

The Electoral Office for Northern Ireland
Strategic Internal Audit Plan and Audit Needs Assessment

11 September 2008

Ref: BC/PP

Private and Confidential

D Bain CBE
Chief Electoral Officer
Electoral Office for Northern Ireland
2nd Floor
St Anne's House
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11 September 2008

Dear Sir

Re: Strategic Internal Audit Plan and Audit Needs Assessment

Please find enclosed our strategic internal audit plan and audit needs assessment.

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

Yours faithfully

ASM Horwath (A) Limited

Enc

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Introduction

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1.1 In this section we deal with:

- a) the purpose of this document;
- b) our appointment;
- c) the regulatory and accountability framework;
- d) the role of internal audit; and
- e) our service objectives to you as our client.

The purpose of this document

1.2 This purpose of this document is to provide the Electoral Office for Northern Ireland (“EONI”) with a Strategic Internal Audit Plan (“Strategic Plan”) covering the three years ending 31 March 2011.

1.3 This document proposes to address the following:

- a) to quantify the internal audit resource required;
- b) to provide an overview as to how this resource is to be allocated;
- c) to explain why the resource has been allocated in this way;
- d) to explain how we propose to discharge our duties; and
- e) to explain how we propose to report our findings.

1.4 We provided the Management Board of EONI with a draft of this Strategic Plan and sought its formal approval of the plan. We welcomed suggestions and amendments to ensure that EONI derives maximum benefit from the Internal Audit resource.

1.5 This Strategic Plan will provide a platform to enable the preparation of an annual operational plan, which will incorporate the detailed arrangements for the internal audit work to be undertaken during each year during our term of our appointment.

Our appointment

1.6 ASM Horwath was originally appointed as Internal Auditor to EONI under the terms of a tender issued by the Northern Ireland Office’s (“NIO”) Procurement Unit dated 27 October 2004 and our proposal dated 10 November 2004. On appointment, we undertook to prepare a three year Strategic Internal Audit Plan over the three year period 2005/06 to 2007/08, which was approved by the Management Board of EONI on 17 August 2006.

1.7 Following a competitive tendering exercise, conducted under the auspices of the Northern Ireland Office’s (“NIO’s”) Procurement section, we were subsequently re-appointed as Internal Auditor to EONI for a three year term commencing on 1 April 2008.

1.8 “Best practice” suggests a requirement for a three to five year strategic internal audit plan. To enable the plan to run concurrently with the term of our appointment, we have prepared a three year Strategic Plan for consideration and approval by the Management Board.

1.9 In preparing this Strategic Plan, we met with the following people to seek their input and assistance:

- a) the Chief Electoral Officer, Mr Douglas Bain;
- b) the Assistant Chief Electoral Officer (Elections), Mrs June Butler;

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- c) the Assistant Chief Electoral Officer (Registration), Ms Jocelyn McCarley;
- d) the Head of Corporate Services, Mrs Margaret McMullen; and
- e) the Finance Officer, Mr Peter Mullan.

1.10 We also considered the following:

- a) EONI's Corporate Plan 2007 to 2010;
- b) EONI's Business Plans for 2007/08 and 2008/09;
- c) EONI's Annual Report for 2007/08 and 2006/07;
- d) the Management Statement (incorporating the Financial Memorandum) in place between EONI and the NIO;
- e) EONI's Financial Procedures Manual;
- f) previous annual internal audit assurance statements;
- g) previous internal audit reports over the last three years of our appointment; and
- h) our knowledge of EONI gained over the past three years.

The regulatory and accountability framework

1.11 The underlying statutory basis for the electoral system in Northern Ireland is set out in the Electoral Law Act (Northern Ireland) 1962 (as amended by Article 6 of the Electoral Law (Northern Ireland) Order 1972) and the Representation of the People Act 1983 and the Northern Ireland (Miscellaneous Provisions) Act 2006.

1.12 The Chief Electoral Officer is a Crown appointment and is operationally independent of Government. The Chief Electoral Officer is required to carry out the functions conferred on him by law. The main duties of the Chief Electoral Officer are:

- a) to act as electoral registration officer for all constituencies of Northern Ireland;
- b) to act as returning officer for all elections and referendums in Northern Ireland;
- c) to recommend to the Secretary of State for Northern Ireland by 16 April each year whether or not an election canvass should be undertaken each year;
- d) to act as an assessor to the Boundary Commission for Northern Ireland;
- e) to act as an assessor to the Local Government Boundaries Commission and
- f) to lead and manage EONI.

1.13 The role of EONI is to provide the logistical and administrative support to enable the Chief Electoral Officer to discharge his legislative duties.

Management Statement

1.14 The NIO define the Chief Electoral Officer as a Crown Appointment, independent of Government in the interpretation and administration of electoral law.

1.15 The NIO sponsoring division for EONI is the Rights, Elections and Legacy Division (previously the Rights and International Relations Division). Funding for EONI's on-going activities is provided from the NIO vote. European and United Kingdom Parliamentary election costs are funded directly by HM Treasury.

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1.16 The relationship between the Chief Electoral Officer and the NIO is governed by a Management Statement. The Management Statement outlines the respective roles and responsibilities and the governance arrangements established in relation to the administrative and the financial support provided by the NIO to the Chief Electoral Officer to enable him to undertake his statutory duties.

1.17 The salary costs of the Chief Electoral Officer, as an independent statutory officeholder, are met from the consolidated fund. His operating expenses (i.e. the running costs of running EONI), except for those costs of running elections, are funded by the NIO. The cost of European and United Kingdom Parliamentary elections are met by HM Treasury and the cost of any Northern Ireland Assembly elections are found from the Northern Ireland block. District Councils meet the cost of their own elections, apart from costs incurred by EONI, which are treated as EONI Operating Costs.

1.18 The Chief Electoral Officer is not a designated Accounting Officer per se, but he does provide an annual assurance statement in relation to the use of resources to the NIO.

Financial Memorandum

1.19 In addition to the Management Statement, the Chief Electoral Officer and the NIO has agreed a Financial Memorandum which sets out in greater detail certain aspects of the financial framework within which the Chief Electoral Officer is required to operate. In particular it deals with:

- a) EONI's sources of income including:
 - i) receipts from the sale of goods or services;
 - ii) fees and charges;
 - iii) proceeds from disposal of fixed assets; and
 - iv) borrowing and reserves.
- b) EONI's expenditure (staff and non-staff) including:
 - i) expenditure not proposed in the budget;
 - ii) procurement procedures;
 - iii) the achievement of value for money objectives;
 - iv) timeliness in paying purchase invoices;
 - v) staff costs;
 - vi) capital expenditure;
 - vii) gifts, write-offs, losses and other special payments; and
 - viii) transfer of funds within budgets.
- c) the management and disposal of fixed assets;
- d) budgeting procedures;
- e) banking procedures; and
- f) compliance with relevant government instructions and guidance for non-departmental public bodies ("NDPB").

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Internal Audit code of practice

1.20 The terms of reference for our appointment require that the Internal Audit function be carried out in accordance with the objectives, standards and practices set out in the Government Internal Audit Manual (“GIAM”) and the Government Information Systems Audit Manual (“GISAM”).

The role of internal audit

1.21 The role of Internal Audit is to provide Management with an objective assessment as to whether the risk management, governance and controls, both financial and non-financial, are functioning effectively.

