LIBRARIES NI

AUDIT AND RISK COMMITTEE

18 May 2011

Minutes of a meeting of the Audit and Risk Committee held in Portadown Library on Wednesday 18 May 2011 at 10.00 am.

PRESENT

Mr Alastair McDowell Chairperson
Ms Judith Andrews
Ms Helen Roulston

IN ATTENDANCE

Ms Irene Knox Chief Executive
Mr Terry Heron Director of Business Support
Mr Brian Doherty Head of Internal Audit
Ms Melanie Killen Assistant Auditor
Mr Peter O’Sullivan Northern Ireland Audit Office
Mr Alastair Hughes Department of Culture, Arts & Leisure

1. APOLOGIES FOR NON ATTENDANCE

Dr David Elliott Chairperson
Mr Mick Cory Department of Culture, Arts and Leisure
Mr Gavin Patrick Department of Culture, Arts & Leisure
Mr Denver Lynn Northern Ireland Audit Office

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 had no business.
4. CHIEF EXECUTIVE’S BUSINESS

Memorandum of Reply 2010/11

4.1 Members noted correspondence from Fiona White, DFP (25 February 2011) and attached responses to N Ireland Assembly PAC Reports.

Correspondence from the Permanent Secretary

4.2 Members noted correspondence from the Permanent Secretary, dated 29 March regarding the reliance placed by the Department on the Quarterly Assurance Statement.

DAO (DFP) 02/11 Remuneration of Independent Board Members

4.3 Members noted the DAO setting out the principles governing the remuneration of Independent Board Members in circumstances where the individual is a public sector employee. The Director of Business Support advised that advice had been sought from DCAL’s Governance Support Unit and he would clarify if the two members to whom the principle might apply carried out work for Libraries NI in their own time and the arrangements that were in place with their employer. Mr P O’Sullivan advised that that NIAO would be reviewing compliance with the DAO.

5. MINUTES OF THE MEETING OF THE AUDIT AND RISK COMMITTEE HELD ON 23 MARCH 2011 (ARC 01.05.11)

5.1 On a proposal by Ms H Roulston, seconded by Ms J Andrews, the minutes of the meetings held on 23 March 2011 were agreed as an accurate record.

6. MINUTES OF THE MEETING OF THE AUDIT AND RISK COMMITTEE HELD ON 4 APRIL 2011 (ARC 02.05.11)

6.1 On a proposal by Ms H Roulston, seconded by Ms J Andrews, the minutes of the meetings held on 4 April 2011 were agreed as an accurate record.

7. MATTERS ARISING FROM THE MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING HELD ON 23 MARCH 2011 (ARC 03.03.11)

Item 4.6: Conflict of Interest: Draft Terms of Reference for Independent Review

7.1 The Chief Executive provided an update on work being undertaken by John Hunter to review the processes which had been put in place to manage the conflict of interest declared by the Chairperson of the Board. It was noted that John Hunter had reviewed the file and had met with the Chairperson of the Audit and Risk Committee and Ms H
Roulston. He intended to meet also with the Chairperson of the Board and the Permanent Secretary and Deputy Permanent Secretary. It was hoped that his report would be available within the next few days. Members agreed to await the draft report before commenting further.

**Item 6.1: Libraries NI External Quality Review**

7.2 The Head of Internal Audit provided further information on plans for an external quality review and stated that following the previous Audit Committee meeting he had attended a seminar organised by DCAL at which the matter had been discussed. He advised Members that the review was likely to take place over the summer and would be undertaken by DCAL’s Internal Auditors. There was no associated cost for Libraries NI. He confirmed that he had conveyed to DCAL that the Audit and Risk Committee would wish to have the opportunity to provide input into the Terms of Reference.

**Item 6.3: Staff Training**

7.3 The Chief Executive updated Members on arrangements for providing fire extinguisher training for staff. It was noted that approximately 150 staff would receive training within the next 3 months.

**Item 6.4: Financial Procedures Manual**

7.4 The Director of Business Support provided an update on progress in relation to the development of the Procedures Manual. He invited Members to view the manual following the meeting.

**Item 6.5: Branch Libraries Control and Risk Self-Assessment**

7.5 The Head of Internal Audit advised that all libraries had now returned the self assessment questionnaire and that a report had been issued to management the previous day.

**Item 6.6: Post Project Evaluations**

7.6 The Director of Business Support indicated that discussions had taken place with DCAL about the completion of Post Project Evaluations (PPEs) for legacy projects and that a further meeting was to be arranged to consider the best way of dealing with this matter, given the time that had elapsed since the projects were completed and the fact that Libraries NI did not have access to the relevant files.

