LIBRARIES NI
AUDIT AND RISK COMMITTEE

21 March 2012

Minutes of a meeting of the Audit and Risk Committee held in Lisburn City Library on Wednesday 21 March 2012 at 10.30 am.

PRESENT

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

Mr N Macartney                                    Chairperson of the Board

IN ATTENDANCE

Ms Irene Knox                                     Chief Executive
Mr Terry Heron                                     Director of Business Support
Mr Brian Doherty                                   Head of Internal Audit
Mr Denver Lynn                                     Northern Ireland Audit Office

1. APOLOGIES FOR NON ATTENDANCE

    Councillor C Casey

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 reported that one of the recommendations arising from the External Quality Assessment undertaken by DCAL was that each Member of the Audit and Risk Committee should be issued with a formal appointment letter. This recommendation was accepted and letters signed by the Chairperson of the Board would be issued to Members as soon as possible.
4. **CHIEF EXECUTIVE’S BUSINESS**

4.1 The Chief Executive briefed Members on correspondence received since the last meeting of the Audit and Risk Committee held in December 2011. Members noted in particular the following matters:

- DAO (DFP) 05/11 Annual Fraud Report 2010/11
- DAO (DFP) 08/11 Accounting Officer Responsibilities and the associated correspondence, dated 16 February 2012, from the Permanent Secretary
- DAO (DFP) 06/11 Managing the Risk of Fraud
- DAO (DFP) 09/11 Introduction to the Bribery Act
- Revised Guidance on Procurement and Single Tender Actions
- DAO (DFP) 02/12 Annual Compliance Report on the Use of External Consultants 2010/11
- DAO (DFP) 03/12 Introduction of the Governance Statement for the 2012/13 Accounting Period
- FD (DFP) 04/12 Ad Hoc Fraud Reporting to DFP and the Comptroller and Auditor General

4.2 The Chief Executive agreed to circulate the Annual Fraud Report 2010/11 to the Senior Management Team and other relevant managers.

4.3 Members noted that no issues had arisen as a result of the National Fraud Initiative data matching exercise.

5. **MINUTES OF THE MEETING OF THE AUDIT AND RISK COMMITTEE HELD ON 7 DECEMBER 2011 (ARC 01.03.12)**

5.1 On a proposal by Ms H Roulston, seconded by Ms J Andrews the Committee approved the minutes of the meeting of the Audit and Risk Committee held on 7 December 2011 and agreed to recommend them to the Board for adoption.

6. **MATTERS ARISING FROM THE MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING HELD ON 7 DECEMBER 2011 (ARC 02.03.12)**

6.1 **Item 6.3: Finance Procedures Manual**

Members noted that there were two issues around Travel and Subsistence which were holding up the completion of the Finance Procedures Manual. Both issues had been discussed with the Trade Unions and it was anticipated that a resolution would be achieved at the next meeting of the Negotiating Committee to be held on 30 March 2012.
6.2 Item 6.7: Fine Books
The Director of Business Support confirmed that the valuation of the valuable books portion of the stock assets would be completed for inclusion in the 2011/12 Annual Accounts. It was noted that work was ongoing to agree the accounting policy for the remainder of the collection.

6.3 Members noted that approval had been obtained from DCAL to recruit a permanent Procurement Officer and, in accordance with procedures, the post had been trawled within the RPA affected group.

6.4 In response to a question from Ms H Roulston regarding progress on Stage 2 of the Strategic Review of Library Provision the Chief Executive reported that good progress had been made in relation to Draperstown and Carnlough libraries and that work was progressing satisfactorily with regard to providing alternative library provision in Gilford although some campaigners continued to oppose the closure of Gilford Library. She added that there were some concerns regarding Killyleagh and Fintona libraries. Members noted that Services Committee would continue to monitor progress.

7. EXTERNAL QUALITY ASSESSMENT (ARC 10.03.12)

7.1 Members noted the report of the External Quality Assessment of Libraries NI’s Internal Audit Arrangements, carried out by the DCAL Internal Audit Review Team. The report confirmed that internal audit arrangements in Libraries NI were in compliance with Government Internal Audit Standards (GIAS) and in all areas demonstrated higher than desirable minimum operating standards. Members congratulated the Head of Internal Audit, Mr B Doherty and the Auditor, Ms M Killen on providing such an excellent service. Members also sent their congratulations to Ms Killen on gaining her professional auditing qualification.

