

CONFIDENTIAL

**INTERNAL AUDIT
FINAL REPORT**

CNES CHIEF EXECUTIVE'S DEPARTMENT
HUMAN RESOURCE SYSTEM

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1. MANAGEMENT SUMMARY

1.1 Introduction

The purpose of this report is to record the findings of a recently completed computer audit review of the Comhairle's Integrated Human Resource (HR) and Payroll System. The System provides online payslips for staff via the self service module of the system called MyView. This module allows the Comhairle's staff to access their payslips online as opposed to receiving printed paper copies. A project to implement similar aspects HR System is currently underway. Its objective is to implement the MyView module to enable details of starters, leavers, changes, sickness and holidays to be input online by Service staff. At present this information is written down on paper forms by Service staff and then sent to the Payroll Section to be keyed into the HR/Payroll System by payroll staff. Reports have been written and are regularly run to inform the Comhairle's management of the ongoing status of these subjects.

In order to implement this, a new HR organisational structure has been created within the system to facilitate HR requirements. In addition staff work patterns have been input. A Project Officer was been seconded from the Accounting Section to implement the changes but this secondment ended prior to completion of the project.

1.2 Review Objectives

The objectives of this audit review are to ensure that:

- (i) Physical and logical access controls to the Resourcelink HR and MyView System comply with expected best practice.
- (ii) Resourcelink HR and MyView System controls relating to data input, interface processing, output reports, audit trail, backup/restore and disaster recovery/business continuity are satisfactory
- (iii) License and support arrangements are in accordance with expected best practice and the system meets performance expectations.

1.3 Main Findings

The main findings of the review, referenced to the above review objectives, are as follows:

- (i) An Access Control Policy is not yet in place for either the Payroll System or the HR System, though a draft policy has been prepared for Payroll. It is a key document which should be used to control user access levels (ref 3.1).
- (ii) The fact that the MyView module has not yet been implemented to input data relating to starters, leavers, changes, sickness and holidays means the Comhairle is currently making an inefficient use of resources in terms of payroll staff time, unnecessary paper and printing costs and unused MyView software license costs.

The method to control ICT projects should be by using a recognised project management methodology. There is limited evidence to show one has been in place to control this project prior to the review, but a new project management framework is now corporately being introduced, so improvement is expected (ref 3.2).

- (iii) There have been a number of system performance and support problems during the project to implement the HR System of which the two most significant ones are:

- 1) The live MyView System was not available from 15 April 2014 until 13 May 2014 which meant staff could not access their online payslips and they had to be printed.
- 2) The test MyView System used for the development of the HR System was not available from 9 May 2014 until 7 July 2014.

These performance and support problems have impeded the project and need to be investigated and resolved by the supplier in order that future reliance can be placed on the system (ref 3.3).

1.4 Conclusion

The objectives to implement the HR System and its self-service modules are very sound ones. However a number of problems including complexity of the task, availability of the system and limited project controls have meant progress has been delayed. The introduction of a project board which meets at key project stages to oversee project tasks and takes decisions to solve problems should help to improve project progress.

There are three recommendations in this report. One is classified as high priority and two are classified as medium priority. All of the recommendations are due to be implemented by the end of January 2015.

1.5 Audit Opinion

The opinion is based upon, and limited to, the work performed in respect of the subject under review. Internal Audit cannot provide total assurance that control weaknesses or irregularities do not exist. It is the opinion that **Limited Assurance** can be given in that weaknesses in the system of controls are such as to put the system objectives at risk, and/ or the level of non-compliance puts the system objectives at risk. The levels of assurance and their definitions can be found at Appendix 1.

2. SCOPE, METHOD AND COVERAGE

2.1 Details of the implementation of the HR System were ascertained by enquiry of officers working on the project and within the IT and HR Sections.

2.2 Audit tests were designed to examine and test the system of controls in the areas defined and to confirm the accuracy of recorded procedures. The areas of work covered by the audit were as follows:

(i) In relation to the first objective the review checked that:

- The access control policy and user registration system used to control logical access to the Resourcelink HR and MyView System
- The access permissions set up for individual users and groups of users to ensure they are in accordance with their job roles
- How password controls are set up and enforced.

