

Electoral Office for Northern Ireland

Internal Audit report 2008/09

Follow up review

19 November 2008

Ref: BC/PP/ab

Private and Confidential

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

19 November 2008

Dear Sir

Re: Follow up review of previous internal audit recommendations

Introduction

1. We recently completed our follow up review in respect of certain previous internal audit recommendations. This review focussed on assessing the implementation of recommendations made in respect of the following systems:

- a) payroll and travel expenses (election staff);
- b) fixed assets;
- c) human resource management and training;
- d) information technology systems;
- e) area electoral offices; and
- f) bank and cash.

Scope

2. The purpose of this report is to assist Electoral Office for Northern Ireland ("EONI") to identify areas where control improvements can be made. In addition, this report will, together with our reports on information technology systems, area electoral offices, human resource management and training, purchasing and procurement and other financial systems, inform our assessment of the overall assurance rating for the 2008/09 year, which will be reported in our annual assurance report for the year ending 31 March 2009.

3. This report is addressed to the Chief Electoral Officer and, as required by our terms of appointment, copies of all finalised reports will be issued to the Northern Ireland Office's ("NIO's") Head of Internal Audit, the Northern Ireland Audit Office and the Rights and International Relations Elections and Legacy 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

4. 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.

5. 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

6. We have attached a table which summarises the findings of our review at *Appendix A*.

7. We have attached the key findings identified in the course of our work at *Appendices B to G* as follows:

	Appendix
Payroll and travel expenses (election staff)	B
Fixed Assets	C
Human Resource Management and Training	D
Information technology systems	E
Area electoral offices	F
Bank and Cash	G

8. The findings included in this report were discussed with Mrs Margaret McMullen (Head of Corporate Services) and Mr Peter Mullan (Finance Officer) on 14 October 2008. A draft of this report was issued to EONI on 10 November 2008. A revised draft of this report was issued for management comment on 14 November 2008.

Other matters

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

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

Yours faithfully

ASM Horwath

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Summary of findings

A

System	ASM Report Reference	Number of recommendations made	Number of recommendations fully implemented	Number of recommendations partially implemented	Number of recommendations not implemented	Number of recommendations which were not accepted	Number of recommendations which cannot be tested
Payroll and travel expenses (election staff)	A6, A7, A8	3	1	-	-	-	2
Fixed assets	A3, B3, C5, C6, D5, D6	6	4	1	-	-	1
Human resource management and training	A3	1	1	-	-	-	-
Information technology systems	A3	1	-	-	-	1	-
Area electoral offices	A6	1	-	1	-	-	-
Bank and cash	A6, A7, A8	3	2	1	-	-	-
Total		15	8	3	-	1	3

Payroll and travel expenses (election staff)

B

ASM report reference	Recommendations at January 2008	Client comments at January 2008	ASM Horwath findings as at September 2008
A6.	We recommended that the staff in the local area offices ensure that election staff complete attendance sheets recording start and finish times.	Accepted	Unable to test as the change can not be considered until the next election We were unable to test the completion of attendance sheets by election staff as these can not be considered until the next election.
A7.	We recommended that EONI Finance staff are reminded to sign weekly timesheets as evidence that hours worked have been entered onto EROS.	Accepted	Fully implemented Our review of the Financial Procedures Manual identified that this procedure has been formally documented. Our discussions with EONI management identified that a reminder has been issued to staff in this regard.
A8.	We recommended that each member of staff submits one weekly timesheet recording all duties completed. Furthermore, staff in the local area offices should have been reminded of their responsibility to ensure that the correct start and finish times are recorded on the weekly timesheets.	Accepted	Unable to test as the change can not be considered until the next election We were unable to test the completion and submission of weekly timesheets as these can not be considered until the next election.

Fixed assets

C

ASM report reference	Recommendations at January 2008	Client comments at January 2008	ASM Horwath findings as at September 2008
A3.	Whilst we acknowledged that a physical verification was being undertaken by EONI IT section at the time of our fieldwork we recommended that EONI Management ensure that this was completed on a periodic basis. We also recommended that evidence of the current review was maintained for audit trail purposes, and issues and corrective actions identified from the review were documented.	Accepted	<p>Fully implemented</p> <p>We noted that verification checks are undertaken by the IT Section and by each of the Area Offices on a periodic basis. We reviewed the documentation relating to each review and noted that each verification is evidenced by signature and date, that the fixed asset register is updated to reflect any changes and that this documentation is retained by the IT Section for audit trail purposes.</p>
B3.	Whilst we acknowledged that EONI Management were aware of the deficiencies under the current tagging system and have taken proactive steps to address these, we recommended that EONI Management ensured that the new system of tagging would be durable and would be completed as part of the annual physical verification. We also recommended that EONI IT identify damaged asset tags and replace as necessary as part of the annual physical verification process.	Accepted	<p>Fully implemented</p> <p>We selected a sample of five assets and identified that new, more durable tags been introduced. Our discussions with management indicated that a policy has been established whereby any damaged tags will be replaced as part of the ongoing verification process.</p>
C5.	We recommended on receipt of the monthly budget report provided by FSD that EONI Finance ensure that all payments recorded as assets within the NIO payment reports during the month were correctly capitalised by the FSD.	Accepted	<p>Fully implemented</p> <p>We selected two reports received by FSD containing payments recorded as assets. We reviewed these to ensure that all such payments had been accurately recorded and appropriately capitalised. We noted that EONI undertake monthly checks on the FSD monthly reports to ensure the capital items have been correctly identified.</p>
C6.	We also recommended that on the assignment of asset tags to fixed asset additions that the EONI IT section update EONI fixed asset register on a timely basis.	Accepted	<p>Fully implemented</p> <p>We selected a sample of five additions and reviewed these assets to ensure that they had been appropriately tagged and that the fixed asset register had been updated on a timely basis.</p>