**Item 6.7: Rare Books Collection**

7.7 The Chief Executive provided an update on work associated with a range of issues related to Fine, Rare and Valuable Books. She stated that a Stock Assets Project Team had now been established and that the draft Project Initiation Document (PID), a Project Plan and a proposed definition for accounting purposes would be considered by the Board at its meeting the following week.
Item 6.8: Review of Audit and Risk Committee Terms of Reference

7.8 The Chief Executive reported to the Committee on the processes in place for monitoring performance against the Business Plan. She stated that progress would be monitored on a quarterly basis. It was agreed that a document would be provided to the Committee setting out the planning and monitoring process.

Item 8.6: Outstanding Recommendations

7.9 The Director of Business Support provided an update on progress in addressing outstanding DDA issues arising from a legacy fraud in the BELB and advised that, with the exception of a few minor issues, the identified issues had been addressed.

7.10 Item 6.2: Discussions with CPD

In response to a query raised by Mr A McDowell, the Director of Business Support confirmed that a temporary Procurement Officer was in post and that it had been agreed by SMT to fill this post on a permanent basis.

8. MATTERS ARISING FROM THE MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING HELD ON 4 APRIL 2011

8.1 There were no matters arising.

9. INTERNAL AUDIT ACTIVITY REPORT (MARCH 2011 – MAY 2011)

9.1 The Head of Internal Audit reported briefly on the audits which had been completed since the last meeting of the Audit and Risk Committee. Members noted the level of assurance for each report.

<table>
<thead>
<tr>
<th>Audit Assignment</th>
<th>Assurance Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health, Safety &amp; Welfare</td>
<td>Limited</td>
</tr>
<tr>
<td>Services for the Visually Impaired</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Derry Central Library</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Holywood Branch Library</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Randalstown Branch Library</td>
<td>Satisfactory</td>
</tr>
</tbody>
</table>

9.2 In response to questions on the audit of Health, Safety and Welfare, the Head of Internal Audit and Chief Executive advised Members that:
  • the limited assurance resulted largely from the very recent introduction of fire safety legislation and it was recognised that processes were being put in place to address the requirements of the legislation
  • the audit had included evacuation procedures
  • statistical information was collected on the use being made of the Staff Care Service.
9.3 The Head of Internal Audit advised that the Value for Money audit of Services for those with a Visual Impairment had been undertaken at the request of the Chief Executive and while some areas had been identified where improvements could be made, the overall conclusion was that value for money is being achieved.

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

10. REPORT TO THOSE CHARGED WITH GOVERNANCE – ACTION PLAN
(ARC 05.05.11)

10.1 The Director of Business Support referred Members to the Action Plan developed in response to the Report to Those Charged with Governance. Mr P O'Sullivan indicated that, at this stage, the NIAO was content with the actions being proposed to address the findings in the Report and would expect to see progress during the next audit. The Chairperson indicated that the Audit and Risk Committee would continue to monitor progress in relation to the actions being taken.

10.2 In response to a question raised by Ms J Andrews, the Director of Business Support advised that the submission date for the 2010/11 Accounts was 30 June 2011.

11. OUTSTANDING RECOMMENDATIONS
(ARC 06.05.11)

11.1 The Head of Internal Audit drew Members attention to the report showing progress on the implementation of Outstanding Recommendations from previous Internal Audit Reports. Members welcomed the summary position regarding the status of outstanding recommendations. Officers reported that:

- fire extinguisher training sessions had been arranged for May/June 2011.

- a revised Service Level Agreement for the supply of Goods and Services was currently with the CoPE provider for signature

- consultation was ongoing with trades unions regarding the definition of essential user status and that implementation of the recommendations on travel and subsistence had been delayed pending the outcome of this consultation.

11.2 Members noted the report.
12. QUARTERLY ASSURANCE STATEMENT (ARC 07.05.11)

12.1 The Chief Executive briefed Members on the Quarterly Assurance Statement for the period January – March 2011, noting that the document had been forwarded to DCAL and discussed at the Accountability Meeting held on 22 April 2011. Members noted that:

- risk registers were now in place in all Business Areas and had been revised in line with the new Corporate and Business Plans. The Board, at its next meeting, would consider relevant Service Plans and associated risk registers

- a report on performance against the 2010/11 Business Plan would be considered by the Board at its next meeting. While the majority of key targets had been achieved during the year, the initial target for capital expenditure had not been achieved and monies had been surrendered during the year to DCAL

- financial planning and monitoring processes and procedures were effective, but would continue to be kept under review

- concerns about the availability of information to enable the completion of legacy PPEs had been discussed with DCAL and a meeting was being arranged to consider how this issue might be progressed

- all single tender actions were approved by the Chief Executive

- the Quarterly Assurance Statement included reference to the Chairperson’s conflict of interest and the action being taken to review the robustness of processes

- the relocation of Business Support Services to Portadown had resulted in improvements in storage arrangements

- the Director of Business Support had overall responsibility for data management.

