

Shared Systems Initiatives

Corporate Administrative Systems

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Topics

- Vision of a Single ERP ?
 - for all departments and Agencies
- Corporate Administration Shared Systems
- Internal Control Expectations
- Impact on Internal Audit

Two of Several Studies for the Corporate Administrative Services

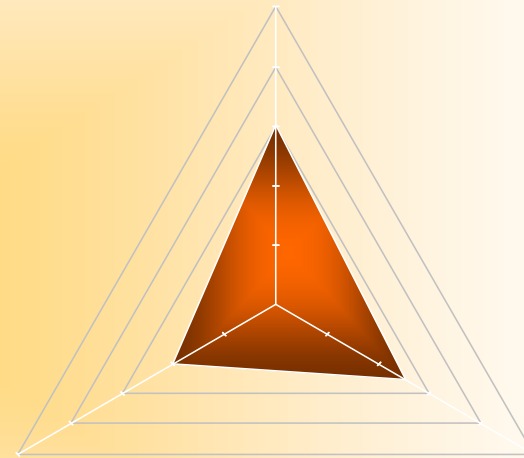
Expenditure Review

Expected Outcomes

Changes to the FAA
Crown Corporation Governance
Minister & Public Servant Responsibilities
Compensation & Comparability
Capital Assets Management
Procurement & Contracting
Institutional Governance
Corporate & Administrative Services
Use of IT & its Management
Service Delivery Infrastructure
Legal Services
Professional & Special Services



Enhanced Enterprise Decision Making
(reliable right time information, transparency and accountability)



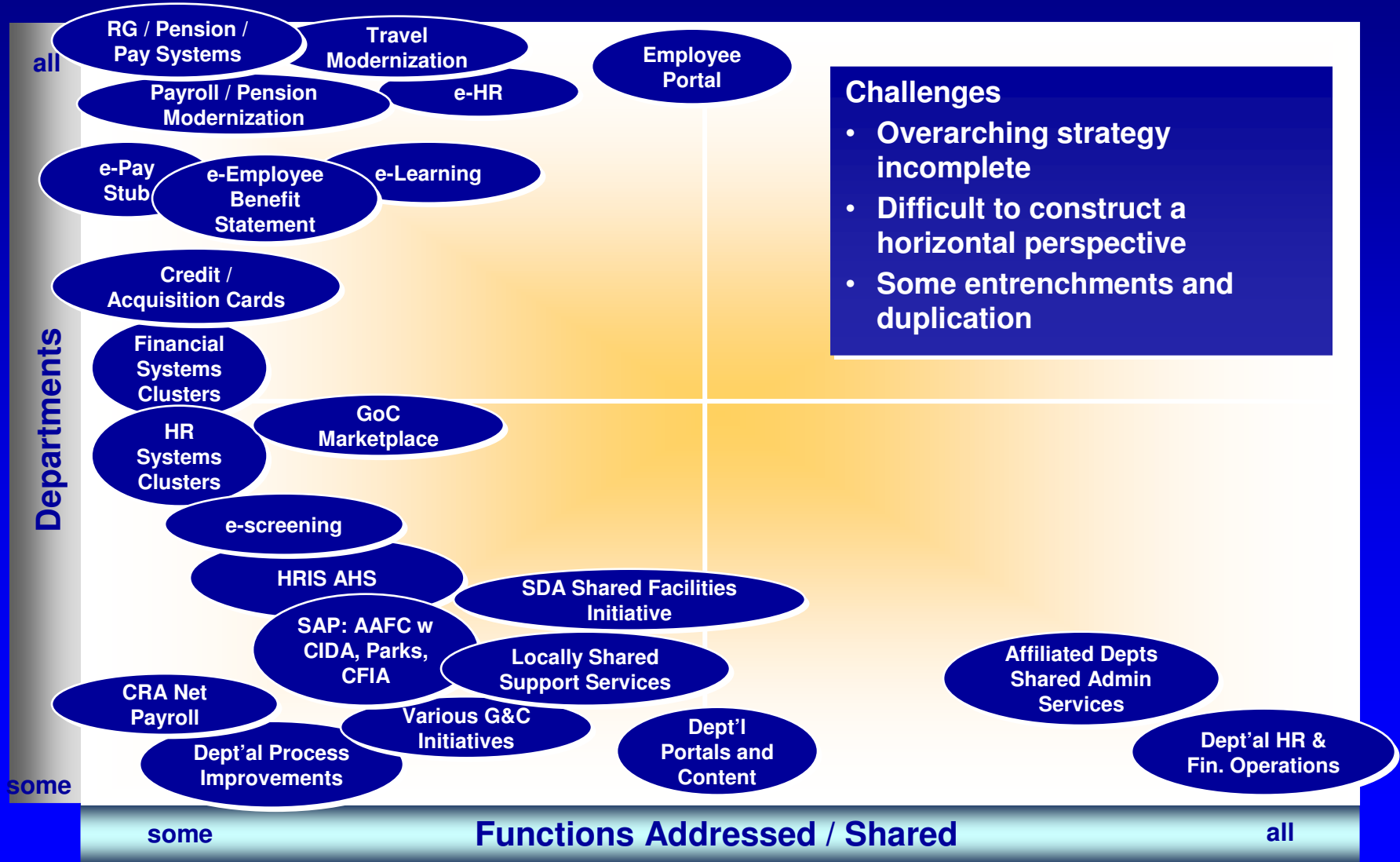
Reduced Operating Costs
(responsible spending and value for money)

