were included in the final report, and the outstanding recommendations report confirmed whether progress had been made on the implementation of the recommendations.

**Item 7.3 Staff Training**
6.6 The Director of Business Support advised Members that an initial review of the cost of obtaining the necessary user licenses for the DVD on fire extinguisher training was prohibitive at £150 per person. He indicated that alternatives were being considered e.g. a Powerpoint training presentation which staff could access via the Staffweb with monitoring arrangements in place test understanding.

**Item 23.1 National Fraud Initiative**
6.7 Mr P O’Sullivan confirmed that at this stage there was nothing further to report but that he would keep Members updated.

**Item 5.6 Rare Book Collection**
6.8 The Chief Executive advised Members that the Director of Service Delivery had taken a paper on the Fine and Rare Book collection to the last meeting of the Services Committee. The paper included an assessment of the risks associated with the fine and rare books against the relevant British Standard which dealt with issues such as the site, protection from intruders, fire, water damage, pests, environmental conditions, storage and handling conditions. The Standard was met in respect of most issues, with the exception of the environmental conditions which are not ideal and which will be addressed in the plans for Belfast Central Library. The Chairperson stated that he would discuss this matter further with the Chairperson of the Services Committee.
6.9 The Director of Business Support confirmed that the proposed timescale for the completion of the Financial Procedures Manual and Budgetary Control Manual had been brought forward from March 2011 to December 2010.

6.10 It was agreed at the last meeting of the Audit and Risk Committee, that the outstanding recommendations schedule would include progress in relation to any relevant PAC recommendations. As confirmed in the minutes of the Accountability meeting held on 11th August 2010 (3.5.1) Libraries NI have no outstanding PAC recommendations.

7. INTERNAL AUDIT ACTIVITY REPORT (JULY – SEPTEMBER 2010) (ARC 03.09.10)

7.1 The Committee was presented with the finalised audit reports noted below:

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<tr>
<th>Audit Assignment</th>
<th>Assurance Rating</th>
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<tbody>
<tr>
<td>Payroll</td>
<td>Limited</td>
</tr>
<tr>
<td>Building Maintenance</td>
<td>Limited</td>
</tr>
</tbody>
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7.2 The Head of Internal Audit reported that a limited level of assurance had been provided on the audit of payroll. He added that he was content with the progress being made in implementing the recommendations and advised Members that he intended to conduct a review audit within the current financial year. He reminded Members that this audit had been conducted by Deloitte on behalf of Libraries NI. He also advised Members that the main issue centred on a workaround that was necessary because of interface issues between the Open Options time recording system and the Perito Payroll system.

7.3 In response to a question from the Chairperson, the Director of Business Support advised Members that Libraries NI had been aware of this issue prior to the audit and had, in fact, informed Deloitte of it. He further advised Members that payment to the supplier had been withheld until the issue had been resolved. He confirmed that he was content that in the meantime the issues arising from the interface issue were being managed appropriately. He added that the issue had been identified during testing before the system went live and workarounds had been developed at that time to manage the process until the faults had been remedied. The Chairperson said that the fact that the issue had been identified during testing was a reassurance to the Committee and he asked that this point be noted in the minutes.

7.4 The Committee noted with some concern the limited assurance which had been given. It also noted the recommendations that had been made to address the findings. In response to a recommendation relating to the
development of a Procedures Manual the Director of Business Support had stated that procedures files were now in place. All other recommendations had been agreed. The Committee agreed to keep the implementation of the recommendations under review.

7.5 The Head of Internal Audit reported that a limited level of assurance had been provided on the audit of Building Maintenance. As with the review of payroll, he was content with the progress being made in implementing the recommendations. He advised Members that he also intended to conduct a review audit in relation to the issues identified in the report before the end of the current financial year. He advised Members that the main issue was with regard to the payment of invoices before verification that the work had been completed. He added that he had appended to the report a paper written by the Assets Manager which showed that a retrospective check conducted after the initial draft report had been produced showed that the weaknesses identified had not been exploited and that work paid for had in fact been completed.

7.6 The Director of Business Support referred to the paper appended to the Audit Report which showed the breakdown of expenditure in relation to response and planned maintenance during 2009/10. He noted that there had been difficulties in recruiting staff for the Assets Unit which had impacted on the introduction of adequate checking processes. He acknowledged that there was a need to ensure that procedures for verifying that work had been completed satisfactorily prior to payment were in place and confirmed that a formal system of sampling and checking would be introduced in line with the risk associated with each type of maintenance activity.

