LIBRARIES NI

AUDIT AND RISK COMMITTEE

27 June 2013

Minutes of a meeting of the Audit and Risk Committee held in Antrim Library on Thursday 27 June 2013 at 10.30am.

PRESENT

Councillor J Rodgers  Chairperson
Ms Judith Andrews  
Councillor C Casey  
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
Ms Rita McNamee  Finance Manager
Ms Laura McCullagh  Northern Ireland Audit Office
Ms Bronagh Ramsden  Department of Culture, Arts and Leisure

1. APOLOGIES FOR NON ATTENDANCE

Mr A Hughes  Department of Culture, Arts and Leisure
Mr P O’Sullivan  Northern Ireland Audit Office

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 reported that he had attended a meeting arranged by DCAL for the Chairpersons of the Audit Committees of DCAL’s Arms Length Bodies which was held on Thursday 20 June 2013 in Lisburn City Library. One of the items discussed at the meeting was the recommendation in the Audit Committee handbook that Audit Committees should now be known as
Audit and Risk Assurance Committees to reflect the role that they have in providing assurance to the Board. After discussion on the matter and on a proposal by Mr A McDowell, seconded by Ms H Roulston it was agreed to recommend to the Board that the name of the Libraries NI Audit and Risk Committee be amended to the Audit and Risk Assurance Committee.

3.2 The Chairperson also reported that after the last meeting of the Audit and Risk Committee Members had met and completed a self-assessment, using the National Audit Office checklist. Members were content that the Committee was complying substantially with the principles of good practice contained in the checklist and that it was operating effectively.

4. CHIEF EXECUTIVE’S BUSINESS

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

- DAO (DFP) 04/13 Prompt Payment of Invoices
- DAO (DFP) 05/13 Accounting for Business Combinations within the Public Sector
- DAO (DFP) 06/13 Corporate Governance in Central Government Departments: Code of Good Practice NI 2013
- DAO (DFP) 07/13 Internal Audit Opinions
- DFP: HM Treasury Assurance Framework Guide
- Department of Culture, Arts and Leisure: Management of Capital Projects (Report by the Comptroller and Auditor General)
- NIAO: Copy of correspondence to DCAL (1 May 2013) regarding inclusion of a number of ALBs, including Libraries NI in the Prompt Payment Review 2012/13
- Notification of the publication by HM Treasury of a revised Audit and Risk Assurance Committee Handbook
- FD (DFP) 09/13 Laying Non-Departmental Public Bodies (NDPBs) Annual Report and Accounts in the Northern Ireland Assembly
- Correspondence from DCAL to the Chairperson of the Board (3 May 2013) regarding the 2013/14 Quarterly Assurance Process
- DFP Head of Internal Audit: Annual Inter-Departmental Assurance Report Summary
- Letter from Denver Lynn, Director, NIAO (13 June 2013) regarding Changes in Responsibilities.

4.2 Following discussion, Members agreed to give more detailed consideration to the following matters and asked that they be included as substantive items on the agenda for the next meeting:

- Corporate Governance in Central Government Departments: Code of Good Practice (2013)
- HM Treasury: Assurance Framework Guide
• HM Treasury: revised Audit and Risk Assurance Committee Handbook.

4.3 The Chief Executive drew attention to the correspondence from DCAL regarding the 2013/14 Quarterly Assurance process and the dates for submission of Quarterly Assurance Statements (QAS). Members noted that the QAS for the first quarter of 2013/14 was due to be submitted to DCAL by 15 August but as there were no scheduled meetings of the Libraries NI Audit and Risk Committee or a Board Meeting until October 2013 it was proposed to table the QAS at the Board Meeting to be held on 4 July 2013. Members discussed this option and agreed, in light of the Committee’s role in scrutinizing the QAS, to hold a special meeting of the Audit and Risk Committee at 10:00 am on Thursday 4 July prior to the Board Meeting.

5. MINUTES OF THE MEETING OF THE AUDIT AND RISK COMMITTEE HELD ON 11 APRIL 2013 (ARC 01.06.13)

5.1 On a proposal by Ms H Roulston, seconded by Mr N Macartney, the Committee approved the minutes of the meeting of the Audit and Risk Committee held on 11 April 2013 with the following amendment to be added to paragraph 18.3 on page 9 as follows:

‘Mr McDowell noted that there were other ways of achieving this requirement.’