Improved Internal Service Delivery
(support to managers and employees delivering services to Canadians)

Present Government Systems

- **Complex with 1000's of Interfaces**
- **Imperatives to Change:**
 - Frequent realignment of programs
 - Current Initiatives Lack Coordination
 - Criticisms of current government ERP Implementations

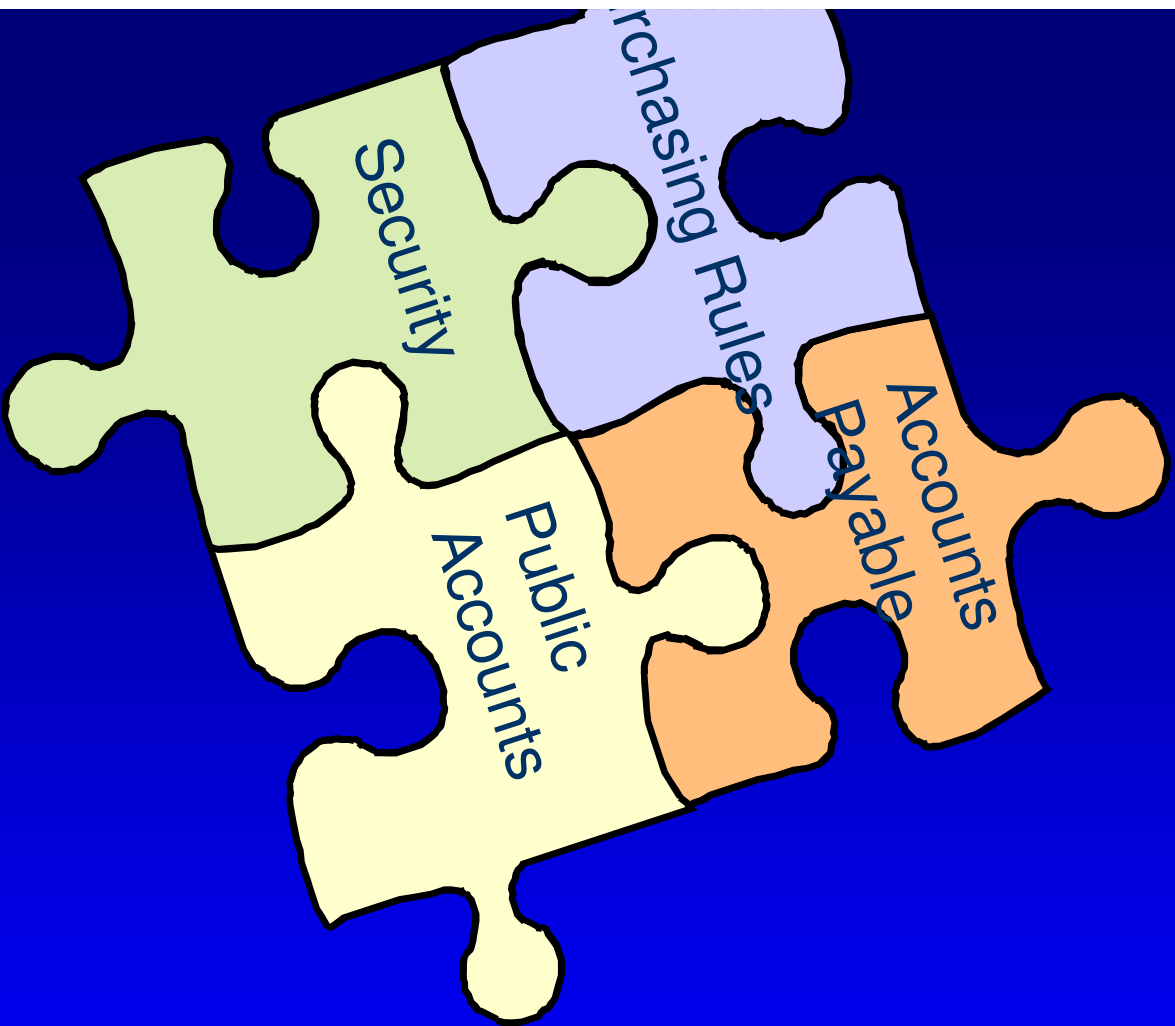
Imperatives to Change

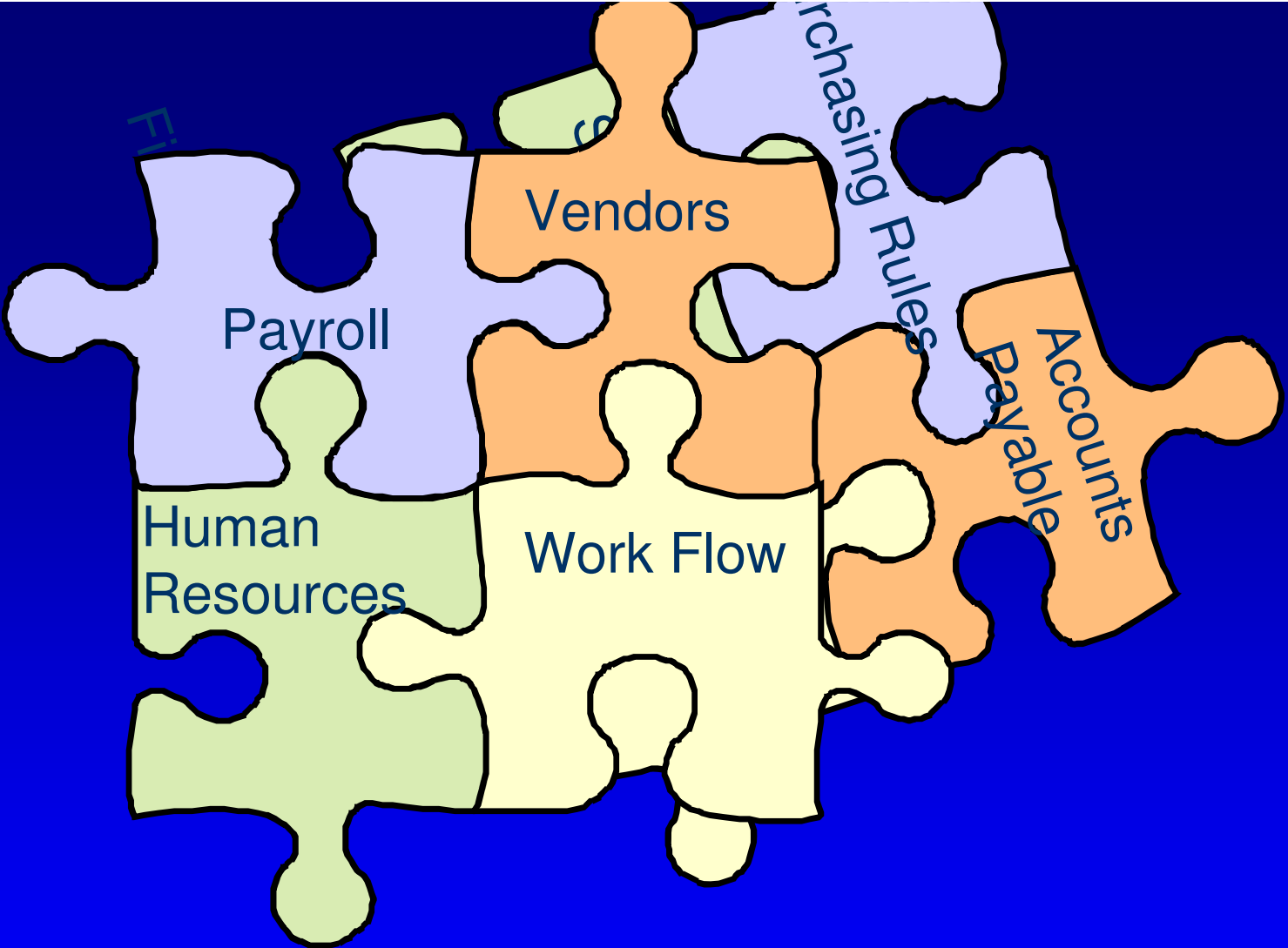