7.7 The Committee asked the Chief Executive to contact each Education and Library Board to ask to be kept advised of any internal audits that they undertook in relation to maintenance and any issues arising out of them.

7.8 In response to a question from Members, Mr P O’Sullivan advised that it would be best practice to include a reference to these reports in the Statement on Internal Control.

7.9 Mr D Polley advised those present that DCAL would be writing to Libraries NI in relation to the reports with a limited level of assurance.

7.10 The Committee noted with some concern the limited assurance which had been given. It also noted the recommendations that had been made to address the findings and the commitment of Senior Management to implement the recommendations. The Committee agreed to keep the implementation of the recommendations under review.
7.11 The Head of Internal Audit reported briefly on five branch library audits which had been completed since the last meeting of the Audit and Risk Committee.

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<thead>
<tr>
<th>Audit Assignment</th>
<th>Assurance Rating</th>
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<tr>
<td>Strathfoyle</td>
<td>Substantial</td>
</tr>
<tr>
<td>Rathfriland</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Lisburn City</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Ardoyne</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Fivemiletown</td>
<td>Satisfactory</td>
</tr>
</tbody>
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He advised Members of the level of assurance for each report. The Chairperson acknowledged and commended the manager and staff at Strathfoyle branch library for the substantial level of assurance issued at the completion of the audit of that branch.

7.12 Members reviewed the reports and noted the assurance given together with the commitment of Senior Management to implement the recommendations arising from the audits.

8. INTERNAL AUDIT ACTIVITY REPORT - OUTSTANDING RECOMMENDATIONS (ARC 04.09.10)

8.1 Members noted the schedule showing progress to date on the implementation of outstanding recommendations from pre-existing audit reports.

8.2 The Head of Internal Audit reminded Members that recommendations that were outstanding for more than four months after the agreed implementation date were now highlighted in red.

8.3 In response to a question from the Chairperson, the Head of Internal Audit confirmed that he was content that progress was being made in relation to all outstanding recommendations.

9. QUARTERLY ASSURANCE STATEMENT (Period ended 30 June 2010) (ARC 05.09.10)

9.1 The Chief Executive reported on the Quarterly Assurance Statement. Because Libraries NI was a new organisation she had recorded a number of assurance levels as “partly”. She was content that progress was being made, but commented that implementation of procedures required roll out to 99 branches and several hundred staff and had not yet been fully completed in all areas. She referred to each of the sections of the assurance statement and Members discussed the comments recorded.

9.2 The Chief Executive confirmed that the risk register process would be embedded within the organisation by the end of the financial year. She
advised Members that the target for expenditure on stock was unlikely to be achieved with consequential impact on the achievement of other objectives.

9.3 As a result of delays in the approval process for the Business Plan, Libraries NI receives only partial clearance from DCAL to spend its budget. In response to a suggestion from Members, the Chief Executive said she would look at her response in this area in light of the level of approval required.

9.4 The Chief Executive advised Members of a number of Post Project Evaluations (PPEs) that were outstanding which should have been completed by the Education and Library Boards and will now have to be completed by Libraries NI. Mr D Polley advised Members that there was still value in completing the PPEs.

9.5 Concerns in relation to Information Security were highlighted and it was confirmed that Internal Audit would be conducting a review of this area in the next few months.

9.6 Members noted the Quarterly Assurance Statement.

10. GOVERNANCE AND ACCOUNTABILITY MEETING (April and August 2010) (ARC 06.09.10)

10.1 The Chief Executive presented the minutes of the Accountability meeting of 19th April 2010 which had been circulated. She also tabled the minutes of the Accountability Meeting held on 11th August 2010 which had just been received. In response to questions from Members the Chief Executive stated that:

- DCAL Libraries Branch had provided advice to Libraries NI regarding “citizens’ cultural rights” for inclusion in the Business Plan
- DCAL intended to undertake a review of “Delivering Tomorrow’s Libraries” this year, the review having been postponed from 2009/10
- the statistics on staff absence were based on full time equivalent days.

