

The Electoral Office for Northern Ireland

Internal Audit report 2007/08

Bank and Cash

10 January 2008

Ref: BC/lb

Private and Confidential

D Bain Esq
Chief Electoral Officer
Electoral Office for Northern Ireland
St Anne's House
15 Church Street
Belfast
BT1 1ER

10 January 2008

Dear Sir

Re: Fieldwork visit – Bank and Cash

Introduction

1. We recently completed our internal audit fieldwork visit in respect of the 2007/08 financial year in relation to the Electoral Office for Northern Ireland's ("EONI's") system for bank and cash. This report summarises our findings.

Background

2. We note that EONI's day to day operational costs are paid by the Northern Ireland Office's ("NIO's") Financial Services Division, and as such EONI does not need to maintain a bank account for these costs. However, EONI does need to operate bank accounts for election related costs.

3. At the time of our review we noted the main bank account, the "register of electors" account, was used for the payment of casual wages and ad hoc manual cheques and the lodgement of receipts in respect of the sale of registers. We also noted that four election related bank accounts were in use within EONI. We understand that EONI is required to open a bank account for each election held and is required to keep this account open for a minimum of two years.

4. A petty cash "float" of £40.00 is maintained at EONI Headquarters to purchase sundry items. Petty cash expenses are recorded in a petty cash book which is the subject of review by the Head of Corporate Services each time the petty cash float is replenished.

Scope

5. In line with EONI's annual internal audit plan, approved by the Board on 16 August 2007, the fieldwork visit focussed on assessing the following control objectives in respect of the system of bank and cash:

- a) to ensure that bank accounts are reconciled in a timely and accurate manner;
- b) to ensure that bank reconciliations are adequately reviewed;
- c) to ensure that cash is stored securely;

- d) to ensure that adequate controls are in place over cheque signatories; and
- e) 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 are also 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

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 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 day was 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 bank and cash 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 Chief Electoral Officer.

Findings

10. Our review identified that petty cash is securely held and petty cash reconciliations are the subject to review by the Head of Corporate Services. We also noted that a list of cheque signatories is maintained with the bank and is updated as staff changes arise. However, we noted that there are weaknesses in relation to the timeliness of the review of monthly bank reconciliations, the accuracy of the bank reconciliations and the absence of a requirement for the preparer of the monthly bank reconciliations to sign and date the reconciliations.

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

12. 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 12 October 2007. A draft of this report was issued to EONI for management comments on 14 November 2007.

Management responses

13. We have attached an implementation table at *Appendix B* which records management’s responses and implementation dates for each of the audit recommendations.

Assurance rating – satisfactory

14. In our opinion, there are a number of improvements which could be incorporated within EONI's internal control system for bank and cash particularly, in relation to the timeliness of the review of monthly bank reconciliations, the accuracy of the bank reconciliations and the absence of a requirement for the preparer of the monthly bank reconciliations to sign them. However, the existing controls in place within the bank and cash system are basically sound and provide **satisfactory** assurance regarding the effective and efficient achievement of EONI's objectives in relation to bank and cash.

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

Other matters

16. We would 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 Lacey Beckett.

Yours faithfully

ASM Horwath

e-mail: brian.clerkin@asmhorwath.com
lacey.beckett@asmhorwath.com

Monthly bank reconciliations

A

Weaknesses

A1. As part of our detailed testing we selected the monthly bank reconciliations prepared in respect of the “register of electors” and “election 2007” bank accounts during the period February 2007 to July 2007. Our review noted the following exceptions:

- a) in one instance (March 2007) we noted a delay of 24 working days in completing the supervisory review of the election 2007 bank account; and
- b) the outstanding cheques recorded as part of the register of electors bank reconciliation ended 31 March 2007 included cheques raised in April 2007.

A2. We also noted that the Finance Officer prepares the monthly bank reconciliations for all bank accounts held by EONI. We note that the Finance Officer does not sign or date the bank reconciliation on completion.

Effects

A3. Delays in reviewing the monthly bank reconciliations can result in errors going unnoticed.

A4. The inclusion of cheques raised after the month end as outstanding cheques will result in the misstatement of the balance of the bank account.

A5. In the absence of the Finance Officer signing the monthly bank reconciliations there is a lack of evidence that an adequate segregation of duties exists over the preparation and review of the monthly bank reconciliations.

Recommendations

A6. We recommend that monthly bank reconciliations are the subject of review on a timely basis.

A7. We recommend only cheques raised prior to the month end that remain outstanding should be included as part of the reconciliation of the bank accounts.

A8. We recommend on completion of preparing monthly bank reconciliations the Finance Officer should sign and date the reconciliation cover sheet.

Summary of recommendations and implementation schedule

B

| Reference | Recommendation | Management response | Action Taken / To be Taken | Implementation Date |
|-----------|--|---------------------|---|---------------------|
| A6. | We recommend that monthly bank reconciliations are the subject of review on a timely basis. | Accepted | This recommendation has been fully implemented and documented in the Finance Procedures Manual. | Fully implemented. |
| A7. | We recommend only cheques raised prior to the month end that remain outstanding should be included as part of the reconciliation of the bank accounts. | Accepted | This recommendation has been fully implemented and documented in the Finance Procedures Manual. | Fully implemented. |
| A8. | We recommend on completion of preparing monthly bank reconciliations the Finance Officer should sign and date the reconciliation cover sheet. | Accepted | This recommendation has been fully implemented and documented in Finance Procedures Manual. | Fully implemented. |

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.