

**Electoral Office for Northern Ireland**

**Audit fieldwork 2011/12**

**HR and payroll, pensions and travel expenses (non-election staff)**

27 January 2012



Ref: BC/PP/am

## Private and Confidential

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27 January 2012

Dear Sir

**Re: Fieldwork visit – HR and payroll, pensions and travel expenses (non-election staff)**

### Introduction

1. We have completed our internal audit fieldwork visit in relation to HR and payroll, pensions and travel expenses (non-election). This report summarises our findings.

### Background

2. The Electoral Office for Northern Ireland ("EONI") currently employs 54 permanent staff who are located at EONI Headquarters and at Area Electoral Offices ("AEOs") throughout Northern Ireland.

3. EONI's Finance section comprises a Finance Officer and two Assistant Finance Officers. EONI's Human Resources ("HR") section comprises a HR Officer and an Assistant HR Officer. Two Administrative Officers provide assistance to the HR and Finance sections, as required.

4. Staff are paid a monthly salary based on Northern Ireland Civil Service ("NICS") pay grades and allowances. Salaries are paid to employees by electronic bank transfer (BACs).

5. The monthly payroll is processed by HR Connect, a Human Resource service centre for NICS departments. The personnel details of EONI's permanent staff are maintained by EONI's HR Section. Amendments to the monthly payroll, for example, new starters, leavers, acting up allowances, deductions and other allowances are advised to HR Connect by EONI's Human Resources Officer.

6. Payroll procedures in relation to permanent staff are contained within EONI's Financial Procedures Manual. EONI has an overtime policy and acting up allowances are paid in accordance with NICS guidelines.

7. EONI has documented procedures in respect of absence management and absence statistics are monitored by EONI's HR Officer and reported to the Management Board on a monthly basis.

8. Staff training and development needs are identified via EONI's annual performance appraisal process. We understand that EONI's training budget in respect of the 2011/12 year is approximately £25k.

### Scope

9. This review was undertaken in accordance with 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 HR and payroll, pensions and travel expenses (non-election):

- a) to ensure that adequate HR policies and procedures are in place and are subject to regular review;
- b) to ensure that staff receive adequate training and development;
- c) to ensure that factors influencing staff recruitment and retention are identified;

- d) to ensure that absence statistics are monitored effectively;
- e) to ensure that EONI's payroll is processed in accordance with EONI's policies and procedures;
- f) to ensure that salaries, wages and related costs are only incurred in respect of staff who are currently employed in authorised posts;
- g) to ensure that salaries and wages, including all overtime, acting up allowances and sick leave, are properly and accurately recorded and details are held securely;
- h) 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; and
- i) to ensure that there is adequate communication between management and HR Connect and that information produced by HR Connect is subject to timely review.

10. 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) loss of expertise through retirement or resignation of key staff.

11. This report is addressed to the Chief Electoral Officer and it is not to be released beyond the 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**

12. 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.

13. 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**

14. Our review identified that EONI has a number of HR policies and procedures in place which are subject to regular review. We also noted that adequate training is provided to staff and that absence statistics are effectively monitored and reported on a regular basis to EONI's Management Board. Our testing identified no issues in respect of payroll payments or the payment of acting up allowances or travel expense payments. We also noted that payroll documentation and personnel records were securely held.

15. However, our review identified that checks undertaken in respect of overtime payments to staff had not been adequately evidenced. We also noted issues in respect of the annual performance appraisal process, in particular the timeliness by which documentation is submitted to the HR section.

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

Weaknesses	Appendix	Priority
Payroll checks	A	Medium
Performance appraisal process	B	Low

17. 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.

Yours faithfully

18. A draft of this report was issued on 25 October 2011. Client comments were received on 27 January 2012.

ASM

### Assurance rating – Satisfactory

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19. In our opinion, there are a number of improvements which could be incorporated within EONI's system for risk management, control and governance for HR and the payment of payroll, pensions and travel expenses to non-election staff, particularly in relation to the evidencing of checks undertaken in respect of overtime payments and the timeliness by which the performance appraisal process is undertaken.

20. However, the existing risk management, control and governance systems in place for HR and the payment of payroll, pensions and travel expenses to non-election staff are basically sound and provide **satisfactory** assurance regarding the effective and efficient achievement of the Office's objectives in relation to HR and the payment of payroll, pensions and travel expenses to non-election staff.