7.2 The Chief Executive drew attention to the recommendations made in the report and the associated Action Plan. Following discussion Members agreed to recommend that the Board adopt the report and the Action Plan.

7.3 The Chief Executive agreed to write to Ms Trudy Creane, Audit Manager at DCAL, to thank her for an informative and valuable report.

8. INTERNAL AUDIT ACTIVITY REPORT (DECEMBER 2011 – MARCH 2012) (ARC 03.03.12)

8.1 The Head of Internal Audit reported 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 and the commitment of managers to implement the recommendations made.

<table>
<thead>
<tr>
<th>Audit Assignment</th>
<th>Assurance Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health, Safety and Welfare</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Validation of Performance Targets</td>
<td>Substantial</td>
</tr>
<tr>
<td>Internal Audit of Accounts Payable/Receivable</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Preliminary Investigation Ballymena Branch Library</td>
<td>Consultancy</td>
</tr>
<tr>
<td>Cash Handling Enniskillen Branch Library</td>
<td>Consultancy</td>
</tr>
<tr>
<td>Internal Audit of Performance Management Staff Appraisal Scheme</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Internal Audit Review of the pattern of Attendance Cushendall Branch Library</td>
<td>Consultancy</td>
</tr>
<tr>
<td>Internal Audit of Managing Attendance At Work</td>
<td>Limited</td>
</tr>
<tr>
<td>Whitehead Branch Library</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Greenisland Branch Library</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Draperstown Branch Library</td>
<td>Satisfactory</td>
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</tbody>
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8.2 The Head of Internal Audit drew attention in particular to the following matters:

- the Health and Safety audit, carried out in the previous year, had provided a 'limited' level of assurance. The review audit provided a 'satisfactory' level of assurance.
- a 'substantial' level of assurance had been provided as a result of the audit of the Validation of Targets.
- a discrepancy in a petty cash claim at one of the branch libraries had been reported to the Finance Officer and as a result the Director of Business Support had asked Internal Audit to carry out a preliminary investigation. Following the preliminary investigation it had been determined that a full investigation was not required. Cash Handling and Petty Cash procedures were re-issued to the staff concerned. It is intended that a Branch Library audit will be completed during March 2012.
- a request had been received to review the pattern of attendance of a member of staff. Upon examination of a number of documents Internal Audit had recommended that a full investigation be held. As a result disciplinary proceedings were currently ongoing.

8.3 Members noted that a 'limited' level of assurance had been given in respect of the audit of Managing Attendance at Work. A number of Priority 1 recommendations had been made, including:

- ensuring that all staff have access to the policy and procedures on Managing Attendance
• reminding managers of the need to review on a regular basis the attendance levels of their staff
• establishing challenging targets and performance indicators for managing attendance which can be benchmarked both internally and against other comparable organisations
• reviewing the basis for the calculation of statistical information on staff absence.

8.4 The Director of Business Support reported that procedures had now been put in place to ensure that all staff are aware of the Managing Attendance at Work Policy and Procedures and this document has been available to staff via the Staff Web. Members noted the difficulties in establishing reliable external benchmarks in relation to absenteeism because there was no agreed standard methodology for the calculation of absence statistics and therefore no certainty that organisations were calculating the information in the same way. It was noted that a consistent approach to the calculation of statistical information had been adopted within Libraries NI since October 2009 and that internal benchmarking was in place which showed that attendance levels have been improving.

8.5 Mr Lynn confirmed that the NIAO, in its review of absenteeism in local government, had identified that the most relevant benchmark was the internal one, monitored over time. He stated that it was important nonetheless to review the statistics of other organisations for comparisons and that the most prevalent benchmark was the average days lost to absence per whole time equivalent employee per year.

