LIBRARIES NI

AUDIT AND RISK ASSURANCE COMMITTEE

9 April 2014

Minutes of a Meeting of the Audit and Risk Assurance Committee held in Lisburn City Library on Wednesday 9 April at 10.30 am.

PRESENT

Councillor J Rodgers  Chairperson
Ms Judith Andrews
Mr Alastair McDowell
Councillor C Casey
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 Melanie Killen  Auditor
Mr Peter O'Sullivan  Northern Ireland Audit Office
Mr Alastair Hughes  Head of Museums and Libraries Branch, DCAL

1. APOLOGIES FOR NON ATTENDANCE

1.1 There were no apologies

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.
3.2 Members noted the proposed dates for forthcoming meetings of the Audit and Risk Assurance Committee as follows:

- Wednesday 9 July 2014
- Wednesday 15 October 2014
- Wednesday 14 January 2015

3.3 The Chairperson, informed Members that Ms Helen Roulston’s term of office as a Libraries NI Board Member had come to an end. On behalf of the Committee, he recorded thanks to her for her contribution to the Audit and Risk Assurance Committee and wished her well for the future.

4. **CHIEF EXECUTIVE’S BUSINESS**

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

- DAO (DFP) 02/14: Annual Compliance Report on Use of External Consultants 2012/13
- Memoranda of Reply to NI Assembly Public Accounts Committee Reports
- DAO (DFP) 05/14: Audit and Risk Assurance Committee Handbook (NI)
- correspondence, dated 7 April 2014, from DCAL regarding its review of current governance arrangements (tabled).

4.2 Members noted that the Memoranda of Reply to NI Assembly Public Accounts Committee Reports included reference to the report on DCAL Management of Major Capital Projects and that the recommendations in the report had been considered by the Business Support Committee for any potential implications or lessons learned that would apply to Libraries NI capital projects, including Belfast Central Library.

4.3 In response to a question from Mr A McDowell, the Director of Business Support confirmed that the Annual Theft and Fraud Report 2012/13 had been made available to senior staff within Libraries NI.

4.4 The Head of Internal Audit drew Members’ attention to the Fact Sheet provided by the Northern Ireland Audit Office which explained the changes to the Audit and Risk Assurance Committee Handbook (NI). On a suggestion by Members it was agreed that the Head of Internal Audit should review the Scheme of Delegation for the Committee to ensure that it remained relevant and report to the next meeting of the Committee.

4.5 The Chief Executive referred to the tabled correspondence from DCAL. It was agreed that the Chief Executive should respond to DCAL informing the Department that the Committee welcomed the recommendations for the new governance arrangements. Members noted that this letter would be tabled at the Board Meeting to be held the next day.
5. MINUTES OF THE MEETING OF THE AUDIT AND RISK ASSURANCE COMMITTEE HELD ON 16 OCTOBER 2013 (ARAC 01.04.14)

5.1 On a proposal by Ms J Andrews, seconded by Mr A McDowell, the Committee approved the minutes of the meeting of the Audit and Risk Assurance Committee held on 16 October 2013.

6. NOTES OF THE MEETING OF THE AUDIT AND RISK ASSURANCE COMMITTEE HELD ON 15 JANUARY 2014 (ARAC 02.04.14)

6.1 Members were reminded that this meeting was inquorate and as such formal minutes could not be produced. On a proposal by Mr A McDowell, seconded by the Chairperson of the Committee, Councillor J Rodgers Members agreed to adopt the notes of the meeting as an accurate record.

7. MATTERS ARISING FROM THE NOTES OF THE MEETING OF THE AUDIT AND RISK ASSURANCE COMMITTEE HELD ON 15 JANUARY 2014 (ARAC 03.04.14)

7.1 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.

7.2 Item 6.2: Matters arising from the minutes of the meeting of the Audit and Risk Assurance Committee held on 16 October 2013, Provisional Report to Those Charged with Governance

The Director of Business Support reported that as a result of meetings with the NIAO, an Action Plan had been developed and referred Members to Item 14 on the agenda (Schedule of Mission Critical Projects).