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

### Other matters

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

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

## Payroll checks

A

### Weaknesses

A1. HR Connect process EONI's payroll on a monthly basis and provide a 'payslip report' to EONI's HR section which identifies each employee's gross to net pay for the month including overtime elements, cumulative gross pay to date, PAYE, national insurance contributions and employee pension contributions. We understand that since May 2011, EONI's HR section has utilised this report to undertake checks on a sample of monthly overtime payments made to staff. The Head of Corporate Services also undertakes checks on a further sample of payroll payments made to staff.

A2. During our review, we noted that overtime payments made to staff in June and July 2011 did not appear to have been subject to checking by EONI's HR section as the checks had not been evidenced on file. We were subsequently provided with email correspondence between EONI and HR Connect identifying queries raised by EONI in relation to overtime payments made in these months which would indicate that these checks had been undertaken albeit they had not been evidenced on file.

### Effects

A3. In the absence of ensuring that payroll checks are adequately evidenced, there is a limited audit trail available in respect of the payroll process.

### Recommendations and management action plans

Recommendations	Status  (Recommendation accepted / not accepted)	Comment	Responsibility	Timeframe
A4. We recommend that those monthly checks undertaken in respect of overtime payments be adequately evidenced.	<i>Accepted</i>	<i>HR and Finance to undertake comprehensive monthly checks on all overtime payments and document evidence. Senior Management to undertake random monthly checks and document evidence.  Financial Procedures Manual reviewed.</i>	<i>Head of Corporate Services</i>	<i>With immediate effect</i>

## Performance appraisal process

B

### Weaknesses

- B1. EONI's performance appraisal process is set out within its 'Performance Management Guidance Notes'. We note that the process is as follows:
- a) a Performance Agreement, will be drawn up and agreed between the Reporting Officer and the Jobholder by 30 April;
  - b) a Personal Development Plan should be agreed and forwarded to the HR section by 31 May;
  - c) a formal mid-year review must take place during October;
  - d) within three weeks of the year end (i.e. 31 March), a performance appraisal meeting should take place prior to the Reporting Officer completing the formal year end assessment;
  - e) within five working days of the appraisal meeting, the end of year assessment section of the Performance Review Report should be completed and signed off by the Reporting Officer and Jobholder and forwarded to a Countersigning Officer;
  - f) the Countersigning Officer must complete the relevant sections of the form within five working days and once countersigned, the form is returned to the Reporting Officer through the Jobholder; and
  - g) the fully completed Performance Review Report will then be sent to the HR section by the Reporting Officer by 15 May.
- B2. During our review we selected and reviewed performance appraisal documentation for 5 members of staff in respect of the 2010/11. Our testing identified the following issues:
- a) in three instances Performance Agreements had not been agreed before 30 April 2011. We note that in two of these instances, agreements were made in June 2010 and in one instance, the Agreement was made in September 2010;
  - b) in one instance a Personal Development Plan had not been agreed before 31 May 2010. We note that in this instance the Plan was agreed in June 2010. We also noted that in a further two instances, Plan's were not dated when agreed. We were therefore unable to ascertain the timeliness of the agreement of these Plans;
  - c) in three instances mid-year reviews were undertaken during November 2010 (rather than October);
  - d) in all instances selected for testing, we noted that the date on which the year end performance appraisal meeting was held was not recorded on the appraisal forms. We were therefore unable to determine the timeliness by which these meetings were held;
  - e) in one out of five instances the formal end of year assessment section of the Performance Review Report was not dated by the jobholder upon signing; and

Performance appraisal process (cont'd)

B

Weaknesses (cont'd)				
f) in all instances Performance Review Reports had not been countersigned and passed to the HR section by 15 May 2011. We noted that at the time of our testing, September 2011, seven out of a total of fifty-four Reports remained outstanding.				
Effects				
B3. Failure to ensure that EONI's performance appraisal process is undertaken in accordance with EONI's procedures, may impact on the effectiveness of the annual appraisal process.				
Recommendations and management action plans				
Recommendations	Status  (Recommendation accepted / not accepted)	Comment	Responsibility	Timeframe
B4. Whilst we acknowledge that a number of the delays identified can be attributed to the increased workload during election time, we recommend that management endeavour to ensure that the performance appraisal process is undertaken in accordance with EONI's documented procedures.	<i>Accepted</i>	<i>Reminders issued by HR Officer to all Line Managers. HR Officer reports non-compliance to Management Board.</i>	<i>HR Officer</i>	<i>Implemented</i>

## Assurance rating definitions

C

Level of assurance	Definition
<b>Substantial</b>	There is a robust system of risk management, control and governance which should ensure that objectives are fully achieved.
<b>Satisfactory</b>	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.
<b>Limited</b>	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.
<b>Unacceptable</b>	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

D

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

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