1.22 Internal Audit should not be seen as an optional extra. The House of Commons Public Accounts Committee has emphasised the need for effective internal audit in the public sector. In achieving its objectives, Internal Audit should:

- a) identify all systems and controls on which Management propose to rely and review them over a cycle;
- b) evaluate such systems and controls, identify inappropriate or inadequate controls and recommend improvements in procedures and practices;
- c) ascertain that systems and controls have been established and are working to achieve the most effective and economic use of resources;
- d) draw attention to any apparently uneconomical, or otherwise unsatisfactory, results flowing from Management’s decisions, practices or policies; and
- e) liaise with the External Auditors and other audit services.

Setting the standard

1.23 The GIAM requires that internal audit conforms to the following standards:

- a) **scope** – internal audit should cover all of an organisation’s operations, resources, services and responsibilities;
- b) **independence** – internal auditors must be independent of the activities they audit;
- c) **planning** – work should be planned at all levels of operation in order to establish priorities, to achieve objectives and to ensure the efficient and effective use of audit resources;
- d) **audit approach** – internal auditors should obtain and record relevant, reliable and sufficient audit evidence to support audit findings and recommendations;
- e) **controlling** – work must be controlled at all levels of operation to achieve objectives and to ensure the economic and efficient use of resources;
- f) **reporting** – the findings and recommendations arising from each audit must be promptly reported to management and be followed up to ascertain action arising there from;
- g) **due professional care** – internal auditors should employ due professional in care in undertaking their work (i.e. the care and skill that a reasonably prudent and competent auditor would apply in performing his or her duties);

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- h) **relationships** – relationships with management staff, external auditors and other review agencies must be based on the need for mutual confidence, understanding of the roles and co-operation; and
- i) **staffing and training** – the internal audit function must be appropriately staffed in terms of numbers, grades and experience. Internal auditors must be properly trained to fulfil their responsibilities.

1.24 One of the key requirements is that the work of the internal audit service be planned. This process commences with the preparation of a comprehensive audit needs assessment as the basis for the strategic and operational plans.

Our service objectives to you as our client

1.25 Our primary objective in providing internal audit services to EONI is to assist EONI to discharge its obligations under the Management Statement. In meeting this objective, we aim to provide a high quality service geared to the provision of:

- a) comprehensive audit coverage of EONI’s key system of controls;
- b) appropriate and realistic suggestions to improve the system of controls;
- c) where required, guidance to EONI in relation to Corporate Governance issues; and
- d) pro-active advice in relation to areas in which EONI can improve efficiency, effectiveness and economy.

Background**II**

2.1 In this section we provide the following background information on EONI:

- a) the strategic and operational planning process;
- b) EONI’s organisational structure; and
- c) its key systems.

The strategic and operational planning process

2.2 EONI has prepared and published a Corporate Plan relating to the 2007 to 2010 period. We note that the aim and objectives of the Plan are underpinned by two key aims: to maintain electoral registers that are at least as accurate and comprehensive as those published following the canvass in 2006; and to increase registration levels amongst the disadvantaged, the young, the disabled and those from ethnic minorities.

2.3 EONI has also published a Business Plan relating to the 2008/09 financial year, which outlines a number of key targets, planning assumptions and development objectives set by EONI for the year. We understand that progress against each of these targets and objectives is monitored on a monthly basis by the Management Board.

EONI’s organisational structure

2.4 We note that, due to a number of staffing changes over the past year, EONI has undergone an organisational restructuring. The organisational restructuring has arisen as a result of the resignation of nine out of the forty members of permanent staff and the closure of one of the Belfast Area Offices that was co-located adjacent to the Headquarters. The reorganisation resulted in a recruitment exercise being undertaken to fill vacant posts and a restructuring of individual roles and responsibilities within the remaining eight Area Offices.

2.5 At the time of preparing this Plan, August 2008, we note that EONI has a complement of 53.5 posts (57 staff including part-time and job-share).

2.6 We have been provided with an organisational chart of EONI as at August 2008, in *Appendix A*.

2.7 The key components of EONI’s organisational structure are briefly described below.

The Management Board

2.8 The daily management of EONI is vested in the Chief Electoral Officer and he is assisted by the Management Board, which comprises:

Douglas Bain CBE	Chief Electoral Officer
June Butler	Assistant Chief Electoral Officer (Elections)
Jocelyn McCarley	Assistant Chief Electoral Officer (Registration)
Liz Murray	Head of Information Services
Margaret McMullen	Head of Corporate Services

Background

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Operational areas

2.9 We note that the resignation of the previous Head of Area Office Services and one of the two Belfast Area Electoral Officers resulted in a review of EONI's organisational and structure and grading of posts. We understand that the Head of Area Office Service's post was suppressed and its key responsibilities split out between management and staff in EONI's headquarters, with the responsibility for the oversight of the eight Area Electoral Offices split equally between the Assistant Chief Electoral Officer (Elections) and the Assistant Chief Electoral Officer (Registration) (formally the Project Officer).

2.10 The key business areas in EONI can therefore be summarised as follows:

- a) **Elections** (including responsibility for the Banbridge A, Banbridge B, Ballymena and Londonderry Area Electoral Offices);
- b) **Registration** (including responsibility for the Belfast, Newtownabbey, Newtownards and Omagh Area Electoral Offices and Information systems);
- c) **Central Services** (including Human resources management and training and Finance); and
- d) **Corporate governance**.

2.11 We have set out in **Appendix B**, our assessment of the key control objectives for each system. These control objectives will form the basis of the terms of reference for future internal audit assignments in each area.

Elections

2.12 Our recent discussions with EONI management identified a number of key work strands being undertaken in relation to Elections. These can be summarised as follows:

- a) *monitoring of alleged electoral offences*: work is ongoing by staff in EONI in relation to improving control systems to reduce the opportunities for fraud. A number of suspected cases of fraud were identified during the 2007/08 year, including suspected fraud in relation to postal voting, false statements in nomination papers and failure to provide information to the electoral registration officer;
- b) *overnight counting of Parliamentary elections*: in April 2007 it was announced that all future counts of all Northern Ireland constituencies at Parliamentary elections would be counted overnight (previously counting commenced on the day following elections for security reasons); and
- c) *review of procedures*: significant changes in the law on elections came into force on 1 July 2008 and further changes are likely to be introduced during the 2008/09 year. The practices and procedures for the conduct of elections will be reviewed and amended where appropriate.

2.13 We also understand that an assumption has been made in the 2008/09 Business Plan that 2008/09 will not be an election year. The European Parliament elections have been scheduled for 4 June 2009. We have therefore scheduled audit days in relation to "Elections" in the 2009/10 and the 2010/11 years (refer to the table at paragraph 4.18). We note that discussions will be undertaken with EONI management in relation to the specific reviews to be undertaken in this area at the beginning of the 2009/10 and the 2010/11 years respectively and detailed control objectives will be prepared based on these discussions.

Background

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Registration

2.14 Following the abolition of the annual canvass in January 2007, the focus of work within this area relates to the registration of electors by means of continuous registration process and the ongoing review of the accuracy of the register. As at 31 March 2008 we understand that the new electoral register comprised a total of 1,127,602 electors and during the 2007/08 financial year, 105,596 changes were made to the register. We note that three key registration objectives have been identified. These can be summarised as follows:

- i) to increase the level of comprehensiveness of the register;
- ii) to introduce new evidence requirements to verify applications for registration; and
- iii) to ensure ongoing compliance with the additional validation checks in the continuous registration process.

2.15 Our recent discussions with EONI management identified that new evidence requirements for registration were introduced by the Chief Electoral Officer on 1 February 2008. We consider these requirements, in conjunction with those of late registration requirements which will become operational in May 2009, to be key areas of change.