8. INTERNAL AUDIT ACTIVITY REPORT (JANUARY – MARCH 2014) (ARAC 04.04.14)

8.1 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 on 15 January 2014. The assurance rating for each audit is as shown below. 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>Best Practice Assessment – Branch Libraries</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Validation of Performance Targets</td>
<td>Substantial</td>
</tr>
<tr>
<td>Health and Safety – Review Audit</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Stock Management Consultancy</td>
<td>N/A</td>
</tr>
<tr>
<td>Safeguarding</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Agency Staff</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Travel and Subsistence – Review Audit</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>--------------------------------------</td>
<td>-------------</td>
</tr>
<tr>
<td>Garvagh Branch Library</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Portaferry Branch Library</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Castlederg Branch Library</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Fintona Branch Library</td>
<td>Satisfactory</td>
</tr>
</tbody>
</table>

8.2 In response to a question from Ms J Andrews regarding the audit of Best Practice Assessment, the Head of Internal Audit confirmed that this was a resource intensive audit which would be carried out every 2/3 years.

8.3 The Head of Internal Audit confirmed that the audit of Validation of Performance Targets would be carried out on a two year audit cycle.

8.4 The Head of Internal Audit reported on the Health and Safety audit which had resulted in two Priority One findings. Members noted that the recommendations contained in the report were being implemented. Mr McDowell expressed concern that branch library audits were continuing to identify issues with the implementation of fire drills. Members concurred with Mr McDowell and noted the recommendation in the audit of Portaferry Branch Library that a database could be used to ensure that reminders are issued to branches and other locations whenever a fire drill is due. Members expressed the view that a standard database should be established across the service as a matter of urgency to monitor accurately compliance with fire drill requirements and issue appropriate reminders when drills are overdue. The Committee requested the Senior Management Team to take forward this recommendation as a matter of urgency and to report back on progress to the next meeting of the Committee.

8.5 The Head of Internal Audit drew attention to the audit of Agency staff within Libraries NI and reported that a satisfactory level of assurance had been given even though there was one Priority One finding. Councillor J Rodgers expressed concern at the high number of agency staff within the organisation and asked that officers regularly review the situation.

8.6 In response to a question from Mr A McDowell, the Chief Executive confirmed that Libraries NI did not use zero hours contracts.

8.7 The Head of Internal Audit drew attention to the review audit of the Travel and Subsistence Claims. Members noted that the report contained no Priority One recommendations and that all recommendations had been accepted and were being implemented or had been implemented. Members noted that there were still a number of Board Members and staff who did not submit travel claims regularly and that there was therefore a risk that those approving such claims for the reimbursement of travel and other expenses would be unable to accurately verify the validity of the claims.

8.8 On a proposal by Mr A McDowell seconded by Mr N Macartney, Members agreed to recommend to the Board that: all Members submit their travel claims regularly, where possible monthly but no longer than every three
months. Members also agreed that staff should be reminded of this requirement.

8.9 Members noted the Branch Library audits and that all had received a satisfactory level of assurance.

8.10 Members noted the reports.

9. OUTSTANDING RECOMMENDATIONS (ARAC 05.04.14)

9.1 The Head of Internal Audit drew 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 January 2014, of the 55 recommendations that were outstanding, 45 had now been cleared leaving 10 to be resolved. Members noted the two Priority One findings in relation to Belfast Central Library and Crossmaglen Library and asked to be kept informed of progress.

10. INTERNAL AUDIT ANNUAL PLAN 2013/14 PROGRESS REPORT (ARAC 06.04.14)

10.1 The Head of Internal Audit presented the Internal Audit Plan 2013/14 and confirmed to Members that, as stated in the plan, 33 audits had been completed during the year. He also confirmed that he was content that sufficient work had been completed to provide the Chief Executive with a satisfactory level of assurance.

10.2 In response to a question from Ms J Andrews regarding the planned audit of Information Security, the Head of Internal Audit confirmed that it was planned to carry this audit out early in the new financial year and that a report would be brought to Members.

11. QUARTERLY ASSURANCE STATEMENT (PERIOD ENDED 31 MARCH 2014) (ARAC 07.04.14)

11.1 The Chief Executive briefed the Committee on the Quarterly Assurance Statement for the period ended 31 March 2014. She informed Members that the submission date for the Quarterly Assurance Statement had been changed to 28 March 2014 and the statement together with other end of year documents had been submitted to DCAL with the caveat that if the Audit and Risk Assurance Committee or the Libraries NI Board made any amendments that DCAL would be informed.

11.2 Members noted the following:
• the Chief Executive had raised the matter of Ligoniel and Oldpark libraries at her Accountability Meeting held on 18 February 2014 and had subsequently written to Mr P May, Interim Permanent Secretary, DCAL about this matter. She referred to the Interim Permanent Secretary’s response, noting that copies of the correspondence would be taken to the Board at its meeting tomorrow. A meeting with the Department of Social Development (DSD) has been arranged for May 2014 to discuss this matter.

