LIBRARIES NI

AUDIT AND RISK ASSURANCE COMMITTEE

16 October 2013

Minutes of a Meeting of the Audit and Risk Committee held in Lisburn City Library on Wednesday 16 October at 10.30 am.

PRESENT

Councillor J Rodgers Chairperson
Ms Judith Andrews
Mr Alastair McDowell
Ms Helen Roulston

Mr Nigel 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
Mrs Rita McNamee Finance Manager
Mr Peter O’Sullivan Northern Ireland Audit Office
Mr Anthony King Northern Ireland Audit Office
Mr Ciaran Mee DCAL

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 welcomed Mr Ciaran Mee, Deputy Principal, Museums and Libraries Branch, DCAL and Mr Anthony King, Northern Ireland Audit Office to their first meeting of the Libraries NI Audit and Risk Assurance Committee meeting.
4. CHIEF EXECUTIVE’S BUSINESS

4.1 The Chief Executive drew attention to correspondence received since the last meeting as follows:

- FD (DFP) 09/13 Laying NDPBs Annual Report and Accounts in the Northern Ireland Assembly
- PGN 02/09 (Revised) Procedures for the Evaluation of Tenders
- FD (DFP) 11/13 Revised Guidance on Business Case Process
- DAO (DFP) 04/13 Revised: Prompt Payment of Invoices
- DAO (DFP) 04/13 Revised: Update on Renewal of NICS Banking Contract
- PGN 03/11 Verification of NIAO Acceptance DAO (DFP) 08/13 Fraud Alert: Amendments to Suppliers Bank Account Details

4.2 In response to a question from Mr A McDowell regarding DAO (DFP) 08/13 Fraud Alert: Amendments to Suppliers Bank Account Details, the Director of Business Support confirmed that procedures were in place within Libraries NI for authenticating and approving any requests for amendments to suppliers’ bank account details.

5. MINUTES OF THE MEETING OF THE AUDIT AND RISK ASSURANCE COMMITTEE HELD ON 27 JUNE AND 4 JULY 2013

27 June 2013 (ARAC 01.10.13a)

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 Assurance Committee held on 27 June 2013 subject to the following amendment to paragraph 3.2 on page 2:

‘Members were content that in all cases that were applicable the Committee was complying fully with the principles of good practice contained in the checklist’

4 July 2013 (ARAC 01.10.13b)

5.2 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 Assurance Committee held on 4 July 2013.

6. MATTERS ARISING FROM THE MINUTES OF THE MEETING OF THE AUDIT AND RISK ASSURANCE COMMITTEE HELD ON 27 JUNE AND 4 JULY 2013 (ARAC 02.10.13)

27 June 2013

6.1 The Chief Executive drew attention to the schedule which had been circulated, detailing actions taken as a result of discussions at, and decisions of, the Committee at the previous meeting.
Item 3.1: Chairperson's Business

6.2 Members noted that at the Board Meeting held on 4 July 2013, the Board had accepted the recommendation made by the Committee and approved the renaming of the Committee to the Audit and Risk Assurance Committee.

Item 16.2 Update on Outstanding Post Project Evaluations (PPEs)

6.3 Members noted that there were no overdue major capital Post Project Evaluations (PPEs) and that one large value recurrent PPE was due for completion by 30 September 2013 but the deadline had slipped to 31 October 2013. Eleven smaller value PPEs had been due for completion by 31 July 2013 and all eleven had now been completed, although some had been after the July deadline.

Members noted that further training on Business Case and Post Project Evaluations had taken place on 4 and 18 September 2013 respectively.

Item 16.2: Progress Report on Project Assurance on e2

6.4 The Director of Business Support informed Members that the progress report on Project Assurance in relation to e2 had been issued in October 2012 with eleven findings, none of which were Priority One issues. There was one outstanding recommendation as at June 2013 which had now been cleared. A Lessons Learned Log is being maintained and a Project Evaluation Review on the procurement phase would be prepared by the end of December 2013.

