

**Electoral Office for Northern Ireland**

**Internal Audit report 2009/10**

**Payroll and travel expenses (election and casual staff)**

24 November 2009

Ref: BC/LB

**Private and Confidential**

D Bain CBE  
Chief Electoral Officer  
The Electoral Office for Northern Ireland  
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St Anne's House  
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24 November 2009

Dear Sir

**Re: Fieldwork visit – Payroll and travel expenses (election and casual staff)**

**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's") system for payroll and travel expenses (election and casual staff). Specifically, this review focused on the internal control systems in place in respect of the most recent election to the European Parliament, which was held in June 2009. This report summarises our findings.

**Background**

2. We previously undertook a review of the EONI's payroll and travel expenses (election staff) systems as part of our 2007/08 internal audit fieldwork and determined that a "*satisfactory*" assurance rating was appropriate. Our review included recommendations in respect of the completion of attendance sheets and weekly timesheets by election staff and the evidencing of staff hours recorded on EROS.

3. EONI recruited approximately 4,600 staff to work at polling stations and at the election count centre as part of the European Parliamentary election held in June 2009. Additionally, temporary staff were employed within each of the local area electoral offices to undertake duties associated with the election. At the time of our draft report (November 2009) the payroll and travel expenditure incurred to date in respect of the European Parliamentary election amounted to £1,110,000 of which £6,800 is in respect of travel.

4. Election staff are paid in accordance with a schedule of fees established by the Chief Electoral Officer. The personal details are input on to the EROS system by staff within the local area electoral offices. EONI's Finance section are responsible for processing the election related payroll, including providing information to ICS, a third party payroll bureau which performs the payroll calculations.

## **Scope**

5. In line with EONI's 2009/10 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 payroll and travel expenses (election and casual staff) system:

- a) to ensure that only bona fide election staff are included on the payroll register;
- b) to ensure that salaries and wages are properly and accurately recorded and details are held securely;
- c) to ensure that deductions from salaries and wages are calculated correctly;
- d) to ensure that salaries and wages are paid in accordance with employment contracts in respect of staff who are currently employed in authorised posts;
- e) to ensure that travel and subsistence expenses are claimed in accordance with the NIO's guidelines; and
- f) to ensure that travel expense payments are complete, accurate, timely, bona fide, paid only once and appropriately authorised.

6. 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**

7. 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.

8. 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**

9. We have made recommendations to enhance the effectiveness of the management checks undertaken by Finance in respect of the verification of the attendance of election staff. We also noted from our discussions with Management that consideration has been given to the implementation of an electronic attendance system. We have recommended that Management give further consideration to the introduction of an electronic attendance system for the purposes of administrative efficiency. We also recommend that EONI identify the risks associated with the introduction of such a system including the necessary operational and monitoring processes to be implemented to ensure that they are fit for purpose.

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

<b>Findings</b>	<b>Appendix</b>	<b>Priority</b>
Processing payroll	A	Medium
Introduction of an electronic attendance system	B	Low

11. 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 and 23 November 2009. Management comments were received on 23 November 2009.

### **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.

### **Assurance rating – satisfactory**

13. In our opinion, there are a number of improvements which could be incorporated within EONI's internal control system for payroll and travel expenses (election and casual staff), particularly in relation to enhancing the effectiveness of the management checks undertaken by Finance in respect of the verification of the attendance of election staff. We have also recommended that Management give further consideration to the introduction of an electronic attendance system for the purposes of administrative efficiency. However, the existing controls in place within the payroll and travel expenses (election and casual staff) are basically sound and provide **satisfactory** assurance regarding the effective and efficient achievement of EONI's objectives in relation to the payroll and travel expenses (election and casual staff).

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

### **Other matters**

15. We would 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 Lacey Beckett.

Yours faithfully

ASM Horwath

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## **Processing payroll**

**A**

### **Weaknesses**

A1. The main election payroll run was processed in July 2009 which paid 4,529 temporary polling and count centre staff and totalled £872,894. During the course of our review we noted that each of the local area electoral offices verified the attendance of the respective staff members within their area by reference to the associated attendance records which are generated from the EROS system prior to the election. Thereafter, each of the local area electoral offices advised the Finance Section that the checks had been undertaken and submitted the attendance records to Finance. We understand that Finance staff then verified that each staff member recorded on EROS had completed an acceptance form (accepting their appointment as a temporary election worker) and vouched the bank details and travel documentation. We also note that the Finance Officer reviewed all attendance records submitted to ensure that each staff member listed on the attendance report had signed the report as evidence of attendance. In the event that a staff member listed on the report did not sign the attendance report the Finance Officer discussed this with the relevant local Area Electoral Officer.