2.16 Our discussions also identified a number of current and future work strands being undertaken and developed by EONI in relation to the continuous registration process, including the following:

- a) *Electoral Registration Week*: prior to its abolition, the annual canvass provided a focus on registration activities. To replace this, it was decided that there should be an annual “Electoral Registration Week”, with an annual theme of promoting registration by a particular section of the community. The key theme for 2007 was encouraging registration amongst people with disabilities. This theme was selected in part because the NIO had indicated that the Electoral Administration Act provision abolishing the unsatisfactory common law on mental capacity to vote was likely to be brought into operation by 1 October 2007. We note that this was not achieved and we understand that the provision was implemented during the summer 2008;
- b) *the provision of information by public authorities*: the Northern Ireland (Miscellaneous Provision) Act 2006 provides for the Chief Electoral Officer to request information from specified public authorities including the 26 District Councils, the Department of Work and Pensions (“DWP”), the Registrar General of Births and Deaths in Northern Ireland and the Northern Ireland Central Services Agency (“CSA”);
- c) *amendments to the Registration Form*: in recognition of the increasing numbers of individuals eligible to register to vote in Northern Ireland who do not have English as their first language, the simplified version of the registration form is now provided in 13 other languages; and
- d) *electoral identity cards*: a number of additional security measures have now been adopted in relation to receiving postal applications for identity cards. We note that a total of 4,528 new cards were issued during the 2007/08 year at a total cost of £72,500.

Background

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2.17 We understand that the majority of the work undertaken in relation to Registration is undertaken by the Area Electoral Offices. We have therefore allocated audit days to undertaking reviews of Area Offices in each of the three years of this Plan. We have allocated days during the 2008/09 year to review new evidence requirements and the 2009/10 and 2010/11 years to undertake reviews of evidence requirements, late registration and any other key changes. In conjunction with EONI management, we will undertake additional discussions with a view to preparing key control objectives in advance of undertaking these reviews.

Area Electoral Offices

2.18 As discussed previously, following the recent closure of one of the Belfast Area Offices, there are now eight Area Electoral Offices situated at seven different locations throughout Northern Ireland (two electoral offices continue to share accommodation in Banbridge). In addition to the issues discussed above under Registration, we understand that the key responsibilities of the Area Electoral Offices may be summarised as follows:

- a) *database management*: maintaining a property database which accurately reflects any deletions or new registrations;
- b) *electoral abuse prevention*: implementing policies and procedures relating to electoral abuse prevention, including the introduction of personal identifiers;
- c) *polling station schemes*: preparing and maintaining polling station schemes which effectively meet the needs of the public, political parties and the EONI. We note that a review of polling stations is currently being undertaken;
- d) *absent voting*: producing and maintaining accurate lists of absent voters;
- e) *information technology systems*: ensuring that all procedures in connection with the IT system are fully implemented;
- f) *corporate services management*:
 - i) ensuring that all staff employed by the area electoral office are recruited fairly, trained effectively in all procedures and managed effectively to achieve office objectives;
 - ii) managing the work of the office within the budgets agreed with the CEO, and following such procedures as are set by the finance department;
 - iii) ensuring all aspects of the management of the area electoral office premises are conducted efficiently and on time; and
- g) *elections*:
 - i) ensuring that all administrative matters relating to elections are completed in accordance with the election task timetable. This includes recruitment and training of election staff, hiring premises for poll stations and count centres, organising stationery, ballot boxes and transport; and
 - ii) conducting elections efficiently in accordance with legislation and preparing all relevant accounts.

Background

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2.19 We note that a number of these key responsibilities have been summarised in a management checklist and that each Area Office is responsible for ensuring ongoing compliance with this checklist. We also note that we have allocated audit days to undertaking reviews of Area Offices on each of the three years of this Plan. In year one, we propose to undertake a review of a selected number of Area Offices and assess the level of compliance with key aspects of this checklist, including new registration requirements, non responders and verification procedures. Control objectives for these reviews will be discussed and agreed with EONI management.

Information Systems

2.20 EONI uses the following IT systems for the maintenance of the electoral register, financial accounting records and personnel and payroll details:

- a) *Electoral Registration Operating System (“EROS”)*: EROS is used as an integrated election and registration management system. EROS has been tailored and refined to meet the specific needs of the Northern Ireland registration system (Northern Ireland’s information is maintained by elector, while the rest of the United Kingdom’s information is maintained by household). We note that a contract is currently in place with Hewlett Packard (“HP”) for the maintenance of EROS, though we understand that this contract will expire in October 2008;
- b) *UNIPIMS system*: UNIPIMS is EONI’s human resource management system which facilitates a full range of personnel functions, including personnel management, payroll management, absence management, recruitment management, training and full payroll processing. The UNIPIMS payroll system is administered and supported through ICS Payroll (a third party payroll bureau service).

Central Services

2.21 Central Services may be broadly defined as comprising Human resource management and training systems, Financial systems and Information systems. These can be summarised as follows:

Human resource management and training

2.22 EONI’s current staff complement currently comprises 53.5 permanent staff at Headquarters and the Local Area Offices. In addition, we understand that EONI also recruit approximately 4,500 staff, on a temporary basis, to work in polling stations and count centres for Council, Assembly, Westminster and European elections.

2.23 During the 2007/08 year, we noted that EONI commissioned the Department of Finance and Personnel’s Business Consultancy Service to undertake an evaluation of staff grading. The aim of the review was to evaluate the grades of a number of staff across EONI against Northern Ireland Civil Service (“NICS”) grading standards. We understand that this process resulted in a number of posts being upgraded. We note that the cost of these upgrades was financed from within the existing budget.

2.1 We also noted that during 2007, EONI undertook a staff survey with the aim of providing information to improve staff motivation and morale and that the action plan for the implementation of this survey was fully implemented by the end of the 2007/08 year. We also note that a further survey was undertaken during the 2008/09 year and at the time of preparing this Strategic Plan, August 2008, we understand that work is ongoing in this regard. We note that the progress of the action plan is monitored by the senior management team.

2.2 We note that the allocated 2007/08 budget for training purposes was approximately £31,000. The Human Resources section currently comprises two full time members of staff.

Background

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Finance

2.24 We note that the total electoral office funding for the 2007/08 financial year amounted to £2.408 million, which represented a reduction of approximately £900k from the previous year. This reduction was possible as a result of the replacement of the annual canvass by the system of continuous registration and through a number of other efficiency measures.

2.25 The key systems in Finance may be summarised as follows:

Payroll, pensions and travel expenses – non election staff

2.26 Non election payroll expenditure for the 2007/08 year amounted to £833,000 and expenditure on temporary staff amounted to £36,600. EONI operates the following payroll categories:

- a) **permanent/fixed term contract staff:** EONI currently employs 53.5 permanent staff. Staff are paid a monthly salary based on normal NICS pay grades and allowances. Amendments to the monthly payroll, for example, new starters, leavers, promotions, deductions and allowances are advised to the Northern Ireland Office (“NIO”) payroll section by EONI’s Human Resources Officer. The NIO payroll section inputs these amendments onto the NIO’s payroll system. Once input, this information is transferred by the NIO payroll section to Fujitsu (a third party payroll bureau service) for processing. We note that, with effect from October 2008, the payroll and HR management systems will be administered by “HR Connect” and a new payroll bureau service; and
- b) **casual and temporary staff:** EONI recruits casual and temporary staff to undertake administrative functions during periods of high workload, for example around election time. The recruitment and management of casual and temporary staff is primarily the responsibility of the area electoral officers (“AEO”). Details of casual and temporary staff are recorded on EONI’s UNIPIMS personnel system.

2.27 Travel and subsistence expenses are claimed in accordance with the Sponsoring Department rates and allowances and are processed through EONI’s payroll system. Travel and subsistence costs for the 2007/08 year amounted to £23,700.

