LIBRARIES NI
The Northern Ireland Library Authority

Audit and Risk Committee

Wednesday 28 September 2011

Minutes of a meeting of the Audit and Risk Committee
held in Portadown Library on Wednesday 28 September 2011 at 10.30am.

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

1  APOLOGIES FOR NON ATTENDANCE

1.1  Apologies were received from Councillor Charlie Casey, Councillor Jim Rodgers and from Mr Alastair Hughes (DCAL).

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 advised those in attendance of the resignation of the Chairperson of the Board, Dr David Elliott. He advised those present of the process that was in place to appoint an Interim Chairperson while the recruitment process for a permanent replacement was initiated.
4. CHIEF EXECUTIVE'S BUSINESS

4.1 The Chief Executive advised Members that she had four items of business that she wished to bring to their attention.

4.2 Memorandum of Reply 2010/11
Members noted the DFP MOR on the Fourth, Fifth, Sixth and Eighth reports from the 2010/11 Public Accounts Committee. The Head of Internal Audit highlighted those recommendations, particularly in the Sixth Report (Procurement and Governance in NI Water), which were especially relevant to Libraries NI.

4.3 PAAB Treasury Minutes on the 3rd to 13th Westminster PAC Reports 2010/11
Members noted correspondence from DFP and a summary of the Westminster PAC Reports.

4.4 DAO (DFP) 04/11 Annual Compliance Report on the use of External Consultants
Members noted the content of the DAO and the Chief Executive's assurance that Libraries NI was in compliance with the requirements.

4.5.1 Correspondence from the Permanent Secretary
Members noted correspondence from the Permanent Secretary detailing proposals for the forthcoming external assessment of the Libraries NI Internal Audit service. The letter advised the Chief Executive that the external assessment would be conducted by the Departmental Internal Auditors. A draft Terms of Reference and a copy of the DAO requiring periodic external assessments of Internal Audit provision were enclosed with the correspondence. Members were content with the Terms of Reference of the review.

4.5.2 In response to a question at the Meeting held in May from the Chairperson, the Head of Internal Audit stated that he had consulted with the Departmental Auditor who was to conduct the review and it was her opinion that the role of the Head of Internal Audit as facilitator and secretary to the Risk Management Group complied with the consultancy role as detailed in the Government Internal Audit standards. She stated that she would include a review of the Head of Internal Audit's involvement in the assessment.

5. MINUTES OF THE MEETING OF THE AUDIT & RISK COMMITTEE HELD ON 18 MAY 2011 (ARC 01.09.11)

5.1 The Chief Executive pointed out a typing error in Section 5.2 where the last sentence should begin with 'Marketing' rather than 'Marking' On the proposal of Ms Andrews, seconded by Ms Roulston, subject to the correction of that error, the minutes of the previous meeting were agreed as an accurate record.
6. MATTERS ARISING FROM THE MINUTES OF THE AUDIT & RISK COMMITTEE MEETINGS HELD ON 18 MAY AND 29 JUNE 2011
   (ARC 02.09.11)

6.1 May Item 7.3 Staff Training
The Chief Executive provided an update to Members advising that in excess of 150 Libraries NI staff had attended training on the use of fire-fighting equipment. Members were particularly content to note progress on this matter as it had been raised as a priority one issue in a number of internal audit reports.

The Director of Business Support provided the Chairperson with a copy of the Finance Procedures Manual. He advised the Chairperson that some sections of the manual (e.g. Travel and Subsistence) were still being finalised.

6.3 May Item 6.6 Post Project Evaluations
The Director of Business Support provided Members with an update on progress in completing outstanding legacy Post Project Evaluations inherited from the Education and Library Boards. A timetable had been agreed with the Department and they also agreed to provide the original approved business cases and other appropriate documentation to allow the evaluation to proceed. Progress was on schedule. Four PPEs had recently been completed with a further 10 to be completed. The Director of Business Support advised Members of the difficulty, in some cases, with obtaining sufficient documentation in relation to legacy projects to allow a robust evaluation to be carried out.

6.4 June Item 4.1 (iii) Review of Audit and Risk Committee Terms of Reference
The Chief Executive advised Members that a paper on the processes in place for producing, approving and monitoring performance against the Business Plan would be provided at the next scheduled meeting of the Audit and Risk Committee.

7. INTERNAL AUDIT ACTIVITY REPORT (MAY – SEPTEMBER 2011)
   (ARC 03.09.11)

7.1 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 recommendations made.