A2. We understand that prior to authorising the main payroll for payment the Finance Officer and the Head of Corporate Services undertook additional checks to verify attendance of approximately 160 staff members recorded (approximately 3.5%) on the BACS payment report. We were advised that the sample was selected from the attendance sheets from each of the local area electoral offices rather than from the BACS payment report. We consider that this method of “directional” sample selection limits EONI’s ability to identify “dummy” staff members added to the EROS system after the attendance reports are generated. We were advised by Management that as the BACS payment report does not indicate where the staff member was based the current sample selection method provides sample coverage of each of the area electoral offices.

A3. During the course of our review we selected a sample of election employees and payment runs for detailed testing. Our review noted the following exceptions:

- a) *supporting documentation:* on one occasion out of eleven staff tested, there was no acceptance of appointment or bank details form held at Headquarters. We were advised that the area electoral office retained this documentation as the staff member concerned had undertaken the training but did not attend on the day of the election. We verified the attendance at training by reference to the training record and that the staff member was only paid for the training activities; and
- b) *authorisation of BACS report:* on two occasions out of seven the BACS payment report provided by ICS had not been signed as authorised by a senior member of management prior to processing for payment.

### **Effects**

A4. In the event of a “dummy” staff member being added to the EROS system the current method of sample selection from the attendance reports limits EONI’s ability to identify such staff members.

A5. In the absence of the submission of the acceptance of appointment and bank details forms there is limited evidence that authorised staff members have been added to EROS.

A6. In the absence of the authorisation of the BACS payment report there is a risk that the payroll has not been subject to a sufficient review by senior management prior to submission to ICS for processing.

## **Processing payroll (cont'd)**

**A**

### **Recommendations**

A7. We recommend that EONI liaise with ICS to explore the possibility of expanding the BACS payment report to indicate the local area electoral office at which the staff member was based which will facilitate the sample selection from the BACS payment report. In the event that this is not possible we recommend that in addition to the current method of sample selection that a sample is selected from the BACS payment report for verification to the attendance reports.

A8. We also recommend that EONI established a pre-defined percentage of payments to be checked, which should be documented within EONI's financial procedures manual.

A9. We recommend that area electoral offices are reminded of the requirement to submit the relevant supporting appointment documentation for all election staff to Finance.

A10. We recommend that a member of senior management signs the BACS payment report as approval, prior to submission to ICS for payment.

## **Introduction of an electronic attendance system**

**B**

### **Weakness**

B1. Our discussions with Management indicated that consideration was being given to the implementation of an electronic attendance system. We understand that any such system would be operational at Headquarters and at each of the local area electoral offices and will be utilised by permanent and casual staff. The system would not, at least initially, be used for polling and count centre staff during the election.

### **Effect**

B2. Whilst the current manual attendance processes provides Management with adequate assurance in respect of attendance records the introduction of an electronic attendance system would significantly reduce the administrative burden to EONI. However, there are associated risks which could hamper the effective operation of the system and increase the susceptibility of manipulation or fraud.

### **Recommendation**

B3. We recommend that Management give further consideration to the introduction of an electronic attendance system for the purposes of administrative efficiency. We also recommend that EONI identify the risks associated with the introduction of such a system including the necessary operational and monitoring processes to be implemented to ensure that they are fit for purpose.

**Summary of recommendations and implementation schedule**

**C**

Reference	Recommendation	Management response	Action Taken / To be Taken	Implementation Date
A7.	We recommend that EONI liaise with ICS to explore the possibility of expanding the BACS payment report to indicate the local area electoral office at which the staff member was based which will facilitate the sample selection from the BACS payment report. In the event that this is not possible we recommend that in addition to the current method of sample selection that a sample is selected from the BACS payment report for verification to the attendance reports.	Accepted.	ICS have agreed to expand the BACS election payment report to include the Area offices.	Next election.
A8.	We also recommend that EONI established a pre-defined percentage of payments to be checked, which should be documented within EONI's financial procedures manual.	Accepted.	5% of the election payroll payments for each office to be checked. Documented in the Financial Procedures Manual.	Next election.
A9.	We recommend that area electoral offices are reminded of the requirement to submit the relevant supporting appointment documentation for all election staff to Finance.	Accepted.	Finance Officer will issue reminder prior to the next election. Documented in the Financial Procedures Manual.	Next election
A10.	We recommend that a member of senior management signs the BACS payment report as approval, prior to submission to ICS for payment.	Accepted.	Reminder issued by Head of Corporate Services to Finance Staff 23 November 2009.	Completed.
B3.	We recommend that Management give further consideration to the introduction of an electronic attendance system for the purposes of administrative efficiency. We also recommend that EONI identify the risks associated with the introduction of such a system including the necessary operational and monitoring processes to be implemented to ensure that they are fit for purpose.	Accepted.	Before any change takes place a business case, which will deal with these issues, as has always been intended, will be considered by the Board.	Prior to any decision to introduce an electronic attendance system.

## Assurance rating definitions

D

**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**

**E**

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.