LIBRARIES NI

AUDIT AND RISK COMMITTEE

10 October 2012

Minutes of a meeting of the Audit and Risk Committee held in Lisburn City Library on Wednesday 10 October 2012 at 10.30 am.

PRESENT

Mr Alastair McDowell  Chairperson
Councillor J Rodgers  Vice Chairperson
Ms Judith Andrews
Councillor C Casey

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
Mr David Polley  DCAL

1. APOLOGIES FOR NON ATTENDANCE

Miss H Roulston
Mr N Macartney  Chairperson of the Board

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 Members noted that there was no Chairperson’s business.

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 June 2012. Members noted in particular the following matters:
• DAO (DFP) 06/12 Departmental Delegations / Requirements for DFP Approval / Specific Delegations
• Letter from DCAL Permanent Secretary to the Board Chairperson dated 4 July 2012, re: Provision of Assurances in 2012/13 Financial Year
• Letter from DCAL Permanent Secretary to the Board Chairperson, dated 24 September 2012 in response to the Chairperson’s communication with her regarding the provision of assurances
• Letter from Chief Executive to DCAL Director of Sport, Museums & Recreation, dated 6 July 2012, regarding the Quarterly Assurance Statement on Internal Control and his response, dated 23 August 2012
• Letter from Chief Executive to DCAL Director of Museums, Libraries and Recreation, dated 14 September 2012, regarding the Quarterly Assurance Statement for Quarter 1
• DFP Memorandum on the Eight Reports of the Public Accounts Committee – The Bioscience and Technology Institute
• Treasury Minutes on PAC Reports 2010/12

4.2 With regard to the correspondence in relation to the Provision of Assurances in the 2012/13 Financial Year (Paper 2a Annex 2, point 4) the Chairperson asked for clarification on this matter and if training would be provided for Board Members. The Chief Executive agreed to speak to the Chairperson of the Board in relation to this matter and report back to the Committee.

4.3 The Head of Internal Audit informed Members that he had attended a DCAL meeting on Friday 5 October 2012 at which the Head of the Governance Support Unit had been present. At the meeting concerns had been raised regarding the timetable for submission of the Quarterly Assurance Statements. The Head of the Governance Support Unit had recognised the difficulties presented to ALBs by the timetable proposed by DCAL and confirmed that it would be reviewed next year.

5. MINUTES OF THE MEETINGS OF THE AUDIT AND RISK COMMITTEE HELD ON 14 JUNE AND 27 JUNE 2012 AR01.010.12

14 June 2012
5.1 On a proposal by Councillor J Rodgers, seconded by Mr A McDowell, the Committee approved the minutes of the meeting of the Audit and Risk Committee held on 14 June 2012.

27 June 2012
5.2 On a proposal by Councillor C Casey, seconded by Ms J Andrews, the Committee approved the minutes of the meeting of the Audit and Risk Committee held on 27 June 2012.
6. MATTERS ARISING FROM THE MINUTES OF THE AUDIT AND RISK COMMITTEE MEETINGS HELD ON 14 JUNE AND 27 JUNE 2012

14 June 2012

6.1 Item 3.3: Chairperson’s Business – Clarification as to the duration of appointments to the Board of non-Councillor Members
It was noted that a response had yet to be received from Mr A Hughes, DCAL on this matter but that the Department is currently considering criteria for the appointment/re-appointment of Board Members.

6.2 Finance Procedures Manual
The Director of Business Support confirmed that the 2 outstanding matters relating to the completion of the Finance Procedures Manual had now been agreed. The Manual has now completed and guidelines have been issued to staff.

6.3 Fine Books
Members were reminded that stock assets with a valuation of £12,866m had been transferred from the Education and Library Boards to Libraries NI. These stock assets had now been reviewed and books identified as having a value of £1,000 or more had been re-valued. Approximately 100,000 books of a lesser value had been identified. Proposals on how to move forward with these items were currently being considered and would be brought to the next Audit and Risk Committee meeting. Staff have been identified to review stock for other items of value. It was intended that all the valuable books will have been re-valued by the end of the 2012/13 financial year.