<table>
<thead>
<tr>
<th>Audit Assignment</th>
<th>Assurance Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assessment of Best Practice</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Corporate Governance and Risk Mgt</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Validation of Performance Targets</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Post Project Evaluations</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Payment Performance 2010/11</td>
<td>Satisfactory</td>
</tr>
</tbody>
</table>
Building Maintenance Review: Satisfactory
Review of Staff Transactions: n/a
Cash Handling Controls: n/a
Maghera Branch Library: Satisfactory
Brownlow Branch Library: Satisfactory
Rathcoole Branch Library: Satisfactory
Cloughfearn Branch Library: Satisfactory
Antrim Branch Library: Satisfactory
Broughshane Branch Library: Satisfactory

7.2 He advised Members that the Review of Staff Transactions and Cash Handling Controls were both reports on preliminary fraud investigations. The Fraud Investigation Oversight Group had met in both cases and had accepted recommendations to enhance controls but had agreed that a further fraud investigation was not required.

7.3 In response to questions on the audit of Assessment of Best Practice, the Head of Internal Audit and Chief Executive advised Members that:
- the responses indicating a high level of risk with regard to health and safety were largely as a result of a lack of training with regard to the use of fire fighting equipment. This has now been addressed
- the self-assessments are reviewed and compared to actual results when an internal audit of the branch is undertaken
- should inaccurate or false responses be found to have been deliberately reported, the officer(s) responsible may be subject to disciplinary action.

7.4 The Head of Internal Audit stated that many Branch and Area Managers were now using the self-assessment document as a training tool or 'aide memoire'. Ms Roulston stated that she felt that the document would be very useful in that respect and asked the Chief Executive to ensure that all Managers in branches made use of it in a more formal way.

7.5 In response to questions from Ms Roulston and Ms Andrews on the Audit of Validation of Targets, the Director of Business Support advised Members that the need for robust statistical information was included in the requirements of the E2 project. A Business Analyst is currently on secondment with Libraries NI and part of her role is to assist in the development of statistical information requirements.

7.6 In response to questions from the Chairperson on the Audit of Building Maintenance, the Head of Internal Audit:
- confirmed that this was a review audit and that a satisfactory level of assurance had now replaced the limited level that had previously been provided.
- advised Members of procedures in place to ensure that work was completed before payment was made.
8. REPORT TO THOSE CHARGED WITH GOVERNANCE – ACTION PLAN  
(ARC 04.09.11)

8.1 The Director of Business Support referred Members to the Report to those Charged with Governance – Action Plan. He reviewed progress in implementing priority one recommendations. In response to questions from Members he advised that:
- an initial tender issued to prospective valuers of the valuable book collection had received no responses. The main stumbling block appeared to have been the short timescale in the proposed specification. A revised tender had been issued with additional time allowed for completion.
- improvements to storage arrangements for the valuable book collection in Belfast Central Library were being carried out as part of the Minor Works Capital Programme this year.

8.2 Mr O'Sullivan advised Members that the issues associated with the fine Books valuation would result in the limitation of scope qualification continuing in respect of the 2010/11 Accounts but that progress made in implementing the recommendation would be noted.

8.3 Members noted the report on the action plan.

9. OUTSTANDING RECOMMENDATIONS  
(ARC 05.09.11)

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. He drew attention to those recommendations, highlighted in red, those that were considered outstanding.

9.2 The Director of Business Support advised Members of the outstanding issues impacting on the ability to finalise policies and procedures with regard to Travel and Subsistence. He stated that consultation continued with the Trade Unions on this issue.

9.3 Members noted progress being made in the implementation of recommendations.

10. QUALITY ASSURANCE STATEMENT (PERIOD ENDED 30 JUNE 2011)  
(ARC 06.09.11)

10.1 The Chief Executive briefed Members on the Quarterly Assurance Statement for the period April – June 2011, noting that the document had been forwarded to DCAL and discussed at the last Accountability Meeting. She briefed Members on those areas where there was partial assurance as to the implementation of controls. She advised that:
10.2 Mr O'Sullivan stated that Libraries NI's actions in relation to the management of a potential conflict of interest had been commended at a recent meeting with DCAL.

11. GOVERNANCE AND ACCOUNTABILITY MEETING - MINUTES (ARC 07.09.11)

11.1 The Chief Executive referred Members to the Minutes of the Accountability Meeting held on 22 April 2011. She reminded Members that as a result of the Sponsorship Risk Assessment it had been agreed to reduce the number of Accountability Meetings from four to three and to focus more on business related issues rather than governance.

11.2 Referring to section 5.2.2, the Chairperson asked to be copied into any correspondence from DCAL relating to the Statement on Internal Control. The Chief Executive indicated that no correspondence had been received.

12 INTERNAL AUDIT PLAN 2011/12 PROGRESS REPORT (ARC 08.09.11)

12.1 The Head of Internal Audit referred Members to the report which advised of progress in completing audit assignments as specified in the annual plan. He advised Members that the start of two proposed audits had been delayed as a result of preliminary fraud investigations and a value for money consultancy. He stated that he felt it would still be possible to complete these and all the other planned audits within the year.