10.2 Members noted the summary of action points included with the August minutes.

11. INTERNAL AUDIT PLAN UPDATE (ARC 07.09.10)

11.1 The Head of Internal Audit introduced the report advising the Committee on the progress on implementing the internal audit plan year to date. He stated that he was content that, on the whole, the plan was on target for completion.
12. **RISK MANAGEMENT REPORT AND REVIEW** (ARC 08.09.10)

12.1 The Chief Executive advised Members that since the last meeting of the Committee a fundamental review of the content of the corporate risk register had been undertaken. In light of discussions also at the last meeting of the Audit and Risk Committee, some minor changes had been made to the format to seek to provide greater clarity. The Chairperson commented that he felt that the revised format was an improvement.

12.2 The Chief Executive reviewed all risks that after having been treated were still recorded as red. The Head of Internal Audit stated that a number of risks were still red as a result of the high level of future uncertainty e.g. the projected budget allocation.

12.3 In response to a request from Ms J Andrews, it was agreed that the Risk Management Group would consider the inherent position of some of the risks.

12.4 The Head of Internal Audit agreed to provide a brief written report to Members at each meeting of the Audit and Risk Committee covering any newly identified risks, those risks that had been removed and any significant issues that had arisen.

12.5 Ms H Roulston expressed concern that the Corporate Risk Register was not owned and understood by all Members of the Board. The Chief Executive confirmed that she would be making a presentation on the Corporate Risk Register at the next meeting of the Board in order to raise awareness of the corporate risks and would welcome proposals from Board Members for additions to the Register.

12.6 The Chair asked for an amendment to the Register where a member of the Committee was identified as being independent; this should read that a member of the Committee had been appointed to provide specialist technical expertise.

13. **FRAUD RESPONSE PLAN - UPDATE** (ARC 09.09.10)

13.1 Members were advised that the Fraud Response Plan had been updated. It now included a flowchart that had been developed summarising the steps to be taken in the event of a suspected fraud. Also included were procedures developed to make use of the Central Investigation Service of the Department of Agriculture and Rural Development (DARD), with whom Libraries NI had a service level agreement to conduct any fraud investigations.

13.2 On the proposal of Cllr J Rodgers, seconded by Ms J Andrews, the Fraud Response Plan was adopted.
(ARC 10.09.10)

14.1 Mr P O’Sullivan advised Members that it had not been possible to complete the audit of the accounts in the line with the original time scale. He indicated that the audit fieldwork was 60 – 70% complete and it was expected that the audit would be completed and certification take place during October. He indicated that the delay was due largely to issues to do with opening balances, comparative information such as the apportionment of pension liability and the accounting treatment of PFI. It was noted that Libraries NI, following discussion with the NIAO and DCAL, had written to the Department to make an application for dispensation from DFP to move forward without the confirmation of the exact pension liability for 2008/9 comparative year. If this dispensation is not obtained this could lead to a potential qualification of the accounts, but this would be a technical qualification at the lesser end of the scale.

14.2 The Members agreed the need for flexibility to convene a special meeting to review the accounts but requested as much notice as possible.

15. **LNI CHAIRPERSON’S REGISTER OF GIFTS AND HOSPITALITY**  
(ARC 11.09.10)

15.1 Members noted the register. Ms H Roulston expressed her continued concern in relation to the potential conflict of interest of the Chairperson of the Board stating that it required a speedy resolution.

16. **SCHEDULE OF MISSION CRITICAL PROJECTS**  
(ARC 12.09.10)

16.1 The Chief Executive tabled papers on the “Belfast Central Library Project” and Phase 2 of the strategic review of library provision, “Meeting the Demands for a Modern Public Library Service within Northern Ireland”, outlining a description of the projects, their status, their estimated completion date and the responsibility framework. It was noted that the Services Committee was the lead Committee on each of these Projects.

16.2 The Chairperson stated that he would be recommending to Members of the Services Committee that these mission critical projects should be a standing agenda item at their meetings.

16.3 The Director of Business Support tabled a paper on the project to replace Electronic Libraries for Northern Ireland (ELfNI), including the proposed procurement timetable. Members noted that a Programme Board was in place, including representation from DCAL; the Strategic Outline Case would be considered at the next Project Board meeting; and a professional library consultant was working with staff to clarify the
strategic vision and associated requirements for the new system, which would in turn feed into the Output Based Specification, Statement of User Requirements and the Outline Business Case (OBC). It was noted that the OBC was due to be submitted to DCAL in December 2010.

