

Electoral Office for Northern Ireland

Audit fieldwork 2010/11

Review of Payroll and travel expenses - election staff

24 December 2010



Ref: BC/LB/am

Private and Confidential

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24 December 2010

Dear Sir

Re: Fieldwork visit – Review of Payroll and travel expenses – election staff

Introduction

1. We recently completed our internal audit fieldwork visit in respect of the 2010/11 financial year in relation to the Electoral Office for Northern Ireland's ("EONI's" or "the Office's") system for the payment of payroll and travel expenses to election staff. This draft report summarises our findings.

2. We previously reviewed the EONI's controls in relation to the payment of payroll and travel expenses to election staff as part of our 2009/10 fieldwork. We considered that a "satisfactory" level of assurance was appropriate. As part of this year's review we completed a follow-up of the internal audit recommendations made by us in the 2009/10 year. Our review indicated that there has been significant progress in this area and that all recommendations have been fully implemented. We have provided details of our follow-up review at **Appendix D**.

Background

3. EONI recruited approximately 6,000 staff to work at polling stations and count centres as part of the UK Parliamentary election held in May 2010. Additionally, temporary staff ("casual election staff") were employed within each of the local area electoral offices for a number of weeks before and after the election to undertake duties associated with the election i.e. the issue and opening of postal votes.

4. At the time of our draft report (November 2010) the payroll and travel expenditure incurred to date in respect of the UK Parliamentary election amounted to approximately £1,357,000.

5. Election staff are paid in accordance with a schedule of fees established by the Chief Electoral Officer. The personal details of election staff are input on to the EROS system by staff within the local area electoral offices.

6. EONI's Finance section is responsible for processing the election related payroll, including providing information to ICS, a third party payroll bureau, which performs the payroll calculations.

Scope

7. This review was undertaken in accordance with EONI's 2010/11 Internal Audit Plan, approved by the Management Board on 5 August 2010.

8. The fieldwork visit focussed on assessing the following controls in respect of the systems operating in respect of the payment of payroll and travel expenses to election staff:

- a) to ensure that the payroll is processed in accordance with EONI's policies and procedures;
- b) to ensure that only bona fide election staff are included on the payroll register;
- c) to ensure that salaries and wages are properly and accurately calculated and recorded; and

- d) to ensure that travel expense payments are claimed in accordance with the EONI's guidelines and are complete, accurate, timely, bona fide, paid only once and appropriately authorised.

9. As noted above we also undertook a follow up review of internal audit recommendations made in respect of our 2009/10 review of payroll and travel expenses (election staff).

10. This report is addressed to the Chief Electoral Officer and it is not to be released beyond the Electoral Office's management and staff, without our prior written consent. 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

11. 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 the Electoral Office's system of internal control.

12. 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 which may exist. The responsibility for these matters rests with management and the Chief Electoral Officer.

Findings

13. Our review noted issues in relation to the storage of election related payroll documentation. We also noted inconsistencies in the approach adopted to the appointment of caretakers. Our review also noted the requirement for EONI to assign responsibility for the monitoring of motor insurance in relation to mileage claims.

14. We have attached at **Appendices A to C** the key findings identified in the course of our work. These are set out as follows:

Weaknesses	Appendix	Priority
Security of election related payroll records	A	High
Appointment of caretakers	B	Low
Miscellaneous "housekeeping" issues	C	Low

15. The findings included in this report were discussed with Mr Graham Shields (Chief Electoral Officer), Mrs Margaret McMullen (Head of Corporate Services), Mr Peter Mullan (Finance Officer), Ms Jocelyn McCarley (Assistant Chief Electoral Officer Registration) and Mrs Liz Murray (Assistant Chief Electoral Officer Elections) on 23 November 2010. A draft of this report was issued for management comments on 26 November 2010. A revised draft of this report was issued on 3 December. Management comments were received on 23 December 2010.

Assurance rating – Satisfactory

16. In our opinion, there are a number of improvements which could be incorporated within the Office's system for risk management, control and governance for the payment of payroll and travel expenses to election staff particularly in relation to the storage of payroll documentation.

17. However, the existing risk management, control and governance systems in place for payroll and travel expenses for election staff are basically sound and provide **satisfactory** assurance regarding the effective and efficient achievement of the Offices' objectives in relation to payroll and travel expenses of election staff.

18. We have attached definitions of the assurance ratings and our priority levels at **Appendices E and F**.

Other matters

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

20. If you have any queries in relation to this correspondence, please do not hesitate to contact Brian Clerkin or Amanda McMaw.