Fixed assets

C

ASM report reference	Recommendations at January 2008	Client comments at January 2008	ASM Horwath findings as at September 2008
D5.	We recommended that comprehensive details are recorded in respect of the location of fixed assets including the specific location within the office and the responsible staff member.	Accepted	<p>Partially implemented</p> <p>We reviewed a sample of verification checks undertaken by the Area Offices and traced any amendments arising from these verification checks to the “master” fixed asset register which is maintained by the IT Section. We identified that whilst the location of each asset has been provided by the Local Area Office, this information had not been completed on the “master” fixed asset register.</p> <p>The IT Section is responsible for using this information to update and maintain the “master” fixed asset register. Our review of the information provided by each of the Area Offices following each verification exercise and of the “master” fixed asset register identified that whilst the location of each asset had been provided by each of the Local Area Offices, this information had not been completed on the “master” fixed asset register.</p>
D6.	We also recommended that an asset transfer form is created, which records the details of the new location and staff member responsible for the fixed asset. The form should be distributed to all relevant personnel. On receipt of completed transfer forms the EONI IT section should amend the fixed asset register accordingly.	Accepted	<p>Unable to test this recommendation</p> <p>We reviewed the asset transfer form that had been created by EONI. The transfer form records the office from which it is being transferred, the asset number, the make, the model, the serial number, the location, the date of the transfer and whether the asset will be returned. We note that as there had been no transfer of assets since the date of the previous audit, we were unable to test the implementation of this recommendation. We will revisit this recommendation in future review of fixed assets.</p>

Human resource management and training

D

ASM report reference	Recommendations at January 2008	Client comments at January 2008	ASM Horwath findings as at September 2008
A3.	We recommended that EONI staff are reminded of the need to adhere to the procurement thresholds as set out in the financial and operating procedures. We also recommended that all supporting quotes and tendering information should be fully documented and held on file.	Accepted	Fully implemented We selected and reviewed the methodology used in relation to the procurement of six recent training courses. We noted that in each instance the procurement was undertaken in accordance with established procedures.

Information technology systems

E

ASM report reference	Recommendations at January 2008	Client comments at January 2008	ASM Horwath findings as at September 2008
A3.	We recommended that staff within the EONI IT section retain evidence of the review of EROS audit log and record issues identified together with corrective actions undertaken.	Not accepted	Not accepted

Area electoral offices

F

ASM report reference	Recommendations at January 2008	Client comments at January 2008	ASM Horwath findings as at September 2008
A6.	<p>We recommended that the frequency and the level of monitoring checks within each of the areas should be established and documented within the monitoring procedures. Furthermore, we recommended that a risk based approach should be used to establish the required level of monitoring checks to be completed with consideration given to the individual circumstances of the area electoral office e.g. the varying level of absent voters across the area electoral offices.</p>	<p>Accepted</p>	<p>Partially Implemented</p> <p>EONI management have implemented a new, risk based, management checklist, which identifies the key areas of responsibility and the level of checks to be undertaken by each of the Area Electoral Offices. While undertaking our review of the Area Electoral Offices, we assessed the level of compliance in each Area Offices, against the key objectives identified in the checklist. We noted a number of inconsistencies in relation to the manner in which the implementation of the management checklist was being administered in each of the offices. We also identified a number of minor “housekeeping” issues of non-compliance. These are fully presented in our report on the Area Electoral Offices.</p> <p>Our discussions with EONI management indicated that they are developing a spreadsheet to assist management in the monitoring of the management checklist in each of the area offices.</p>

Bank and cash

G

ASM report reference	Recommendations at January 2008	Client comments at January 2008	ASM Horwath findings as at September 2008
A6.	We recommended that monthly bank reconciliations are the subject of review on a timely basis.	Accepted	Partially implemented We selected and reviewed four recent bank reconciliations. We noted delays ranging between nine and fifteen days in relation to the preparation of the bank reconciliations and delays ranging between eleven and seventeen days with regard to the review of the reconciliations.
A7.	We recommended that only cheques raised prior to the month end that remain outstanding should be included as part of the reconciliation of the bank accounts.	Accepted	Fully implemented We selected and reviewed a sample of four bank reconciliations and noted that in each instance, only those cheques raised prior to the month that remained outstanding were included as part of the reconciliation.
A8.	We recommended on completion of preparing monthly bank reconciliations the Finance Officer should sign and date the reconciliation cover sheet.	Accepted	Fully implemented We selected and reviewed a sample of four bank reconciliations and in each instance we noted that the cover sheet had been evidence by signature and date.