LIBRARIES NI

AUDIT AND RISK COMMITTEE

7 December 2011

Minutes of a meeting of the Audit and Risk Committee held in Finaghy Library on Wednesday 7 December 2011 at 2.30 pm.

PRESENT

Mr Alastair McDowell Chairperson
Ms Judith Andrews
Councillor C Casey
Ms H Roulston

Mr N Macartney Interim 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 Peter O’Sullivan Northern Ireland Audit Office

1. APOLOGIES FOR NON ATTENDANCE

Councillor J Rodgers Vice Chairperson
Mr Denver Lynn 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 informed Members that he had met with the DCAL Auditor who will be carrying out an external review of Libraries NI’s Internal Audit function. A draft report will be available before Christmas and a full report would be brought to the next Audit and
Risk Committee meeting in March 2012. It was noted that the DCAL Auditor had also been in contact with the Chief Executive and the Northern Ireland Audit Office.

4. CHIEF EXECUTIVE’S BUSINESS

Inter-Departmental Assurance
4.1 The Chief Executive drew Members’ attention to the letter received from the Department of Finance and Personnel in relation to the Inter-Departmental Assurance 2010-11. Members noted that a satisfactory level of assurance had been given in relation to the Central Procurement Directorate. Libraries NI use the Central Procurement Directorate in relation to the E2 project.

Bribery Act 2012
4.2 Members were informed that the Risk Management Group had reviewed The Bribery Act 2010 and were of the opinion that there were no substantial risks in relation to Libraries NI and that current controls were adequate to deal with any potential issues.

4.3 The Chairperson noted that the document relates mostly to employees who pay a bribe to others to gain an advantage for themselves or their organisations. He enquired if guidance existed in relation to staff being offered bribes. The Head of Internal Audit replied that guidance contained in the Gifts and Hospitality Policies and the requirements of the Declarations of Interests were deemed sufficient to manage the perceived risk within Libraries NI.

4.4 Ms Andrews enquired if the main risk regarding staff being open to bribery was around the procurement of goods and services. The Chief Executive confirmed that there was always a potential that someone may seek to bribe a member of staff. Mr O’Sullivan from the Northern Ireland Audit Office added that when filling in Gifts and Hospitality Registers it was important that staff should always include the offers declined as well as those accepted.

Suspected Fraud
4.5 The Chief Executive informed Members that a case of suspected fraud had been reported in one of the Branch Libraries. The Head of Internal Audit and the Director of Business Support were investigating the matter and a full report would be brought to the next meeting of the Audit and Risk Committee.
5. MINUTES OF THE MEETINGS OF THE AUDIT AND RISK COMMITTEE HELD ON 28 SEPTEMBER 2011 and 26 OCTOBER 2011 (ARC 01.12.11 and ARC 02.12.11)

5.1 On a proposal by Ms H Roulston, seconded by Ms J Andrews Members agreed the minutes of the meeting of the Audit and Risk Committee held on 28 September 2011.

5.2 On a proposal by the Chairperson Mr A McDowell, seconded by Mr N Macartney Members agreed the minutes of the meeting of the Audit and Risk Committee held on 26 October 2011.

6. MATTERS ARISING FROM THE MINUTES OF THE AUDIT AND RISK COMMITTEE MEETINGS HELD ON 28 SEPTEMBER AND 26 OCTOBER 2011 (ARC 03.12.11)

September 2011

6.1 Item 4.5.1 Libraries NI Internal Audit External Audit Quality Review
As previously reported a draft report should be with the Chief Executive by Christmas and a full report would be brought to the next Audit and Risk Committee Meeting.

6.2 Item 6.1 Staff Training
Ms H Roulston thanked those involved in organising the training for staff on the use of fire-fighting equipment.

6.3 Item 6.2 Finance Procedures Manual
Members noted that the Travel and Subsistence section of the procedures manual was still to be completed because of ongoing discussions with the trades unions, but it was anticipated that revised proforma and guidance would be issued to staff by the end of December 2011.

6.4 Item 6.3 Post Project Evaluations
In response to a question from Ms H Roulston regarding the Post Project Evaluations the Director of Business Support reported that good progress was being made on resolving the legacy projects.

6.5 Item 6.4 Review of Audit and Risk Committee Terms of Reference
The Chief Executive referred Members to the paper which had been prepared for the meeting regarding the Business Planning process. Following discussion it was agreed that Officers would revise the paper and forward it to Members for information.

6.6 Item 7.4 Use of Self Assessment Document as Training Tool
The Head of Internal Audit informed Members that he had held a training seminar with Area and Operational Managers in relation to findings identified during the course of Branch Library Audits. He also confirmed that he was updating the self assessment questionnaire
and would be issuing it to Branch Library Managers for their information in the New Year.