8.6 The Director of Business Support stated that he was content to progress the recommendations made in the report. He indicated that a paper would be brought to the Business Support Committee on the benchmarking process, including the advantages and disadvantages of various approaches. The Chairperson asked that this paper include consideration of reporting absences in terms of days as well as percentages. The Director of Business Support also agreed to explore a suggestion from Ms Andrews that the Libraries NI statistician be involved in reviewing how the statistical information is collated.

8.7 Members reviewed the reports and noted the assurances given together with the commitment of Senior Management to implement the recommendations arising from the audits

9. OUTSTANDING RECOMMENDATIONS  (ARC 04.03.12)

9.1 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 noted in particular the recommendations, highlighted in red, that were
considered to still be outstanding (i.e. not implemented within 4 months of the originally agreed implementation date).

9.2 Members were informed that there had been 57 outstanding recommendations in total of which 28 had now been resolved leaving 29 still to be implemented. It was noted that most of the outstanding recommendations related to the Travel and Subsistence Audit and the Dromore Branch Library Audit (which was awaiting completion of the Branch's refurbishment before implementation).

9.2.1 The Committee noted the report.

10. INTERNAL AUDIT PLAN PROGRESS REPORT (ARC 05.03.12)

10.1 The Head of Internal Audit referred Members to the report. He advised Members that he was content that the Internal Audit Plan had been materially completed. He reported to members on those audits that had not been completed and advised that it was still his intention to carry out a review audit of Travel and Subsistence, however, this had been postponed because a number of recommendations from the previous audit were still outstanding. Members noted that forthcoming audits included Stock, Health in Mind and the Fine Books Collection. He also advised Members of work that had been completed instead of the planned audits including six preliminary investigations of which only one had proceeded to a full investigation, as well as review audits of Building Maintenance and Health and Safety. He also reminded Members that the Audit and Risk Committee had met seven times during the year instead of four times as planned.

10.2 Members noted the content of the progress report.

11. INTERNAL AUDIT STRATEGY 2012/15 (ARC 06.03.12)

11.1 The Head of Internal Audit drew Members' attention to the Internal Audit Strategy for 2012/15 and reported that some amendments had been made to the strategy as a result of the External Quality Assessment of Libraries NI's Internal Audit Service and the professional qualification recently obtained by the Auditor.

11.2 After discussion of a number of specific audit areas, Members endorsed the strategy and recommended it to the Board for adoption.

12. INTERNAL AUDIT STRATEGY FOR BRANCH LIBRARIES (ARC 07.03.12)

12.1 The Head of Internal Audit referred to the Internal Audit Strategy for Branch Libraries and reported his intention to complete audits of
approximately 18 - 20 branches in the 2012/13 financial year. If this target was achieved, all libraries within Libraries NI would have been audited within the last 5 years.

12.2 Following discussion, Members agreed to recommend that the Board adopt the Internal Audit Strategy for Branch Libraries.

13. INTERNAL AUDIT PLAN 2012/13 (ARC 08.03.12)

13.1 The Head of Internal Audit presented the draft Internal Audit Plan 2012/13 for approval, and informed Members that quarterly updates on progress in relation to the plan would be provided at the Audit and Risk Committee meetings.

13.2 After some discussion Members endorsed the Plan and recommended its adoption to the Board.

14. INTERNAL AUDIT CHARTER (ARC 09.03.12)

14.1 The Head of Internal Audit presented the Internal Audit Charter for review. He informed Members that for ease of reference, revisions to the original document had been made in blue font. Members noted that the main changes related to the implementation of the quality assurance programme and code of ethics.

14.2 The Committee approved the Charter and recommended it to the Board for adoption.

15. REPORT TO THOSE CHARGED WITH GOVERNANCE – PROGRESS REPORT (ARC 11.03.12)

15.1 The Director of Business Support referred Members to the progress report on NIAO findings in the Report to those Charged with Governance. He drew attention, in particular, to the following matters:

- valuation of the valuable books element of the stock assets was on schedule for completion for the year end and alternative proposals are being developed to deal with remaining stock assets
- a revised fuel log had been introduced and revised procedures are under development
- an internal audit had been carried out of Gifts and Hospitality and a draft report had been produced
- a number of Service Level Agreements (SLAs) were with the Education and Library Boards (ELBs) for signature. Although some SLAs remained unsigned they were being operated
effectively by the ELBs and the risk was minimal. It was possible, however, that this issue may be raised again by the NIAO.