6. MATTERS ARISING FROM THE MINUTES OF THE MEETING OF THE AUDIT AND RISK COMMITTEE HELD ON 11 APRIL 2013 (ARC 02.06.13)

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.

6.2 Item 6.5: Matters Arising from the Minutes of the Meeting of the Audit and Risk Committee held on 11 April 2013: Audit and Risk Committee Proposed Timetable and Agendas

Members noted that the Chief Executive had received an email from Mr P O’Sullivan, NIAO confirming that he had raised the issue of the timing of the completion of the Quarterly Assurance Statement at the DCAL Audit Committee on 29 May 2013. The DCAL Audit and Risk Committee had confirmed that the QAS should be reviewed by the Libraries NI Audit and Risk Committee and the Board, but in recognition of the fact that Audit and Risk Committee meetings were not evenly spaced throughout the year, the DCAL Audit and Risk Committee had indicated that the QAS should be presented to the Audit and Risk Committee and the Board, but not necessarily before submission to DCAL. The key point was that Board clearance of the QAS was required. It was noted also that the new interim Permanent Secretary had indicated at the DCAL Audit and Risk Committee meeting that he wanted to consider ALB oversight arrangements.
7. INTERNAL AUDIT ACTIVITY REPORT (ARC 03.0613)

7.1 The Head of Internal Audit reported on the six audits which had been completed since the last meeting of the Audit and Risk Committee in April 2013. He reported that the four branch library audits had all received a satisfactory level of assurance and that no Priority One recommendations had been made. 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>Cash Loss Branch Library (Final)</td>
<td>Nct applicable</td>
</tr>
<tr>
<td>Use and Control of iPads (Preliminary)</td>
<td>Nct applicable</td>
</tr>
<tr>
<td>Suffolk Branch Library</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Newtownstewart Branch Library</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Armagh City Branch Library</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Falls Road Branch Library</td>
<td>Satisfactory</td>
</tr>
</tbody>
</table>

7.2 Members noted that the audit of Armagh City Branch Library had been a review audit and the level of assurance had improved to satisfactory.

7.3 The Head of Internal Audit reported that of the remaining two audits one related to a cash loss at a branch library and the other to the loss of an iPad. Members noted that the final report on the cash loss had contained a recommendation that Internal Audit should carry out a full audit of the branch. The Head of Internal Audit confirmed that this audit had been carried out and although the report was not complete he could confirm that the level of assurance given would be satisfactory. Members asked that they be kept informed on the progress of the audit relating to the loss of the iPad.

8. OUTSTANDING AUDIT RECOMMENDATIONS (ARC 04.06.13)

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 in particular three recommendations, highlighted in red, that were outstanding more than four months from the originally agreed implementation date, but that none of these was a Priority One recommendation.

9. INTERNAL AUDIT ANNUAL REPORT 2012/13 (ARC 05.06.13)

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

9.4 Members noted the contents of the Report.

10. AUDIT AND RISK COMMITTEE DRAFT ANNUAL REPORT 2012/13
(ARC 06.06.13)

10.1 The Chairperson of the Committee referred to the draft Annual Report of the Audit and Risk Committee and reminded Members 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.

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

11. LIBRARIES NI DRAFT ANNUAL REPORT AND ACCOUNTS 2012/13
(ARC 07.06 13)

11.1 The Chief Executive presented the Draft Annual Report 2012/13 noting that it complied with the prescribed format and it was a reflection of Libraries NI's achievements throughout the past year. She explained the different sections of the report and drew attention to the Key Performance Indicators, and the draft Governance Statement which replaced the Statement on Internal Control.

11.2 The Finance Manager, Ms R McNamee presented the Draft Accounts for 2012/13 noting that they complied with the prescribed format (NDPB Green) and were prepared in accordance with FReM with the exception of income, which was accounted for on a cash basis. She stated that the Accounts had been prepared for 28 May 2013 as a dry run for faster closing although they would not be submitted to the Northern Ireland Audit Office (NIAO) until 28 June 2013. This demonstrated that the faster closing deadline would be achievable but the Finance Manager highlighted that faster closing had an impact on the accuracy of accrual and pre-payment estimates.