12.2 The Chairperson thanked the Chief Executive for her update. Members noted the Quarterly Assurance Statement.

13. GOVERNANCE AND ACCOUNTABILITY MEETING - MINUTES (ARC 08.05.11)

13.1 The Chief Executive referred Members to the Minutes of the Accountability Meeting held on 28 January 2011. She noted that minutes of the meeting held on 22 April 2011 were not yet available.
13.2 Members noted that, as a result of the outcome of the Sponsorship Risk Assessment the frequency of Accountability Meetings would be reduced from four to three per year and that the focus of the agenda would be the Business Plan and the achievement of outcomes as well risk management.

13.3 In response to a question from Mr A McDowell in relation to point 2.1 of the Summary of Action Points, the Director of Business Support reported that Libraries NI continued to use the approach inherited from the Education and Library Boards in relation to the distribution of funding on a regional basis and that the Working Group would be meeting early in June to take forward the work on regional distribution of funding.

13.4 Members noted the minutes of the meeting.

14. INTERNAL AUDIT PLAN TIMETABLE (ARC 09.05.11)

14.1 The Head of Internal Audit referred to additional information which had been added to the Internal Audit Annual Plan providing proposed start dates for audits. He indicated that the audit of Corporate Governance/Risk Management was currently in draft and the audit of Maintenance was underway and anticipated that the final reports would be ready for the next meeting.

14.2 Members noted the Plan.

15. RISK MANAGEMENT STRATEGY (ARC 10.05.11)

15.1 The Head of Internal Audit introduced the Risk Management Strategy and indicated that it had been revised in light of the changes to responsibilities at Senior Management Team level and the fundamental revision of the Corporate Risk Register to reflect the new Corporate Plan and Business Plan. He drew attention, in particular to the following matters:

- the Chief Executive was now a member of the Risk Management Group
- the new Corporate Objectives had been included in paragraph 5 of Appendix 2 along with an assessment of the risk appetite associated with each Objective.

15.2 The Chairperson, in referring to paragraph 9.1.5 of the Risk Management Strategy, noted that the Audit and Risk Committee had a role to play in monitoring the Corporate Risk Register, but emphasised also the importance of the Board, as a corporate body, being aware of, and accepting, the risks identified in the Risk Register and the actions being taken to manage them. Members noted that the Corporate Risk
Register had been considered by the Board at its last meeting and would be considered further at the meeting scheduled for the following week.

15.3 Ms H Roulston questioned whether adopting a cautious approach in relation to managing the risks associated with increasing participation in the public library service would deliver the necessary improvements. The Chief Executive advised that in the context of the public sector and at the present time it was important to aim for a low to moderate degree of residual risk. She indicated also that the risk appetite would be kept under review and could be revised as new information and outcomes became available.

15.4 The Chairperson queried whether there was a danger that the Head of Internal Audit’s role in relation to the Risk Management Group could be considered an executive function, particularly in relation to his role as Secretary to the RMG. The Chief Executive advised that the Head of Internal Audit provided advice and guidance to the Risk Management Group, supporting the members of the Group in their efforts to identify and address the risks identified at corporate level, and that this work was consistent with the consultancy role attributed to the Internal Audit function in Government Internal Audit Standards (GIAS). The Chairperson suggested that the role of the Head of Internal Audit in this regard could usefully be considered during the external quality review that was to be undertaken by DCAL.

15.5 On a proposal by Ms H Roulston, seconded by Ms J Andrews, the Risk Management Strategy was approved by the Committee.

16. RISK MANAGEMENT REPORT AND REVIEW (ARC 11.05.11)

16.1 The Director of Business Support referred to the minutes of the Risk Management Group meeting held on 10 May 2011. The Chief Executive drew attention to the Corporate Risk Register which had been reviewed by the Risk Management Group, highlighting changes that had been made. Members noted in particular:

- the additional risk relating to competition from other providers which could have a detrimental impact on library usage (Corporate Objective One) and the controls in place and required to address this matter
- the risks presented to service delivery and facilities by the impact of the budget settlement for libraries and the need to implement Savings Delivery Plans.