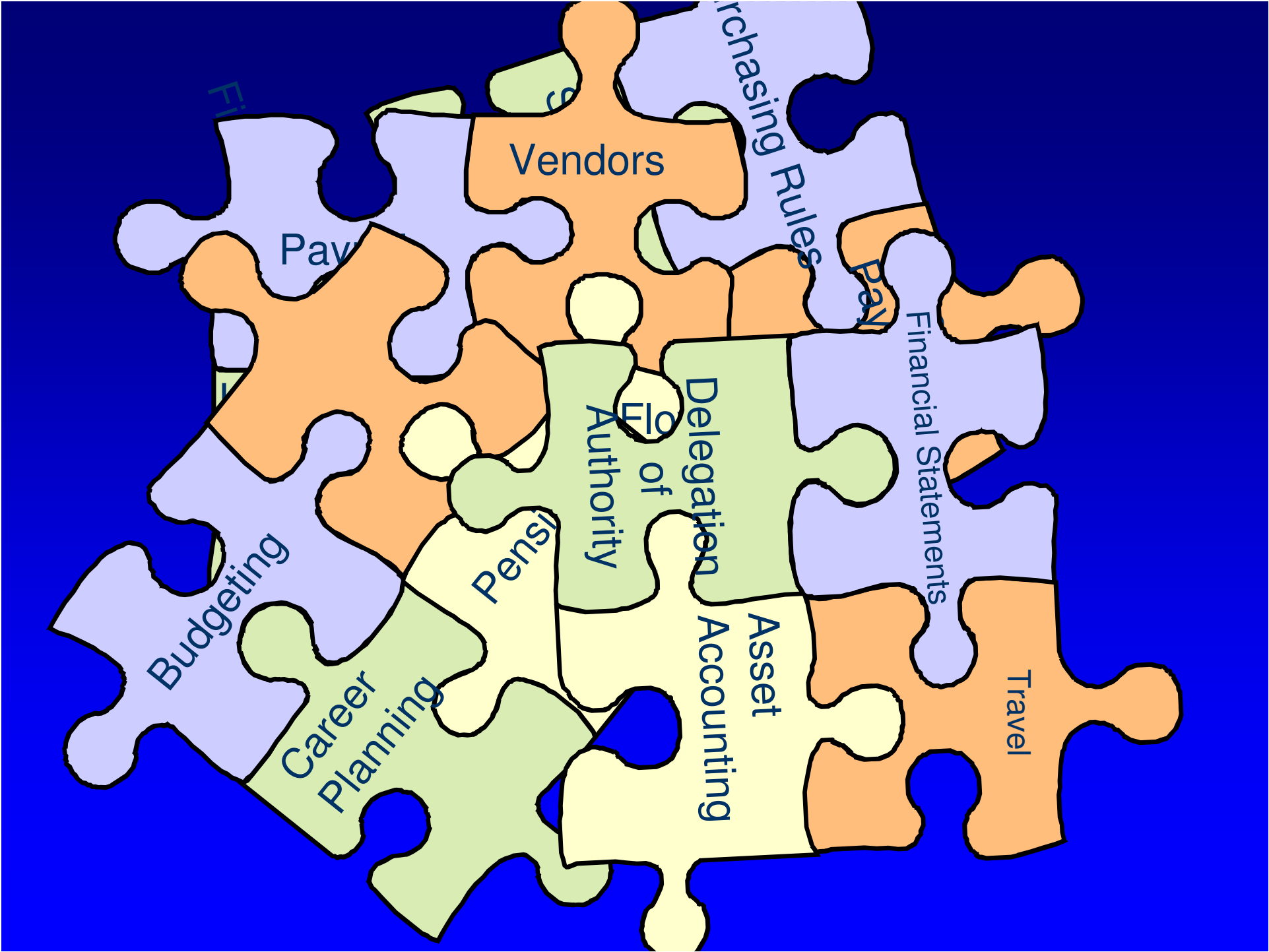
- ### Challenges
- Overarching strategy incomplete
 - Difficult to construct a horizontal perspective
 - Some entrenchments and duplication

What is an ERP?

