LIBRARIES NI

AUDIT AND RISK COMMITTEE

11 April 2013

Minutes of a meeting of the Audit and Risk Committee held in Lisburn City Library on Thursday 11 April 2013 at 10.30am.

PRESENT

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

IN ATTENDANCE

Ms Irene Knox                Chief Executive
Mr Terry Heron               Director of Business Support
Mr Brian Doherty             Head of Internal Audit
Mr Peter O’Sullivan          Northern Ireland Audit Office

1. APOLOGIES FOR NON ATTENDANCE

Mr A Hughes                  Department of Culture, Arts and Leisure
Mr D Lynn                    Northern Ireland Audit Office
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 The Chairperson reported that the annual bi-lateral discussion of risk, control and governance had taken place with Head of Internal Audit prior to this meeting.
4. CHIEF EXECUTIVE’S BUSINESS

4.1 The Chief Executive drew attention to correspondence received since the last meeting as follows:
- CPD: Contracts Awarded Without Competition
- DAO (DFP) 11/12 Public Sector Internal Audit Standards
- DAO (DFP) 01/13 Annual Compliance Report on the Use of External Consultants
- DAO (DFP) 02/13 Annual Theft and Fraud Report 2011/12
- DAO (DFP) 03/13 Accounts Direction for 2012/13 and subsequent years
- FD (DFP) 02/13 Process for Notifying Fraud Cases Identified through NFI
- DAO (DFP) 10/12 Requirement to Complete a Governance Statement
- Governance Statement: Guidance to ALBs (DCAL)
- Fraud Risk Analysis Guidance Notes (DCAL)

4.2 Members noted that the DAO (DFP) 11/12 Public Sector Internal Audit Standards (PSIAS) replaced the Government Internal Audit Standards (GIAS) with effect from 1 April 2013 and applied to all internal audit service providers within the N Ireland public sector. The Head of Internal Audit reported that the document had been discussed at a meeting of the DCAL Internal Audit Forum and that DCAL had indicated that it would produce a report highlighting the differences between PSIAS and GIAS.

4.3 The Chief Executive referred Members to the Guidance Notes for completion of the Fraud Risk Analysis Form. She explained that a Fraud Risk Analysis was one of the year end submissions required by DCAL (the others being the draft Governance Statement, the Corporate Risk Register and the Board Assurance Statement). She indicated that the Libraries NI Risk Management Group had undertaken the Fraud Risk Analysis and that the completed document had been submitted to DCAL. Members noted that the analysis had identified a “red” risk relating to stock losses.

4.4 The Director of Business Support informed Members that stock losses related to the normal loan stock (not Stock Assets) which is expensed in the period in which it is bought. He reported that stock losses related to items that were listed in the catalogue but which could not be located. An exercise had been initiated to investigate the reasons for these stock losses, which could include theft, mis-classification or misfiling of items, system or human error, and to inform new processes which would be implemented with the introduction of e2.

4.5 In response to questions from Members the Director of Business Support explained that in 2007, prior to the establishment of Libraries NI, the Education and Library Boards had implemented a physical stock count designed to increase the accuracy of the data on Galaxy, the Library Stock Management System, which at that time had comprised five separate databases. As of April 2010 these had been integrated into a ‘Single User
Galaxy' system. In 2010/11 Libraries NI had carried out stock audits of approximately 60 locations and 10 mobiles and stock audits of most of the remaining locations had been carried out in 2011/12 and 2012/13. However stock counts had not been repeated systematically in those locations which had been audited in 2010/11 and 2011/12. Currently the stock auditing process is a complex and time-consuming process, as well as being disruptive for library users, but the implementation of the e2 Project and the introduction of Radio Frequency Identification (RFID) tagging of stock would simplify the process and enable a more accurate and efficient audit process to be implemented.

5. MINUTES OF THE MEETING OF THE AUDIT AND RISK COMMITTEE HELD ON 12 DECEMBER 2012 (ARC 01.04.13)

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 Committee held on 12 December 2012.

6. MATTERS ARISING FROM THE MINUTES OF THE MEETING OF THE AUDIT AND RISK COMMITTEE HELD ON 12 DECEMBER 2012 (ARC 02.04.13)

6.1 Members noted the schedule which had been circulated, detailing actions taken as a result of discussions at, and decisions of the Committee at the previous meeting. The Chief Executive drew attention to the undernoted matters.