6.7 Ms H Roulston enquired about the current position in relation to the re-tender of the valuable book collection. The Director of Business Support replied that a second procurement process had been undertaken and the contract had been awarded to a company who had carried out valuations for 4 of the 5 Education and Library Boards. It was planned that the process of valuing the valuable books portion of the stock assets would be completed by the end of March 2012.

In response to a question regarding the location and security of the valuable books the Chief Executive confirmed that the majority of books are stored securely in the one location and work was progressing to build a new fine books room in a different section of the same building before year end.

7. INTERNAL AUDIT ACTIVITY REPORT (MARCH – MAY 2011)
ARC 04.12.11

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>
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<tbody>
<tr>
<td>Branch Manager Induction</td>
<td>Consultancy</td>
</tr>
<tr>
<td>Ballyclare Branch Library</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Dromore Branch Library</td>
<td>Satisfactory</td>
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<tr>
<td>Carrickfergus Branch Library</td>
<td>Satisfactory</td>
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<tr>
<td>Portrush Branch Library</td>
<td>Satisfactory</td>
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<tr>
<td>Kilrea Branch Library</td>
<td>Satisfactory</td>
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<tr>
<td>Ballymena Branch Library</td>
<td>Satisfactory</td>
</tr>
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7.2 In response to a question from the Chairperson, the Head of Internal Audit confirmed that the Common Findings Letter was a separate document from the Self Assessment document. The Letter contained examples of actual findings from recent audits in Branches to be used as an aid to Managers to identify and resolve potential issues themselves before an audit had taken place.

7.3 In response to a question from Councillor C Casey, the Head of Internal Audit advised that fines waived at Branch level were distinct from unpaid fines and charges that were written off by Finance and recorded in the Annual Accounts.

7.4 In response to a question from Ms J Andrews, the Head of Internal Audit advised that the provision of an audit assurance was subjective and a matter of judgement for the HIA. He added that an audit report
containing two or more priority one findings would be considered for a limited level of assurance.

7.5 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. REPORT TO THOSE CHARGED WITH GOVERNANCE
   (ARC 05.12.11)

8.1 The Director of Business Support referred Members to the Report to those Charged with Governance – Action Plan and detailed the progress that had been made in implementing priority one recommendations.

8.2 In response to a question from the Chairperson, the Director of Business Support confirmed that the Action Plan relating to the 2010/11 Report to those Charged with Governance would be brought to the next meeting of the Audit and Risk Committee.

9. OUTSTANDING RECOMMENDATIONS
   (ARC 06.12.11)

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, that were considered to still be outstanding.

9.2 Members were informed that there had been 67 outstanding recommendations of which 50 had now been resolved leaving 17 still to be settled. It was noted that most of the outstanding recommendations related to the travel and subsistence audit as procedures had yet to be finalised.

10. QUARTERLY ASSURANCE STATEMENT
    (ARC 07.12.11)

10.1 The Chief Executive briefed Members on the Quarterly Assurance Statement for the period July – September 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:

- very challenging targets had been set for the year
- LNI would lose a number of staff through voluntary redundancy as a result of the review of opening hours resulting in a difficult time in terms of staff motivation.
monitoring procedures were in place to compare actual cash drawdown with forecasted cash on a monthly basis
following the detection of a cash discrepancy in one of the branch libraries cash handling procedures had been reviewed to strengthen controls and have been re-issued to staff.
following the discovery that two members of staff had been receiving an honoraria for 11 years following their transfer from one of the ELBs under TUPE arrangements this matter has now been resolved and payments had ceased.
all procurement activity had been carried out in accordance with appropriate procedures by Officers with the necessary delegated purchasing authority.
efforts had been made to ensure that all staff had been made aware of the implementation of policies but that she was reluctant to confirm that all staff are aware of and are complying with the implementation of policies
the Equality Scheme is now in place
an External Quality Assessment of Libraries NI’s Internal Audit service is to be undertaken in October by the DCAL Internal Audit Service
the Information Security Group is continuing to address priority issues identified in the self-assessment.

10.2 In response to a question from the Chairperson, the Director of Business Support advised that the current Procurement Officer was not professionally qualified but that he had appropriate and extensive experience. He was employed on a temporary basis but a process was in place to progress the recruitment of a permanent Procurement Officer.

10.3 Ms Roulston noted the Chief Executive’s reluctance to specify that all staff were aware of and were complying with policies. The Chief Executive agreed to give consideration to the wording to be used in relation to this item in future Quarterly Assurance Statements.

11. GOVERNANCE AND ACCOUNTABILITY MEETING – MINUTES
(ARC 08.12.11)

11.1 The Chief Executive referred Members to the Minutes of the DCAL Accountability Meeting held on 5 September 2011.

11.2 Following a question regarding library closures as a result of Stage 2 of the Strategic Review the Chief Executive confirmed that staff are progressing issues surrounding the closure of Moy and Moneymore Libraries and that a high level Action Plan is in place which will be considered by the Services Committee at its next meeting.