6.4 Update on recruitment of a permanent Procurement Officer
It was noted that the permanent Procurement Officer was now in post.

27 June 2012

6.5 There were no matters arising from the minutes of the meeting held on 27 June 2012

7. INTERNAL AUDIT ACTIVITY REPORT (MARCH – JUNE 2012)

7.1 The Head of Internal Audit reported on the 6 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.

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<tr>
<th>Audit Assignment</th>
<th>Assurance Rating</th>
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<tr>
<td>Stock Management</td>
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<td>Coalisland Branch Library</td>
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<td>Carnlough Branch Library</td>
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<td>Keady Branch Library</td>
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7.2 The Head of Internal Audit reported on the Priority 1 findings as follows:

- Camlough Branch Library – two Priority 1 findings in respect of Disability Access into and within the library and Health and Safety issues. Members noted that steps had been taken to resolve the issues around Health and Safety. Work was continuing with Larne Borough Council, the owners of the building, to take forward refurbishment work which would address the disability issues

- Kells and Connor Branch Library – two Priority 1 findings in relation to Cash Handling and Disability Access into and within the library. Members noted that all recommendations were being implemented in relation to Cash Handling. In respect of the Disability Access issue a risk assessment was being carried out and the matter was being taken forward by both the Area Manager and the Operational Manager.

- Stock Management – one Priority 1 finding in relation to the procurement of e-books (a Single Tender Action) where the amount specified in the business case had been exceeded, resulting in Libraries NI exceeding its delegated authority for recurrent expenditure decisions. The Director of Business Support confirmed that action was being taken to resolve the issues and implement the recommendations.

7.3 Members noted that an extensive Project Assurance audit had been carried out in relation to the E2 Project. Although the report was in the draft stage, the Head of Internal Audit was able to confirm that there were no Priority 1 findings and the assurance level provided should be satisfactory. It was expected that the report would be available for the next Audit and Risk Committee meeting.

7.4 In response to a question from Ms J Andrews regarding the proposal to tender for external focus groups to carry out market research programmes to determine the reading preferences of borrowers and non-borrowers, the Chief Executive confirmed that Libraries NI was unable to carry out this work internally as the Marketing Department is quite small and none of the existing staff have the required expertise.

7.5 In response to a question from Councillor J Rodgers regarding the administering of fines for overdue stock, the Head of Internal Audit confirmed that a procedure was in place to deal with fines and is applied equally across all of the branch libraries. He added that the issue of fines is addressed in the branch library audits and where a fine is waived staff are required to record the amount and the reason for waiving the fine. If a pattern of fines having been waived without sufficient reason developed it would be identified during the branch library audit and investigated.

7.6 The Chairperson asked about the use of security gates in libraries and expressed concern that in some cases library users could walk around the gates instead of passing through them. The Chief Executive replied that the gates currently in use were tied into the existing ElfNI contract but the new
E2 contract specified that all items of stock should be tagged as part of the Radio Frequency Identification (RFID) process and new security gates would be installed in branches at that stage. In the meantime it was agreed to consider remedial measures to improve the use of existing security gates.

7.7 In response to a question from the Chairperson, the Head of Internal Audit stated that a letter detailing issues commonly identified during branch library audits had been updated and re-issued to Area Managers in the Spring.

8. OUTSTANDING RECOMMENDATIONS

8.1 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 still outstanding more than 4 months from the originally agreed implementation date.

8.2 Members were informed that there had been a total of 77 outstanding recommendations of which 60 had been cleared. It was noted that 7 of those outstanding recommendations resulted from the Travel and Subsistence audit carried out in January 2011. All recommendations had now been cleared. There were also outstanding issues relating to a previous audit carried out in Dromore Branch library; these recommendations had also now been cleared.

8.3 Members asked that their congratulations and thanks for the hard work carried out by Managers and staff in their efforts to address audit recommendations be noted in the minutes.

