

Electoral Office for Northern Ireland

Audit fieldwork 2011/12

Financial controls over elections (including payroll)

27 January 2012



Ref: BC/PP/am

Private and Confidential

Mr G Shields
Chief Electoral Officer
The Electoral Office for Northern Ireland
2nd Floor
St Anne's House
15 Church Street
Belfast
BT1 1ER

ASM
20 Rosemary Street
Belfast
BT1 1QD

27 January 2012

Dear Sir

Re: Fieldwork visit – Financial controls over elections (including payroll)

Introduction

1. We have completed our internal audit fieldwork visit in relation to Financial controls over elections (including payroll). This report summarises our findings.

Background

2. We previously undertook separate reviews of Elections and of Payroll and travel expenses of election staff in 2010/11 in relation to the 2010 UK Parliamentary Election. In both instances we considered that a 'satisfactory' level of assurance was appropriate.

3. The Electoral Office for Northern Ireland ("EONI") is responsible for the administration and management of elections within Northern Ireland. In May 2011, EONI were required to simultaneously undertake

elections to the Northern Ireland Assembly and to Northern Ireland Local Government, as well as a referendum on the introduction of the Alternative Vote system for Westminster elections.

4. The principal legislation governing NI Assembly elections is the Representation of the People Act 1983. Section 29 of the Act provides for payments by, and to, Returning Officers and enables the Secretary of State to specify in an Order the overall maximum recoverable amount that a Returning Officer may recover in respect of services rendered, or expenses incurred, for or in connection with a Northern Ireland Assembly election i.e. the election budget.

5. The Northern Ireland Assembly Elections (Returning Officer's Charges) Order 2011 was made under Section 29 of the 1983 Act and stated that the overall maximum recoverable amount for each of the 18 constituencies within NI in respect of the May 2011 Assembly elections was £3.3m. The election was funded by HM Treasury via the Northern Ireland Office.

6. The Electoral Law Act (Northern Ireland) 1962 (as amended) governs elections to Northern Ireland Local Government. In accordance with the provisions of the Act, all expenses incurred by EONI in relation to the May 2011 Local Government election are recharged to local councils.

7. The Referendum on the Voting System (Counting Officers' and Regional Counting Officers' Charges) Order 2011 sets out the overall maximum amount recoverable by EONI in respect of the May 2011 Referendum. This amount was £2.5m and was funded by the Electoral Commission.

8. EONI utilises separate bank accounts for expenditure and receipts in relation to each election. Each bank account is reconciled on a monthly basis and subject to review by the Chief Electoral Officer.

9. EONI undertakes election expenditure and funding drawdowns in accordance with documented procedures contained within its Financial Procedures Manual.

10. The following are the categories of staff are employed by EONI during elections:

- a) poll staff - staff who work at polling stations only;
- b) count staff - staff who work at count venues only;
- c) poll and count staff - staff who work at both polling stations and count venues;
- d) casual staff - staff who work in Area Electoral Offices prior to the election providing general clerical support specifically for the election e.g. issuing and opening postal votes; and
- e) staff who have attended training sessions but were unable to work on the day of the poll or count – these individuals will be paid an amount for attendance at training only.

11. EONI employed approximately 7,900 election staff during the May 2011 elections. Election staff were paid in accordance with the 'Combined NI Assembly Elections, Local Government Elections and UK Parliamentary Voting System Referendum 5 May 2011 Schedule of Payments'. The associated staff cost in respect of the May 2011 elections amounted to approximately £1.7m.

12. EONI's EROS system, utilised by both Finance Staff at EONI HQ and by staff at Area Electoral Offices, records details of election staff in terms of position, hours worked, rates payable and personnel details. EONI's payroll is outsourced to ICS Payroll who are responsible for calculating the gross to net pay of election staff.

Scope

13. This review was undertaken in accordance with the EONI's Strategic Internal Audit Plan, approved by the Management Board on 18 August 2011. The fieldwork visit focussed on assessing the following controls in respect of the systems operating in respect of Financial controls over elections (including payroll):

- a) to ensure that election expenditure is undertaken in accordance with EONI's procurement procedures;
- b) to ensure that election income is not drawn down in advance of need;
- c) to ensure that the election bank accounts are reconciled on a timely basis;
- d) to ensure the monthly election expenditure reports provided to the Chief Electoral Officer are accurate;
- e) to ensure that election payroll is processed in accordance with EONI's policies and procedures;
- f) to ensure that only bona fide election staff are included on the payroll register;
- g) to ensure that election payroll is properly and accurately calculated and recorded; and
- h) to ensure that election 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.

14. The following corporate risk, and associated controls, within EONI's corporate risk register, dated 23 June 2011, were considered as part of this review:

- a) the preparedness of the organisation to cope with a snap election.