Yours faithfully

ASM

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Security of election related payroll records

A

Weaknesses

A1. We understand that on the appointment of a member of temporary staff to undertake poll and count duties, each Area Electoral Office (“AEO”) will issue the following documentation for completion and return by each temporary member of staff:

- a) an acceptance of appointment form: this will contain the staff member’s name, address, staff ID number and appointed position. Staff members are required to sign and date the form;
- b) bank details form: staff are required to complete their name, address, national insurance number and bank or building society details including sort code, account name and account number; and
- c) P527 form: to be completed by staff members wishing to declare themselves as being tax exempt.

A2. We note that approximately 6,000 individuals were appointed to work at polling stations and count centres in Northern Ireland as part of the May 2010 UK Parliamentary election.

A3. We understand that following the election the AEO’s will forward all of the above documentation to the Finance section at Headquarters. Our review identified that this amounts to approximately 50 lever arch files.

A4. During our review, we noted that these files are currently held on the floor of the Finance Officer’s office and in cabinets within the Finance Assistant’s office. We discussed our concerns in relation to the storage of this information with Management. We understand that Management are currently undertaking a procurement exercise for secure storage cabinets where the appointment documentation in relation to the May 2010 election will be held. We also understand that management are considering the implementation of a system whereby the forms will be scanned and stored electronically within the TRIM document management system. We understand that the forms would be shredded thereafter.

Effect

A5. Failure to ensure that payroll records are held securely increases the risk of fraud or theft of personal details. As a result there is a risk that EONI may be subject to legal challenge and public scrutiny.

Security of Election Payroll Records (cont'd)

A

Recommendations and management action plans				
Recommendations	Status (Recommendation accepted / not accepted)	Comment	Responsibility	Timeframe
A6. We recommend that Management undertake detailed considerations of the options in relation to the storage of election payroll documentation.	<i>Accepted</i>	<i>Election payroll documentation to be locked in security cabinets with authorised access only to the combination to the key safe. Finance Offices to be locked when unoccupied. Documented in the Financial Procedures Manual.</i>	<i>Finance Officer</i>	<i>With immediate effect</i>
A7. In the event that Management implement a system of electronic storage, as outlined above, we recommend that management ensure that there are appropriate access controls in place to prevent access by unauthorised personnel.	<i>Accepted</i>	<i>Revised procedures to be drafted and access controls reviewed. To be documented in the Financial Procedures Manual.</i>	<i>IT Systems Manager and Finance Officer</i>	<i>14 January 2011</i>

Appointment of Caretakers

B

Weaknesses

B1. We note that caretakers of schools are appointed during elections to open and close schools utilised as polling venues and to ensure that venues are adequately heated and lit throughout polling day. Our discussions with Management identified that in previous years AEO's would undertake to correspond with schools utilised as polling venues to identify the name and address of the caretaker. We understand that following confirmation from the school the AEO would provide the caretaker with a bank details form, to be completed as outlined at **Appendix A**. However, we understand that in advance of the European elections held in June 2009, the approach with regards to the appointment of caretakers was standardised with that of all other categories of poll and count staff. We understand that as a result each AEO should correspond directly with those individuals appointed as caretakers and would issue the forms, as outlined in **Appendix A**, to those individuals.

B2. During our review we selected a sample of fifteen election staff for detailed review. We noted in one instance in relation to the appointment of a caretaker by the Omagh AEO that the AEO had liaised directly with the school rather than using the revised approach of liaising directly with the Caretaker.

Effect

B3. In the absence of appointing election staff in accordance with EONI's procedures increases the risk of inconsistent practices being adopted.

Recommendations and management action plans

Recommendations	Status (Recommendation accepted / not accepted)	Comment	Responsibility	Timeframe
B4. We recommended that in advance of the next election, Area Offices be reminded of the importance of ensuring that the correct appointment procedures are instigated. In particular, staff should be reminded to issue acceptance of appointment forms to all individuals appointed as poll and count staff, and caretakers.	Accepted	Reminder issued by Head of Corporate Services to Area Offices 14 December 2010. Documented in the Financial Procedures.	HR Officer	Completed

Miscellaneous “housekeeping” issues

C

Weaknesses

C1. While undertaking our detailed testing we identified a number of minor issues in relation to the payroll and travel expenses of casual election staff and the appointment of poll and count staff. These are summarised below.

Casual Election Staff Travel and Subsistence Claims

C2. Mileage payments are payable to casual election staff when they use their own vehicle to undertake election duties. We understand that this includes visiting poll and count venues in advance of, and subsequent to, elections. Our review identified that per EONI’s Financial Procedures Manual *“staff must submit a signed insurance declaration along with a copy of the certificate of insurance to show that they hold business insurance ... copies are retained in the Finance Section and monitored to ensure details are updated on renewal”*.

