

The Electoral Office for Northern Ireland

Annual Internal Audit Assurance Report 2006/07

8 June 2007

Ref: BC/PP

Private and confidential

D Bain Esq
Chief Electoral Officer
The Electoral Office for Northern Ireland
2nd Floor
St Anne's House
15 Church Street
Belfast
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8 June 2007

Dear Sir

Re: Annual internal audit assurance report

Introduction

1. We were appointed as Internal Auditors to Electoral Office for Northern Ireland ("EONI") under the terms of a tender issued by the Northern Ireland Office's ("NIO") Procurement Unit dated 27 October 2004 and our proposal dated 10 November 2004. We were appointed to provide you with an annual internal audit assurance report. In accordance with the terms of our appointment, and the Government Internal Audit Manual ("GIAM"), we hereby report our formal opinion on the adequacy, reliability and effectiveness of EONI's system of internal controls for the year ended 31 March 2007.

Scope

2. Following our appointment, we prepared a draft strategic internal audit plan and audit needs assessment for the three years ending 31 March 2008, which was approved by the EONI Management Board ("the Board") on 17 August 2006. In accordance with the strategic internal audit plan, the internal audit work for 2006/07 focussed on assessing the controls in respect of the following systems:

- a) payroll and travel expenses – non election staff;
- b) information technology systems;
- c) area electoral offices;
- d) purchasing and procurement;
- e) income; and
- f) risk management and corporate governance.

3. Our internal audit reports detailing our findings in relation to each of the areas noted above were presented to the Board on 18 January 2007 and 15 March 2007.

4. At the Chief Electoral Officer's request we reconsidered the seventeen outstanding recommendations made by EONI's previous internal auditors, the Helm Corporation, which had not been implemented as at June 2005. We also undertook a follow up review of certain previous internal audit recommendations made in relation to payroll and travel expenses (election staff) and financial budgeting and control. The findings of this follow up review were presented to the Board on 15 March 2007.

5. EONI prepares annual financial statements to 31 March in each year. The scope of our work undertaken in October 2006 and January 2007 and summarised in this annual report, relates to the twelve month period from 1 April 2006 to 31 March 2007.

6. This report is addressed to the Chief Electoral Officer, and is not to be released beyond the EONI's management and staff without our prior written consent. No duty of care is accepted to any party other than those to whom the report is addressed. No responsibility is accepted for any reliance placed upon our report, should it be used for any purpose other than that stated above.

Findings

7. We conducted our internal audit work in accordance with the Government Internal Audit Manual ("GIAM"). Our work included an examination, on a test basis, of transactions processed in accordance with EONI's systems of internal control.

8. Detailed control objectives were identified in relation to each area in advance of our fieldwork visit. Background details for each area, the specific control objectives identified for each system and the key findings identified in the course of our fieldwork, are outlined in each of the attached internal audit reports. The findings of these reports can be summarised as follows:

System	Assurance rating	Number of recommendations
Payroll and travel expenses – non election staff	Reasonable	2
Information technology systems	Reasonable	3
Area electoral offices	Reasonable	4
Purchasing and procurement	Reasonable	2
Income	Reasonable	3
Risk management and corporate governance	Reasonable	4

9. Our follow up review undertaken during October 2006 identified that twelve out of thirty two recommendations made had been fully implemented by management, that a further eight recommendations had been partially implemented by management, that a further six recommendations had not been implemented by management. We noted that one recommendation had not been accepted by management. We also noted that five of the recommendations could not be tested until the next election, i.e. after March 2007. We agreed with EONI management that these recommendations will be considered as part of future internal audit reviews.

Internal audit coverage - actual and planned

10. We have completed all of the audit work detailed in the internal audit plan for 2006/07.

Respective responsibilities of the Chief Electoral Officer and the Internal Auditors

11. It is the responsibility of EONI's Chief Electoral Officer to ensure that EONI operates and maintains an effective system of internal control sufficient to safeguard the assets of EONI and to prevent and to detect fraud or error. It is our responsibility to form an independent opinion, based on our internal audit work, on the systems of internal control and to report our opinion to you annually.

Basis of assurance

12. We planned and performed our internal audit work to obtain reasonable assurance that the systems were operating as described and that the accounting records were not materially misstated on account of fraud or error. However, you should not rely on our work to identify all instances of fraud or error. The responsibility for these matters rests with Management and the Chief Electoral Officer.

Significant issues

13. The GIAM requires that we bring to your attention those significant weaknesses which may be relevant to the preparation of your Statement of Internal Control for the year ended 31 March 2007. We note that there were no significant matters arising during the course of our work.

Opinion

14. In our opinion during the twelve month period ended 31 March 2007, EONI's internal control systems were adequate and operated effectively thereby providing **reasonable** assurance regarding the effective and efficient achievement of EONI's objectives.

15. We have attached a definition of the assurance ratings at **Appendix A**.

Other matters

16. We would take this opportunity to thank you and your staff for their assistance and co-operation in completing our work.

17. If you have any queries in relation to this correspondence, please do not hesitate to contact Brian Clerkin or Pauline Poots.

Yours faithfully

ASM Horwath

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Assurance rating definitions

A

Substantial assurance

Very sound control system, i.e. controls established and operating effectively which address all of the key risks that threaten achievement of aims and objectives. No control weaknesses identified and any recommendations made relate to potential enhancements in control.

Reasonable assurance

System is basically sound, i.e. the majority of the controls required to address the key risks are present and operating effectively and the absence of, or ineffective application of control(s) does not create any material weaknesses that threaten the achievement of aims and objectives. Recommendations are made to address any control omissions and to enhance control.

Limited assurance

System has material weaknesses primarily due to non-compliance, i.e. the majority of the controls required to address the key risks are present but they are not operating effectively or consistently which threatens achievement of aims and objectives.

System has material weaknesses due to the absence of some key controls that threaten the achievement of aims and objectives, i.e. some effective controls established but the controls required to address other key risks are absent.

Recommendations are made to address areas of non-compliance and highlight any control omissions.

No assurance

Poor system, i.e. few or none of the key controls required to address the key risks are present. The weaknesses are very significant and represent a major threat to the achievement of aims and objectives.