(ii) In relation to the second objective the review checked that:

- The methods and procedures used for data input
- The procedures used for processing interface files
- The production of output reports
- The electronic audit trails which record user logons and important transactions
- The back-up and recovery procedures
- There is a disaster recovery and business continuity arrangements.

(iii) In relation to the third objective the review checked that:

- The license and support contract to ensure the system is properly licensed and supported and users have been set up in accordance with the licensing agreement
- The change control procedures used to control how new software releases are implemented
- System performance meets user expectations

2.3 Staff involved in the audit were:

- The Accounting Technician/Project Officer
- The Organisational Development Manager/Project Manager
- The Business Manager
- The Senior Payroll Officer
- The Head of Exchequer Services
- The Head of IT and Customer Services.

Thanks are extended to all of these officers for their courtesy, co-operation and assistance in this assignment.

3. FINDINGS AND RECOMMENDATIONS

3.1 Access Controls

Access control rules and rights for each user or group of users should be clearly stated in an access policy statement. Users and service providers should be given a clear statement of the business requirements to be met by access controls.

The following good practice was found with regard to access control:

- Username and password controls are in place
- Password complexity is enforced
- There is a formal system to authorise/register users prior to access being granted
- Different user access levels have been set for different types of user

However an Access Control Policy is not in place for either the Payroll System or the HR System. The lack of an Access Control Policy has the following consequences:

- Management do not appear to be taking access control seriously
- There is no responsibility for the ownership of access issues
- There is no accountability for actions
- There are no safeguards for system administration staff and users
- There is no access control standard which can be implemented
- It may be difficult to impose disciplinary processes for actions undertaken against the Comhairle's interests.

Recommendation:

An Access Control Policy should be produced which covers all aspects of access to the system and its association information.

3.2 Application Controls

During the HR System implementation project, the HR System Implementation Project Officer and other HR staff members have identified and entered post establishment details and work patterns into the system. This is a key task which is required to enable the HR System to operate correctly.

However, because MyView has not been implemented yet, HR data is entered into the system via the following methods:

- Data regarding starters and leavers is entered into the starters/leavers/changes FIN1 form by Service staff and sent to the Payroll Section
- Data regarding sickness/absence is also recorded on spreadsheets/forms by Service staff and sent to the Payroll Section.

Payroll staff members enter the above data into the Payroll/HR System. To make use of this data the Project Officer has produced HR reports which include the following:

- Weekly establishment lists

- Fortnightly lists of obsolete posts
- Monthly lists of starters and leavers
- Quarterly sickness reports.

These reports provide valuable management information. Given the above, there are two findings in relation to this area which require improvement.

1) The fact that the MyView System has not yet been implemented to input data relating to starters, leavers, changes, sickness and holidays means the Comhairle is currently making an inefficient use of resources in terms of:

- Payroll staff time
- Unnecessary paper and printing costs
- Costs for MyView software licenses which are not being fully utilised.

2) The implementation of the HR System has not been completed as anticipated. One factor which may have contributed to this is the limited project management control prior to the audit review.

The expected project management control is defined in CIPFA Information Technology Corporate Governance Controls as a Project Management Framework and procedures which clearly define specific roles and responsibilities, for example those managing IT project governance, i.e. project board members, project sponsors, project managers, project team members. They should also clearly include/cover

- Programme management
- Scope and boundaries
- Approach
- Phases/stages
- Risk management, business continuity and disaster recovery
- Plan
- Resources
- Assurance
- Change management
- Monitoring, governance and reporting
- Closure and post project review.

The above areas are all included in the *de facto* project management standard known as PRINCE2. However, prior to the audit review the project to implement the HR System did not have a project management framework in place. The situation has now changed in that a report by the Director of Finance and Corporate Resources to the Corporate Management Team, dated 2 July 2014, states that a Project Management Framework should be introduced applying to all projects undertaken within the Comhairle where the value of the resources involved exceeds £100k. The cost of MyView software licenses and Comhairle staff time - both of which form part of the HR System implementation - exceeds this £100k threshold.

The initial lack of corporate project management controls for the implementation of the HR System has increased the risk of the three main project problems occurring, namely the project is:

- Over time,
- Over budget
- Does not deliver the required functionality.

Recommendations:

- 1) A pilot project should be carried out to implement the entry of starters, leavers and changes by management in order to identify and solve any problems. Once this is operating successfully, it should be rolled out across the Comhairle.
- 2) The Comhairle should include this project within the Project Management Framework and introduce more robust project management control.