8.4 Following a suggestion from Mr P O'Sullivan, Northern Ireland Audit Office, it was agreed that a similar document be prepared to show outstanding external audit recommendations.

8.5 The Director of Business Support confirmed that all issues except for a few minor matters had been cleared in relation to the external audit recommendations from 2010/11 which had been taken to the March Audit and Risk Committee meeting.

8.6 In response to a request from the Chairperson, the Head of Internal Audit agreed to bring a progress report to the next meeting on the implementation of recommendations arising from the External Quality Assessment on the Internal Audit Section completed in January 2012.

9. INTERNAL AUDIT PLAN UPDATE

9.1 The Head of Internal Audit updated Members on progress in implementing the Annual Internal Audit Plan. It was noted that 9 branch library audits had been successfully completed and 11 were currently underway. It was
expected that by the year end 20 branch library audits would be completed. The Head of Internal Audit advised Members that some of the audits undertaken had taken longer to complete than originally expected as a result of the extensive scope for example the E2 Project Assurance audit. He confirmed however, that the Internal Audit Plan was on schedule to be materially completed by March 2013.

9.2 Members noted the contents of the report.

9.3 Councillor Casey noted that the progress report also showed the proposed start date of all audits included in the Plan. He requested details of the scope of the audits on the Libraries NI Corporate Credit Card and on the review audit of Managing Attendance. The Head of Internal Audit stated that the audit on the Corporate Credit Card was to provide assurance as to its usage and security arrangements when not in use. The audit also covered the use of Fuel Credit Cards. The audit of Managing Attendance was a review of implementation of recommendations from the audit completed in March 2012. The Chief Executive advised Members that the issue of staff attendance was being raised during the staff conferences which were presently underway. A report on the management of staff attendance was due for discussion at the October meeting of the Senior Management Team.

10. ANTI-FRAUD POLICY

10.1 The Director of Business Support introduced the Report on the Anti-Fraud Policy and informed Members that the Policy was last reviewed in May 2011. He advised that the main change in the policy related to the inclusion of procedures regarding the Bribery Act 2010. He reported that Libraries NI had reviewed the Bribery Act and concluded that there was a low risk to the organisation.

10.2 On a suggestion by the Chairperson it was agreed to add the Board Members to paragraph 1.3 on page 2 which details those to whom the Anti-Fraud Policy applies within Libraries NI.

10.3 Subject to these amendments, on the proposal of Councillor Rodgers, seconded by Councillor Casey, Members agreed to recommend to the Board that it should adopt the updated Anti-Fraud Policy.

11. FRAUD RESPONSE PLAN

11.1 Members noted that the Fraud Response Plan was reviewed every year by the Committee and was last reviewed in May 2011. The Director of Business Support reported on the updates to the plan as follows:

- the new SLA for fraud investigation with DARD Central Investigation Services from 1 April 2012 to 31 March 2015 had been included (Schedule 1).
- action to take if counterfeit money was presented
• the requirement for monthly updates to the Department in relation to suspected or actual fraud
• to complete internal audit reviews of system weakness identified as a result of a fraud investigation.

11.2 On a proposal by Miss Andrews, seconded by Councillor Casey, Members agreed to recommend to the Board approval of the Fraud Response Plan.

12. ANTI-BRIBERY POLICY

12.1 The Director of Business Support informed Members that all public sector organisations must have a policy in place to prevent and manage the risk of bribery.

12.2 As previously reported after reviewing the Bribery Act it was concluded that there was a low risk to Libraries NI.

12.3 On a proposal by Councillor Casey, seconded by Councillor Rodgers, Members agreed to recommend to the Board approval of the Anti-Bribery Policy.

13. GUIDANCE ON THE PROVISION OF GIFTS AND HOSPITALITY

13.1 The Chief Executive introduced the revised guidance to staff on the provision of Gifts and Hospitality, highlighting revisions made which centred on processes for the completion of gifts and hospitality registers.

13.2 On a proposal by Councillor Rodgers, seconded by Miss Andrews, Members agreed to recommend to the Board approval of the updated Guidance on the Provision of Gifts and Hospitality.

