LIBRARIES NI

AUDIT AND RISK MANAGEMENT COMMITTEE

14 June 2012

Minutes of a meeting of the Audit and Risk Management Committee held in Antrim Library on Thursday 14 June 2012 at 10.30 am.

PRESENT

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

IN ATTENDANCE

Ms Irene Knox Chief Executive
Mr Terry Heron Director of Business Support
Mr Brian Doherty Head of Internal Audit
Mrs Pauline Gilmore Northern Ireland Audit Office
Mr Alastair Hughes DCAL

1. APOLOGIES FOR NON ATTENDANCE

Ms Judith Andrews
Councillor C Casey
Mr N Macartney Chairperson of the Board

The Chairperson welcomed Mrs P Gilmore from the Northern Ireland Audit Office to the Libraries NI Audit and Risk Management Committee.

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

Committee Self-Assessment

3.1 The Chairperson reported that as a result of the self-assessment process which the Committee had undertaken, taking account of the National Audit Office Self-Assessment Checklist, a draft action plan had been prepared and
circulated to members of the Committee. Members considered and approved the draft action plan, noting the following in particular:

- the recommendation that the Chairperson of the Audit and Risk Management Committee should have a formal role in the selection / appointment of new members to the Committee
- the proposed assessment criteria for the appointment of the Chairperson of the Audit and Risk Management Committee, based on recommendations in the HM Treasury Audit Committee Handbook
- a suggestion from Ms H Roulston to include reference in the induction checklist to providing an opportunity for members to spend time in a library to see how it operates
- the indicative agendas for meetings of the Committee during 2012/13.

3.2 The Chief Executive reminded Members that the Board, at its last meeting, had agreed that the positions of Chairperson and Vice Chairperson on all Committees should be rotated on a biennial basis and that the positions on each Committee should be representative of both councillors and non-councillors. She reported that, following the Board’s decision on this matter, a paper was being prepared for the next Board meeting setting out a proposed timetable for its implementation.

3.3 Members sought clarification on the duration of appointments to the Board and the number of terms that Board Members could serve. It was noted that DCAL proposed to commence a recruitment process later in the year and Members queried whether current non-councillors whose first term of office was due to end in 2013 would have to reapply for a second term or if their appointments could be extended. Mr A Hughes (DCAL) agreed to provide clarification on these matters.

DCAL Workshop for Chairpersons of Audit and Risk Committees

3.4 The Chairperson reported that he had attended a workshop held by DCAL for the Chairpersons of Audit and Risk Committees and that it had been informative.

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 March 2012. Members noted in particular the following matters:

- DAO (DFP) 04/12 which requires Accounting Officers to ensure that all correspondence with the Public Accounts Committee is copied to the Treasury Officers of Accounts
- DAO (DFP) 05/12 which provides information on the proposed withdrawal of a number DAOs
- Treasury Minutes and reports from the Westminster PAC Session 2010 – 2012
Correspondence from the NIAO, dated 2 May 2012, confirming Libraries NI's participation in the National Fraud Initiative (NFI) in Northern Ireland: Data Matching Exercise 2012-13.

4.2 The Chief Executive drew attention to correspondence, dated 9 June 2012, from the Permanent Secretary (DCAL) to the Chairperson of Libraries NI regarding the provision of assurances in the 2012/13 financial year. Members noted also the proposed revised Guidance for Completion of Assurance Statements which was included as an appendix to the letter. The Chief Executive informed the Committee that the Chairperson of the Board and she had attended a meeting of the DCAL Strategic Partnerships Forum, held on 12 June 2012, at which the proposed revised guidance was the major item for discussion. She added that the Chairpersons of a number of the ALBs had expressed disquiet about the proposed new Quarterly Assurance process. It was felt that the process blurred the lines of responsibility and accountability and that it assumed that Chairpersons would, and should, have detailed knowledge of operational issues. Members noted that the document had been referred back to DCAL for review and that a number of Chairpersons, including Mr N Macartney, Chairperson of Libraries NI, had offered their services to DCAL to help with this matter.

4.3 The Chairperson of the Audit and Risk Committee reported that the implications of the new proposals would impact on the timings of the Audit and Risk Management Committee and suggested that further discussion on the matter be postponed since the Chairperson of the Board would also be reporting to the Board on the discussions at the DCAL Strategic Partnerships Forum.

4.4 Councillor J Rodgers queried whether other Departments were using a similar process or would be expecting their ALB's to follow similar guidelines in relation to the Quarterly Assurance process. Ms H Roulston reported that, as an independent member of the Departmental Board of another government Department, she was not aware of any similar process either being used, or considered.