11.3 The Finance Manager reminded Members that to date the Accounts had been qualified because of Stock Assets. A working group had been put in place to address all the issues and attention was drawn to the accounting policies for Stock, Stock Assets and other non-operational Heritage Assets. She explained that application of the new accounting policies resulted in a
“prior year adjustment” and the requirement to show the current year and two previous years on the Statement of Financial Position.

11.4 The Finance Manager explained that a final review by the working group had identified 26 potential Non-operational Heritage Assets and an additional 57 potential Stock Assets and valuation of these was currently in progress. Unfortunately this would not be completed by 28 June but it was planned to amend the Accounts submitted on 28 June for any valuation change before the NIAO commenced its Audit at the start of August.

11.5 The Finance Manager drew attention to Note 28 which reconciled the Recurrent and Capital expenditure shown in the Annual Accounts with that monitored regularly by the Business Support Committee. She drew Members’ attention to Notes 24 and 25, Statement of Losses and Special Payments and also highlighted the significant increase in Capital Commitments in Note 18 due to the e2 contract.

11.6 Members noted the Annual Report and Accounts 2012/13 and thanked the staff involved in their preparation.

11.7 Members proposed that two additions be made to the section of the Annual Report which recorded the key issues considered by the Board. It was agreed that the ‘Annual Report’ and the Annual Accounts and Report from the C&AG be added to the list already provided.

11.8 In response to a number of questions from Members regarding the accounts:

- the Chief Executive advised Members that no dispute concerning title of non-operational Heritage Assets was expected as these had transferred to Libraries NI from the ELBs and none had been under dispute at that time
- the Finance Manager confirmed that the value of Heritage Assets may be affected by the additional valuation exercise
- the Finance Manager advised that the resolution of the issue of title for land and buildings was an on-going process being handled by Legal Services and the Assets Manager who regularly reported on the issue to the Libraries NI Senior Management Team
- the Finance Manager provided additional detail regarding ex-gratia and compensation payments
- the Finance Manager provided an update to Members on progress on the issue of the finance lease with Omagh District Council
- the Chief Executive confirmed that the recorded underspend did exclude that part of the recurrent allocation recalled by the Department
- the Director of Business Support provided Members with details of the composition of the underspend on the recurrent budget.
11.9 Members noted the draft Annual Report and Accounts 2012/13 and thanked the staff involved in preparing them.

12. INTERNAL AUDIT PLAN TIMETABLE 2013/14 (ARC 08.06.13)

12.1 The Head of Internal Audit presented the Internal Audit Plan 2013/14 and reported that additional information had been added to Appendix 2 of the Plan as previously requested. The proposed timetable for the start of planned audits had now been included.

12.2 Members noted that in order to include the audit of Marketing, PR and Communications, as requested by Members, the audit of Payroll had been deferred.

12.3 The Head of Internal Audit confirmed that the audit of Recruitment and Selection was underway.

12.4 Members noted the contents of the Report.

13. RISK MANAGEMENT REPORT AND REVIEW (ARC 09.06.13)

13.1 The Director of Business Support referred to the minutes of the Risk Management Group held on 6 June 2013 and informed Members that a fundamental review of the Corporate Risk Register had taken place in light of the draft revised Business Plan 2013/14. He informed Members that Mr Michael McClean, Deputy Finance Manager, was now the Secretary of the Risk Management Group, having taken over this role from Ms Helen Poston.

13.2 The Director of Business Support drew Members' attention to the Corporate Risk Register which had been reviewed by the Risk Management Group, highlighting the changes which had been made.

13.3 Mr A McDowell asked that the risk appetite for Corporate Objective 3 be reconsidered.

13.4 In response to a suggestion from Mr A McDowell, it was agreed that the definitions of risk appetite would be included in future Corporate Risk Registers.

13.5 In response to questions from Members the Chief Executive outlined some of the measures being taken to meet the requirements of targeting social need which had been added to the Business Plan at the request of the Minister.

13.6 Members noted the report.
14. LIBRARIES NI RISK MANAGEMENT STRATEGY (ARC 10.06.13)

14.1 The Director of Business Support reminded Members that the Risk Management Strategy and supporting documentation had originally been approved by the Audit and Risk Committee at its first meeting in July 2009. Following on from the recent issue of DAO (DFP) 10/12 providing guidance/instruction on the requirement to issue an Annual Governance Statement it was felt appropriate to revise the Strategy document. He indicated that amendments to the existing strategy were highlighted in blue.