3.3 Contract, License and Support Controls

There is a license and support agreement in place with the supplier. However there have been a number of system performance and support problems during the project to implement the HR System of which the two most significant ones were:

- 1) The live MyView System was not available from 15 April 2014 until 13 May 2014 which meant staff could not access their online payslips and they had to be printed (call refs. INC0823948 and INC0845628)
- 2) The test MyView System used for the development of the HR System was not available from 9 May 2014 until 7 July 2014 (call refs F0014143 and INC0868337)

The Head of IT and Customer Services emailed the supplier on 13 May 2014 asking for a detailed explanation of what the problem with the live MyView System was and how it was fixed. In his email he stated this explanation should inform the Account Manager's investigation of the local setup and hopefully recommend a more robust arrangement than that which is currently in place.

A review of the helpdesk call INC0823948 showed that, at one stage, a member of the Comhairle's IT Unit had to email the supplier on 3 separate occasions before receiving a response and that when a member of the supplier staff was provided with a password to login to the system, he initially used the wrong password, further adding to the delay.

The consequences of the downtime for both live and test systems are:

- It is more difficult for the Comhairle to place reliance on one of its key systems
- The implementation of the HR System has been impeded.

Recommendation:

In accordance with the email sent by the Head of IT and Customer Services, the supplier's should provide an explanation, preferably in writing, of what the problem was and how it was fixed. The supplier should also be asked to advise how further problems with both live and test systems can be prevented in future.

4. ACTION PLAN

The Action Plan contains **3** recommendations as follows:

Description	Priority	Number
Major issues that managers need to address as a matter of urgency.	High	1
Important issues that managers should address and will benefit the Organisation if implemented.	Medium	2
Minor issues that are not critical but managers should address.	Low	0
Total recommendations		3

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
3.1	Medium	Access Controls An Access Control Policy is not in place for either the Payroll System or the HR System.	An Access Control Policy should be produced which covers all aspects of access to the system and its association information	Agreed	Business Manager and Organisational Development Manager	31/12/14
3.2	High	Application Controls 1) The fact that the MyView System has not yet been implemented to input data relating to starters, leavers, changes, sickness and holidays means the Comhairle is currently making an inefficient	1) A pilot project should be carried out to implement the entry of starters, leavers and changes by management in order to identify and solve any problems. Once this is operating successfully, it	Agreed	Organisational Development Manager	31/01/15

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
		<p>use of resources in terms of payroll staff time, unnecessary paper and printing costs and unused MyView software license costs.</p> <p>2) The implementation of the HR System has not been completed. One factor which may have contributed to this is the limited project management control. The method to control ICT projects should be via the <i>de facto</i> project management standard known as PRINCE2. However there is limited evidence to show this during this project so far and there is no corporate guidance for staff to refer to with regard to the control of relatively small ICT projects.</p>	<p>should be rolled out across the Comhairle.</p> <p>2) The Comhairle should include this project within the Project Management Framework and introduce more robust project management control.</p>	Agreed	Director of Finance and Corporate Resources	31/01/15
3.3	Medium	<p>Contract, License and Support Controls</p> <p>There have been a number of system performance and support problems during the project to implement the HR System.</p>	<p>In accordance with the email sent by the Head of IT and Customer Services, the supplier's should provide an explanation, preferably in writing, of what the problem was and how it was fixed. The supplier should also be asked to advise how further problems with both live and test systems can be prevented in future.</p>	System review to be carried out	Head of Customer Services and IT	31/01/15

Internal Audit Opinion

Level	Definition
Full Assurance	There is a sound system of control designed to achieve the system objectives and the controls are being consistently applied.
Substantial Assurance	While there is generally a sound system, there are minor areas of weakness which put some of the system objectives at risk, and/ or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
Reasonable Assurance	Whilst the system is broadly reliable, areas of weakness have been identified which put some of the system objectives at risk, and/ or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
Limited Assurance	Weaknesses in the system of controls are such as to put the system objectives at risk, and/ or the level of non-compliance puts the system objectives at risk.
No Assurance	Control is generally weak, leaving the system open to significant error or abuse, and/ or significant non-compliance with basic controls leaves the system open to error or abuse.