

The Electoral Office for Northern Ireland

Audit fieldwork report 2006/07

Payroll (non election staff)

23 March 2007

Our ref: BC/PP/lb

Private and confidential

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Chief Electoral Officer
The Electoral Office for Northern Ireland
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23 March 2007

Dear Sir

Re: Fieldwork visit 2006/07– Payroll (non election staff)

Introduction

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

Background

2. We previously undertook a review of payroll (election and non election staff) in June 2005. Our report on this review was finalised in July 2006 following receipt of management's responses to our recommendations. Our previous review determined that a "limited" assurance rating was appropriate.

3. Non election payroll expenditure for 2005/06 amounted to £1.7 million. The majority of costs related to permanent staff (£955,000) and canvassing staff (£481,000). EONI operates the following three payroll categories for non election staff:

- a) **permanent / fixed term contract staff:** EONI currently employs 44 permanent staff, 16 of which are located at Headquarters. Staff are paid a monthly salary based on normal Northern Ireland Civil Service ("NICS") pay grades and allowances. Amendments to the monthly payroll, for example, new starters, leavers, promotions, deductions and allowances are advised to the Northern Ireland Office ("NIO") payroll section by EONI's Human Resources Officer. The NIO payroll section inputs these amendments to the NIO's payroll system. Once input, this information is transferred by the NIO payroll section to Fujitsu (a third party payroll bureau service) for processing. Salaries are paid to employees by electronic bank transfer (BACs);

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- b) **casual and temporary staff:** EONI recruits casual and temporary staff to undertake administrative functions during periods of high workload, for example during the annual electoral roll canvass and around election time. The recruitment and management of casual and temporary staff is primarily the responsibility of the area electoral officers (“AEO”). Details of casual and temporary staff are recorded on EONI’s UNIPIMS personnel system. Each week, details of the hours worked by casual staff and temporary staff are input onto UNIPIMS by staff within EONI’s finance section. This information is then sent to ICS, who perform the payroll calculations and process the payroll; and
- c) **canvassing payroll:** each year, approximately 1,000 canvassers are employed during the annual electoral roll registration process (between September and November). Canvassers are employed on a seven week contract to deliver and collect electoral registration forms. Canvassers are paid an agreed one-off fee, based on the number and geographic spread of the houses that they canvass. Canvasser’s details are input to EONI’s election management system (“EROS”) by the area electoral offices. At the end of the seven week canvassing period, staff in EONI’s finance section collate the information from each area electoral office. This data is then sent to ICS, who perform the payroll calculations and process the payroll. From 2007 there will be there will be no annual canvasses.

Scope

- 4. In line with the terms of reference for this assignment, the fieldwork visit focussed on assessing the following control objectives in respect of the payroll system:
 - a) to ensure that salaries, wages and related costs are incurred only in respect of staff currently employed in authorised posts;
 - b) following authorisation the appropriate changes are entered for starters and leavers to the data on the computer payroll system;
 - c) to ensure that salaries and wages are correctly calculated and properly authorised;
 - d) to ensure that salaries and wages are correctly coded in the accounts;
 - e) to ensure that salaries and wages, including all overtime, acting up allowances and sick leave, are properly and accurately recorded and details held securely; and
 - f) to ensure that salaries and wages are paid only to those staff who are entitled to receive them and in accordance with contracts of employment.

5. 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 and the Rights and International Relations Division (“RIR”) – 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

6. 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 system of internal control.

7. This review has been conducted within the context of an internal audit review process designed to address key risks on an annual basis. Approximately 2.5 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 payroll systems. In particular, we note that we have not assessed the controls in place over the processing and payment of payroll within the NIO payroll section or within ICS.

8. 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

9. Our review identified that access levels on the UNIPIMS system in relation to personnel in the Finance and Human Resources sections had not been appropriately assigned. However, we noted that these access levels were reviewed and amended during our fieldwork. In addition, whilst we are aware that the recent 2006 annual canvass will be the last, we have recommended that, in addition to the checks performed by the Finance Officer in relation to payments to canvassers, spot checks of the canvass weekly work records are carried out by Finance staff at Headquarters prior to processing payments.

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

Weakness	Appendix
Access levels to the UNIMPIMS system	A
Payments to canvassing personnel	B

11. 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. Further discussions were held with Margaret McMullen and Peter Mullan on January 2007 to discuss particular aspects of this report.

Management Responses

12. 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 detail of their strategy for implementing each recommendation.