Payroll and travel expenses – election staff

2.28 EONI recruits approximately 4,500 staff, on a temporary basis, to work in polling stations and count centres for Assembly, Westminster and European elections. Election staff are paid in accordance with a schedule of fees established by legislation. Information in relation to electoral staff’s personal details is input onto the EROS IT system by staff within the area electoral offices. The EONI’s Finance staff collate the information from each electoral office. This information is then sent to ICS, who perform the payroll calculations and process the payroll.

2.29 We note the payroll expenditure in respect of the March 2007 Assembly election amounted to £1,162,623.

Purchasing and procurement

2.30 The majority of payments relating to non-election expenses are processed by the NIO’s Financial Services Division (“FSD”). Payments relating to election expenses are processed by the finance section in EONI.

2.31 Discussions with EONI management indicated that responsibilities will be formally delegated for the procurement of some goods and services from EONI’s Finance Section to the Local Area Offices during the 2008/09 year.

Background**II***Other financial systems*

2.32 Based on our knowledge of EONI’s systems and our recent discussions with EONI management, we have identified the following distinct systems within “other financial systems”:

- a) income;
- b) fixed assets (including fixed asset register and fixed asset inventory list);
- c) bank and cash; and
- d) financial and management information.

Income

2.33 All election costs are funded by HM Treasury. This funding is drawn down by EONI on a needs basis. Funding drawn down for the 2005 election amounted to £2.3 million. All of EONI’s non-election costs are funded by the NIO.

2.3 EONI also recoups a statutory proportion of its registration expenditure from the 26 district councils in Northern Ireland, based on the size of the electorate in each Council. We understand that the current formula does not result in full cost recovery and the Chief Electoral Officer has asked the Sponsoring Department to address this issue as a matter of urgency.

Fixed assets (including fixed asset register and fixed asset inventory list)

2.34 The NIO’s FSD maintain a register of the EONI’s fixed assets. EONI inform the FSD of fixed assets additions by coding payments as fixed asset additions on the NIO payment reports. EONI capitalise fixed assets in accordance with the NIO Capital Accounting and Budgeting procedures. In accordance with the EONI’s Management Statement and Financial Memorandum the EONI Information Technology section also maintain a separate fixed asset register. FSD are also responsible for the calculation of the depreciation charge on EONI’s fixed assets.

Bank and cash

2.35 EONI’s day to day operational costs are paid by the FSD, and therefore, a bank account in relation to these costs is not required. We note that election costs are met from a separate account opened for each election and closed as soon as practicable thereafter. The accounts are funded from the Consolidated Fund through the Sponsoring Department.

2.36 A petty cash “float” of £40.00 is maintained at EONI Headquarters to purchase sundry items. Petty cash expenses are recorded in a petty cash book which is the subject of review by the Head of Corporate Services each time the petty cash float is replenished.

Financial and management information.

2.37 In advance of each election the Head of Corporate Services prepares an estimate of the total election cost, split into each of the main expense categories, based on previous elections’ costs. This estimate is sent to the EONI’s sponsoring division within the NIO, the Rights, Elections and Legacy Division, who negotiate with HM Treasury to agree a budget for the election expenditure. Following agreement of the election expenditure budget, legislation is enacted which details the maximum amount payable by way of fees and charges for the various officials and temporary staff employed during the election process.

2.38 The EONI Finance Section produces a monthly management information pack which provides details of all election related income and expenditure. This pack is reviewed by the Chief Electoral Officer who is the Returning Officer for all constituencies in Northern Ireland.

Background

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2.39 The EONI submits a bid for non-election expenditure funding to the NIO for each three year spending review period. As part of the budgetary process, EONI prepares detailed budgets for each of the three years. At the start of each financial year, the EONI's management team analyse and apportion EONI's budget allocation between its various expense categories.

2.40 We note that future financial reviews of "other financial systems" will be undertaken as one review on a cyclical basis during the 2008/09 year and the 2010/11 year, as noted in paragraph 4.21.

Corporate governance

2.41 Unlike most other public bodies, EONI is not legally bound under the control of a Management Board. In July 2006 the then Chief Electoral Officer constituted "a Management Board", which comprises the management team from within EONI and has no non-executive members. We understand that two Trade Union representatives are invited to attend each meeting. The Board has the responsibility for advising the Chief Electoral Officer on management issues including risk management, finance, performance targets and changes in policies and procedures. The Management Board has no constituted sub-committees. We note that following discussions with the Sponsoring department, it has been decided that an Audit Committee would be inappropriate given the small size of the organisation..

2.42 The Management Board meets on a monthly basis. A Corporate level risk register is maintained and is reviewed by the Management Board on a quarterly basis or more frequently if needs be. We note that risk management is an integral part of all major projects undertaken.

Audit Needs Assessment

III

Introduction

3.1 The first step in preparing a Strategic Plan for EONI’s Internal Audit function is the preparation of an audit needs assessment.

3.2 An audit needs assessment defines the areas requiring audit and ranks these areas in order of priority, thus ensuring that audit resources are appropriately targeted. This will enable EONI to judge the effect of any decision it makes regarding audit scope and resources.

Methodology

3.3 The process of preparing an audit needs assessment involves:

- a) obtaining an understanding of the control environment;
- b) identifying all areas of work by system and sub system;
- c) determining the way in which systems will be grouped for audit purposes;
- d) seeking the views of management as to which areas, or particular factors, should be considered high risk;
- e) assessing the audit risk within each area of work;
- f) determining the periods over which all systems will be audited;
- g) allocating review frequencies to audits; and
- h) estimating the resources required to meet audit needs.

Overview assessment of the control environment

3.4 In assessing the control environment we have considered the previous three annual internal audit assurance reports produced for the periods ending 31 March 2006, 2007 and 2008. The previous three annual internal audit assurance reports concluded that the overall statement of assurance on the systems of internal control provided a satisfactory level of assurance.

Conclusion on the overall control environment

3.5 Arising from the work undertaken over the last three years, we have concluded that EONI’s risk management, control and governance processes provide a **satisfactory** level of assurance.

Assessment criteria

3.6 In assessing EONI’s audit needs, we have assessed the risk attaching to each of the key systems. Risk assessment is undertaken by considering:

- a) the likelihood of the risk materialising (on a scale of very high to very low); and
- b) the impact that the risk would have on EONI if the risk materialised (on a scale of very high to very low).

Audit Needs Assessment

III

3.7 We have utilised our standard scale for assessing likelihood and impact. This scale awards values to likelihood and impact as follows:

Scale	Impact	Likelihood
8-9 (Very high)	Has a very significant impact on the achievement of business objectives	Risk occurs, or could occur, regularly
6-7 (High)	Has a significant impact on the achievement of business objectives	Risk may occur often
4-5 (Medium)	Has a limited impact on the achievement of business objectives	Risk is likely to occur
2-3 (Low)	Has a small impact on the achievement of business objectives	Risk may occasionally occur
0-1 (Very low)	Has an insignificant impact on the achievement of business objectives	Risk is unlikely to occur

3.8 In undertaking the risk assessment the factors considered included:

- a) impact – on financial resources, reputation and image, confidentiality and sensitivity of information, relationships with stakeholders and compliance with laws and regulations; and
- b) likelihood – the volume of transactions, the complexity of the processes, the experience of staff undertaking the process, the existence of specific controls and specific or general business experience of the risk.

3.9 We quantified our assessment of risk by multiplying the likelihood and impact scale assessments for each risk to provide an overall risk score. The rationale supporting our assessment of likelihood and impact for each system is outlined in *Appendix C*. These calculations, grouped by system type and individual system are included below.

