

Chapter 4

Valuation Office

4.1 Shortcomings in Financial Controls

An Accounting Officer is required by law to sign and present for audit an Appropriation Account for each Vote for which he/she is responsible before 1 April of the year following that to which the account relates. It is my responsibility to audit the Accounts and to report on them by 30 September of the same year. The Appropriation Account for the Valuation Office - Vote 15 - for the year ended 31 December 2004 was signed on 31 March 2005 and submitted to me on that date.

Following the commencement of the audit the following deficiencies in the Account were noted:

- Monthly statements from the Paymaster General (PMG), who acts as the Valuation Office's banker, were not reconciled to the Office's accounting records on a regular basis throughout the year. A year end reconciliation had been completed in February 2005 and was presented for audit. However this contained an error of approximately €1.3 million.
- The statement of outstanding payable orders, supplied by the PMG, did not reconcile with the figure for outstanding payable orders in the Appropriation Account.
- The PMG was requested by the Valuation Office to cancel two payable orders, for amounts of €108,210 and €37,284, in July and August 2004 respectively. These instructions were not acted upon by the PMG in 2004 but this was not noticed by the Valuation Office and resulted in a duplicate charge to subhead C of the Vote. The charge to the Vote was therefore overstated by an amount of approximately €145,000 and the surplus to be surrendered understated by an equivalent amount.
- Suspense and deduction accounts are operated by the Office as part of normal financial recordkeeping. However these accounts were not reconciled on a monthly basis and it was noted that some contained unexplained balances going back a number of years.

A corrected Appropriation Account was submitted on 20 July 2005.

In addition to these shortcomings noted in the course of audit, my Office was informed by the Valuation Office in December 2004 that it had been brought to its attention in September 2004 that income from the public office for a week in November 2003 and, subsequently, for a week in January 2004 had not been lodged. While all the cash involved has been recovered, an amount of €2,041 in respect of cheques was still outstanding. The failure in control relating to the prompt lodgment of receipts to the PMG had been identified by the Valuation Office itself and was addressed by the introduction of new procedures and controls. However my audit found that new procedures recommended to, and operated by, the Valuation Office did not reconcile receipts to bank lodgments on a regular basis.

It is important that there are effective and sound financial control systems and procedures in operation in the Valuation Office, as in any organisation, to ensure that the risk of financial loss, because of errors or irregularities, is minimised and that accurate and up to date information is available to management. In this regard the carrying out of reconciliations on a regular and prompt basis and the correct recording of transactions in the financial records is essential. As it was a matter of concern to me that there was a failure by the Valuation Office to ensure that these functions were properly carried out in 2004 I sought the views of the Accounting Officer.

Accounting Officer's Response

The Accounting Officer informed me that the new Management Information Framework financial system went live in the Valuation Office at the start of 2004 thereby introducing many different procedures for staff to follow. While the system had been tested extensively prior to implementation, there was a lot of pressure on staff in the accounts area throughout the year.

He explained that the lapses and failings were due, in the main, to a lack of knowledge by staff as to the correct procedures to be followed. While staff were aware of the error of the amount of €1.3 million in the PMG account they were unaware of the correct procedures to be followed to correct the balance. Neither were staff aware of the necessity to undertake monthly reconciliations. He informed me that the outstanding payable orders difference was due to a financial system interface giving inaccurate information that resulted in the value of payable orders being understated for some months. The software supplier was now taking steps to rectify the problem. The problem relating to the two non-cancelled payable orders was also due to unfamiliarity with correct procedures and resulted in the failure to make the necessary journal entries until 2005. Staff had been unaware of the need to reconcile all accounts, including suspense and deduction accounts, monthly. This was now being done and some old irreconcilable balances identified would be considered for write off in 2005.

He assured me that new procedures and controls had been introduced and were in place to address and correct all the deficiencies and weaknesses noted.

He stated that public office receipts had been the responsibility of one officer only. When it was noticed that lodgments had not been made, the money could not be found and the officer concerned was on maternity leave and could not be contacted. Correct procedures were not in place to ensure that the failure to make a lodgment in a timely manner would be brought to attention. Lodgments were not made on a regular basis, only one person was responsible for money at all stages of the process and checking procedures were inadequate. Accounts staff had attempted to solve the problem themselves rather than bringing the matter to the attention of management. A full investigation had since been carried out which had resulted in disciplinary action being taken. New interim procedures had been introduced but all procedures would be examined by a project group that was being set up to examine the issue and recommend improved procedures. All outstanding cash had now been lodged but a small amount of income represented by cheques was still outstanding pending the submission of re-dated cheques.

