

Electoral Office for Northern Ireland

Internal Audit report 2009/10

Corporate governance

20 November 2009

Ref: BC/LB/km

Private and Confidential

D Bain CBE
Chief Electoral Officer
The Electoral Office for Northern Ireland
2nd Floor
St Anne's House
15 Church Street
Belfast
BT1 1ER

20 November 2009

Dear Sir

Re: Fieldwork visit – Corporate governance

Introduction

1. We recently completed our internal audit fieldwork visit in respect of the 2009/10 financial year in relation to the Electoral Office for Northern Ireland's ("EONI" or "the Electoral Office") system for corporate governance. This report summarises our findings.
2. We previously reviewed EONI controls in relation to corporate governance in November 2006 as part of our 2006/07 internal audit fieldwork and determined that a "*reasonable*" level of assurance was appropriate. Our review included recommendations in respect of the establishment on an Audit Committee, the timeliness of the completion of the corporate plan, the need to devise a risk management strategy and the approval of the draft fraud and whistle-blowing policies.

Background

3. The Chief Electoral Officer is a Crown appointment and is operationally independent of Government. The Chief Electoral Officer is required to carry out the functions conferred on him by law. The main duties of the Chief Electoral Officer are:
 - a) to act as electoral registration officer for all constituencies of Northern Ireland;
 - b) to act as returning officer for all elections and referenda in Northern Ireland;
 - c) to recommend to the Secretary of State for Northern Ireland each year whether or not an election canvass should be undertaken in this year;
 - d) to act as an assessor to the Boundary Commission for Northern Ireland;
 - e) to act as an assessor to the Local Government Boundaries Commission; and
 - f) to lead and manage the Electoral Office.
4. The role of the Electoral Office is to provide the logistical and administrative support to enable the Chief Electoral Officer to discharge his legislative duties. The NIO sponsoring division for EONI is the Rights, Elections and Legacy Division. Funding for EONI's on-going activities is provided from the NIO vote. European and United Kingdom Parliamentary election costs are funded directly by HM Treasury.

5. The Chief Electoral Officer is not a designated Accounting Officer per se, but does provide six-monthly stewardship statements to the NIO. The operational relationship between the Chief Electoral Officer and the NIO is governed by a Management Statement. The Management Statement outlines the respective roles and responsibilities of both parties and the governance arrangements established in relation to the administrative and the financial support provided by the NIO to the Chief Electoral Officer to enable him to undertake his statutory duties. We note that the Management Statement was recently revised (September 2009).

6. Unlike most other public bodies, EONI is not a “body corporate” and is not therefore legally bound under the control of a Management Board. In July 2006 the Chief Electoral Officer constituted “a Board”, which comprises the management team from within EONI and has no non-executive members. Two trade union representatives are invited to attend each meeting. The Board has the responsibility for advising the Chief Electoral Officer on management issues including risk management, finance, performance targets and changes in policies and procedures. The EONI Board has no constituted sub-committees, and in particular, no Audit Committee has been established. We note that following a recommendation arising from our 2006/07 corporate governance internal audit review that EONI sought and received confirmation from the NIO that the establishment of an Audit Committee was not required.

Scope

7. In line with EONI’s 2009 internal audit plan, approved by the Management Board on 6 August 2009, the fieldwork visit focussed on assessing the following control objectives in respect of the corporate governance system:

- a) to ensure that the monthly financial information provided to the Chief Electoral Officer enables a timely and effective review;
- b) to ensure that the management information provided to the Management Board enables a timely and effective review of the targets set out and agreed in EONI’s Annual Business Plan;
- c) to ensure that surveys of stakeholders are undertaken at regular intervals to provide information for policy and service development;
- d) to ensure that effective procedures for handling complaints about EONI are established and made widely known;
- e) to ensure that EONI’s Annual Business Plan and Annual Report are prepared in a timely manner;
- f) to ensure that a risk management strategy is in place;
- g) to ensure that a business risk register has been adequately prepared and particular business risks have been considered and adequately identifies the risk, its impact, ways to manage the risk and ownership;
- h) to ensure that staff involved with managing the risk are aware of the purpose of the process and of their roles and responsibilities;
- i) to ensure that the risk management team meets on a regular basis and the business risk register is subsequently updated; and
- j) to ensure that the assurance on risk management provided to the NIO by the Chief Electoral Officer is consistent with the work completed and the conclusions made by the risk management team.

8. This report is addressed to the Chief Electoral Officer and as required by our terms of appointment, copies of all finalised reports are also issued to the NIO’s Head of Internal Audit, the Northern Ireland Audit Office and the Rights, Elections and Legacy Division (previously the Rights and International Relations Division) – the relevant sponsoring division within the NIO. 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.

Basis of assurance

9. We conducted our internal audit work in accordance with the Government Internal Audit Standards (“GIAS”). Our work included an examination, on a test basis, of transactions processed in accordance with EONI’s system of internal control.

10. We planned and performed our internal audit work to obtain reasonable assurance that the systems were operating as described. 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

11. Our review identified that EONI’s risk register is reviewed on a quarterly basis and a risk management strategy is in operation. We noted that Management have identified the requirement to undertake a review of EONI’s Fraud Policy and Response Plan and are currently awaiting the receipt of the NIO’s revised policy in this regard. We also noted that the Area Electoral Offices are required to provide monthly assurance statements which are used to inform the Chief Electoral Officer’s six monthly stewardship statements submitted to the NIO’s Rights, Elections and Legacy Division. Our review has noted recommendations in respect of the monitoring and reporting of customer charter performance standards.