4.5 The Chief Executive reminded Members that one of the recommendations in the External Assessment of Libraries NI's Internal Audit Service was that the Chairperson of the Audit and Risk Committee should be consulted in relation to the Staff Appraisal process for the Head of Internal Audit. The Chief Executive confirmed that the Staff Appraisal for the Head of Internal Audit had been completed in May 2012 and that the Chairperson had been consulted during the process.

5. MINUTES OF THE MEETING OF THE AUDIT AND RISK COMMITTEE HELD ON 21 MARCH 2012 (ARC 01.06.12)

5.1 On a proposal by Ms H Roulston, seconded by Councillor J Rodgers the Committee approved the minutes of the meeting of the Audit and Risk Committee held on 21 March 2012.
6. MATTERS ARISING FROM THE MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING HELD ON 21 MARCH 2012 (ARC 02.06.12)

6.1 Item 4.2: Chief Executive’s Business
Members noted that the Annual Fraud Report had been circulated to all relevant managers

6.2 Item 6.1 Finance Procedures Manual
The Director of Business Support reported that there had been 2 outstanding issues regarding the Finance Procedures Manual i.e. the definition of Essential User status and the circumstances where Excess Fares apply. Members were advised that the issue of Essential User status had been resolved and that an offer had been made to the Trades Unions in respect of Excess Fares and this matter was being considered further at a meeting of the Libraries NI Negotiating Committee, scheduled for 22 June 2012.

6.3 Item 6.2: Fine Books
The Director of Business Support reported that the valuation of the valuable books portion of the stock assets had been completed and that the value had increased since the last valuation. He stated that arrangements for the treatment of the remaining stock assets had yet to be finalised but that he would keep Members advised.

6.4 Item 6.3: Procurement Officer
Members noted that an offer of employment had been made and accepted and it was hoped that the permanent Procurement Officer would commence in August 2012.

6.5 Arrangements and facilities for storage of the Fine Book Collection in Belfast Central Library
Members noted that the new facility for storage of the Fine Book Collection had been completed and the Fine Book Collection would be relocated to it during July 2012.

7. INTERNAL AUDIT ACTIVITY REPORT (ARC 03.06.12)

7.1 The Head of Internal Audit reported on the 9 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>
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</thead>
<tbody>
<tr>
<td>Gifts and Hospitality</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Procurement (review audit)</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Cash Management</td>
<td>Substantial</td>
</tr>
<tr>
<td>Information Security</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Mobile Library Service</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Ballymena Branch Library</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Crumlin Branch Library</td>
<td>Satisfactory</td>
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</tbody>
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7.2 In response to a question from the Chairperson in relation to the Internal Audit of Gifts and Hospitality the Head of Internal Audit confirmed that a procedure had now been put in place for the Libraries NI website to be updated with Board Members’ Gifts and Hospitality Registers.

7.3 Councillor J Rodgers indicated his satisfaction with the outcome of the review audit of procurement.

7.4 In response to questions on the audit of the Mobile Library Service it was agreed that:
   - the Chief Executive would investigate the possibility of a mobile library vehicle being available for Members to view at a future Board meeting
   - the Head of Internal Audit would reword the second paragraph of the paragraph 8.2 (Tax and Insurance) to ensure clarity of meaning.

7.5 Members noted that a second audit for Ballymena Branch Library had been carried out due to an issue with petty cash.

7.6 The Chairperson noted that a recurring theme had arisen from the audits of branches relating to health and safety issues and asked if a health and safety review for each branch library would be carried out. The Chief Executive confirmed that all Area Managers were asked to ensure that risk assessments including health and safety had been carried out in all libraries in their area and that all staff were aware of their responsibilities.

7.7 The Chairperson noted a number of findings regarding the completion of fire drills and the testing of fire alarms. The Head of Internal Audit advised Members that fire risk assessments had been completed in Belfast Branches and a procurement exercise was underway to complete these assessments in all other branches. This should highlight and lead to a resolution of any issues in other branches.

7.8 In response to a request from Mrs P Gilmore, NIAO, the Head of Internal Audit agreed to include the issue date of Branch Library Audit Reports on the summary provided at the meeting.

7.9 The Head of Internal Audit highlighted the report on the audit of Cash Management pointing out that a ‘substantial’ level of assurance had been provided. He advised Members, however, that DCAL had recently informed the Libraries NI Finance Manager that procedures with regard to cash management and cash drawdown were to be amended in the near future. The Director of Business Support advised Members that a meeting was to be arranged with the DCAL Governance Support Unit to discuss this issue.
7.10 Members reviewed the reports and noted the assurances given together with the commitment of Senior Management to implement the recommendations arising from the audits.