3.10 The risk scores were then stratified and each risk was assigned an overall risk category based on the following system:

Overall risk score (Likelihood x Impact)	Risk category
≥ 35	High
16 – 34	Medium
≤ 15	Low

Audit Needs Assessment**III**

3.11 The risk assessment for each individual system is set out below based on the impact and likelihood noted above:

Systems	Impact (0 - 10)	Likelihood (0 - 10)	Total	Risk category		
				High (≥ 35)	Medium (16 – 34)	Low (≤ 15)
Elections	8	5	40	✓		
Registration	7	5	35	✓		
Area Electoral Offices	7	6	42	✓		
Information systems	8	5	40	✓		
Central Services						
Human resource management and training	6	4	24		✓	□
Payroll, pensions and travel expenses – non election staff	6	3	18		✓	□
Payroll and travel expenses – election staff	6	5	30		✓	□
Purchasing and procurement	5	5	25		✓	
Income	6	3	18		✓	
Fixed assets	6	3	18		✓	
Bank and cash	3	3	9			✓
Financial and management information	6	4	24		✓	
Corporate Governance	7	4	28		✓	

Internal audit response

3.12 For timetabling purposes we have identified three risk categories:

- high risk – to be subject to an in-depth review twice within the three year audit cycle (except in those instances where due to the nature, timing or lifespan of the system, it has been agreed with EONI that a “one-off” review would be more appropriate);
- medium risk – to be subject to an in-depth review at least once within the three year audit cycle; and
- low risk – to be subject to a limited review once within the three year audit cycle.

Strategic Internal Audit Plan

IV

Introduction

4.1 In the previous section we outlined the factors that we consider to be relevant in assessing EONI's internal audit requirements. In this section we provide our response to these requirements through the development of a Strategic Internal Audit Plan.

4.2 The Strategic Plan covers the three year period ending 31 March 2011. The Plan should be seen as a flexible management tool that seeks to provide:

- a) a clear view of the workload of the Internal Auditors;
- b) a basis for assessing the adequacy and future deployment of audit resources;
- c) a yardstick against which progress and performance can be measured;
- d) an authority to act once approved by the Committee; and
- e) a permanent record of the factors considered and judgements made.

4.3 The Plan, by its nature, will need to be updated annually to reflect changing circumstances and competing priorities. These changes will be reflected in an annual operational plan designed to record the detailed arrangements for the conduct of the Internal Audit function over each year. If approved by the Management Board, the Strategic Internal Audit Plan will form the basis for the preparation of each annual operational plan.

Adequacy of resource

4.4 Best practice requires that where existing resources are inadequate to meet the assessed need, these issues should be referred to the Management Board of EONI who should decide whether:

- a) additional resources should be provided; and/or
- b) the audit scope or timescale, and hence assurance, should be modified.

4.5 Having conducted the audit needs assessment we consider that the annual audit day allocation of twenty five is appropriate (with an additional 6 days in Year 1 in relation to the preparation of a Strategic Internal Audit Plan). We note that this annual day allocation compares to twenty in each year of the previous Strategic Internal Audit Plan. Based on our experience of undertaking Internal Audit reviews within EONI, we consider that these additional days are necessary to allow for an effective assessment and review of the new work streams and systems in relation to elections and registration in addition to the work to be undertaken in relation to Area Offices, Central Services and Corporate governance.

Planning

4.6 The development of appropriate strategic and operational plans requires the allocation of resource to ensure that the Internal Auditors' work is appropriately planned and documented in line with the requirements of the GIAM.

4.7 In the first year of our period of reappointment, 2008/09, we have allocated six audit days to the preparation of a Strategic Plan and an audit needs assessment. This includes meeting with the Chief Electoral Officer, and key members of staff, and the review of the key documentation identified in paragraph 1.10.

4.8 We consider that the ongoing planning time requirement thereafter will be one and a half audit days in each year.

Strategic Internal Audit Plan

IV

Contingency audit

4.9 Prudent professional practice requires that the Strategic Internal Audit Plan should include provision for contingency audit. This is to allow input in respect of unforeseen events, which by their nature cannot be planned, for example:

- a) providing advice in relation to new or updated systems;
- b) unanticipated overruns on planned reviews;
- c) undertaking internal audit reviews of newly established systems;
- d) notification of frauds, significant weaknesses or loss; and
- e) review of significant breakdowns of internal control which cannot be accommodated within planned audits.

4.10 We have allocated one audit day for this purpose in Years One and Two and two audit days for this purposes in Year Three of our appointment. We have allocated this resource due to the proposed systems and changes in procedures over the next three years. The contingency audit allocation can be reallocated annually for specific reviews in areas selected by the Management Board.

Audit follow up

4.11 For internal audit to be as effective as possible, its recommendations need to be implemented. In order to provide assurance that this is happening, time is included within the Strategic Plan to enable internal audit to proactively monitor the progress made toward implementing agreed recommendations. We have allocated two days per annum to undertake follow up reviews.

Reporting

4.12 It is essential that the internal audit reporting process is clearly defined if the independence of the Internal Audit function is to be preserved.

4.13 On this basis we wish to make it clear that we consider that we are accountable to the Chief Electoral Officer.

4.14 In our experience, the reporting of internal audit findings can be delayed if it is not the subject of a prescribed process which is approved and sanctioned by EONI. On this basis, we propose that EONI approve the following reporting procedure:

- a) within two weeks of completion of an audit, the Chief Electoral Officer and appropriate head of section will be provided with a draft report outlining the objectives and results of the audit visit;
- b) the Chief Electoral Officer and the appropriate head of section will check the draft report for factual accuracy and provide comments to Internal Audit with seven working days of receiving the report;
- c) Internal audit will issue a revised draft report within three working days;
- d) the Chief Electoral Officer will co-ordinate the response to the draft report and submit it to Internal Audit within two weeks of receiving the draft;
- e) on the basis that the draft is agreed, the report will be provided to the Management Board. Should the report not be agreed, this will be reported to the next meeting of the Management Board, together with an explanation of the issue; and

Strategic Internal Audit Plan**IV**

f) the matter will be cleared on the instructions of the Board.

4.15 The Head of Corporate Services will be the primary liaison point between Internal Audit and EONI and as such will receive copies of all draft reports and management's responses thereon and may also attend any meetings necessary to consider such reports and responses.

4.16 We have allocated one man day in Years Two and Three for reporting to the Management Board. We note that we shall attend Management Board meetings as required.

4.17 As required in the NIO's tender requirements, copies of all finalised reports will be issued to the NIO's Head of Internal Audit, the NIAO and the Rights, Elections and Legacy Division, the relevant sponsoring division within the NIO.