4 July 2013

6.5 Members noted that there were no matters arising from the meeting of the Audit and Risk Assurance Committee held on 4 July 2013.

7. INTERNAL AUDIT ACTIVITY REPORT (ARAC 03.10.13)

7.1 The Head of Internal Audit reported on the 11 audits which had been completed since the last meeting of the Audit and Risk Assurance Committee held in June 2013. He reported that the eight branch library audits had all received a satisfactory level of assurance. There was one Priority One rating which had been given in respect of a disability access/health and safety issue. Members noted 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>Stock Assets Project</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Control of iPads</td>
<td>n/a</td>
</tr>
<tr>
<td>Cash Loss in a Branch Library</td>
<td>n/a</td>
</tr>
<tr>
<td>Chichester Branch</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Shankill Road Branch</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Whiterock Branch</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Tandragee Branch</td>
<td>Satisfactory</td>
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<tr>
<td>Branch</td>
<td>Status</td>
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<td>--------------------------</td>
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<tr>
<td>Moira Branch</td>
<td>Satisfactory</td>
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<tr>
<td>Portstewart Branch</td>
<td>Satisfactory</td>
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<tr>
<td>Coleraine Branch</td>
<td>Satisfactory</td>
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<tr>
<td>Castlewellan Branch</td>
<td>Satisfactory</td>
</tr>
</tbody>
</table>

7.2 Members noted the report on the Control of iPads issued as a result of a preliminary investigation into the circumstances relating to the unexplained loss of an iPad as it was being transported between two branch libraries. The investigation had been unable to determine how the loss came about, but it was considered that the most likely cause was theft. A number of recommendations had been made and implemented by management to minimise the risk of an incident of this type happening again.

7.3 The Head of Internal Audit drew Members’ attention to the final report of the investigation into a cash loss at a branch library. Again the investigation was unable to determine how the cash loss came about, but it was considered that the most likely cause was as a result of theft. A number of recommendations had been made and implemented by management to minimise the risk of an incident of this type happening again. A full audit of the branch concerned would take place in the current financial year.

7.4 The Head of Internal Audit confirmed that the security of safe keys was one of the issues currently under review.

7.5 In response to a question from Mr McDowell, the Head of Internal Audit confirmed that, although findings with regard to the implementation of fire drills were still being identified during internal audits of branch libraries, the incidences of priority one findings regarding failure to have evacuation drills had reduced significantly. He stated that there was still a lot of work required in this area but that he was content that action was being taken to enhance existing controls.

7.6 In response to a question from Ms Andrews, the Head of Internal Audit confirmed that the branch where the cash loss had been identified was in the process of procuring key safes.

7.7 Mr Macartney welcomed the additional controls such as tracking software which were being considered to enhance security of iPads. He suggested that a warning notice (regarding tracking software) could be applied to the devices. The Chief Executive stated that this would be considered.

7.8 Members noted the reports

8. OUTSTANDING AUDIT RECOMMENDATIONS (ARAC 04.10.13)

8.1 The Head of Internal Audit drew Members’ attention to the report showing progress on the implementation of Outstanding Audit Recommendations from previous Internal Audit reports. Members noted that, since the last
meeting of the Audit and Risk Assurance Committee in June 2013, of the 42 recommendations that were outstanding, 38 had now been cleared leaving four to be resolved. Members noted that there were no Priority One recommendations outstanding.

8.2 Members noted the recommendation, highlighted in red, regarding evacuation chairs in branch libraries and the particular difficulties associated with taking forward this work. It was agreed that a report on this matter would be brought to the Business Support Committee.

8.3 Members noted the report.

9. INTERNAL AUDIT ANNUAL PLAN 2013/14 PROGRESS REPORT
   (ARAC 05.10.13)

9.1 The Head of Internal Audit updated Members on progress in implementing the 2013/14 Internal Audit Plan. He stated that the Plan called for the completion of 33 Audit Assignments during the year and, as at the end of September 2013, 14 had been completed.