14.2 Members considered the revised Libraries NI Risk Management Strategy and, on a proposal from Mr A McDowell, seconded by Ms J Andrews, recommended it to the Board for approval.

15. SCHEDULE OF MISSION CRITICAL PROJECTS (ARC 11.06.13)

15.1 The Director of Business Support presented the Schedule of Mission Critical Projects and as requested by Members included more information in relation to the workstreams involved with the e2 Project. He drew attention to the Timeline and Critical Path document and the document which gave an overview of the e2 Project and the completion dates involved.

15.2 In response to a question from Mr A McDowell regarding Belfast Central Library, the Chief Executive indicated that work was progressing on the Business Case, with a view to submission to DCAL in the early autumn. Mr McDowell drew attention to the recently published NIAO report on DCAL’s Management of Capital Projects and asked that consideration be given to the recommendations in that report in finalising the Business Case.

15.3 Members noted the report.

16. POST PROJECT EVALUATIONS (ARC 12.06.13)

16.1 The Director of Business Support drew Members’ attention to the paper regarding Post Project Evaluations (PPEs) and reported that there were no outstanding Capital PPEs and that all Recurrent PPEs for 2009/10 and 2010/11 had now been completed. He added that those remaining for 2011/12 would be completed by December 2013 and those outstanding for 2012/13 would be targeted for completion in March 2014. Members noted that a new process had been introduced to ensure that when Business Cases are approved, the arrangements for the PPE are set down and monitored by the Procurement Officer to ensure that no backlog of small value PPEs can develop. Further training was also provided for staff in June 2013 to embed the process.

16.2 Members agreed that:
• an update on outstanding Post Project Evaluations should be provided at the next meeting of the Audit and Risk Committee
• a progress report should be provided at the next meeting on the implementation of recommendations and lessons learned from the Project Assurance Audit on e2.

16.3 Members noted the update on Post Project Evaluations.

17. **LIBRARIES NI CHAIRPERSON’S REGISTER OF GIFTS AND HOSPITALITY QUARTERLY REVIEW** (ARC 13.06.13)

17.1 Members noted the Register of Gifts and Hospitality for the period ended 31 March 2013, submitted by the Chairperson of the Board.

18. **NATIONAL FRAUD INITIATIVE** (ARC 14.06.13)

18.1 The Director of Business Support reminded Members of requirements of the National Fraud Initiative (NFI) and confirmed Libraries NI’s participation. He drew attention to the report providing details of progress in processing the data matches advised by the NIA, noting that no fraudulent activity had been identified to date.

18.2 Members noted the report.

19. **NIAO ISSUES**

19.1 Ms L McCullagh, Northern Ireland Audit Office suggested that more detail be incorporated into the Audit and Risk Committee Annual Report on the work undertaken in the completion of the NAO Audit Committee self-assessment checklist. Members agreed to do so.

20. **ANY OTHER NOTIFIED BUSINESS**

20.1 The Chief Executive drew attention to the tabled minutes of the Accountability Meeting which she had attended with the Director of Business Support on 28 May 2013.

20.2 Members reviewed the minutes and in response to their questions the Chief Executive stated that:

• the Department had indicated that the process of communicating changes to budget allocations would be reviewed
• further information had been received regarding the zero based budgeting exercise and it would be discussed at the next Board meeting
• a business case for the un-consolidated payment of £250 to staff earning less than £21,000 p.a. was with the Department for approval.

20.3 Members noted the minutes.

21. DATE OF NEXT MEETING

21.1 It was agreed that a special meeting of the Audit and Risk Committee would take place at 10.00 am on Thursday 4 July (prior to the Board Meeting) to discuss the Quarter 1 (April – June 2013) Quarterly Assurance Statement.

21.2 The next scheduled meeting of the Audit and Risk Committee would take place on Wednesday 16 October at 10.30 am in Lisburn City Library.

22. MEMBERS ARRIVAL AND DEPARTURE TIMES

22.1 The meeting ended at 12.45 pm.

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

Signed: [Signature]

Date: 16th October 2013