16.4 The Head of ICU/IT provided a progress report and drew attention to the proposed procurement timetable, noting that it was extremely challenging. Members expressed concern at the proposed timetable. The Head of ICU explained the contingency arrangements that existed to ensure continuity of service and noted that legal advice was being sought to confirm that the proposed contingency arrangements were appropriate.

16.5 In response to a question from Ms Roulston, the Head of ICU/ICT stated that based on the current contract it was estimated that between 7 and 8% of the cost of the project related directly to the core Library Management System. Costs increased as a result of network and connectivity issues to multiple locations as well as the training of staff. He said that the profile of expenditure could be quite different from the existing model. He added that the final Business Case could only be prepared after actual costs (identified from the evaluation of tenders) were known and only then could final approval for the project be sought.

16.6 The Head of ICU/ICT agreed to include a review of the risks associated with the project within the Schedule of Mission Critical Projects for the next Audit and Risk Committee. He agreed also to highlight to the Business Support Committee the concerns expressed by the Audit and Risk Committee with regard to the timeline for the project.

16.7 The Chairperson asked the Chief Executive to outline the processes in place to isolate the Chairperson of the Board from this project to protect him and Libraries NI from any perceptions of a potential conflict of interest.

16.8 The Chief Executive stated that the Chairperson of the Board had completed a Declaration of Interests listing potential conflicts of interests and had drawn the issues to the attention of the Audit and Risk Committee. The matter had also been raised with DCAL. Processes were in place for the Chairperson to withdraw from any meeting at which ELfNI was being discussed and he had not been present at any discussions relating to the replacement of ELfNI. The Vice Chairperson of the Board had been fully briefed and DCAL made aware of all concerns expressed. She confirmed also that access to any documentation relating to the ELfNI replacement project would be restricted.

16.9 Ms H Roulston commented that perception was as important as reality and expressed her concern that the Chairperson of the Board had accepted hospitality from a potential bidder. The Chairperson noted that the acceptance of this hospitality had been openly recorded.
17. WHISTLEBLOWING POLICY - PRESENTATION

17.1 As a result of a request at a previous meeting of the Committee, the Head of Internal Audit made a short presentation on the Libraries NI Whistleblowing Policy. Members thanked the Head of Internal Audit at the conclusion of the presentation.

18. NIAO ISSUES

18.1 Mr O’Sullivan advised Members of the importance of getting appropriate approval for Business Cases. He stated that the annual accounts of the Department of Culture, Arts & Leisure and the Arts Council for Northern Ireland were qualified for not having secured appropriate approvals of Business Cases by the Department of Finance and Personnel.

18.2 He advised that DCAL was currently looking at procurement single tender actions (STAs) across its Arms length Bodies from 2008-09. He noted that STAs must be approved by the Accounting Officer and that delegation of approval was not permitted. The Chief Executive advised that it was Libraries NI policy that the Chief Executive should approve all STAs up to the value of £500 and that any STAs above that amount would be brought to the Business Support Committee for approval.

18.3 Mr O’Sullivan also stated that he shared the concerns previously expressed by Ms Roulston that perception was very important when dealing with conflicts of interest, citing the recent case of NI Water. He stated that he had concerns about the perception of the Chairperson’s potential conflict of interest and the record of his Gifts and Hospitality Register. The Register is required to show all offers of gifts and hospitality whether or not accepted. However, the Chairperson’s Register indicated that all offers of gifts and hospitality had been accepted. He stated that the perception could be that if all offers are accepted that there may not have been any consideration of whether or not they should have been rejected. This includes consideration of whether it was appropriate to accept hospitality from a firm with which the Chairperson had a previous working relationship and which may be seeking to do business with Libraries NI in the future. He stated that he was not suggesting in any way that anything inappropriate had occurred.

19. ANY OTHER NOTIFIED BUSINESS

19.1 There was no other notified business.

20. DATE OF NEXT MEETING

20.1 It was confirmed that the next meeting of the Audit and Risk Committee would be held on Wednesday 3 November 2010 at 10.30 am in Antrim.
Library. Members were aware that a special meeting of the Committee may have to be convened in the interim to consider the Annual Accounts.

21. MEMBERS ARRIVAL AND DEPARTURE TIMES

21.1 The meeting ended at 1.30 pm. All those in attendance arrived for the commencement of the meeting, and remained until it ended, with the following exceptions:

Mr D Polley arrived at 10:40am
Mr D Curry arrived at 12:25pm
Cllr J Rodgers left at 12:45pm

Signed: [Signature]
Date: [Date]