16.2 Members noted the Corporate Risk Register.
17. INTERNAL AUDIT REPORT 2010/11 (ARC 12.05.11)

17.1 The Head of Internal Audit informed Members that Government Internal Audit Standards require him to present a formal annual report to the Accounting Officer giving his opinion of the overall adequacy and effectiveness of the organisation's risk management, control and governance processes, highlighting the range of strengths and weaknesses and providing his annual assurance to the Accounting Officer.

17.2 In response to questions from Members, the Head of Internal Audit indicated that:

- the consultancy work outlined in Section 5.7 had been carried out in compliance with GIAS
- the majority of branch library audits were undertaken by the Assistant Auditor and it was anticipated that they would take less time in future, as she gained experience of the process
- the amount of his time associated with facilitating the Audit and Risk Committee had increased compared to the previous year but a significant proportion of his time was also assigned to the completion of audits
- in normal circumstances up to 7 days annual leave can be carried forward from one year to the next and in exceptional circumstances, there is the facility for carry forward of 10 days
- the information on performance indicators would prove more useful over time as trend information became available.

17.3 Ms H Roulston sought clarification on the meaning of the term "satisfactory". The Head of Internal Audit referred to the classification system used in each audit report to provide an audit opinion. He explained that of the 4 levels available (i.e. Substantial, Satisfactory, Limited and Unacceptable) it was his opinion that a satisfactory assurance level was appropriate, given that during the year the requirement for some improvements to enhance the adequacy and effectiveness of risk management, control and governance had been identified. He agreed, for clarity, to include the definitions of the relevant terms as an appendix to the report.

17.4 The Committee thanked the Head of Internal Audit and his team for their work during the year and for the comprehensive report.

17.5 Members noted the contents of the Report.

18. DRAFT STATEMENT ON INTERNAL CONTROL (ARC 13.05.11)

18.1 The Chief Executive presented her Draft Statement on Internal Control for 2010/11, indicating that at this stage it was still in the early stages of
drafting and would inevitably require revision before final submission of the Annual Accounts.

18.2 The Chairperson reminded Members of the Audit and Risk Committee’s role in reviewing the draft Annual Accounts prior to submission. The Director of Business Support indicated that the Draft Accounts would be submitted to DCAL and DFP on 30 June 2011. The Committee agreed that a special meeting of the Audit and Risk Committee should be held on Wednesday 28th June 2011 to review the Annual Accounts and consider the draft Statement on Internal Control and the NIAO Audit Strategy.

18.3 At this stage Members agreed to note the draft Statement on Internal Control and consider it further at the next meeting. They asked, in the interim that the following amendments should be made:

- Page 3: second paragraph, 2nd line, insert “and Board Members”
- Page 4: second paragraph, 4th line, the word “cautious” to be in inverted commas
- Page 4: penultimate paragraph, replace “realised.”

19. AUDIT AND RISK COMMITTEE DRAFT ANNUAL REPORT 2010/11
   (ARC 14.05.11)

19.1 The Chairperson referred to the draft Annual Report of the Audit and Risk Committee. He noted that the report would remain in draft pending completion by the NIAO of the audit of the Accounts and receipt of the report of the Comptroller and Auditor General.

19.2 Members noted the contents of the draft Report and agreed to finalise it when the additional information was available.

20. LIBRARIES NI ANTI-FRAUD POLICY
    (ARC 15.05.11)

20.1 The Director of Business Support reminded Members that the Sponsorship Risk Assessment undertaken by DCAL recommended that the Anti-Fraud Policy and Fraud Response Plan should be reviewed annually by the Audit and Risk Committee. The review was also timely in that revised fraud guidance had been issued by HM Treasury and DCAL had conducted a review of its own Fraud Prevention Policy, the results of which had been notified to Libraries NI in April 2011. He reported on the main changes made to the Libraries NI Anti-Fraud Policy as follows:

- Paragraph 1.3: includes reference to the purpose of the policy and refers to the Fraud Response Plan
- Paragraph 3: provides greater clarity as to the definition of fraud and includes a paragraph relating specifically to computer fraud
• Paragraph 4.2: provides greater clarity regarding disciplinary action

20.2 On a proposal by Ms J Andrews, seconded by Ms H Roulston, Members approved the Anti-Fraud Policy.

21. LIBRARIES NI FRAUD RESPONSE PLAN (ARC 16.05.11)

21.1 The Director of Business Support reminded Members that the Fraud Response Plan set out the detailed guidance on the procedures to be followed in the event of a suspected fraud. He explained his role in relation to handling the investigation of a suspected fraud and drew attention to Appendix 3 (the Fraud Report Proforma) which would be used to notify DCAL of a suspected fraud presented the Annual Review of the Fraud Response Plan.