Item 6.2: Matters Arising from the Minutes of the Meeting of the Audit and Risk Committee held on 12 December 2012

6.2 The Chief Executive reported that she had received notification from DCAL that the term of office of the three independent Members had been extended until the appointment process for new Board Members had been completed.

Item 6.4: Quarterly Assurance Statement

6.3 The Director of Business Support reported that he had met with a representative of the ESA Implementation Team and that agreement had been reached in relation to the continuation of Service Level Agreements pending the implementation of ESA. It was noted that the majority of Service Level Agreements had now been signed.

Item 7.5: Internal Audit Activity Report

6.4 The Head of Internal Audit updated Members on the position regarding fax machines in branch libraries. He reported that many fax machines (particularly in Belfast) no longer functioned because they used the older analogue technology. In many areas only digital technology is now available. With the implementation of e2, this issue should be resolved.
6.5 Mr P O'Sullivan, Northern Ireland Audit Office reported that he had hoped to raise the issue of Arms' Length Bodies Quarterly Assurance Statements at the DCAL Audit Committee meeting which was due to be held in March, but unfortunately this meeting had been cancelled. The next scheduled meeting is due to take place in May.

7. **INTERNAL AUDIT ACTIVITY REPORT** (ARC 03.04.13)

7.1 The Head of Internal Audit reported on the ten audits which had been completed since the last meeting of the Audit and Risk Committee in December 2012. He reported that in two cases the provision of an assurance rating was not applicable and that of the remaining eight audit reports one had received a substantial level of assurance and the remaining seven had received a satisfactory level of assurance. 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>Corporate Credit (and Fuel) Cards</td>
<td>Substantial</td>
</tr>
<tr>
<td>Cash Handling: Locations</td>
<td>Not applicable</td>
</tr>
<tr>
<td>Vehicle Fleet Location</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Fraud Risk Management</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Managing Attendance (Review)</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Accounts Payable / Receivable (Review)</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Cash Loss Branch Library – Preliminary Report</td>
<td>Not Applicable</td>
</tr>
<tr>
<td>Staff Appraisal (Review)</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Customer Feedback</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Richhill Branch</td>
<td>Satisfactory</td>
</tr>
</tbody>
</table>

7.2 Members noted that the audit of the Managing Attendance at Work had resulted in one Priority One finding. Agreement had been reached on the recommendation and it was currently being implemented. This level of assurance was improved from the 'limited' level of assurance provided at the conclusion of the previous audit assignment.

7.3 In response to a question regarding the provision of reports from the payroll system, the Head of Internal Audit confirmed that although the existing reports were adequate, staff were investigating if they could be further improved. This will remain as an outstanding recommendation until a definitive response is possible.

7.4 The Head of Internal Audit reported that the full investigation into a cash loss at a branch library was almost complete. He added that Finance and Operational staff were working on a procedure to provide guidance as to when a cash loss would be considered a suspected fraud. A full report on the cash loss would be with the Senior Management Team within the next
couple of weeks and would be brought to the next meeting of the Audit and Risk Committee in June.

7.5 In response to a question regarding Customer Feedback it was agreed that a breakdown of figures showing the make-up of responses received should be included in the report brought to the Board.

8. OUTSTANDING AUDIT RECOMMENDATIONS (ARC 04.04.13)

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 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.

8.2 In response to a question from the Chairperson the Head of Internal Audit stated that he was content with the commitment of staff to implement the recommendations and that he thought it was likely the three red recommendations would be cleared by the next meeting of the Audit and Risk Committee.

8.3 Members welcomed the progress being made in relation to outstanding recommendations and noted the report.

9. QUARTERLY ASSURANCE STATEMENT (PERIOD ENDED 31 DECEMBER 2012) (ARC 05.04.13)

9.1 The Chief Executive drew attention to the Quarterly Assurance Statement for the period ended 31 December 2012 and reported that it had been discussed in detail at the March 2013 Board Meeting and had been submitted to DCAL.

9.2 In response to a question regarding the recent loss of power to the AMEY Data Centre, the Director of Business Support explained that under the new e2 Contract there would be two data centres and it was unlikely that this issue would arise again.

10. QUARTERLY ASSURANCE STATEMENT (PERIOD ENDED 31 MARCH 2013) (ARC 06.04.13(T))

10.1 The Chief Executive briefed Members on the Quarterly Assurance Statement (QAS) for the period January - March 2013 noting that the document had been forwarded to DCAL, with the proviso that if there were any other issues identified by Members, DCAL would be informed accordingly. She drew attention, in particular, to Section 1 (Risk Management), explaining the
issues, new risks identified and risks realised and to areas elsewhere in the QAS where aspects had been identified as ‘partly’ implemented.