15. This report is addressed to the Chief Electoral Officer and it is not to be released beyond EONI'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

16. 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.

17. 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, as Accounting Officer.

Findings

18. Our review identified that election bank accounts had been reconciled on a timely basis. We also identified that election payroll and travel expenses had been processed in accordance with EONI’s policies and procedures and had been properly and accurately recorded.

19. However, our review identified that whilst election income had not been drawn down in advance of need, there had been no formal calculation prepared to support the amount requested.

20. Our review also identified a number of inconsistencies in respect of the election payroll. In particular, we noted that the payroll documentation in respect of two Area Electoral Offices was not subject to checking by EONI’s Finance section in advance of the processing of the election payroll. We also noted one instance where the finishing time of a Count Assistant had not been recorded on the relevant attendance sheet.

21. We also consider that the monthly financial information provided to the Chief Electoral Officer did not enable an effective review of the actual outturn against the election budget.

22. 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
Election payroll	A	Medium
Drawdown requests	B	Medium
Monthly management information	C	Medium

23. These findings 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 6 October 2011.

24. A draft of this report was issued on 26 October 2011. Client comments were received on 27 January 2012.

Assurance rating – Satisfactory

25. In our opinion, there are a number of improvements which could be incorporated within EONI’s system for risk management, control and governance in respect of the financial controls over elections (including payroll), particularly in relation to the checks undertaken on the election payroll.

26. However, the existing risk management, control and governance systems in place in respect of financial controls over elections (including payroll) are basically sound and provide **satisfactory** assurance regarding the effective and efficient achievement of the EONI’s objectives in relation to financial controls over elections (including payroll).

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

Other matters

28. 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.

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

Yours faithfully

ASM

Email: brian.clerkin@asmbelfast.com
amanda.mcmaw@asmbelfast.com

Election payroll

A

Weaknesses

- A1. The main election payroll run in respect of the May 2011 elections was processed in June 2011 and paid approximately 5,500 polling station staff and 2,400 count centre staff a total of £1.7m.
- A2. Each Area Electoral Office is required to collate and submit its hardcopy election staff documentation to EONI's Headquarters. On receipt of these records, EONI's Finance section will undertake to verify a sample of election staff recorded on EROS to acceptance forms and attendance sheets and vice versa. Our review identified that a total of 330 payroll payments to election staff were verified by EONI HQ during this process.
- A3. However, our review identified that the election payroll records in respect of two Area Electoral Offices were not subject to the required review by EONI's Finance section. We understand that in both instances the relevant election staff were paid on the basis of the information held on the EROS system. In each case the hardcopy payroll documentation was only received by EONI's Finance section after the payroll run had been processed. We note while retrospective checks were not undertaken by Finance staff, that in the case of one of the Area Electoral Offices, the hardcopy documentation was subject to a comprehensive check by the Area Electoral Office staff, although we were unable to review these checks as part of our review.
- A4. We understand that each Area Electoral Office is responsible for the verification of attendance of the election staff within their area by reference to attendance sheets. During the course of our review we selected a sample of election staff for detailed testing. Our review identified one instance where a Count Assistant had not 'signed out' of the count venue. We were therefore unable to ascertain whether the rate paid to this individual was correct. We note that subsequent to our review, management obtained written confirmation from this individual of the actual hours worked which would indicate that the individual had been paid correctly.

Effects

- A5. Failure to undertake comprehensive checks in respect of each Area Electoral Office, increases the risk that fraudulent or incorrect payments could be made.
- A6. In the absence of ensuring that the finishing times of election staff are recorded on attendance sheets, there is a risk that overpayments could be made.

Election payroll (cont'd)

A

Recommendations and management action plans				
Recommendations	Status (Recommendation accepted / not accepted)	Comment	Responsibility	Timeframe
A7. We recommend that in advance of processing election payroll, comprehensive checks are undertaken in respect of a sample of election staff from each Area Electoral Office. If it is not possible to undertake these checks in advance of the payroll being processed, the checks should be undertaken retrospectively.	<i>Accepted</i>	<i>Retrospective checks to be carried out in future if hardcopy payroll documentation is received after the payroll has been processed. Documented in Financial Procedures Manual.</i>	<i>Finance Officer</i>	<i>Next Election</i>
A8. We recommend that management endeavour to ensure that the finishing time of election count staff be recorded on attendance sheets in all instances.	<i>Accepted</i>	<i>Procedures to be reviewed by the Election Planning Count Project Team.</i>	<i>Assistant Chief Electoral Officer (Elections)</i>	<i>30 September 2012 and implemented at next Election</i>

Drawdown requests

B

Weaknesses

B1. During our 2009/10 review of elections we recommended that *"the Finance Officer formally documents the calculation of the drawdown requirement"* in respect of the drawdown of election funding. This recommendation was accepted by management and EONI's Financial Procedures Manual was updated in this regard.