C3. We selected a sample of two travel and subsistence claims submitted by casual election staff during the period April 2010 to June 2010 for detailed testing. Our testing identified that in one instance a signed insurance declaration could not be obtained. In this instance the travel claim related to the period from 7 April 2010 to 11 May 2010. We understand that this individual was subsequently appointed as a Supervisory Presiding Officer for the poll and undertook to complete a signed insurance declaration in relation to this position on 5 May 2010. However, we consider that a signed declaration should have been obtained from this individual in respect of their position as casual staff and retained on their ‘travel’ file maintained by the Finance section.

C4. Our testing also identified in the same instance that a copy of the individual’s insurance certificate in respect of the claim period relating to travel undertaken as a member of casual election staff was not held on file at Headquarters. We note that this certificate could not be obtained during the course of our review.

Casual Election Staff Payroll Runs

C5. We note that casual staff are paid an hourly rate and that casual staff payroll is processed on a weekly basis by ICS payroll.

C6. Our review identified that casual staff complete weekly timesheets which are authorised by an Area Electoral Officer and passed to the Finance Section. On receipt, a Finance Assistant will input the timesheet onto the EROS system and record the amounts due to each individual on an ‘Analysis of Hours’ spreadsheet. We understand that the spreadsheet is passed to Finance Officer for checking. Thereafter, the Finance Officer will forward a number of EROS reports to ICS payroll who will process the casual election staff payroll. We understand that ICS will calculate the amounts to be paid and will provide (via secure email) to the Finance Officer a number of reports including a gross to net pay report and a BACS payment report. On receipt, the Finance Assistant will agree the amounts per the gross to net pay report to the Analysis of Hours spreadsheet and document this check by signing and dating the gross to net pay report.

C7. We selected a sample of four weekly payroll runs in respect of casual election staff during the period April 2010 to June 2010 for detailed testing. Our testing identified that in three instances whilst the gross to net pay report had been agreed to the Analysis of Hours spreadsheet, a copy of the spreadsheet was not held on file. We also noted that in one instance whilst there was evidence that the amounts per the report had been agreed to the spreadsheet, the gross to net pay report had not been signed and dated by the member of staff who undertook this check.

Miscellaneous “housekeeping” issues (cont’d)

C

Weaknesses

Appointment of Election Staff

C8. On the appointment of individuals to undertake poll and count duties, each Area Electoral Office will undertake to input each individual’s personal details on to the EROS system. We understand that they will also ‘link’ each individual to an election, a parliamentary constituency, a polling station or count venue and the position to which they have been appointed.

C9. We selected a sample of fifteen individuals, who undertook a variety of poll and count duties at the May 2010 election, for detailed testing. Our testing identified that in one instance an Area Electoral Office had not input the relevant election, the individual’s position or the relevant polling station on to EROS. We note however that this individual was in attendance on election day and was subsequently paid the correct rate for their position.

Effects

C10. In the absence of obtaining car insurance documentation provides limited assurance that staff have the required business insurance.

C11. In the absence of the retention of the analysis of hours spreadsheet and supporting evidence of the review of the gross to net pay report provides a limited accountability trail in respect of processing casual staff payroll.

C12. Failure to ensure that election staff details are correctly input on to EROS increases the risk of incorrect or unauthorised payments to election staff.

Recommendations and management action plans

Recommendations	Status (Recommendation accepted / not accepted)	Comment	Responsibility	Timeframe
C13. We recommend that responsibility be assigned for the retention and monitoring of insurance declarations and motor vehicle insurance certificates for all mileage claimants and that mileage should not be paid in the absence of an up to date and valid insurance certificate covering business use.	<i>Accepted</i>	<i>Procedures reviewed and issued by Finance Officer to all Area Electoral Officers 7 December 2010. Documented in Financial procedures Manual.</i>	<i>Finance Officer</i>	<i>With immediate effect</i>

Miscellaneous “housekeeping” issues (cont’d)

C

Recommendations and management action plans				
Recommendations	Status (Recommendation accepted / not accepted)	Comment	Responsibility	Timeframe
C14. We recommend Finance staff retain the analysis of hours spreadsheet on file. Furthermore, we recommend that Finance evidence reviews by way of signature and date.	Accepted	<i>Procedures reviewed and issued by Head of Corporate Services to Finance Staff 22 December 2010. Documented in the Financial Procedures Manual.</i>	Finance Officer	With immediate effect
C15. We recommend that area electoral office staff enter casual employee details correctly on EROS.	Accepted	<i>Reminder issued by Head of Corporate Services to Area Electoral Officers, Assistant Area Electoral Officers and Finance Staff 22 December 2010.</i>	Area Electoral Officers and Finance Officer	With immediate effect