10.2 Members expressed concern at the potential implications for Libraries NI of the Department’s decision to reduce the recurrent budget by £111,000 so late in the financial year and without prior consultation and agreed that the process for communicating in-year reductions in budget would need to be agreed with DCAL to prevent a similar situation arising in future.

10.3 Members noted the outcome of the Gateway 3 review of the e2 Project and the assurance it provided regarding the procurement process. The Chief Executive confirmed that an action plan would be developed in relation to recommendations made by the Gateway Review Team in relation to the implementation process and that it would be brought to the Information Systems Committee for approval.

10.4 In response to a question from Mr McDowell as to when the PPE for the e2 Project was due, the Director of Business Support stated that the PPE would not be undertaken until the Project was complete, but that an interim evaluation was underway.

10.5 The Chief Executive informed Members that revised guidance had been received from DCAL indicating that Accounting Officer approval for Single Tender Actions (STAs) was required only for spend above £5,000. This guidance had been reviewed internally and a proposal would be brought to the next Business Support Committee meeting in April suggesting that, in the context of Libraries NI, the Accounting Officer would review and sign off on all Single Tender Actions over £1,000.

10.6 The Chief Executive confirmed that there were no Priority One recommendations outstanding for more than four months.

10.7 Members noted the Quarterly Assurance Statement for the period January – March 2013 and recommended it to the Board.

11. GOVERNANCE AND ACCOUNTABILITY MEETING (FEBRUARY 2013) (ARC 07.04.13)

11.1 Members noted the minutes of the Chief Executive’s Accountability Meeting with DCAL, held on 14 February 2013.

12. DCAL ALB SPONSORSHIP RISK ASSESSMENT (ARC 08.04.13)

12.1 The Chief Executive explained the background to the ALB Sponsorship Risk Assessment which had been submitted to DCAL on 10 February 2013 noting that there had been no feedback as yet from the Department in regard to this matter.
13. INTERNAL AUDIT ANNUAL AUDIT PLAN 2012/13 PROGRESS REPORT (ARC 09.04.13)

13.1 The Head of Internal Audit updated Members on progress in implementing the Annual Internal Audit Plan 2012/13. It was noted that, of the 38 audits originally planned for completion during the year, 35 had been completed. Members noted that the slippage was as a result of undertaking of additional audits not originally planned for completion during the year, together with some unscheduled investigations and the time required in preparing for more than the four Audit and Risk Committee meetings, originally planned. The Head of Internal Audit confirmed that he was content that the Plan had been materially completed allowing him to provide the required assurance in the Internal Audit Annual Report.

13.2 Members noted that the Travel and Subsistence Audit would be incorporated into next year's Audit Plan and would be conducted shortly.

13.3 Members noted the contents of the report.

14. INTERNAL AUDIT CHARTER (REVISED) (ARC 10.04.13)

14.1 Members noted that the Internal Audit Charter had been revised to take account of the new Public Sector Internal Audit Standards (PSIAS) which had replaced the Government Internal Audit Standards.

14.2 The Head of Internal Audit confirmed that the Libraries NI Internal Audit service was fully compliant with the PSIAS.

14.3 On a proposal by Councillor C Casey, seconded by Ms H Roulston, Members approved the revised Internal Audit Charter and recommended it to the Board for adoption.

15. INTERNAL AUDIT STRATEGY 2013/16 (ARC 11.04.13)

15.1 The Head of Internal Audit drew attention to the proposed Internal Audit Strategy for 2013/16 which had been revised in light of the new Public Sector Internal Audit Standards (PSIAS). In accordance with PSIAS, a risk assessment had been undertaken to determine the priorities for internal audit activity, consistent with Libraries NI strategic objectives and goals and the Internal Audit Charter.

15.2 Members considered the proposed Strategy and subject to an amendment to Section 7.3 to take account of best value/value for money assignments, on a proposal by Mr A McDowell, seconded by Ms J Andrews, the Committee approved the Internal Audit Strategy for 2013/16 and recommended it to the Board for adoption.
16. INTERNAL AUDIT STRATEGY FOR BRANCH LIBRARIES 2013/14
   (ARC 12.04.13)

16.1 The Head of Internal Audit informed Members that the Internal Audit Strategy states that each branch library should be audited at least once in a five year cycle. During the 2013/14 year it was hoped to carry out 18 audits as shown on the Internal Audit Strategy for Branch Libraries.