- Integrated suite of business functions
- Automated Workflow and audit trails for capturing transactions, approvals and reporting
- Reporting:
 - Dashboard (e.g.; Balanced Scorecard)
 - Performance
 - Financial ; and
 - Transactional Reporting







Vendors

Purchasing Rules

Payroll

Payroll

Financial Statements

Delegation of Authority

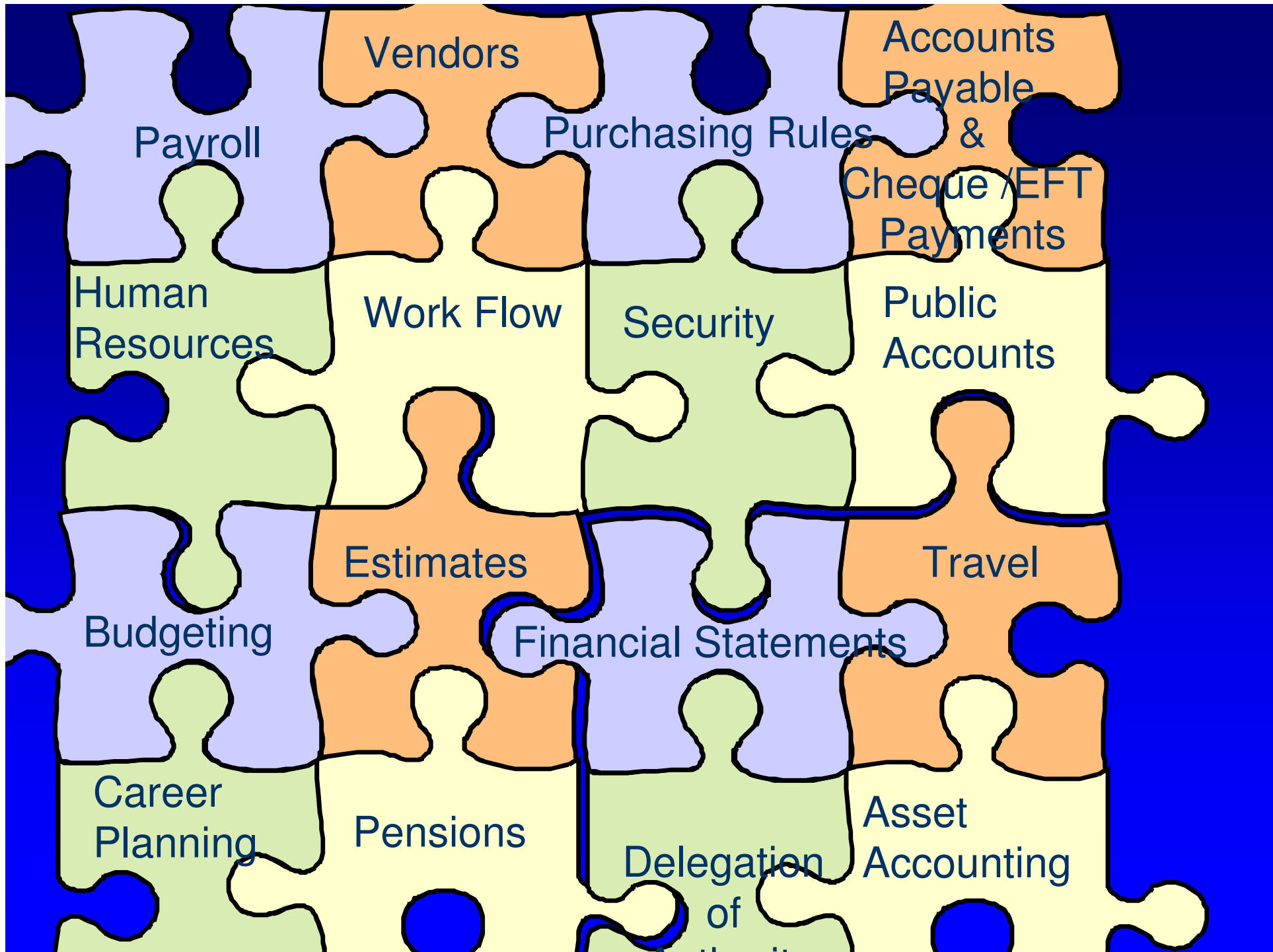
Travel

Asset Accounting

Career Planning

Budgeting

Pension



Payroll

Vendors

Purchasing Rules

Accounts Payable & Cheque/EFT Payments

Human Resources

Work Flow

Security

Public Accounts

Budgeting

Estimates

Financial Statements

Travel

Career Planning

Pensions

Delegation of

Asset Accounting