9.2 He stated that slippage had occurred as a result of the requirement to complete unplanned investigations. He advised Members that he was content that by the year end the plan would be material complete and that he would be in a position to provide an annual assurance to the Accounting Officer and to the Committee.

9.3 The Head of Internal Audit advised Members that the Auditor was to undertake training in the New Year on Fraud Investigations and would then be in a position to support him in the completion of these assignments.

10. LIBRARIES NI DRAFT ANNUAL REPORT AND ACCOUNTS 2012/13
    (ARAC 06.10.13)

10.1 The Chief Executive referred to the tabled copy of the Draft Annual Report and Accounts, noting that it had been revised in light of the provisional Report to those Charged with Governance, received a few days prior to the meeting.

10.2 Mr McDowell expressed concern that documents had been tabled at the meeting, in view of comments the previous year from the then NIAO Director regarding the importance of Audit and Risk Assurance Committee Members having sight of all documents relating to the Annual Report and Accounts ahead of the meeting. The Chief Executive apologised for the tabled documents, indicating that discussions had been ongoing with the Northern Ireland Audit Office regarding the recommendations in the provisional Report to those Charged with Governance which had implications for the Annual Report and Accounts. The provisional Report to Those Charged with Governance had not been received from NIAO until late on Friday 11
October, following which the management response had to be prepared and returned to NIAO and amendments made to the Annual Report and Accounts accordingly. Mr O'Sullivan, NIAO added his apologies and indicated that he had wished to ensure that the provisional Report to those Charged with Governance was as near to being final as possible.

10.3 The Chief Executive and the Director of Business Support drew attention to the changes made to the draft Annual Report and Accounts. In particular attention was drawn to changes relating to Stock Assets, resulting from the recommendations in the provisional Report to those Charged with Governance. Members were reminded that the Annual Accounts had been qualified since the establishment of Libraries NI in relation to Stock Assets because the completeness and accuracy of the valuations inherited from the Education and Library Boards could not be confirmed.

10.4 Attention was drawn to the tabled report on work that had been undertaken to seek to address the outstanding issues regarding the valuation of Stock Assets. The Director of Business Support reminded Members that the Board had agreed a new accounting policy in relation to Stock Assets and that the capitalisation limit had been set at £1,000. 720 items that fell within the remit of the Policy had been identified and valued at £6.171 million, compared to a 2006/07 value of £4.262 million, resulting in a prior year adjustment and a derecognition of £8.604 million of previously recognised assets. However the NIAO, as a result of the audit of the 2012/13 Accounts was of the opinion that the balance of items written off contained potentially valuable items and had concluded that the capitalisation threshold in the Libraries NI accounting policy was not appropriate.

10.5 Members agreed at this stage to give consideration to the provisional Report to those Charged with Governance.

11. PROVISIONAL REPORT TO THOSE CHARGED WITH GOVERNANCE 2012/13 (ARAC 07.10.13)

11.1 The Chairperson invited Mr P O'Sullivan, Northern Ireland Audit Office to present the Provisional Report to those Charged with Governance. Mr O'Sullivan drew attention to the recommendations, noting in particular the two Priority One findings i.e. Heritage Assets and Amounts due from library borrowers. He noted that progress had been made in resolving the matters that had previously resulted in the accounts being qualified but that there were still issues which remained to be addressed regarding the items previously valued at £8 million, which Libraries NI was proposing to derecognise.

11.2 Members expressed their disappointment at the on-going qualification in respect of Heritage Assets and asked that the NIAO engage actively with Libraries NI in order to find a resolution to this issue. Mr McDowell sought an assurance that on-going action would be taken to resolve this matter prior to the next audit. The Chief Executive indicated that officers were committed to
working proactively with NIAO to seek to find a mutually acceptable way forward but that no assurances could be provided regarding whether or not the issues would be resolved prior to the end of this financial year, given the scale of the problem and the potential costs involved in valuation exercises.