16.2 Members noted Appendix 2 of the Strategy which not only lists the libraries to be audited but also the risk score which prioritises the order in which they will be audited.

16.3 Appendix 3 gives a summary of areas looked at when completing branch library audits.

16.4 On a proposal by Ms H Roulston, seconded by Mr A McDowell, Members approved the Internal Audit Strategy for Branch Libraries 2013/14 and recommended it to the Board for adoption.

17. INTERNAL AUDIT PLAN 2013/14
   (ARC 13.04.13)

17.1 The Head of Internal Audit drew attention to the proposed Internal Audit Plan for the forthcoming year.

17.2 Ms H Roulston pointed out that three audits originally contained in the 2012/13 plan had been deferred but that one, the audit of Marketing and Communications was not included in the 2013/14 plan. The Head of Internal Audit stated that after completion of the risk assessment for the Internal Audit Strategy that Marketing and Communications had been ranked to be undertaken in year two of the Strategy (i.e. 2014/15). In response to a request from Ms H Roulston and Mr A McDowell it was agreed that the Head of Internal Audit would try to accommodate this audit in the Internal Audit Plan for 2013/14.

17.3 In response to a question from Mr McDowell the Head of Internal Audit stated that auditors built up knowledge and expertise in an area over the course of an audit and over many audits but that auditors were able to use tools such as risk registers, business plans, performance indicators and targets to assist understanding of audit areas and to be able to provide a professional opinion and assurance.

17.4 On a proposal by Ms J Andrews, seconded by Councillor C Casey, Members approved the Internal Audit Plan for 2013/14, subject to consideration of inclusion of an audit of Marketing and Communications in Year One, and to recommend it to the Board for adoption.
18. **DRAFT GOVERNANCE STATEMENT 2012/13**

18.1 The Chief Executive drew attention to the content of DAO (DFP) 10/12 and the guidance provided by the Department on the content of the Governance Statement which had been included with the correspondence under item 4 above. She reminded Members that the Governance Statement replaced the Statement on Internal Control and that the document circulated to Members was still in draft format, but was required by DCAL at this stage in order to inform their year end processes. She noted that the draft Governance Statement would be reviewed, following completion of the external audit of the accounts and the final version would be included within the Annual Accounts. She highlighted the main areas of the Statement, drawing attention in particular to Section 11 (Review of Effectiveness) and Section 12 (Internal Governance Divergences).

18.2 Mr McDowell congratulated those involved in preparing the draft Governance Statement, which he felt was a very comprehensive document. He suggested that to ensure accuracy, the word “summary” should be added before Corporate Risk Register in the first paragraph of Section 9.

18.3 Mr McDowell sought clarification as to whether the job description for the Director of Business Support required the successful candidate to be a qualified accountant and whether this was necessary. The Chief Executive confirmed that this was the case and that it was considered best practice to have a qualified accountant on the Senior Management Team. Mr O’Sullivan confirmed that this was the case.

18.4 Mr O’Sullivan confirmed that the NIAO would be reviewing the Governance Statement for its consistency with the financial statements using the guidance contained within Managing Public Money but that it would not provide an opinion on the Statement.

18.5 The Chief Executive drew attention to the draft Annual Board Assurance Statement (2012/13) which had been tabled, noting that it, together with the Governance Statement, the Fraud Risk Analysis and the Corporate Risk Register had been forwarded to DCAL in accordance with the year end requirements. She indicated that the Chairperson would be reporting on the draft Annual Board Assurance Statement at the next meeting of the Board in May 2013.

18.6 Members noted the draft Governance Statement and the draft Annual Board Assurance Statement.

19. **RISK MANAGEMENT REPORT AND REVIEW**

19.1 The Director of Business Support referred to the minutes of the Risk Management Group held on 21 March 2013 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. He also
reminded Members that the Corporate Risk Register corresponds with the
draft Libraries NI Business Plan for 2013/14 and that a special meeting of
the Board was being held the following week to review the draft Business
Plan in light of feedback from the Department. Accordingly the Corporate
Risk Register would also have to be reviewed.

19.2 Members agreed that when the Libraries NI Business Plan 2013/14 had
been approved a thorough review of the Corporate Risk Register should take
place and an updated version should be brought to the July Board Meeting.

19.3 In response to a question from Mr McDowell, the Chief Executive stated that
the traditional methods of measuring library usage, such as book issues, no
longer reflected accurately or adequately how people use libraries and that
measures of participation needed to include other important activities such
as core programmes (Rhythm and Rhyme, class visits, IT support activities
e.g. Got IT and Go ON training). She stated that discussions had taken
place with DCAL in relation to this issue as part of the ongoing work on the
review of Delivering Tomorrow’s Libraries.