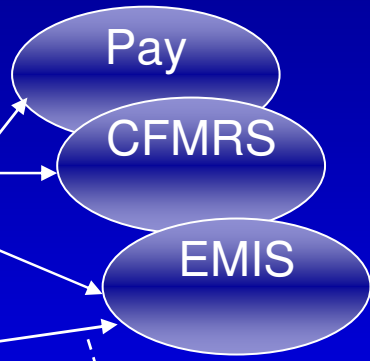
Corporate Administrative Services

Present

Departmental Systems



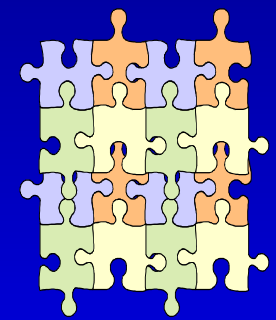
Central Systems



By way of Heroic Efforts

Future

Corporate Administrative Shared Systems (CASS)

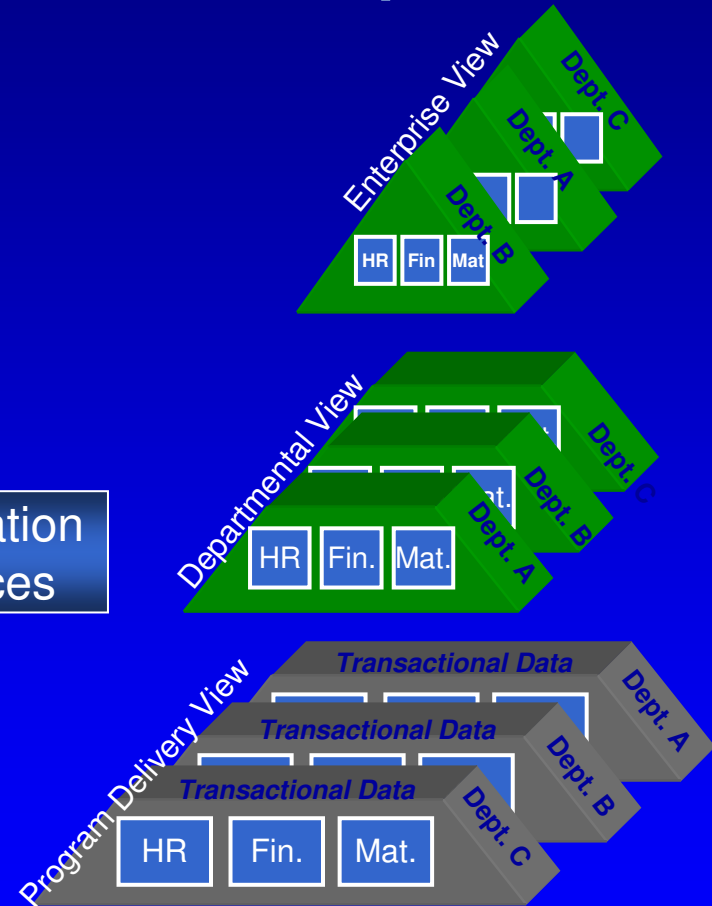


- Application Hosting
- HR + Finance + Material
- Other Business Functions

Corporate Administration Shared Systems (CASS) Concept



Information Services



CASS

Plans:

- Mandate single GoC standard for Finance / Materiel and HR Systems
- Finalize plans to migrate all departments within 5-years or so to the single standard
- Start design and development of an integrated configuration, Chart of Accounts, employee profile, etc.