12.2 Members noted the report and stated that they were content with the progress being made.

13 RISK MANAGEMENT REPORT AND REVIEW (ARC 09.09.11)

13.1 The Chief Executive drew attention to the report and highlighted amendments to the Corporate Risk Register particularly those that had an impact on the Residual and Treated Risk ratings. In response to questions from Members she stated that:
• it was expected that the extended timetable now in operation for the implementation of the E2 project would be achieved.
• Service Managers would be requested to closely monitor the performance of assets as part of the existing contract.
• Libraries NI now had a presence on Twitter and Facebook
• the relevant Committees would receive a progress report on Service Plans approximately six months after their implementation.

13.2 Further to discussion on Libraries NI’s approach to Marketing, the Chairperson stated that he would like to see a presentation made to the Board on this subject.

14. **LNI CHAIRPERSON’S REGISTER OF GIFTS AND HOSPITALITY**

14.1 The Chief Executive advised Members that as the Chairperson of the Board had recently resigned there was no register to consider at this time. She stated that when the process of appointing the Interim Chairperson had been completed, she would advise the Interim Chairperson of the requirement to complete a quarterly Register of Gifts and Hospitality for review by the Audit and Risk Committee.

15. **SCHEDULE OF MISSION CRITICAL PROJECTS**

15.1 The Director of Business Support presented the Schedule of Mission Critical Projects. The projects recorded are:
• IS/IT Project – Members were advised that the Outline Business Case had been approved by DCAL and DFP and that the OJEU notice would issue early October 2011. The contingency Business Case and Consultancy Business Case had also received the necessary approvals. Reports on progress are being made to the Information Systems Committee
• Strategic Review (Phase 2) – The Services Committee is leading on this matter
• Stock Assets Project – Reports on progress are being made to the Services Committee
• Northern Ireland Regional Library (Belfast Central Library) – Project has been stood down due to a lack of funding.

15.2 The Chief Executive stated that she would include a report on the ‘Opening Hours Review’ in the next schedule.

15.3 Members noted the contents of the Schedule.

16. **LIBRARIES NI DRAFT ACCOUNTS 2010/11 PROGRESS REPORT**

16.1 The Director of Business Support provided Members with an update on progress toward certification of the annual accounts for 2010/11. He
stated that the draft accounts had been submitted for audit on 30 June. Two changes had been identified as being required.

16.2 Mr O'Sullivan stated that the quality of the draft accounts was good and that he was pleased with progress being made in the audit. He expected that the Draft Report to Those Charged with Governance would be issued prior to the special meeting of the Committee scheduled for 19 October.

16.3 The Chairperson reminded Officers that a section of the Annual Report previously entitled Directors' Report was, in effect, a report from the Board and senior management and that the title should reflect this position.

17. **NIAO ISSUES** *(ARC 11.09.11)*

17.1 Mr O'Sullivan commented on progress being made in completing the audit of the accounts. He stated that the issue regarding Valuable Books was likely to remain as a qualification. He stated that some other issues had been identified but as the working files had not yet been completed and reviewed the materiality of these issues had yet to be determined.

17.2 He stated that one issue that had arisen had been as a result of the payment of honoraria by an Education and Library Board to two employees who had subsequently transferred to Libraries NI. The ELB had not obtained the relevant approvals from the sponsoring Department and DFP and the ELB Accounts had subsequently been qualified. The NIAO did recognise that Libraries NI had to continue to make the payments under TUPE legislation and had put in place a process to rectify this error. These honoraria had now been discontinued by Libraries NI. Mr O'Sullivan stated that the NIAO would consult with the Director of Business Support before reporting on this issue.

17.3 Mr O'Sullivan further stated that some minor issues had been identified in relation to the Registers of Interests completed by Board Members and that he would liaise with the Director of Business Support before reporting on these issues.

17.4 Mr O'Sullivan referred to the documents included in the papers. The Audit Strategy and Timetable were as advised to the Board in a previously issued draft. No changes had been necessary. A Letter of Understanding is included with formal notification that Mr Denver Lynn has assumed responsibility for the audit of the accounts of Libraries NI.

18. **DATE AND TIME OF NEXT MEETING**

18.1 An additional meeting to review the Annual Accounts 2010/11 before final certification was set for 10:30am, Wednesday 19 October at Portadown Library.
19. MEMBERS ARRIVAL AND DEPARTURE TIMES

19.1 The meeting ended at 12:20 pm. All those in attendance arrived for the commencement of the meeting, and remained until it ended.

Signed: ________________________

Date: 7th December 2011