14. QUARTERLY ASSURANCE STATEMENT

14.1 The Chief Executive briefed Members on the Quarterly Assurance Statement for the period April – June 2012 noting that the document had been forwarded to DCAL and taken to the last Board Meeting held on 13 September 2012. Members noted that:
• an effectiveness review of the Board and its Committees would take place over the next few months
• although child protection is included in the audit of branch libraries consideration would be given to the inclusion of a strategic audit of child protection and vulnerable adults in the 2013/14 audit plan
• equality training is to be provided to all Managers by 31 December 2012
• the Priority 1 recommendations noted in the Quarterly Assurance Statement had now been addressed
• A security consultant had been engaged as part of the E2 procurement process to advise on security policies.

14.2 Members noted the Quarterly Assurance Statement and recommended it to the Board.

15. LIBRARIES NI CHAIRPERSON'S REGISTER OF GIFTS AND HOSPITALITY ARC 12.10.12

15.1 Members noted the Register of Gifts and Hospitality submitted by the Chairperson of the Board for the period ended 30 June 2012.

16. LIBRARIES NI CHAIRPERSON'S REGISTER OF GIFTS AND HOSPITALITY ARC 13.10.12

16.1 Members noted the Register of Gifts and Hospitality submitted by the Chairperson of the Board for the period ended 30 September 2012.

17. RISK MANAGEMENT REPORT AND REVIEW ARC 14.10.12

17.1 The Chief Executive referred to the minutes of the Risk Management Group held on 27 September 2012 and drew Members' attention to the Corporate Risk Register which had been reviewed by the Risk Management Group, highlighting the changes that had been made.

It was noted that one additional risk had been identified and considered by the Group, namely, in relation to Objective 1:

• DCAL review of Delivering Tomorrow's Libraries fails to deliver a strategic framework reflective of 21st century library services

17.2 In response to a question from the Chairperson, Mr David Polley confirmed that a Project had been established to develop the follow up strategy to Delivering 'Tomorrow's Libraries'. The Director of Library Services represented Libraries NI on the Project Board.

17.3 The Chief Executive confirmed that, at the request of the Audit and Risk Committee, Members of the Risk Management Group had revisited the Risk Appetite for Corporate Business Objective 2 – Improve the Delivery of Public Library Service. The Committee had suggested that consideration be given to changing the Risk Appetite in relation to this Objective to Cautious. The Chief Executive indicated that the Risk Management Group was of the view that, since this Objective included the procurement of E2, at this stage in that process a Minimalist risk appetite was more appropriate. However when the E2 procurement process had been completed, a further review of the Risk Appetite would be undertaken. The Chairperson agreed to seek the Board's views on this approach.
17.4 The Committee noted the Risk Management Report and Corporate Risk Register.

18. SCHEDULE OF MISSION CRITICAL PROJECTS

18.1 The Director of Business Support presented the Schedule of Mission Critical Projects and provided the Committee with the following information:
- an update on the position in relation to the procurement process for the E2 Project
- the Valuable Books Collection has been relocated to the new storage facility in Belfast Central Library and alternative proposals are being developed to deal with remaining stock
- work continues to substantially complete the OBC by March 2013 even though the Northern Ireland Regional Library Project Board has been stood down by DCAL due to lack of funding.

18.2 Members noted the update on the Mission Critical Projects.

19. DRAFT REPORT TO THOSE CHARGED WITH GOVERNANCE 2011/12

19.1 Mr P O'Sullivan advised Members that the annual audit of accounts was nearing completion. A number of issues had been highlighted in the Provisional Report to Those Charged with Governance. Some of which were still under discussion with Libraries NI. He highlighted the following issues:
- the opinion on the Accounts would remain qualified as a result of on-going issues regarding the valuation of valuable books. He advised Members that progress had been made from the previous year with the valuation of books in excess of £1,000 in value but books below this threshold remain to be valued.
- the NIAO was currently liaising with Libraries NI to ascertain that legal title to assets could be demonstrated and work will be concluded on this before certification of the financial statements
- some weaknesses in procurement/Service Level agreements had been identified but these were not significant and would be specified to the Director of Business Support in a memorandum of minor issues.