8. OUTSTANDING RECOMMENDATIONS (ARC 04.06.12)

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 71 outstanding recommendations in total of which 44 had now been resolved leaving 27 still to be implemented. It was noted that of the 27 outstanding recommendations, 19 related to 2 audits, i.e. the Travel and Subsistence Audit (discussed earlier in the meeting under matters arising) and Dromore Branch Library. Members were advised that a major refurbishment was underway at Dromore and implementation of audit recommendations would proceed when the branch reopened in August 2012.

9. INTERNAL AUDIT ANNUAL REPORT 2011/12 (ARC 05.06.12)

9.1 The Head of Internal Audit informed Members that Government Internal Audit Standards required him to present a formal annual report to the Accounting Officer giving his opinion on 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.

9.2 The Head of Internal Audit presented his report, highlighting in particular Section 8 which contained his annual assurance to the Accounting Officer. He stated that the report confirmed that sufficient work had been completed to provide an assurance and that the conclusions drawn from each assignment meant that overall he was able to provide a ‘Satisfactory’ level of assurance.

9.3 Ms H Roulston suggested that future reports showing the training element of the duties carried out by the Head of Internal Audit’s should be more clearly defined to show training given as well as received.

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

9.5 Members noted the contents of the Report.
10. **INTERNAL AUDIT PLAN TIMETABLE 2012/13** (ARC 06.06.12)

10.1 The Head of Internal Audit presented the Internal Audit Plan 2012/13 and reported that additional information had been added to Appendix 1 of the Internal Audit Plan as previously requested. The proposed timetable for the start of planned audits had also been included.

10.2 Members noted the contents of the Report.

11. **AUDIT AND RISK COMMITTEE DRAFT ANNUAL REPORT** (ARC 07.06.12)

11.1 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.

11.2 The Chairperson noted that there was one outstanding area of concern recorded in the report, namely that a number of recommendations are still outstanding from a Travel and Subsistence audit completed in January 2011. He noted, however, that it was expected that these recommendations would be implemented before the issue of the final report and if so, the Report could be amended accordingly.

11.3 The Chairperson agreed to a suggestion from Mrs P Gilmore, NIAO, that the dates of letters issued by the NIAO be recorded in the report.

11.4 The Director of Business Support reported that the Annual Report 2011/12 was in draft form and that the draft Annual Accounts were almost complete. A copy of the draft Annual Report and Accounts would be brought to the Business Support Committee on 27 June 2012. Members were reminded that a Special meeting of the Audit and Risk Management Committee would be held after the Business Support Committee to discuss the draft Annual Report and draft Accounts.

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

12. **DRAFT STATEMENT ON INTERNAL CONTROL 2011/12** (ARC 08.06.12)

12.1 The Chief Executive presented her draft Statement on Internal Control for 2011/12, indicating that it would inevitably require revision before final submission of the Annual Accounts.

12.2 The Chief Executive drew attention to the section on Significant Internal Control issues, highlighting in particular the risks associated with the implementation of the strategic review of provision and the review of opening hours.
12.3 Ms P Gilmore NIAO reported that Mr D Lynn (NIAO) had reviewed the draft Statement on Internal Control and had suggested that the sections relating to the Financial Environment, Staffing, the Strategic Reviews of Provision and the Review of Opening Hours might be more usefully included in the Annual Report. The Chief Executive agreed to consider this matter further.

12.4 Members considered the draft Statement on Internal Control using the headings set out in the NAO Guide To Audit Committees and agreed to consider it further at the Special Meeting on 27 June 2012. They asked, in the interim that the date of certification of the 2010/11 accounts should be corrected.

12.5 In response to a suggestion from Councillor Rodgers, Mr A Hughes agreed to forward a request to Mr M Cory, Director of Sport, Museums and Recreation at DCAL that his job title should be amended in order to reflect his responsibility for library provision. As DCAL’s largest ALB Councillor Rodgers felt that the management of Library Services should be specifically mentioned in the job title.

13. LIBRARIES NI RISK MANAGEMENT STRATEGY (REVISED)

13.1 (ARC 09.06.12) The Director of Business Support introduced the revised Risk Management Strategy. Members discussed the risk appetite within Libraries NI and suggested that the risk appetite in relation to Improving the Delivery of Public Library Services which had been changed to minimalista should be re-visited.

13.2 Ms H Roulston reiterated comments made at previous meetings that all Board Members were not sufficiently engaged in the risk management process. She indicated also that the risk register was very detailed and did not facilitate easy understanding of the process. She suggested that a workshop should be held to enable Board Members to concentrate on the Risk Register more fully.

13.3 The Chairperson agreed that a workshop might help Board Members understand the importance of the Risk Register and make them more aware, and accepting, of the risks identified and the actions being taken to manage them. He referred to the summary risk register which had been introduced in order to help the Committee and Board Members focus on the key risks, rather than the detail of how they were being managed, noting that it was provided on a quarterly basis to all Board Members as part of the management information under Chief Executive’s Business. He agreed to suggest at the next Board Meeting that a workshop might be held.