19.4 Members noted the report.

20. SCHEDULE OF MISSION CRITICAL PROJECTS (ARC 16.04.13)

20.1 The Director of Business Support presented the Schedule of Mission Critical
Projects noting that:
• the Review of the Mobile Library Service would be added to the
  Schedule
• the procurement phase of the e2 project had been completed
  successfully and the contract with Fujitsu had been signed on 29
  March 2013
• Fujitsu had completed preparatory work on the implementation
  phase of e2
• a revised Accounting Policy for Stock Assets has been agreed
• work is on-going to complete the Outline Business Case for the
  Northern Ireland Regional Library.

20.2 In response to a question from Mr A McDowell, the Director of Business
Support confirmed that implementation of Business Support Systems such
as payroll and accounts payable were workstreams within the e2 project
rather than separate projects. He agreed to include more information with
regard to the implementation of these workstreams within the Schedule at
future meetings.

20.3 Members noted the update on the Mission Critical Projects.
21. AUDIT AND RISK COMMITTEE – SCHEME OF DELEGATION (REVISED) 
(ARC 17.04.13)

21.1 The Chief Executive drew attention to the proposed Revised Scheme of Delegation for the Audit and Risk Committee and reminded Members that all the Schemes of Delegation for each of Libraries NI’s Committees were currently under review as part of the Board’s Effectiveness Review process.

21.2 Following discussion, on a proposal by Ms J Andrews, seconded by Ms H Roulston, Members approved the Revised Scheme of Delegation for the Audit and Risk Committee and recommend its adoption to the Board.

22. LIBRARIES NI CHAIRPERSON’S REGISTER OF GIFTS AND HOSPITALITY QUARTERLY REVIEW 

Quarter 3 (September – December 2012) (ARC 18.04.13)(a)

22.1 Members noted the Register of Gifts and Hospitality for the period ended December 2012, submitted by the Chairperson of the Board.

Quarter 4 (January - March 2013) (ARC 18.04.13(b) (i))

22.2 The Chairperson’s Register of Gifts and Hospitality for the period ended March 2013 was not yet available and would be brought to the next meeting of the Audit and Risk Committee.

23. REPORT TO THOSE CHARGED WITH GOVERNANCE: PROGRESS REPORT (ARC19.04.13)

23.1 The Director of Business Support drew attention to the paper showing progress on recommendations contained in the NIAO Report to Those Charged with Governance 2011/12. He stated that all recommendations had been, or were in the process of being, implemented.

23.2 Members noted the report.

24. NIAO ISSUES

24.1 Mr P O’Sullivan, NIAO presented the Libraries NI Audit Strategy 2012/13 in respect of the audit of Libraries NI’s financial statements for the year ended 31 March 2013. He drew attention, in particular, to the following:

- Section 3: Significant Risks - two risks had been identified, i.e. stock valuation and book stock accounting policy
- Section 4: Further Matters of Interest – Some changes had been made to the financial reporting guidance issued by DFP and the Accounting Standards Board which could impact on the audit plan, the most significant being the Governance Statement which would replace the Statement on Internal Control from 2012-13 onwards
- Section 5: Audit Timetable – the importance of a draft of the year end financial statements being with the Northern Ireland Audit Office
by 28 June 2013 was emphasised and that certification was planned for October

- Annex 2 – which identifies Value for Money work that has been, or is being undertaken by the NIAO
- Annex 4 – which sets out prior year issues and Management’s response to them.

24.2 In response to a question from Mr A McDowell, the Director of Business Support stated that completion of the Annual Accounts was planned for the end of May and it was not anticipated that there would be any subsequent changes made to the draft once issued to Members in advance of the next meeting of the Committee.

24.3 Members noted the update from the Northern Ireland Audit Office.

25. ANY OTHER NOTIFIED BUSINESS

25.1 There was no other notified business.


26.1 Members agreed to meet after the Special Board Meeting to be held on Tuesday 16 April 2013 in order to complete the self-assessment document.

27. DATE OF NEXT MEETING

27.1 It was agreed that the next meeting of the Audit and Risk Committee would take place on Thursday 27 June at 10.30 am in Antrim Library.

28. MEMBERS ARRIVAL AND DEPARTURE TIMES

28.1 The meeting ended at 12.45 pm.

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

Signed: [Signature]

Date: 27 June 2013