15.2 In response to a question, the Director of Business Support confirmed that work was on schedule to complete the new storage area for fine books and the collection would be relocated early in the new financial year.

16. QUARTERLY ASSURANCE STATEMENT (ARC 12.03.12)

16.1 The Chief Executive briefed Members on the Quarterly Assurance Statement for the period October – December 2011, noting that the document had been forwarded to DCAL and discussed at the last Accountability Meeting.

16.2 Members noted the Quarterly Assurance Statement.

17. RISK MANAGEMENT REPORT AND REVIEW (ARC 13.03.12T)

17.1 The Chief Executive drew attention to the Risk Management Report, noting that a fundamental review of the Corporate Risk Register had taken place, following approval by the Board of the draft Business Plan 2012-13. She highlighted the key risks to achieving the objectives in the Business Plan and the actions being taken to address those risks.

17.2 Members noted in particular the importance of the E2 Project and at the suggestion of the Chairperson agreed to invite the E2 Project Manager to the next meeting of the Audit and Risk Committee to address the risks involved in the project and the action being taken.

17.3 The Chief Executive agreed to include the Summary Risk Register in Board Members’ Management Information packs at Board Meetings on a quarterly basis.

17.4 Members noted that a presentation would be made to the Board at its meeting in May to ensure that all Board Members were appraised of the Corporate Risk Register.

18. BRANCH LIBRARY AUDITS – COMMON FINDINGS (ARC 14.03.12)

18.1 The Head of Internal Audit referred Members to the report which summarised common findings from Internal Audits undertaken in Branch Libraries. Members noted the emphasis placed on cash handling procedures. The Head of Internal Audit confirmed that the document would be issued to Branch Library Managers with the
recommendation that they share the issues contained in the document with staff. He added that staff from both Finance and Internal Audit attended Area and Branch Managers meetings to highlight ongoing issues to staff and to provide training.

19. **LIBRARIES NI CHAIRPERSON’S REGISTER OF GIFTS AND HOSPITALITY** *(ARC 15.03.12)*

19.1 Members noted the Register of Gifts and Hospitality as submitted by the Chairperson of the Board.

20. **SCHEDULE OF MISSION CRITICAL PROJECTS** *(ARC 16.03.12)*

20.1 The Director of Business Support presented the Schedule of Mission Critical Projects.

20.2 In response to a question from Ms H Roulston, regarding current projects progressing on schedule, the Chief Executive reported that the Project Board for the Northern Ireland Regional Library had been suspended due to lack of funding. She added that the DCAL Minister, had recently visited Belfast Central Library and while there had suggested that Libraries NI continue to develop the Outline Business Case.

20.3 Members noted the contents of the Schedule.

21. **LIBRARIES NI BUSINESS PLANNING PROCESS TIMETABLE** *(ARC 17.0312)*

21.1 Members noted this document detailing processes involved in the development and monitoring of the Corporate and Business Plans.

22. **NIAO ISSUES**

22.1 Mr D Lynn congratulated the Head of Internal Audit on the excellent work being done in relation to the auditing of branch libraries and added that he was pleased that progress was being made in relation to the Fine Books collection.

23. **ANY OTHER NOTIFIED BUSINESS**

23.1 The Chairman noted that the Committee would meet after the conclusion of the formal meeting to undertake a self-assessment review using NAO Guidelines.
24. **DATE OF NEXT MEETING**

24.1 Following discussion regarding the timetable for submission of the Annual Report and Accounts to NIAO, Members agreed to postpone the May meeting of the Audit and Risk Committee until Thursday 14 June at 10.30 am (venue to be confirmed).

25. **MEMBERS ARRIVAL AND DEPARTURE TIMES**

25.1 The meeting ended at 12.35 pm

25.2 All Members arrived for the commencement of the meeting and remained until it ended.

Signed: [Signature]

Date: 14 June 2012