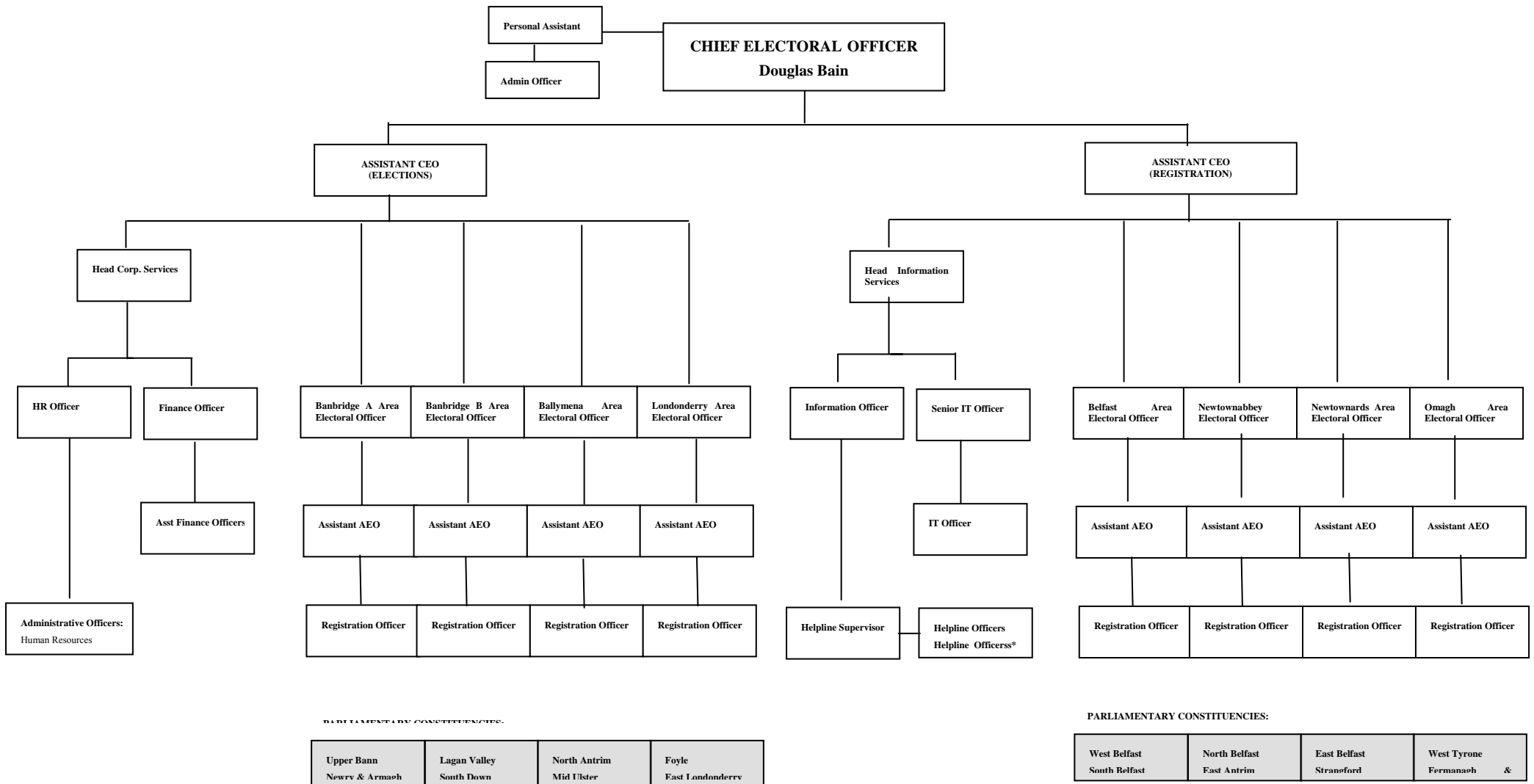
Audit day allocation

4.18 On the basis of the rationale outlined above, we propose to allocate the audit day input over the three years ending 31 March 2011 as follows:

Activity	2008/09 Days	2009/10 Days	2010/11 Days
Elections	-	5.5	5.5
Registration			
Area Electoral Offices	6.0	5.0	5.0
Information systems	5.0	-	5.0
Central Services			
Human resource management and training	3.0	-	-
Payroll, pensions and travel expenses – non election staff	-	3.0	-
Payroll and travel expenses – election staff	-	3.0	-
Purchasing and procurement	3.5	-	-
Income	}	-	
Fixed assets	}	-	3.0
Bank and cash	}	-	
Financial and management information	}	-	
Corporate Governance	-	3.0	-
Other			
Preparation of strategic audit plan and audit needs assessment	6.0	-	-
Planning	-	1.5	1.5
Contingency audit	1.0	1.0	2.0
Follow-up reviews	2.0	2.0	2.0
Reporting to the Management Board	-	1.0	1.0
Total	30.0	25.0	25.0

EONI organisational chart

A



*4 staff job share 1 full time post

Key control objectives of each system

B

Elections

- ◆ key objectives to be agreed with management.

Area Electoral Offices

These control objectives were agreed with management in relation to fieldwork undertaken during September 2008:

- ◆ to ensure that management checks are undertaken on a regular basis in relation to the following key areas identified in EONI’s “management checklist”:
- ◆ **registration processes:**
 - a checklist is completed, so far as possible, for each application/submission of evidence at the time the acknowledgement is issued;
 - Annex E evidence letters are in the approved form and are issued within 3 days of receipt of the application;
 - all completed applications are approved within three days of receipt of the required evidence;
 - the approval on the Annex D checklist is carried out by the AEO/AEAO who has not completed any part of the checklist;
 - the recommendation on the checklist has been completed;
 - the list of applications is available for public inspection;
 - there is written evidence to show that appropriate checks have been carried on at least 10% of Annex A and Annex B letters;
 - there is written evidence to show that appropriate checks have been carried out on a 100% of Annex C evidence declarations;
- ◆ **non responders:**
 - annex F letters are issued to all non responders within 35 days from the date of the Annex E letter;
 - where an individual fails to respond to an Annex F letter within the 35 days allowed a copy of the application form, marked to show the evidence requested, is passed to the CEO within a further 7 days;
- ◆ **citizenship ceremonies:**
 - reminder letters in the approved form are sent to those who have not submitted an application within 28 days from the date of the CEO’s letter;
 - a second reminder letter in the approved form is sent to non responders within 7 days of the expiry of the first 28 day period;
 - the CEO is informed, within 7 days of the expiry if the second 28 day period, of anyone who has still failed to respond;

Key control objectives of each system

B

- ◆ **information from specified public authorities:**
 - information on all the required matters is received each month from all the relevant district councils (either direct or through another AEO). (Check that what is provided complies precisely with the requirement issued by the CEO);
 - any instances of failure by any District Council or Secondary School to provide the information specified in the Requirement in the prescribed form within the prescribed period is reported to the CEO within 7 days of the failure;
 - to ensure that any issues arising from these checks are formally identified and are resolved on a timely basis; and
 - to ensure that Headquarters audit and checking procedures for Area Electoral Offices are adequate for their purpose.

Information systems

- ◆ to ensure that the requirements of the data handling legislation are adhered to;
- ◆ to ensure adequate IT security policies and procedures are in place;
- ◆ to ensure adequate contingency/recovery plans are in place;
- ◆ to ensure that access controls or physical security controls are in place;
- ◆ to ensure that data is backed-up regularly; and
- ◆ to ensure that only licensed software is used.

Central Services

Human resources management and training:

- ◆ to ensure that staff receive adequate training and development;
- ◆ to ensure that the human resources function is properly managed;
- ◆ to ensure that key staff are replaced when they leave;
- ◆ to ensure that factors influencing the recruitment and retention of staff are identified;
- ◆ to ensure that a sufficient staff complement is recruited for elections and canvassing;
- ◆ to ensure that staffing levels are reviewed on a regular basis to identify the need for additional funding;
- ◆ to ensure that absence statistics are monitored; and
- ◆ to ensure that staff views on human resource management and training issues are obtained.

Payroll, pensions and travel expenses (election and non election staff)

- ◆ to ensure that salaries, wages and related costs are only incurred in respect of staff who are currently employed in authorised posts;
- ◆ to ensure that only bona fide employees are included on the payroll register;

Key control objectives of each system

B

- ◆ 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;
- ◆ to ensure that deductions from salaries and wages are calculated correctly;
- ◆ to ensure that salaries and wages are coded to the correct nominal ledger control account;
- ◆ to ensure that salaries and wages are paid in accordance with employment contracts;
- ◆ to ensure that travel expense payments are complete, accurate, timely, bona fide, paid only once and appropriately authorised;
- ◆ to ensure that travel and subsistence expenses are claimed in accordance with the NIO's guidelines or the amount permitted by the relevant election legislation;
- ◆ to ensure that travel and subsistence expenses are coded to the correct nominal ledger account; and
- ◆ to ensure that a management audit trail exists.

