

**The Electoral Office for Northern
Ireland**

Audit fieldwork report 2006/07

Purchasing and procurement

26 January 2007

ASM Horwath

Our ref: BC/PP/lb

Private and confidential

D Bain Esq
Chief Electoral Officer
The Electoral Office for Northern Ireland
2nd Floor
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26 January 2007

Dear Sir

Re: Fieldwork visit 2006/07 – Purchasing and procurement

Introduction

1. We completed our internal audit fieldwork in respect of the 2006/07 financial year in relation to the Electoral Office for Northern Ireland's ("EONI's") purchasing and procurement systems in October 2006. This report summarises our findings.

Background

2. The majority of payments relating to non-election expenses are processed by the Financial Services Division ("FSD") in the Northern Ireland Office ("NIO") with some miscellaneous payments being made from the EONI sub account. Payments relating to election expenses are processed by the finance section in EONI. In support of this, the SUN financial system operated by EONI maintains separate accounts for election income and expenditure and non election income and expenditure.

3. Non-election expenditure, excluding staff and travel costs, amounted to approximately £1.4 million during the financial year ended 31 March 2006. During the May 2005 election, the most significant expenditure, excluding staff and travel costs, related to postage, stationery, storage, transportation and the hire of premises and equipment. These costs were in excess of £2.1 million.

4. Discussions with EONI management indicated that they are considering delegating responsibly for initiating the procurement of some goods and services from EONI finance section to the local area offices.

Scope

5. In line with the agreed terms of reference for this review the fieldwork focussed on assessing the following controls in respect of purchasing and procurement:

- a) to ensure that purchases are made in accordance with EONI purchasing guidelines;

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- b) to ensure that purchases are approved by an authorising officer;
- c) to ensure that a sufficient number of quotations are obtained;
- d) to ensure that value for money is achieved;
- e) to ensure that payments are complete, accurate, timely, bona fide, paid only once and appropriately authorised; and
- f) to ensure that a management audit trail exists.

6. This report is addressed to the Chief Electoral Officer (“CEO”) and as required by our terms of appointment, copies of all finalised reports will be issued to the NIO’s Head of Internal Audit, the Northern Ireland Audit Office (“NIAO”) and the RIR 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

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 EONI’s system of internal control.

8. This review has been conducted within the context of an internal audit review process designed to address key risks on an annual basis. Only 1.5 days were allocated to this review and consequently there was a requirement to conduct a general assessment of the key aspects of the systems and then to focus on a limited number of specific areas. In these circumstances, this review should not be regarded as being an extensive and detailed review sufficient to test and assess all aspects of EONI’s purchasing and procurement activities.

9. 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 CEO.

Findings

10. Our review identified that while financial procedures have been documented for the processing of payments on the Sun accounting system and the placing of orders on “Go Shop”, the mechanism by which stationary and office equipment is procured, procedures have not been documented for the roles and responsibilities for the procurement and receipt of other goods and services. We also identified that prompt payment reports have only recently been obtained and therefore our testing was restricted in this regard.

11. We have attached the key findings identified in the course of our work at *Appendices A* and *B*. These appendices are broadly analysed by category of weakness as follows:

Weakness	Appendix
Financial procedures – purchasing and procurement	A
Prompt payment reports	B

12. The findings included in this report were discussed with Ms June Butler (Assistant Chief Electoral Officer), Mrs Margaret McMullen (Head of Corporate Services) and Mr Peter Mullan (Finance Officer) on 2 November 2006.

Management responses

13. We have attached an implementation table at *Appendix C* for management to record their responses and implementation dates for each of the audit recommendations. Responses should confirm if each recommendation is accepted, partially accepted or not accepted and, if accepted, management should provide details of their strategy for implementing each recommendation.

Assurance rating - reasonable

14. In our opinion, there are a number of improvements which could be incorporated within EONI's internal control system for purchasing and procurement, particularly in relation to the documentation of procedures. However, the existing controls in place within EONI are basically sound and provide **reasonable** assurance regarding the effective and efficient achievement of EONI's objectives in relation to purchasing and procurement.

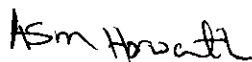
15. We have attached a definition of our assurance ratings at *Appendix D*.

Other matters

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

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

Yours faithfully



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Financial procedures – purchasing and procurement

A

Weaknesses

A1. Our review indicated that EONI have documented financial procedures in relation to the processing of payments and the creation of new suppliers on the SUN accounting system, and the placing of orders on “Go Shop”. However, we noted that financial procedures have not been documented in relation to the procurement and receipt of other goods and services at Headquarters or the local area offices.

A2. Discussions with EONI management indicated that consideration is being given to formally delegating responsibility for the procurement and receipt of goods and services to the local area offices.

Effects

A3. The absence of formally documented financial procedures in relation to the purchasing and receipt of goods and services increases the risk of value for money not being achieved.

A4. Failure to ensure that roles and responsibilities are clearly allocated to personnel within the organisation for the procurement and receipt of goods increases the risk of inconsistent practices being adopted within the organisation.

Recommendations

A5. We recommend that financial policies and procedures are documented in relation to the procurement and receipt of goods and services. We also recommend that these procedures are distributed to all relevant personnel and included in the financial procedures manual.

Review of prompt payment reports

B

Weakness

B1. Our review of EONI's prompt payment reports confirmed that these reports have only been obtained from the NIO from July 2006. At 11 October 2006, only two reports had been received, July 2006 and August 2006. Our review of these prompt payment reports indicated that the report received in July 2006 was inaccurate and therefore our review was restricted to consideration of the report received in August 2006.

B2. We reviewed the NIO prompt payment statistics report for the month ended 31 August 2006. We noted that eleven purchase invoices (8.59% of the total processed) had not been sent to the Financial Services Division ("FSD") by EONI within the recommended NIO prompt payment timeline of nine days. Our discussions with EONI management in this regard indicated that these delays were due to senior management annual leave commitments.

Effect

B3. The failure of EONI to process payments to FSD in accordance with the NIO prompt payment target of nine working days results in payments not being issued in accordance with the Government wide target of thirty working days from receipt of invoice.

Recommendation

B4. We recommend that a member of the senior management team continues to review the monthly reports to monitor the performance of the organisation. If the report indicates that the organisation is not achieving the timeline set by the NIO, explanations for the delay should be established and prompt corrective action taken.

Summary of recommendations and implementation schedule

C

Reference	Recommendation	Management response	Action taken / to be taken	Implementation date
A5.	We recommend that financial policies and procedures are documented in relation to the procurement and receipt of goods and services. We also recommend that these procedures are distributed to all relevant personnel and included in the financial procedures manual.	Accepted	EONI Guidance on the procurement and receipt of goods and services to be finalised by 30 April 2007 and included in Financial Procedures Manual.	Procurement policy to be finalised by 30 April 2007. Thereafter it will be incorporated in the Finance Manual which will be issued incrementally.
B4.	We recommend that a member of the senior management team reviews the monthly reports to monitor the performance of the organisation. If the report indicates that the organisation is not achieving the timeline set by the NIO, explanations for the delay should be established and prompt corrective action taken.	Accepted	This recommendation has been fully implemented. CEO reviewed the October reports and will continue to review the reports on a monthly basis.	Fully implemented.

Assurance rating and prioritisation definitions

D

Assurance rating definitions

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.