Assurance rating – reasonable

13. In our opinion, there are improvements which could be incorporated within EONI's internal control system for payroll, particularly in relation to the review of access levels on the UNIPIMS system. 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 payroll.

14. We have attached a definition of the assurance ratings at *Appendix D*.

Other matters

15. 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.

16. 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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Access levels to the UNIPIMS system

A

Weaknesses

A1. In our previous review of payroll and our follow up review of recommendations made by EONI's previous internal auditors, the Helm Corporation, we noted that both the Human Resources Officer and the Finance Officer had full access to the UNIPIMS system. In our follow up report we noted that *"access levels should be reviewed as soon as possible"*.

A2. In undertaking our detailed testing, we reviewed the access levels to the UNIPIMS system and we noted the following:

- a) users of the UNIPIMS system continued to have access to the "reset password" function and had full access to all personnel management functions and payroll management functions. We noted that all finance staff therefore had access to the payroll management and personnel management modules, including the facility to input and amend starters and leavers. Staff within the human resources section had access to the personnel functions and to a number of payroll functions, including the facility to amend and input timesheets; and
- b) a member of staff who had ceased employment with the organisation was still registered on the system as a user.

A3. During the course of our fieldwork, the Head of Corporate Services was advised of these issues. The Head of Corporate Services requested that the UNIPIMS service provider consult with Internal Audit in relation to these issues and during the course of our fieldwork, the following amendments were made to the access levels and information held on the UNIPIMS system:

- a) the acting Head of Information Services was assigned sole responsibility to reset the password function. We observed that a new password was assigned and is held securely in an envelope in the IT safe. Access rights were also revised to ensure that this user (the acting Head of Information Services), has no access to any other functions on the UNIPIMS system;
- b) access levels to the personnel management and payroll management functions were reviewed and amended. Consequently, Finance personnel have full access rights to the key payroll management function but "read only" access to the personnel "starters and leavers" functions. Personnel in the Human Resources section have full access to the key personnel functions but no access to the payroll management functions; and
- c) the leaver identified in our fieldwork above, was removed from the UNIPIMS system.

Effect

A4. The ability of users to reset password rights and the absence of a segregation of access between payroll and personnel functions there is an increased risk that staff may be able to fraudulently amend pay related details.

Access levels to the UNIPIMS system (continued)

A

Recommendations

A5. We recommend that EONI management undertake periodic reviews of the access levels on all systems to ensure that access levels remain appropriate. We also recommend that responsibility is assigned to one individual to ensure that all leavers are promptly removed as system users.

Payments to canvassing personnel

B

Weaknesses

B1. At the time of performing our fieldwork, October 2006, the annual electoral canvass was ongoing. Discussions with EONI management indicated that the next electoral canvass is expected to be undertaken during 2010.

B2. Our review identified that personnel in the local electoral offices are responsible for inputting canvasser details, as well as the respective number of houses visited and the mileage payable in relation to each canvasser, onto the EROS system. Our review indicated that there is no segregation of duties in the local area offices between those members of staff responsible for inputting canvassers' personnel details and those members of staff responsible for inputting the canvassing details (e.g. number of houses to be visited) used to calculate canvasser payments.

B3. During January 2007, we visited two local area offices, Newtownabbey and Ballymena and we noted that each canvasser is required to complete a weekly worksheet. We note that our discussions with local area office staff indicated that these worksheets record details of the number of houses visited and the hours worked. We understand that these worksheets are used as a basis upon which to monitor the efficiency and performance of each canvasser. However, we note that while these worksheets are now provided to Head Office, the information on these worksheets was not used to corroborate the amounts due to canvassers.

B4. Our discussions with EONI management indicated that the Finance Officer performs a number of 'high level' checks on information relating to canvassers in advance of the processing of the canvasser payroll. These include:

- a) a reconciliation of the total canvasser fees (including time and mileage claimed), as detailed in excel spreadsheet prepared by the AEO's and a "detailed file" which is prepared by the Finance Sections and sent to ICS (payroll bureau) for processing;
- b) the preparation of a spreadsheet comparing the total fees and mileage per local area office for the current year and the previous year. If there are notable year on year variances the Finance Officer performs detailed checks on the mileage claim forms;
- c) a reconciliation of the number of canvassers detailed on the EROS system to the number of mileage claim forms received by Headquarters. Any differences are investigated with the AEO responsible for the area office;
- d) a review of insurance documentation to ensure that all canvassers are appropriately insured; and
- e) on receipt of the gross to net payroll report from ICS, the Finance Officer reviews the report to ensure the value and number of canvassers agrees to the corresponding information held on the EROS system. A member of the Senior Management Team will also check this report and each of the AEO's are required to confirm the accuracy of these details, in advance of the payroll being processed.