B2. During our follow up review in 2010/11, we identified that this recommendation had not been implemented by management in respect of the 2010 UK Parliamentary election.

B3. We note that while our review did not identify that funds had been drawdown in advance of need, detailed calculations of drawdown requirements were not fomally documented in respect of the 2011 election period.

Effects

B4. In the absence of formally documenting EONI's drawdown requirement, there is a risk that funds may be drawn down in advance of need.

Recommendations and management action plans

Recommendations	Status (Recommendation accepted / not accepted)	Comment	Responsibility	Timeframe
B5. We recommend that EONI's Finance Officer formally documents the calculation of each election drawdown and that these calculations be retained for audit purposes.	<i>Accepted</i>	<i>Reminder issued to Finance Officer by Head of Corporate Services on 8 December 2011 to formally document the calculation of each election drawdown and retain calculations on Trim for audit purposes. Documented in Financial Procedures Manual.</i>	<i>Finance Officer</i>	<i>With immediate effect</i>

Monthly management information

C

Weaknesses

C1. During our 2009/10 review of elections we made the following recommendation: *"we recommend that management review the level of information provided to the CEO and ensure that it enables him to undertake an effective and efficient review of election income and expenditure. In particular, we recommend that a financial expenditure report be devised which reports, on a monthly basis, the monthly and cumulative expenditure incurred by category and which measures the actual outturn against EONI's allocated election budget. Thereafter, the CEO should review the report and investigate variances arising."*

C2. During our follow up review in 2010/11 we identified that a template report had been devised and issued to the CEO, in April 2010 and June 2010, in respect of the 2010 UK Parliamentary election. We made an additional recommendation to management that, in respect of future elections, *"the Finance Officer should prepare the monthly report to record actual outturn against budget which should be reviewed by the CEO and that this review should be evidence by signature"*.

C3. However, during our review in September 2011, we noted that no such monthly reports were provided to the CEO in respect of the three May 2011 elections. In effect the CEO was required to review "micro" level information including purchase orders, invoices, goods received notes, photocopies of cheques issued and drawdown documentation including triplicate lodgement receipts and copies of lodgement slips. We consider that this information does not facilitate an effective or efficient review of election expenditure or of EONI's performance against the election budget.

C4. During our 2010/11 review of elections we also recommended that *"in the event that regulations governing future elections provide a constituency-by-constituency expenditure limit, that EONI prepare budgets on a constituency-by-constituency basis. We also recommend that expenditure incurred is coded to the relevant constituency."* As noted in our 2011/12 follow up report, our review in September 2011 identified that EONI does not have the systems in place to identify, on a timely basis, whether constituency-by-constituency thresholds have been breached i.e. expenditure incurred during the 2011 election period was not coded to EONI's Finance system on a constituency-by-constituency basis.

Effects

C5. We consider that that financial management information which is currently provided to the Chief Electoral Officer does not enable an effective and efficient review of election income and expenditure.

C6. In the absence of monitoring expenditure on a constituency basis there is an increased risk that EONI may breach the constituency thresholds prescribed in the regulations.

Monthly management information (cont'd)

C

Recommendations and management action plans				
Recommendations	Status (Recommendation accepted / not accepted)	Comment	Responsibility	Timeframe
C7. We recommend that, in respect of future elections, EONI utilise the template report which was devised during the 2010 elections to report to the CEO, on a monthly basis, the monthly and cumulative expenditure incurred by category and which measures the actual outturn against EONI's allocated election budget.	Accepted	<i>Procedures Manual to be reviewed to include revised procedures and template to report to CEO, on a monthly basis, the monthly and cumulative expenditure incurred by category and which measures the actual outturn against EONI's allocated election budget.</i>	Head of Corporate Services	Completed
C8. We recommend that EONI analyse the expenditure incurred in respect of the May 2011 elections on a constituency-by-constituency basis. In the event that the constituency thresholds are breached we recommended that EONI liaise with the NIO in this regard.	Accepted	<i>Expenditure to date analysed on a constituency basis and NIO will be informed should any of the constituency thresholds exceed the prescribed level.</i>	Head of Corporate Services	31 March 2012
C9. We recommend that management consider implementing a system of coding election expenditure on a constituency-by-constituency basis as it is incurred, rather than requiring the current ex-post reanalysis exercise.	Accepted	<i>Financial Procedures Manual to be reviewed to include revised procedures for preparation of budgets on a constituency basis, coding of expenditure and monthly expenditure reports.</i>	Head of Corporate Services	31 March 2012 and all future elections thereafter

Assurance rating definitions

D

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

E

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.