

**Electoral Office for Northern Ireland**

**Annual Internal Audit Assurance Report 2010/11**



Ref: BC/am/lmcd

**Private and Confidential**

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16 June 2011

Dear Sir

**Re: Annual internal audit assurance report 2010/11**

**Introduction**

1. In accordance with the terms of our appointment, and the Government Internal Audit Standards ("GIAS"), we hereby report our formal annual opinion on the adequacy, reliability and effectiveness of the Electoral Office for Northern Ireland's ("EONI's" or "the Office's") system of risk management, control and governance for the year ended 31 March 2011.

**Background**

2. The Office is responsible for providing the logistical and administrative support to enable the Chief Electoral Officer to discharge his legislative duties in relation to the registration of voters and the holding of elections.

3. Its key challenges include securing sufficient resources (human, financial and property) to run elections and to ensure that the electoral roll remains up to date. In order to assist management in dealing with these challenges the Office has established an embedded system of risk management incorporating a corporate level risk register which is subject to regular review and challenge by the management board. The Office also has a Risk Management Policy, which sets out its risk management processes and its risk appetite, which is defined as low.

**Scope**

4. The Office prepares annual financial statements to 31 March in each year. The scope of the work undertaken during the year and summarised in this annual report, relates to the twelve month period from 1 April 2010 to 31 March 2011. The 2010/11 Internal Audit Plan was formally approved by the Office on 5 August 2010. The 2010/11 Internal Audit Plan was established within the context of the Office's existing Strategic Internal Audit Plan which covers the period 2008 to 2011.

**Respective responsibilities of the Chief Electoral Officer and the Internal Auditors**

5. In accordance with our Internal Audit Charter it is the responsibility of the Office's Chief Electoral Officer, to ensure that the Office operates and maintains an effective system of risk management, control and governance sufficient to safeguard the assets of the Office 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 risk management, control and governance and to report our opinion to you annually.

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### **Basis of assurance**

6. We planned and performed our internal audit work to obtain reasonable, rather than absolute, 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.

### **Findings**

7. Detailed control objectives were identified in relation to each audit in advance of our fieldwork visit. Background details for each audit, 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 internal audit reports. We have summarised below the relevant findings:

<b>System</b>	<b>Date of final report</b>	<b>Assurance rating</b>	<b>Number of recommendations</b>
Area Electoral Offices	22 December 2010	Satisfactory	4
Payroll, pensions and travel expenses – non election staff	22 December 2010	Satisfactory	10
Payroll and travel expenses – election staff	24 December 2010	Satisfactory	6
Fixed Assets	24 December 2010	Satisfactory	3
Elections	24 December 2010	Satisfactory	5

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

9. In addition, during October 2010 we undertook a follow up review of recommendations made during 2008/09 and 2009/10. We identified that twenty three out of thirty seven accepted recommendations had been fully implemented, nine recommendations had been partially implemented and two recommendations had not been implemented. We note that we were unable to test the remaining three recommendations.

### **Internal audit coverage - actual and planned**

10. We have completed all of our internal audit work as detailed in the 2010/11 Internal Audit plan approved by the Office on 5 August 2010.

### **Significant issues**

11. The GIAS requires that we bring to your attention those significant control issues which may be relevant to the preparation of your Statement of Internal Control for the year ended 31 March 2011. In this context we highlight the following key issues:

- a) monthly payroll procedures – we identified the need to enhance, and document, the supervisory controls in place over the processing of the monthly payroll (reference: Review of Payroll, pensions and travel expenses – non election staff); and
- b) security of election related payroll records – we identified the need to enhance the security of the storage arrangements in place in respect of election related payroll records (reference: Payroll and travel expenses – election staff).

### **Other sources of assurance**

12. In addition to our own work there are a range of other sources of assurance available to the Office. These sources include the Office's risk management system, including the Office's risk register which is reviewed regularly by management board.

### **Our opinion**

13. In our opinion during the twelve month period ended 31 March 2011, the Office's systems in relation to risk management, control and governance were adequate and operated effectively thereby providing **satisfactory** assurance in relation to the effective and efficient achievement of the Office's objectives.

### **Performance and quality of the internal audit service**

14. We confirm that we have conducted our internal audit work in accordance with the Government Internal Audit Standards ("GIAS").

15. In accordance with the GIAS Standard 1300 on Quality, each internal audit file is reviewed by a Senior Manager and each internal audit report is reviewed by the Head of Internal Audit. This process is supported by ASM's internal quality control procedures which include a system of peer file reviews.

16. In addition, as required by GIAS our service should be subject to an External Quality Assurance ("EQA") at least once every five years. During 2009/10 the Northern Ireland Courts and Tribunals Service's Internal Audit Branch undertook an EQA of our internal audit services. During 2010/11 the Head of Internal Audit for the Department of Justice and the Northern Ireland Office confirmed that he was content for that review to satisfy the requirement for an EQA in respect of all of the DoJ/NIO sponsored bodies that ASM audit, including the Electoral Office. There were no significant issues requiring action arising from that EQA.


17. Our nominated Head of Internal Audit is a qualified Chartered Accountant ("ACA"), a qualified Internal Auditor ("CMIIA") and has obtained the Government Internal Audit Certificate ("GIAC"). Our internal audit team are either qualified/part qualified Chartered Accountants and/or Internal Auditors. There were no issues arising during the year in relation to either the adequacy of the audit resources or the status of the audit function. The internal audit service met its internal KPIs for the year. To comply with the obligations of GIAS Standard 1200 "*Proficiency and Due Professional Care*" all staff members have undertaken an ongoing programme of training to ensure they are equipped with the knowledge and skills to perform their responsibilities.

### **Other matters**

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

19. If you have any queries in relation to this correspondence, please do not hesitate to contact Brian Clerkin or Amanda McMaw.

Yours faithfully



ASM

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**Assurance rating definitions**

**A**

**Substantial** – There is a robust system of risk management, control and governance which should ensure that objectives are fully achieved.

**Satisfactory** – There is some risk that objectives may not be fully achieved. Some improvements are required to enhance the adequacy and / or effectiveness of risk management, control and governance.

**Limited** – There is considerable risk that the system will fail to meet its objectives. Prompt action is required to improve the adequacy and effectiveness of risk management, control and governance.

**Unacceptable** – The system has failed or there is a real and substantial risk that the system will fail to meet its objectives. Urgent action is required to improve the adequacy and effectiveness of risk management, control and governance.