Purchasing and procurement

- ◆ to ensure that a sufficient number of quotations are obtained;
- ◆ to ensure that value for money is achieved and seen to be achieved;
- ◆ to ensure that payments are complete, accurate, timely, bona fide, paid only once and appropriately authorised;
- ◆ to ensure that purchases are approved by an authorising officer;
- ◆ to ensure that purchases are made in accordance with the EONI purchasing guidelines; and
- ◆ to ensure that a management audit trail exists.

Income

- ◆ to ensure that election income is not drawdown in advance of need;
- ◆ to ensure that receipts are lodged in a complete and timely manner;
- ◆ to ensure that there is segregation of duties between recording receipts, posting receipts to the SUN accounting system and lodging receipts;
- ◆ to ensure that cash is securely stored prior to being lodged;
- ◆ to ensure that receipts are accurately posted to the debtors ledger;
- ◆ to ensure the debtors ledger is reviewed for recovery of outstanding balances owing;
- ◆ to ensure that actual receipts are compared with budgeted receipts; and
- ◆ to ensure that a management audit trail exists.

Fixed assets

- ◆ to ensure that payments for fixed assets are complete, accurate, timely, bona fide, paid only once and appropriately authorised;
- ◆ to ensure that a fixed asset register is maintained;

Key control objectives of each system

B

- ◆ to ensure that the fixed asset register is updated on a timely manner to reflect additions and disposals;
- ◆ to ensure that fixed assets are depreciated in accordance with the accounting policies stated in the annual accounts;
- ◆ to ensure that disposals of fixed assets are identified and the profit/loss on disposal is correctly calculated;
- ◆ to ensure that revenue expenditure is capitalised and capital expenditure is expensed; and
- ◆ to ensure that fixed assets are reviewed for impairment.

Bank and cash

- ◆ to ensure that bank accounts are reconciled in a timely and accurate manner;
- ◆ to ensure that bank reconciliations are adequately reviewed;
- ◆ to ensure that cash is stored securely;
- ◆ to ensure that adequate controls are in place over cheque signatories; and
- ◆ to ensure that a management audit trail exists.

Financial and management information

- ◆ to ensure that budgets are properly constructed, based on known facts and on realistic assumptions;
- ◆ to ensure that the budgetary process is integrated with the strategic and operational planning process;
- ◆ to ensure that budget reports are relevant, timely, reliable, accurate and complete;
- ◆ to ensure that roles and responsibilities are clearly established with regard to reviewing, monitoring, managing and amending the budgets; and
- ◆ to ensure that a management audit trail exists.

Corporate Governance

- ◆ to ensure that the Management information provided to the Board enables a timely and effective review of the targets set out and agreed in the EONI's Corporate Plan;
- ◆ to ensure that surveys of stakeholders are undertaken at regular intervals to provide information for policy and service development;
- ◆ to ensure that effective procedures for handling complaints about the EONI are established and made widely known;
- ◆ to ensure that the EONI's Corporate Plan and Annual Report are prepared in a timely manner;
- ◆ to ensure that a risk management strategy is in place;
- ◆ to ensure that the business risk register has been adequately prepared and particular business risks have been considered;

Key control objectives of each system

B

- ◆ to ensure that the business risk register adequately identifies the risk, its impact, ways to manage the risk and the individual who is responsible for ensuring that the risk is managed and reviewed;
- ◆ to ensure that staff involved with managing the risk are aware of the purpose of the process and of the roles and responsibilities that will be relevant to each member of staff;
- ◆ to ensure that there are sufficient senior staff on the risk management team;
- ◆ to ensure that the risk management team meets on a regular basis and the business risk register is subsequently updated; and
- ◆ to ensure that the assurance on risk management provided to the NIO by the CEO is consistent with the work completed and the conclusions made by the risk management team.

Risk assessment for each system

C

Elections

C1. We have previously identified a number of work strands being undertaken in relation to Elections. These can be summarised as follows

- a) *Electoral Registration Week;*
- b) *monitoring of alleged electoral offences;*
- c) *overnight counting of Parliamentary elections; and*
- d) *consideration of electronic counting.*

C2. We consider that the targets and objectives set in relation to Elections are challenging and we also consider that failure to achieve these targets and objectives may result in adverse public and political scrutiny. We have therefore considered that the impact of a risk occurring in this area as high. Our recent discussions with EONI management identified the progress achieved to date in relation to each of these work strands. On this basis, we consider the likelihood of a risk materialising in relation to elections, as medium.

C3. Overall we have assessed the system for Elections as **high** risk.

Area Electoral Offices

C4. As previously noted, the Head of Area Services and the Area Electoral Officer for Belfast resigned from their posts during the 2007/08 year and a subsequent decision was taken by management to close one of the Belfast Area Electoral Offices. We note that eight Area Electoral Offices are situated at seven different locations throughout Northern Ireland (two electoral offices continue to share accommodation in both Banbridge).

C5. Also noted previously, our recent discussions with EONI management identified that new evidence requirements for registration were introduced by the Chief Electoral Officer on 1 February 2008. We consider these requirements, in conjunction with those of late registration requirements which will become operational in May 2009, to be key areas of change. Our discussions with EONI management identified that each of the Area Electoral Offices are responsible for administering these key changes. These changes are monitored by EONI management via a management checklist. We have allocated days under “Area Electoral Offices” during each of the three years to review new evidence requirements and in the 2009/10 year to undertake reviews of evidence requirements and late registration.

C6. Similarly to Elections, we consider that the workstreams undertaken by the Area Electoral Offices in relation to Registration are challenging. We consider that failure to achieve the targets and objectives set may result in adverse public and political scrutiny. In addition, in view of the range of responsibilities of the Area Electoral Offices, we have assessed the impact of a risk materialising as high

C7. In considering the recent restructuring in key roles and the proposed delegation of responsibilities to the Area Electoral Offices, we have assessed the likelihood of a risk materialising as medium. We note that we plan to visit each of the Area Electoral Offices over the course of the three years.

C8. Overall we have assessed the system for Area Electoral Offices as **high** risk.

Risk assessment for each system

C

Information Systems

C9. The EONI uses a variety of computer systems for maintaining the electoral register, financial and personnel records. EROS provides a database for the Electoral Register and associated information, and additionally supports an integrated election management system. The system is widely used elsewhere in the United Kingdom but has been specifically tailored and refined to meet the needs of individual registration in Northern Ireland. In view of the potential risk to the reputation of the EONI and the impact of any loss of data, we have assessed the impact as very high.

C10. We consider that the likelihood of a risk materialising as medium in view of the lack of contingency in relation to staffing within EONI's IT department.

C11. Overall we consider that this system merits a **high** risk rating.

Central Services

C1. Central Services may be broadly defined as comprising human resource management and training systems, finance and Information systems. These can be summarised as follows:

Human resource management and training

C2. As previously noted, during the 2007/08 year, EONI commissioned the Department of Finance and Personnel's Business Consultancy Service to complete an evaluation of staff grading. The aim of the review was to evaluate the grades of staff across EONI against NICS grading standards. We understand that this process resulted in a number of posts being upgraded. We also note that nine permanent staff members resigned throughout the year due to ongoing dissatisfaction with lack of promotional opportunities and lack of formalised status with the NICS.

C3. We have previously undertaken one review in relation to Human resource management and training and considered a "satisfactory" level of assurance to be appropriate.