21.2 On a proposal by Mr A McDowell, seconded by Ms H Roulston, Members agreed to adopt the Plan.

22. ANNUAL INTERNAL AUDIT CUSTOMER SATISFACTION SURVEY 2010/11 (ARC 17.05.11)

22.1 The Head of Internal Audit informed the Committee that a customer satisfaction questionnaire was issued following the completion of each audit assignment and indicated that this was one of the tools used to determine the extent to which Internal Audit was having a positive impact on the risk, control and governance of the organisation. He presented the report of the summary of customer feedback in 2010/11, noting the generally very positive responses received. He indicated that he would be reviewing the format of audit reports in light of the feedback received.

22.2 Members noted the contents of the Survey and the high level of satisfaction demonstrated by the responses.

23. LIBRARIES NI CHAIRPERSON’S REGISTER OF GIFTS AND HOSPITALITY (ARC 18.05.11)

23.1 The Chief Executive drew attention to the Chairperson’s Gifts and Hospitality Register including the tabled update relating to the period January – March 2011 which was in the new format and included offers of gifts and hospitality declared by the Chairperson in both his personal capacity and as Chairperson of Libraries NI.

23.2 In response to a question raised by Mrs H Roulston, the Chief Executive advised that she was unsure as to why the Chairman had declined an invitation to a PWC lunch in January 2011, but undertook to ask him and report back to the next meeting.
Agenda Item 3

23.3 In response to a question raised by Mr A McDowell regarding the review of the Chairperson’s conflict of interest, the Chief Executive advised that the report was due to be received in the next few days and may be available for the Board meeting the following week. The Chief Executive agreed to keep the Chairperson of the Audit and Risk Committee informed.

23.4 Members noted the contents of the Chairperson’s Gifts and Hospitality Register.

24. **SCHEDULE OF MISSION CRITICAL PROJECTS** (ARC 19.05.11)

24.1 The Director of Business Support updated Members on progress on mission critical projects. Members welcomed the new format for reporting on mission critical projects.

24.2 In response to a query from Ms H Roulston, the Director of Business Support advised that the completion date for completion of the E2 project was fluid, since there were many elements to the contract and the timing of their implementation would depend on a range of factors including negotiations with the selected supplier and the profile of available funding. Ms Roulston felt that a completion date was important in order that slippage in delivering the programme could be monitored. The Director of Business Support agreed to include a provisional completion date of September 2012.

24.3 Members noted that the completion date of September 2011 for decisions on Stage 2 of the strategic review of library provision would depend on the appointment or reappointment of Councillors to the Board.

24.4 Members noted progress on the Mission Critical Projects.

25. **LIBRARIES NI DRAFT ACCOUNTS 2010/11**

25.1 The Director of Business Support advised Members that a plan was in place to enable completion and submission of the draft accounts for 2010/11 by the end of June 2011. He advised also that the 2009/10 accounts had now been certified by the NIAO.

25.2 The Director of Business Support reported also on his attendance at a DCAL Finance Forum meeting at which the issue of consolidation of the Accounts of Arms Length Bodies had been discussed. Members noted that this development, which was likely to be introduced in 2 years time, would necessitate faster closing.

25.6 Members noted the progress report.
26. NIAO ISSUES

26.1 Mr O'Sullivan advised Members that some planning work had been undertaken in relation to the timetable for audit of the 2010/11 Accounts, but that priority over the next few months would be given to those organisations whose Accounts required certification before the summer recess. He anticipated that the audit of the Libraries NI Accounts would be completed by the end of September with certification by the end of October. He agreed to forward a copy of the Audit Strategy and Timetable to Libraries NI as soon as possible.

26.2 Members noted that a meeting of the Audit and Risk Committee was scheduled for 28 September 2011 but that the date of the meeting might need to change, depending on the NIAO audit timetable.

27. ANY OTHER NOTIFIED BUSINESS

27.1 There was no other notified business.

28. DATE OF NEXT MEETING

28.1 It was agreed that:
- A special meeting of the Audit and Risk Committee would be held at 10.30am on 29 June 2011 (venue to be confirmed) to review the draft Annual Accounts 2010/11, the draft Statement on Internal Control and the NIAO Audit Strategy
- The next full meeting of the Audit and Risk was scheduled for 10.30am on Wednesday 28th September 2011, venue to be confirmed.

28.2 The Chairperson reminded Members that they were invited to attend a demonstration of the Finance and Accounting systems in the Business Support Department.

29. MEMBERS ARRIVAL AND DEPARTURE TIMES

29.1 The meeting ended at 12.30pm. All Members arrived for the commencement of the meeting and remained until the end.

Signed: [Signature]
Date: 10/6/2011