11.3 It was noted that the next DCAL Accountability Meeting would be held on 24 January 2012.
12. INTERNAL AUDIT PLAN PROGRESS REPORT (ARC 09.12.12)

12.1 The Head of Internal Audit referred Members to the report and advised that the start of the proposed audit of Travel and Subsistence may be delayed because new procedures would not be implemented until the New Year and would then need time to be embedded. He added that it was unlikely that this audit would be carried out before the end of 2012. He said that there had been no plans to carry out an audit of Health and Safety but because the last audit had received a ‘limited’ assurance rating a review had been carried out and the rating provided had improved to ‘satisfactory’. The Head of Internal Audit stated that he felt it would still be possible to materially complete the annual audit plan.

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

13. RISK MANAGEMENT REPORT AND REVIEW (ARC 10.12.11)

13.1 The Chief Executive drew attention to the report and highlighted amendments to the Corporate Risk Register. She advised that:

- it had been decided to delay the review of the mobile library service and concentrate on increasing the usage of libraries
- a Digital Strategy would be developed
- consideration was being given to the development of a Library Advocates network
- staffing arrangements would be reviewed for the delivery of key themes
- benchmarking arrangements would be developed
- a recommendation would be made to the Board not to increase fees and charges for 2012/13
- a Business Case was being prepared for submission to DCAL in relation to the implementation of voluntary redundancy
- a new risk had been added in relation to the use of Public Access Computers for illegal purposes
- DCAL had initiated the process for the recruitment of a new Chairperson of the Board.

13.2 Ms Roulston restated her opinion that the Risk Register format was very user unfriendly. The Chairperson suggested that a summary of the Register be prepared and attached to the Register when it was next presented to the Committee.

13.3 The Chief Executive agreed to provide this summary document for consideration by Members at their next meeting.

13.4 Members noted this report.
14. LIBRARIES NI INTERIM CHAIRPERSON’S REGISTER OF GIFTS AND HOSPITALITY (ARC 11.12.11)

14.1 Members noted the Register of Gifts and Hospitality as submitted by the Interim Chairperson.

15. SCHEDULE OF MISSION CRITICAL PROJECTS (ARC 12.12.11)

15.1 The Director of Business Support presented the Schedule of Mission Critical Projects. The Projects recorded were:

- IS/IT Programme – Members were advised that the extension of the contract is in place. The OJEU Notice was published in October 2011 and pre-qualification questionnaires had been received from Bidders in November 2011.
- Strategic Review (Phase 2) – It was noted that this review was complete and an action plan was in place.
- Stock Asset Project – Members were advised that the contract for valuation of the valuable books element of the stock assets had been awarded. It was noted that work would commence in January 2012 to create a new storage facility to provide environmental controls and a fire suppressant system and improve security for the valuable book collection.
- Review of Opening Hours - Consultation in relation to the strategic review of Opening Hours had closed and a report would be considered by the Board at its next meeting.
- Northern Ireland Regional Library (Belfast Central Library) – Project has been stood down due to a lack of funding.

15.2 Members noted the contents of the Schedule.

16. NATIONAL FRAUD INITIATIVE (ARC 13.12.11)

16.1 Members noted the report on progress in processing the data matches advised by the Northern Ireland Audit Office and that no fraudulent activity had been identified through this process.

17. NIAO ISSUES (ARC 14.12.11)

17.1 Mr P O’Sullivan from the Northern Ireland Audit Office advised that the Annual Report and Accounts 2010/11 had been certified and the Report to those Charged with Governance for 2010/11 had been issued

17.2 Mr O’Sullivan referred to the tabled paper setting out the Audit Strategy in respect of the Annual Report and Accounts for the year ended 31 March 2012. He drew attention, in particular to Annex 1
which outlined the audit approach to significant risks which had been identified. He added that he had informed the Director of Business Support that the CAG would expect progress on the valuation of the valuable books. It was noted that procedures on the accounting treatment of other 'stock assets' were to be discussed and agreed.

17.3 It was noted that the date for a draft of the year end financial statements to be sent to the Northern Ireland Audit Office was 29 June 2012 and the Director of Business Support confirmed that it was hoped the Annual Report and Accounts would be completed by the end of May 2012.

17.4 Members thanked Mr O'Sullivan for his report.

18. ANY OTHER NOTIFIED BUSINESS

18.1 Councillor C Casey presented the Chief Executive with letters which he had received in support of Bessbrook and Kilkeel as responses to the Review of Opening Hours.

19. DATE OF NEXT MEETING

19.1 It was noted that the next meeting of the Audit and Risk Committee would take place on Wednesday 21 March 2012 at 10.30 am in Lisburn City Library.

20. MEMBERS ARRIVAL AND DEPARTURE TIMES

20.1 The meeting ended at 3.55 pm.

20.2 All Members arrived for the commencement of the meeting and remained until it ended with the exception of the following:

Councillor C Casey arrived at 2.45 pm.

Signed: 

Date: 21st March 2012