19.2 Mr O'Sullivan advised Members that the annexes to the report would include:
- a draft letter of representation for consideration and signature of the Accounting Officer
- the proposed audit certificate
- the report of the C&AG and
- implementation of prior year recommendations.

19.3 Members agreed to arrange to meet privately with the NIAO representatives in advance of the next Audit and Risk Committee meeting to discuss the conduct of the 2011/12 audit.
20. **NIAO ISSUES**

**National Fraud Initiative**

20.1 Mr P O'Sullivan drew attention to the NIAO Press Release regarding The National Fraud Initiative: Northern Ireland and informed Members that the press release was for information purposes. If any matches were found the NIAO would contact Libraries NI.

**Provisional Report of the C&AG**

20.2 The Head of Internal Audit confirmed that this paper had been included on the agenda as it had been received in advance of the Provisional Report to Those Charged with Governance. However it was included in and had been discussed by Members as part of the provisional report.

21. **ACCOUNTABILITY MEETING MINUTES (May 2012)**

21.1 Members noted that a draft copy of the minutes had recently been received and would be brought to Members at the next meeting of the Audit and Risk Committee when they had been finalised.

22. **APPOINTMENT OF NEW CHAIRPERSON AND VICE-CHAIRPERSON**

22.1 The Chief Executive reminded Members of the document: Term of Office of Chairpersons and Vice-Chairpersons which had been approved at the Board Meeting held on 10 May 2012 which explained the process for the appointment and term of office of Chairpersons and Vice-Chairpersons of all Libraries NI Committees. This document stated that the position of Chairperson should rotate on a 2 year basis. It was also agreed that if the Chairperson’s post became vacant, the Vice-Chairperson would assume the position as Chairperson. In line with these procedures, on a proposal by Mr McDowell, seconded by Councillor Casey, Members agreed that Councillor J Rodgers should assume the position of Chairperson of the Libraries NI Audit and Risk Committee effective from the Special meeting to be held on 24 October 2012.

22.2 Councillor J Rodgers thanked Mr A McDowell for setting such a high standard as Chairperson of the Audit and Risk Committee and informed Members that he looked forward to working with them into the future. Councillor Casey also thanked the Chairperson for his leadership of the Audit and Risk Committee.

22.3 The document: Term of Office of Chairpersons and Vice-Chairpersons also states that if the Vice-Chairperson’s post becomes vacant, the normal election procedure would be followed, with the position being filled by a Councillor, if the Chairperson is an independent Member and by an independent member if the Chairperson is a Councillor. In the absence of Ms H Roulston, the only independent Member of the Committee it was agreed that the appointment of the Vice-Chairperson should be deferred.
22.4 Mr A McDowell thanked Members for their diligence and hard work over the past 3 years and congratulated Councillor J Rodgers on his appointment as the Chairperson of the Audit and Risk Committee.

22.5 The Chief Executive joined Members in thanking Mr McDowell for his hard work and commitment to the Audit and Risk Committee over the past number of years and congratulated Councillor J Rodgers on his appointment.

23 ANY OTHER NOTIFIED BUSINESS

23.1 There was no other notified business.

24. DATE OF NEXT MEETING

24.1 It was agreed that:

- a Special meeting of the Audit and Risk Committee would be held at 1.30 pm on Wednesday 24 October in the Regional Administration Centre, Ballymena (after the Business Support Committee) to review the draft Annual Report and Accounts 2011/12

- the next full meeting of the Audit and Risk Committee would take place on Wednesday 12 December 2012, at 10.30 am in Lisburn City Library.

25. MEMBER’S ARRIVAL AND DEPARTURE TIMES

25.1 The meeting ended at 12.24 pm.

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

Mr David Polley arrived at 11.22 am

Councillor C Casey left at 12.05 pm

Signed: [Signature]

Date: 12 December 2012