11.3 It was agreed that a report on progress in relation to this matter would be brought to each meeting of the Audit and Risk Assurance Committee.

11.4 Members expressed their appreciation of the hard work of all staff involved in the preparation, development and completion of the Annual Report and Accounts 2012/13.

11.5 Following further discussion on the Annual Report and Accounts and the recommendations in the provisional Report to those Charged with Governance, on a proposal by Ms H Roulston, seconded by Mr A McDowell, Members noted the provisional Report to those Charged with Governance and agreed to recommend the Libraries NI Draft Annual Report and Accounts 2012/13 to the Board for approval.

12. AUDIT AND RISK ASSURANCE COMMITTEE DRAFT ANNUAL REPORT 2012/13 (ARAC 08.10.13)

12.1 The Head of Internal Audit drew attention to the Audit and Risk Assurance Committee Draft Annual Report 2012/13. Members noted that this report could now be completed upon receipt of the Report from the Director of Business Support on the 2012/13 Annual Accounts and the Provisional Report to Those Charged with Governance.

12.2 The Chairperson agreed to liaise with the Head of Internal Audit to finalise the report and circulate it to all Audit and Risk Assurance Committee Members for approval ahead of the Board meeting the next day.

13. QUARTERLY ASSURANCE STATEMENT (PERIOD ENDED 30 SEPTEMBER 2013) (ARAC 08.10.13)

13.1 The Chief Executive briefed the Committee on the Quarterly Assurance Statement for the period ended 30 September 2013. She reminded Members of a number of issues that were highlighted in the statement and that it had been prepared before the provisional Report to those Charged with Governance had been issued by the Northern Ireland Audit Office. She indicated that amendments would need to be made to take account of the provisional Report to Those Charged with Governance.

13.2 Members reviewed and discussed the Quarterly Assurance Statement and having questioned the Chief Executive and received the necessary assurances, on a proposal by Ms J Andrews, seconded by Mr A McDowell, the Committee agreed to recommend it to the Board for approval, subject to inclusion of the changes and additions agreed. The Chief Executive agreed
to email a copy of the amended QAS to Members prior to the Board meeting the next day.

14. RISK MANAGEMENT REPORT AND REVIEW (ARAC 10.10.13)

14.1 The Director of Business Support introduced the papers on the Risk Management Report and Review and referred Members to the minutes of the Risk Management Group held on 4 October 2013.

14.2 He then drew Members' attention to the Corporate Risk Register which had been reviewed by the Risk Management Group, highlighting the changes which had been made. Members noted that, as requested, the definitions of risk appetite had been included in the Corporate Risk Register.

14.3 Members noted the report.

15. CORPORATE GOVERNANCE IN CENTRAL GOVERNMENT DEPARTMENTS (ARAC 11.10.13)

15.1 The Head of Internal Audit reminded Members that in April 2013 DFP had issued DAO (DFP) 06/13 regarding the revised Code of Good Practice on Corporate Governance in Central Government Departments. This revised Code replaced that issued in 2005. This Corporate Code has now been updated to include Northern Ireland and one of the major changes was the requirement for a Board Operating Framework.

15.2 The Chairperson of the Board, Mr N Macartney, drew attention to the requirement for an annual evaluation of Board and Committee effectiveness with independent input every three years. The Head of Internal Audit advised Members that, in light of this new requirement for independent input, he had discussed with the Chief Executive a proposal to include a review of the Board Operating Framework in the Internal Audit Strategy in 2014/15. Members agreed that this was an appropriate approach at this stage.

15.3 Members noted the guidance.

16. BOARD OPERATING FRAMEWORK (ARAC 12.10.13)

16.1 The Chief Executive reported that one of the requirements in the revised Corporate Governance Code was that all public sector organisations should have an agreed Board Operating Framework, documenting the Board’s role and responsibilities and including a formal schedule of matters reserved to the Board for decision. She drew attention to the draft Framework, highlighting key areas. Members noted a change to paragraph 5.18.23 on page 18 of the document regarding the Chief Executive’s delegation limit for capital. This should be £200,000 and not £100,000 as stated in the
document. It was noted that the Board Operating Framework was also a substantive item on the Board agenda for the next day.