Payments to canvassing personnel (continued)

B

B5. While we acknowledge that there are a number of checks undertaken by both the Finance Office and the respective local area offices in advance of the canvasser payment being processed, we have a residual concern that the lack of segregation duties at Area Office provides an opportunity for either “dummy canvassers” or “dummy canvassing activity” (extra houses to be visited) being created on the EROS system.

Effects

B7. Failure to ensure that there are appropriate segregation of duties between the inputting of personnel details and financial information onto the EROS system, increases the risk that “dummy” canvassers or activity may be added onto the system.

B8. Failure to perform a detailed check between the information in the weekly work sheets and the information on the EROS system, increases the risk that canvassers are not paid correctly. Specifically, we consider that the absence of these checks increases the risk that canvassers who did not complete the terms of their contract e.g. failed to attend or ceased employment during the period of the canvass, are not identified.

B9. Furthermore, as local area staff have the ability to create canvassers on the EROS system, remove absent canvassers from the EROS system and amend personnel details e.g. bank details, there is an increased risk that records are inappropriately created or amended.

Recommendations

B10. While we recognise that a number of checks in relation to the canvasser payroll are undertaken by Headquarters, we recommend that responsibility is assigned to undertake detailed checks on a sample of canvasser weekly worksheets against the information on the EROS system. We recommend that these checks are undertaken in advance of the canvasser payroll being processed.

B11. We also recommend that records of these checks are retained for the purposes of audit review.

Summary of recommendations and implementation table

Reference	Recommendations	Management Response	Action taken / to be taken	Implementation date
A5.	We recommend that EONI management undertake periodic reviews of the access levels on all systems to ensure that access levels remain appropriate. We also recommend that responsibility is assigned to one individual to ensure that all leavers are promptly removed as system users.	Accepted	Responsibility for the resetting of passwords in relation to the UNIPIMS system has been formally assigned to the Head of Corporate Services.	1 April 2007
B10.	While we recognise that a number of checks in relation to the canvasser payroll are undertaken by Headquarters, we recommend that responsibility is assigned to undertake detailed checks on a sample of canvasser weekly worksheets against the information on the EROS system. We recommend that these checks are undertaken in advance of the canvasser payroll being processed.	Accepted	At least every 3 months reviews of the access levels on all systems to be carried out by the Head of information Services New employees only permitted access in accordance with their management roles and all leavers are promptly removed as system users.	31 August 2007
B11.	We also recommend that records of these checks are retained for the purposes of audit review.	Accepted	Procedures to be documented in Phase 2 of the Financial Procedures Manual which is due to be published by 31 August 2007 Records to be kept on the CFP in accordance with the disposal schedules agreed by PRONI	Immediate

7.2.3. Canvasser Payment Procedures

Please ensure canvassers who were due to work but didn't do not appear on the Master and Detail Files

INTRODUCTION

- Canvasser payments are similar to Election Staff Payments in that once the information has been input to EROS two files are exported – a master file and a detail file – for checking.

The Master File

The Master File once exported from EROS (see instructions below on exporting) is a basic excel spreadsheet and informs ICS Payroll who has to be paid. (The Detail file informs ICS of the amount each canvasser is to be paid).

The Master File spreadsheet consists of 26 columns of information for each canvasser which must be checked by the Area Office. If the information is not contained on this spreadsheet you must go back to the appropriate field in EROS, input the information, save and re-export the file. Once an office is satisfied with the Master File and detailed checks on a sample of the Canvasser weekly worksheets against the information on EROS have been carried out by the Assistant Chief Electoral Officer, please contact the Finance Officer at HQ and he will send the information to ICS Payroll for processing.

The following table describes each of the 26 columns and where they are exported from on EROS.

Column on Spreadsheet	Column Description	EROS PATH	Comments
A	STAFF ID	Standard Setup, Staff, Staff Details	Please ensure you have attached employee to an office (see X below) and save
B	SURNAME	Standard Setup, Staff, Staff Details	
C	INITIALS	Standard Setup, Staff, Staff Details	
D	FIRST NAME	Standard Setup, Staff, Staff Details	
E	SECOND NAME	Standard Setup, Staff, Staff Details	
F	TITLE	Standard Setup, Staff, Staff Details	
G	SEX	Standard Setup, Staff, Staff Details, Further Staff Details Tab	

Assurance rating definitions

D

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.