• the new risk relating to the impact on staff of the changes that had taken place, and that would continue to take place in the organisation. The Audit and Risk Assurance Committee to be kept informed of work related stress issues and the implementation of the action plan developed to address the issues identified in the Stress Audit.

• Members asked that Mr A Hughes, DCAL, relay to the Department the Committee’s concerns regarding the funding to complete the new library in Lisnaskea.

11.3 Members reviewed and discussed the Quarterly Assurance Statement and having questioned the Chief Executive and received the necessary assurances, on a proposal by Councillor C Casey, seconded by Mr A McDowell, Members agreed to recommend it to the Board for approval.

12. ACCOUNTABILITY MEETING MINUTES FEBRUARY 2014
   (ARAC 08.04.14(T))

12.1 Members noted the minutes of the Chief Executive’s Accountability Meeting held on 18 February 2014.

13. RISK MANAGEMENT REPORT AND REVIEW (ARAC 09.04.14)

13.1 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 20 March 2014.

13.2 He drew attention to the Corporate Risk Register which had been reviewed by the Risk Management Group, highlighting the changes which had been made to take account of the draft 2014/15 Business Plan.

13.3 Members noted that as part of the end of year DCAL governance submission a Fraud Risk Assessment had been carried out which had highlighted two areas of potentially increased risk i.e. Payroll and Stock Losses.

13.4 In response to a question from Mr A McDowell the Chief Executive confirmed that the Senior Management Team had been considering ways of addressing the risk of falling membership and the recruitment of new members. She reminded Members that the new proposed Public Library Standards recognised that the traditional methods of measuring library use (e.g. loans) were inadequate to reflect the use now being made of libraries
and that broader participation measures were being included (e.g. participation in programmes).

13.5 Members noted the report.

14. SCHEDULE OF MISSION CRITICAL PROJECTS (ARAC 10.04.14)

14.1 The Director of Business Support presented the Schedule of Mission Critical Projects and updated Members as follows:

- as at March 2014 implementation of the e2 project was progressing in line with the agreed timetable and should be completed by August 2014 as planned. Regular updates would continue to be brought to meetings of the Information Systems Committee
- an Action Plan has been developed to address the £8.6m qualification on Heritage Assets in the Annual Accounts. The Northern Ireland Audit Office representative confirmed that useful discussions had taken place on the proposals
- regular reports regarding the Savings Delivery Plans were brought to meetings of the Business Support Committee
- nominees had been sought from DCAL and the Belfast Education and Library Board to sit on the Project Board to oversee the Belfast Central Library redevelopment proposals
- New routes are now in place as a result of the Review of the Mobile Library Service and revised staffing structures have been implemented. A Business Case submitted to DCAL was approved and the voluntary redundancy process had been implemented.

14.2 Members noted the report.

15. DRAFT GOVERNANCE STATEMENT 2013/14 (ARAC 11.04.14)

15.1 The Chief Executive drew attention to the first draft of the Governance Statement 2013/14, which had been submitted to DCAL to inform its end of year processes. She reported that the draft would be reviewed and amended as necessary prior to submission for audit of the draft Libraries NI Annual Report and Accounts 2013/14 and again following completion of the external audit of the Accounts.

15.2 Members noted the draft Governance Statement 2013/14.

16. ANNUAL BOARD ASSURANCE STATEMENT (ARAC 12.04.14)

16.1 Members noted the Annual Board Assurance Statement for the year ending 31 March 2014 prepared and presented by the Chairperson of the Board, Mr N Macartney.
16.2 Members asked that the following amendment be made on page 5:

5 new Board Members, appointed w.e.f 1 March 2014, still have to undertake induction and corporate governance training

16.3 On a proposal by Mr A McDowell, seconded by Councillor C Casey Members agreed the Chairperson's Annual Board Assurance Statement, noting that it had been submitted to DCAL, and recommended its adoption to the Board.

17. INTERNAL AUDIT STRATEGY 2014/17  \hspace{1cm} (ARAC 13.04.14)

17.1 The Head of Internal Audit drew attention to the proposed Internal Audit Strategy for 2014/17 which had been revised in light of the new Public Sector Internal Audit Standards (PSIAS) which came into force in April 2013.

17.2 On a suggestion by Mr A McDowell it was agreed that the Internal Audit Risk Register would be taken to the next meeting of the Committee.