12. We have attached at **Appendix A** the key finding identified during the course of our review.

Findings	Appendix	Priority
Customer satisfaction	A	Medium

13. The findings included in this report were discussed with Mr Douglas Bain (Chief Electoral Officer), Mrs Margaret McMullen (Head of Corporate Services) and Mr Peter Mullan (Finance Officer) on 5 November 2009. A draft of this report was issued to EONI for management comments on 17 November 2009. Management comments were received on 18 November 2009.

Management responses

14. We have attached an implementation table at **Appendix B** for management to record their responses and implementation dates for each of the audit recommendations.

Assurance rating – substantial

15. In our opinion, there are minor improvements which could be incorporated within EONI's internal control system for corporate governance, particularly in relation to the monitoring and reporting the customer charter performance standards. However, the existing controls in place within the system of corporate governance are basically sound and provide **substantial** assurance regarding the effective and efficient achievement of EONI's objectives in relation to the corporate governance.

16. We have attached a definition of the assurance ratings and priority levels at *Appendix C* and *Appendix D* of this report respectively.

Other matters

17. We would take this opportunity to thank EONI's management and staff for their assistance and co-operation during the course of this assignment.

18. If you have any queries in relation to this correspondence, please do not hesitate to contact Brian Clerkin or Lacey Beckett.

Yours faithfully

ASM Horwath

e-mail: brian.clerkin@asmhorwath.com

lacey.beckett@asmhorwath.com

Customer satisfaction

A

Weaknesses

A1. A customer charter is in operation which includes a number of performance standards in respect of each of the following key service areas:

- a) registration of applications;
- b) the electoral register;
- c) electoral identity cards;
- d) elections;
- e) telephone calls and emails;
- f) correspondence;
- g) attending to callers;
- h) customer and stakeholder consultation; and
- i) complaints, compliments and suggestions.

A2. Our review identified that performance against standards in relation to registration of applications are monitored through management checks undertaken by the Assistant Electoral Officers at each of the local area electoral offices. We also noted that only some of the performance standards relating to customer service and satisfaction (i.e. telephone calls and emails, attending to callers, complaints, compliments and suggestions) are monitored using feedback from customer and complaint questionnaires and comment cards. Our review noted that the performance targets associated with the remaining services areas namely: electoral identity cards and elections are not formally monitored.

A3. We were advised that EONI have identified that a number of the performance standards within the current customer charter are not measurable and intend to revise the customer charter to ensure that performance monitoring can be undertaken.

A4. During our fieldwork we reviewed the processes undertaken in respect of customer complaints. Our detailed testing noted the following minor issues:

- a) *recording the stage of the complaint*: on five occasions out of twenty-eight complaints received during the period June 2009 to August 2009 we noted that the stage of the complaint (Stage 1, 2 or 3) had not been recorded on the complaints register; and
- b) *accuracy and timeliness of recording complaints on the register*: in two instances out of five complaints selected for detailed testing we noted that the date that the complaint was registered on the register did not agree to the date stamp on the complaint letter. We noted that the delay ranged between 1 and 3 days.

A5. Our subsequent review and discussions with Management indicated that the respective complaints noted above had been handled by a member of staff who has since ceased employment with EONI.

Effects

A6. In the absence of measurable performance standards EONI are unable to adequately assess the performance of the customer charter.

A7. In the absence of registering the stage of complaints and the correct date of receipt there is a risk that EONI are unable to measure if complaints are handled in accordance with the established timeframes in EONI's complaints policy.

Customer satisfaction (cont'd)

A

Recommendations

A8. We recommend that as part of the development of the new customer charter, management establish SMART performance standards. We also recommend that each of the performance standards are formally monitored and results reported to the Management Board on a quarterly basis.

A9. Whilst we acknowledge that the minor issues identified above are specific to a staff member, who has since left the organisation, we recommend that all staff who undertake complaint handling activities are reminded to record the stage of the complaint and the correct date of receipt on the complaints register.

Summary of recommendations and implementation schedule

B

Reference	Recommendation	Management response	Action Taken / To be Taken	Implementation Date
A8.	We recommend that as part of the development of the new customer charter, management establish SMART performance standards. We also recommend that each of the performance standards are formally monitored and results reported to the Management Board on a quarterly basis.	Accepted	<p>A new Customer Charter will be developed after the transition from Charter Mark to Customer Service Excellence in 2010. All performance standards in the new Charter will be measurable and results reported to the Management Board on a quarterly basis.</p> <p>In the interim, all measurable standards in the current Charter will be monitored and results reported to the Board on a quarterly basis. Any standards which are not measurable will be removed from the Charter.</p>	<p>A new Customer Charter will be implemented by the end of 2010.</p> <p>4 January 2010.</p>
A9.	Whilst we acknowledge that the minor issues identified above are specific to a staff member, who has since left the organisation, we recommend that all staff who undertake complaint handing activities are reminded to record the stage of the complaint and the correct date of receipt on the complaints register.	Accepted	Reminder issued. Monthly management checks of the correct recording of the date of receipt and the stage of each complaint will be implemented.	With effect from 1 December 2009.

Assurance rating definitions

C

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.

Priority ratings

D

In prioritising recommendations for action, we have used the following definitions:

High priority

Significant weaknesses which could threaten the achievement of the organisation's objectives or the maintenance of an appropriately robust control environment. Remedial action by senior management is required.

Medium priority

Weaknesses which could threaten the achievement of objectives. Remedial attention by management is required.

Low priority

Some weaknesses which could have an impact on the achievement of objectives. Action is required to monitor the situation and improve control.