Shared Systems

Early Steps under Consideration:

- Modernization Implementation – Approval to proceed.
- Identify other early deliverables

Single ERP Challenges include:

- Mandate
- ERP Procurement & Development Resources
- Common Data is required
- Stages of cutover if any
- Need for a Persistent Political Champion as well as a PS Information Czar
- Unnecessary Acquisition of Software Toolkits
- Identification of Re-engineered Business Process Opportunities

Complexities & Scale

- Indicators of complexity include:
 - 94 departments and agencies involved
 - 55,000 FTE's identified in all Internal Services (26% of GoC)
 - 7 different financial / materiel and 14 different HR applications in use with approximately 1,000 interfaces to program and other systems
 - 315,000 workstations for approximately 250,000 staff
 - Unknown number of data centres (certainly greater than 100)
 - Over 70% of IT staff located in Ottawa but 60% of finance and H.R. staff located in regions.
- Size and scale indicative of both the complexity and magnitude of opportunity for improvement and benefits.

Audit Involvement

Shared Systems

Internal Control Expectations

New Challenging Concerns:

- OAG Observations
- Top 5 System Development Shortfalls
- Control Certifications in the private sector
- Gomery Lessons Learned

Internal Audit

- OAG Report November 2004 Chapter 1
 - 2 out of 6 Sampled met Professional Standards
 - Factors to improve included among other things:
 - Knowledge and capabilities
 - Focus on assurance
 - Treasury Board funding and Strategies

ERP Financial Controls

- **Poor segregation of duties**
- **Several ERP based Internal Controls not used:**
- **Larger than expected numbers of accounts with full system access rights**
- **Easy to guess full access Accounts:**

ERP Financial Controls (Cont'd)

- **Lack of tested formal Business Continuity Plans**
- **Weak financial control monitoring** including reconciliations, budget/actual comparisons, exception reporting, performance reporting

Questions:

- These issues should have been found first by Internal Audit. ... Why Not?
- These issues were not difficult to find. Will more in-depth business/technical analysis detect more issues?

Cluster Group & Shared Services Responses to OAG

- IFMS SAP Project Office – common configurations, tools for segregation of duties
- Development of compensating controls for small decentralized accounting offices

Top 5 Shortfalls of Systems Developments

Internal Audits can watch for:

- Reduced Segregation of Duties and excess systems access;
- Lack of reconciliations, controls and efficient Business Processes;
- Limited Reporting --- of data maintained by system;
- Other Reduced Scope (ie controls and workflow); and
- Loss of historical information and poor data quality.

Internal Audit Capabilities

- Shortage of IT Auditors
- Lack of training apprenticeship opportunities
- Methodology updates for IT Audit to complement CobiT required (e.g.; relating to ERP)
- New tools available within ERP's (e.g.; tools for assessing incompatibles in control profiles) - but few auditors are using them.
- Acceptance by Senior Management of Internal IS audit strategy

Internal Control Certifications

Effect of Sarbanes-Oxley

Publicly traded companies must:

1. Management must document control framework
2. Test the controls
3. Do remedial work
4. CEO & CFO sign that above has been done (criminal penalties could apply)
5. External Auditors attest certification

Address controls each quarter and re-test each year

Implications to GoC

- Similar Certification Requirements are beginning to be adopted in Canada
- Will taxpayer's expect at least a similar protection for their government enterprises?
- Early indications are that the Internal Control Certifications are expensive but they produce awareness for improved process.

Internal Control

Certification Positive Outcomes

- ERP vendors are building automated control points into systems.
- Incentive to speed up migration to new systems
- Duplicate tasks identified
- Poorly performed controls eliminated
- Risks are better understood
- Re-engineering efforts have a clear “before” image for evaluation of effectiveness.

Internal Control Certification Payback

- Identification of Potential Major Opportunities - Early Sarbanes-Oxley projects have uncovered opportunities to re-work processes... with the keen awareness of Senior Management
- Transparency of systems, practices and controls

Gomery?

- Phase 2 will deal with recommendations
- Look for:
 - Strengthen Internal Audit
 - Segregation of Duties
 - Financial Controls
 - Controls over Contracting
 - Exception Reporting



Canada 