13.4 Members approved the revised Risk Management Strategy.

14. RISK MANAGEMENT REPORT AND REVIEW

14.1 (ARC 10.06.12) The Chief Executive referred to the minutes of the Risk Management Group held on 21 May 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. She sought views from Members on any other risks which they felt had not been identified and whether there were other actions which Members felt needed to be taken to address the risks that had been identified.

14.2 The Chief Executive confirmed that the presentation by on Risk Management, deferred from the May Board Meeting, would go ahead at the July meeting. At the suggestion of the Chairperson, the Chief Executive agreed to list Management Information, including the summary Corporate Risk Register, as a separate item on the Board agenda.

14.3 Members noted the Report.

15. QUARTERLY ASSURANCE STATEMENT (ARC 11.06.12)

15.1 The Chief Executive briefed Members on the Quarterly Assurance Statement for the period January – March 2012, noting that the document had been forwarded to DCAL and discussed at the last Accountability Meeting held on 29 May 2012. Members noted that:

- some of the targets relating to levels of use had not been met
- Post Project Evaluations on a number of capital projects inherited from the Education and Library Boards had been completed and a Lessons Learned Report would be considered at the next Business Support Committee
- The Equality Scheme had been approved by the Equality Commission and a training plan had been developed
- The Disability Action Plan was in place and training would be provided for staff during 2012/13
- Internal Audit had been subject to an External Quality Assessment by the DCAL Internal Auditor
- 2011/12 Accounts were undergoing interim audit at present. Final accounts would be prepared and presented for audit in line with the agreed timetable.
- the qualification on the 2010/11 Accounts in relation to Stock Assets values would carry forward although substantial progress had been made
- the services of an information security consultant had been procured to advise on arrangements to be taken forward as part of the E2 project.
- separate communication arrangements were in place in relation to the E2 procurement process.

15.2 Members noted the Quarterly Assurance Statement
16. GOVERNANCE AND ACCOUNTABILITY MEETING - 24 JANUARY 2012  
(ARC 12.06.12)

16.1 The Chief Executive referred Members to the Minutes of the Governance and Accountability Meeting held on 24 January 2012.

16.2 Members noted the minutes of the meeting.

17. LIBRARIES NI CHAIRPERSON'S REGISTER OF GIFTS AND HOSPITALITY  
(ARC 13.06.12)

17.1 Members noted the Register of Gifts and Hospitality, submitted by the Chairperson of the Board.

18. SCHEDULE OF MISSION CRITICAL PROJECTS  
(ARC 14.06.12)

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.
- a report on the current position regarding the libraries in the Stage 2 Strategic Review of library provision would be taken to the Services Committee on 19 June 2012.
- the valuable books collection would be relocated to the new storage facility in Belfast Central Library in July 2012.
- the new opening hours in libraries had been implemented on 6 June 2012, as agreed, and while there were still some issues to be resolved in relation to staffing, the transition had been relatively smooth.
- The Northern Ireland Regional Library Project has been stood down although work continued to complete the Outline Business Case in line with the timetable specified in the 2012/13 Business Plan.

18.2 The Chairperson informed Members that Mr D Curry, E2 Project Manager and Ms T Ward, Business Manager had been unable to attend the Committee today due to commitments with the Project but would attend the Special Meeting, scheduled for 27 June 2012, to address the risks involved in the project and the action being taken to manage them.

18.3 Members noted the update on the Mission Critical Projects.

19. AUDIT AND RISK COMMITTEE SCHEME OF DELEGATION  
(ARC 15.06.12)

19.1 Members reviewed the existing Scheme of Delegation for the Audit and Risk Management Committee and agreed that it did not require any amendments.
20. NIAO ISSUES

20.1 Mrs P Gilmore, NIAO, reported that the Northern Ireland Audit Office had no business to raise at this meeting.

21. ANY OTHER NOTIFIED BUSINESS

21.1 There was no other notified business.

22. DATE OF NEXT MEETING

22.1 It was agreed that:

- a Special meeting of the Audit and Risk Committee would be held at 1.30pm on 27 June 2012 in Antrim Library (after Business Support Committee) to review the draft Annual Report and Accounts 2011/12 and to receive a presentation on risk management within the E2 Project

- the next full meeting of the Audit and Risk Committee would take place on Wednesday 10 October 2012, at 10.30am in Lisburn City Library.

23. MEMBERS ARRIVAL AND DEPARTURE TIMES

23.1 The meeting ended at 1.00 pm.

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

Mr A Hughes arrived at 10.35 am.

Signed: _____________________________

Date: 10th October 2012