Follow up 2009/10 recommendations

D

ASM Ref	Recommendation as at November 2009	Management response	Action Taken / To be Taken	Implementation Date	ASM findings as at October 2010
A7.	We recommended 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 was not possible we recommended 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.	<i>Accepted.</i>	<i>ICS have agreed to expand the BACS election payment report to include the Area offices.</i>	<i>Next election.</i>	<p>Fully implemented</p> <p>Our review identified that following discussions with ICS the BACS report was not expanded. However, we note that the Gross to Net Pay Report was modified to identify the Area Office by which individuals were employed.</p> <p>We note that following receipt of the Gross to Net Report from ICS a sample of payments were selected by EONI's Finance section and traced from the report to attendance sheets and vice versa and that this sample covered all local area electoral offices. We note that approximately 21% of payroll payments were verified by Finance.</p>

Follow up 2009/10 recommendations (cont'd)

D

ASM Ref	Recommendation as at November 2009	Management response	Action Taken / To be Taken	Implementation Date	ASM findings as at October 2010
A8.	We also recommended 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.	<p>Fully implemented</p> <p>Our review identified that 21% of election payroll payments were traced from the Gross to Net Report to attendance sheets and vice versa by the Finance section, following the May 2010 election.</p> <p>We note that the financial procedures manual states that "5% verification of the staff timesheets to the information on EROS and BACS payments report, which detail the Area office at which the staff member was employed, must be conducted by the Head of Corporate Services/Senior Management and authorised".</p> <p>However, we consider that the reference to 'timesheets' is misleading in relation to poll and count staff and should be amended to refer to 'attendance sheets'.</p> <p>We also note that the reference to the BACS report is incorrect and should be amended to identify that it is the Gross to Net Report which identifies which Area Electoral Offices individuals are employed in.</p>

Follow up 2009/10 recommendations (cont'd)

D

ASM Ref	Recommendation as at November 2009	Management response	Action Taken / To be Taken	Implementation Date	ASM findings as at October 2010
A9.	We recommended that Area Electoral Offices were reminded of the requirement to submit the relevant supporting appointment documentation for all election staff to Finance.	<i>Accepted.</i>	<i>Finance Officer will issue reminder prior to the next election. Documented in the Financial Procedures Manual.</i>	<i>Next election.</i>	<p>Fully implemented</p> <p>Our review identified that the requirement to submit the relevant supporting appointment documentation for all election staff to Finance was included within the Election Staff Payment Procedures issues to all Area Electoral Offices in advance of the May 2010 Election.</p> <p>We selected a sample of 15 individuals employed at the May 2010 election for detailed testing. Our testing identified that in all instances the relevant supporting documentation had been submitted to Finance.</p>
A10.	We recommended that a member of Senior Management signed the BACS payment report as approval, prior to submission to ICS for payment.	<i>Accepted.</i>	<i>Reminder issued by Head of Corporate Services to Finance Staff 23 November 2009.</i>	<i>Completed.</i>	<p>Fully implemented</p> <p>We selected a sample of six election payroll runs processed during the period April 2010 to June 2010 for detailed testing. Our review identified that in all instances the BACS payment report had been signed by a member of Senior Management prior to submission to ICS for payment.</p>

Follow up 2009/10 recommendations (cont'd)

D

ASM Ref	Recommendation as at November 2009	Management response	Action Taken / To be Taken	Implementation Date	ASM findings as at October 2010
B3.	We recommended that Management give further consideration to the introduction of an electronic attendance system for the purposes of administrative efficiency. We also recommended 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.	<i>Accepted.</i>	<i>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.</i>	<i>Prior to any decision to introduce an electronic attendance system.</i>	<p>Fully implemented</p> <p>Our discussions with Management identified that the introduction of an electronic attendance system was considered by the Board in November 2010. We note that while Management recognised the benefits that an automated system would provide, Management considered that, at present, EONI do not have the necessary funding to purchase such a system.</p>

Assurance ratings definitions

E

Level of assurance	Definition
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

F

In prioritising recommendations for action, we have used the following definitions:

Priority rating	Definition
High	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	Weaknesses which could threaten the achievement of objectives. Remedial attention by management is required.
Low	Some weaknesses which could have an impact on the achievement of objectives. Action is required to monitor the situation and improve control.