C4. In view of the number of staff employed and the potential risk to the EONI's reputation if a risk was to materialise we have assessed the impact of a risk occurring as high. Due to the number of recent changes implemented in relation to EONI's structures and terms and conditions for staff, we consider that the likelihood of a risk materialising as medium.

C5. Overall we have assessed the system for Human resource management and training as **medium** risk.

Payroll, pensions and travel expenses – non election staff

C6. EONI operates the following payroll categories: permanent/fixed term contract staff, whereby EONI staff are paid a monthly salary based on NICS pay grades and allowances and casual and temporary staff to undertake administrative functions during periods of high workload, for example around election time. Non election payroll expenditure for the 2007/08 year amounted to £833,000 and expenditure on temporary staff amounted to £36,600. Amendments to the monthly payroll, for example, new starters, leavers, promotions, deductions and allowances are advised to the Northern Ireland Office ("NIO") payroll section by EONI's Human Resources Officer. The NIO payroll section inputs these amendments to the NIO's payroll system. Once input, this information is transferred by the NIO payroll section to Fujitsu (a third party payroll bureau service) for processing. Salaries are paid to employees by electronic bank transfer (BACs). We note that, with effect from October 2008, the payroll and HR management systems will be administered by "HR Connect" and a new payroll bureau service.

Risk assessment for each system

C

C7. Travel and subsistence expenses are claimed in accordance with the Sponsoring Department's rates and allowances and are processed internally through EONI's payroll system. Travel and subsistence costs for the 2007/08 year amounted to £23,700.

C8. We have previously undertaken reviews of payroll, pensions and travel expenses in the 2005/06 and the 2006/07 years and considered a "limited" and a "reasonable" level of assurance to be appropriate respectively. Given the monetary values involved and the potential reputational risk to EONI in this area, we consider the impact of a risk occurring in respect of payroll as high. However, given the findings from our previous reviews of in payroll, we consider the likelihood of a risk occurring as medium.

C9. Overall we have assessed the system for payroll, pensions and travel expenses as **medium** risk.

Payroll and travel expenses – election staff

C10. EONI recruits approximately 4,500 staff, on a temporary basis, to work in polling stations and count centres for Council, Assembly, Westminster and European elections. Election staff are paid in accordance with a schedule of fees established by legislation. Information in relation to electoral staff's personal details is input to EROS by staff within the area electoral offices. The EONI's Finance staff collate the information from each electoral office. This information is then sent to ICS, who perform the payroll calculations and process the payroll. We have previously undertaken two reviews in relation to payroll and travel expenses – election staff, during the 2005/06 and the 2007/08 years and considered that a "limited" and a "satisfactory" level of assurance to be appropriate in relation to each of these reviews.

C11. We note that we will undertake a review of payroll and travel expenses of election staff during the 2009/10 year.

C12. Given the monetary values involved and the potential reputational risk to EONI in this area, we consider the impact of a risk occurring in respect of payroll as high. However, given the findings from our previous reviews of in payroll, we consider the likelihood of a risk occurring as medium.

C13. Overall we have assessed the system for payroll and travel expenses as **medium** risk.

Purchasing and procurement

C14. Expenditure excluding staff and travel costs accounted for approximately £1.2 million of the non-election costs during the year ended 31 March 2005. Notable expenses incurred include approximately £225,000 in respect of operating leases (rent of offices and photocopiers), £195,000 in respect of computer maintenance and line rental, £160,000 in respect of postage and £134,000 in respect of ID Card costs.

C15. During elections the largest non staff costs relate to postage, stationery, storage, transportation and hire of premises and equipment. These costs can amount to over £1.5million at each election.

C16. In view of the value of other costs in respect of both election and non-election accounts, we have assessed the impact of a risk materialising as high.

C17. The responsibility for purchasing and procurement has reverted from local area offices to headquarters. The EONI use the NIO Procurement Service for major contracts and expenses. Accordingly, we have assessed the likelihood of a risk materialising as medium.

C18. Overall we have assessed the system for purchasing and procurement as **medium** risk.

Risk assessment for each system

C

Income

C19. All election costs for Parliamentary and European elections are funded by HM Treasury. This funding is drawn down by EONI on a needs basis. Funding drawn down for the 2005 election amounted to £2.3 million. All of EONI's non-election costs are funded by the NIO.

C20. We previously undertook a review of income and considered a "reasonable" level of assurance to be appropriate. Given that the majority of EONI's income arises from public funds and the subsequent reputational impact if monies were to be misappropriated, we consider the impact of a risk occurring in respect of income as high. However, given the findings from our previous review of income, we consider the likelihood of a risk occurring as low.

C21. Overall we have assessed the system for income as **medium** risk.

Fixed assets

C22. FSD is responsible for maintaining a fixed asset register of behalf of EONI's. We note that EONI capitalise fixed assets in accordance with the NIO Capital Accounting and Budgeting procedures. In accordance with the EONI's Management Statement and Financial Memorandum EONI's Information Technology section also maintain a separate fixed asset register. FSD are also responsible for the calculation of the depreciation charge on EONI's fixed assets.

C23. We previously undertook a review of fixed assets and considered a "limited" level of assurance to be appropriate. Given the monetary values involved, we have assessed the impact of a risk occurring as high and given the controls identified by us in our previous review, we consider the likelihood of a risk occurring as low.

C24. Overall we have assessed the fixed asset system as **medium** risk.

Bank and cash

C25. We note that EONI only maintains bank accounts in relation to election expenditure and we note that separate bank accounts are opened for each election. The election bank accounts are reconciled every month. We previously undertook a review of bank and cash and considered a "satisfactory" level of assurance to be appropriate. We have assessed both the impact and likelihood of a risk materialising in respect of bank and cash as low.

C26. Overall we have assessed the bank and cash system as **low** risk.

Financial and management information

C27. The EONI submits a bid for funding for on-going expenditure for a three year period to the NIO. Funding is allocated by Central Government as part of the NIO vote. On-going expenditure is monitored on a monthly basis at the Board and team leader meetings.

C28. The Head of Corporate Services prepares an estimate of total election costs, split into each of the main expense categories, based on previous elections costs. This estimate is sent to the NIO, who negotiate with HM Treasury and a budget is agreed for the election expenditure.

C29. In view of the impact that inaccurate or untimely financial and management information would have for EONI in relation to the setting and monitoring of budgets, we have assessed the impact of a risk occurring in this system as high. We previously undertook a review of budgetary management and control in EONI and considered a "reasonable" level of assurance to be appropriate. Given the findings from our previous review of budgetary management and control, we consider the likelihood of a risk arising to be low.

C30. Overall we consider that this system merits a **medium** risk rating.

Risk assessment for each system

C

Corporate governance

C31. EONI has developed a corporate level risk register. This register is considered by the Management Board on a quarterly basis and include details of all identified risks including:

- ◆ the risk rating;
- ◆ the risk owner;
- ◆ the business implications of the risk materialising; and
- ◆ details of further actions required to fully manage the risk.

C32. We previously undertook a review of corporate governance in EONI and considered a “satisfactory” level of assurance to be appropriate. In view of the importance of risk management and corporate governance to EONI, we have assessed the impact of a risk materialising as high. In consideration of Overall we have assessed the system for Corporate governance as **medium** risk.

C33. We have reviewed EONI’s controls in relation to Corporate governance once previously, in the 2006/07 year. Our report considered that a “satisfactory” level of assurance was appropriate. In view of the importance of Corporate governance to EONI, we have assessed the impact of a risk materialising as high. Given the findings from our previous review of Corporate governance, we consider the likelihood of a risk arising to be medium.

C34. Overall we consider that this system merits a **medium** risk rating.