16.2 Following discussion, on a proposal by Ms H Roulston, seconded by Mr N Macartney, Members agreed the Board Operating Framework with the addition of the amendment as shown above and recommended it to the Board for approval.

17. HMT ASSURANCE FRAMEWORK GUIDE (ARAC 13.10.13)

17.1 The Head of Internal Audit drew attention to the HMT Assurance Framework Guide which provides advice on how co-ordinated Assurance Frameworks could be developed and used by Boards and Audit Committees to support the Accounting Officer when completing the annual Governance Statement.

17.2 Members noted that DFP had not formally issued the Guide but had recommended it for consideration and of interest to Accounting Officers, Boards, Audit Committees and Internal Audit functions.

17.3 Members noted this document.

18. HMT AUDIT AND RISK ASSURANCE COMMITTEE HANDBOOK (ARAC 14.10.13)

18.1 The Head of Internal Audit informed Members that in April 2013 HM Treasury had issued a revised Audit and Risk Assurance Committee Handbook which currently had not been adopted by DFP. The existing Audit Committee Handbook issued under DAO (DFP) 07/07 remains in force within Northern Ireland.

18.2 Members noted this document for information.

19. SCHEDULE OF MISSION CRITICAL PROJECTS (ARAC 15.10.3)

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

19.2 The Chief Executive updated Members on the Outline Business Case for Belfast Central Library and reported that discussions were ongoing with DCAL in relation to an early draft. It was hoped to have a final draft of the Outline Business Case for consideration at the November Business Support Committee.

19.3 In response to a question from Mr McDowell regarding governance arrangements for the project, the Chief Executive indicated that the Project Board had initially been convened and chaired by DCAL as the Investment Decision Maker and had been stood down because of lack of funding for the
project. She indicated that it was her intention to raise this matter at the next Accountability Meeting.

19.4 Members noted the report.

20. INTERNAL AUDIT QUALITY ASSESSMENT FRAMEWORK QUESTIONNAIRE (ARAC 16.10.13)

20.1 The Head of Internal Audit drew Members' attention to the Internal Audit Questionnaire which, as a result of amendments to the Internal Audit Quality Assessment Framework, should now be completed by the key customers of the Internal Audit Service. The questionnaire issued to Members would also be issued to the Chief Executive, the Directors and third tier officers of Libraries NI.

20.2 The Chairperson encouraged as many Members as possible to complete the questionnaire.

20.3 The Head of Internal Audit confirmed that a summary report would be prepared and discussion would take place at the next meeting of the Audit and Risk Assurance Committee.

21. LIBRARIES NI CHAIRPERSON'S REGISTER OF GIFTS AND HOSPITALITY

Period Ended 30 June 2013 (ARAC 17.10.13a)

21.1 Members noted the Register of Gifts and Hospitality for the period ended 30 June 2013, submitted by the Chairperson of the Board.

Period Ended 30 September 2013 (ARAC 17.10.13b)(T)

21.2 Members noted the Register of Gifts and Hospitality for the period ended 30 September 2013, tabled by the Chairperson of the Board.

22. NIAO ISSUES

22.1 There were no NIAO issues not already dealt with elsewhere on the agenda.

23. ANY OTHER NOTIFIED BUSINESS

23.1 There was no other notified business

24. DATE OF NEXT MEETING

24.1 The next meeting of the Audit and Risk Assurance Committee will take place on Wednesday 15 January 2014 at 10.30 am in Finaghy Library.
25. MEMBERS’ ARRIVAL AND DEPARTURE TIMES

25.1 The meeting ended at 12.55 pm

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

Signed: [Signature]

Date: 9th April 2014