17.3 Following discussion, on a proposal by the Chairperson of the Board, Mr N Macartney, seconded by Ms J Andrews, the Committee approved the Internal Audit Strategy 2014/17 and recommended it to the Board for adoption.

18. INTERNAL AUDIT STRATEGY FOR BRANCH LIBRARIES 2014/15  \hspace{1cm} (ARAC 14.04.14)

18.1 The Head of Internal Audit informed Members that the Internal Audit Strategy states that each branch library should be audited at least once in every audit cycle of 8 years. During the 2014/15 year it was hoped to carry out 12 audits as shown on the Internal Audit Strategy for Branch Libraries.

18.2 Members noted Appendix 2 of the Strategy which showed how the branches had been prioritised and indicating the order in which branches would be audited.

18.3 Appendix 3 gives a summary of areas considered when completing branch library audits.

18.4 On a proposal by Ms J Andrews, seconded by Mr N Macartney, Members approved the Internal Audit Strategy for Branch Libraries 2014/15 and recommended it to the Board for adoption.

19. INTERNAL AUDIT ANNUAL PLAN 2014/15  \hspace{1cm} (ARAC 15.04.14)

19.1 The Head of Internal Audit drew attention to the Internal Audit Annual Plan 2014/15 and informed Members that the Plan would be kept under review to
identify any amendments needed to reflect changing priorities and emerging needs within Libraries NI. Members noted that quarterly updates on the Plan would be brought to future meetings of the Audit and Risk Assurance Committee.

19.2 In response to a question from Ms J Andrews, the Head of Internal Audit advised Members that there was a balance required between auditing a new system as soon as possible after it has been implemented, but also to allow a certain amount of time for it to bed in to enable an appropriate scope for testing and confirmed that he planned to commence the audit of payroll around December 2014.

19.3 In response to a question from Mr A McDowell, the Head of Internal Audit advised Members that the initial scope of an audit was developed prior to the commencement of the audit but it could be expanded during an audit if other issues came to light or if, for example in risk areas that were being audited for the first time, there was an increased understanding of the system / risk area under review.

19.4 On a proposal by Mr A McDowell, seconded by Mr N Macartney, the Committee approved the Internal Audit Annual Plan 2014/15 and recommended it to the Board for adoption.

20. CHAIRPERSON’S REGISTER OF GIFTS AND HOSPITALITY
   (ARAC 16.04.14T)

20.1 Members noted the Register of Gifts and Hospitality for the period ended 31 March 2014, submitted by the Chairperson of the Board.

21. REPORT TO THOSE CHARGED WITH GOVERNANCE – PROGRESS REPORT
   (ARAC 17.04.14)

21.1 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.

21.2 Members noted the update.

22. NIAO ISSUES: AUDIT STRATEGY 2013/14
   (ARAC 18.04.14)

22.1 Mr P O’Sullivan, NIAO, presented the Audit Strategy 2013/14 in respect of the audit of Libraries NI’s financial statements for the year ended 31 March 2014. He drew attention, in particular, to the following:

- Section 3: Significant Risks – two risks had been identified, ie Heritage Assets and the e2 Project. Members were informed that
the NIAO would expect to see significant movement on the issue of Heritage Assets and, in respect of e2, would review the procurement procedures undertaken and the expenditure incurred to ensure that it was in accordance with the appropriate authorities, as well as considering the impact of the system changes and that data migration exercises were successfully implemented.

- Section 5: the audit timetable
- Annex 5: Governance Statements, a fact sheet detailing findings from a review of Governance Statements by the NIAO with recommendations on ways to enhance them in the future.

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

23. **ANY OTHER NOTIFIED BUSINESS**

23.1 There was no other notified business.

24. **NAO – THE AUDIT COMMITTEE SELF-ASSESSMENT CHECKLIST**  
**(ARAC 19.04.14)**

24.1 Members agreed to meet after the next meeting of the Audit and Risk Assurance Committee on Wednesday 9 July 2014 in order to complete the self-assessment document. The Head of Internal Audit agreed to provide support to the Committee to assist with the completion of this exercise.

25. **DATE OF NEXT MEETING**

25.1 It was agreed that the next meeting of the Audit and Risk Assurance Committee would take place on Wednesday 9 July 2014 at 10.30 am in Antrim Library.

26. **MEMBERS ARRIVAL AND DEPARTURE TIMES**

26.1 The meeting ended at 12.35 pm

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

Mr A Hughes left at 12.20 pm

Signed:  

Date: 9th July 2014