

**AGENDA ITEM: 12**      Page nos.    139-196

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Meeting	Audit Committee
Date	31 August 2005
<b>Subject</b>	<b>Audit Update on Modernising Core Systems (MCS) Project</b>
Report of	Chief Internal Auditor
Summary	To provide the Committee with an opinion on the assurance they can have that the MCS project will meet its objectives efficiently, effectively and economically.

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Officer Contributors	Michael Bradley, Chief Internal Auditor
Status (public or exempt)	Public
Wards affected	N/A
Enclosures	Appendix A – External Auditor’s Final Management Letter on the MCS project
For decision by	The Committee
Function of	Council
Reason for urgency / exemption from call-in (if appropriate)	N/A

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## **1. RECOMMENDATIONS**

- 1.1 **The Committee is asked to consider the report of the external auditors on progress on the MCS project.**

## **2. RELEVANT PREVIOUS DECISIONS**

- 2.1 The Committee on 18 July 2005 considered the external auditor's interim management letter on the MCS project and was content with the management response to the issues raised and that the risks were being managed as far as reasonably possible, subject to the internal and external auditors being instructed to pursue the issue of cultural change.

## **3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS**

- 3.1 The Modernising Core Systems Programme is fundamental to the delivery of the corporate priorities, as laid out in the Corporate Plan. It is particularly significant to the attainment of the priority of delivering 'a better council for a better Barnet' through investment in modern systems. The programme also supports the delivery of the majority of objectives set out in the Resources and Borough Treasurer's Performance Management Plans (PMPs) and, indirectly, all services' PMPs.

## **4. RISK MANAGEMENT ISSUES**

- 4.1 Failure of the MCS project to deliver its objectives efficiently, effectively and economically could seriously impact on the delivery of the corporate priorities as laid out in the Corporate Plan.
- 4.2 The risk monitoring process of MCS is an ongoing permanent process and is a fixed reporting requirement at the Project Board which meets every two weeks. In addition, the full open risk log is reviewed comprehensively at the weekly Operational Board.

## **5. FINANCIAL, STAFFING, ICT AND PROPERTY IMPLICATIONS**

- 5.1 The budget for the MCS project is being reported to the Cabinet ICT Committee.

## **6. LEGAL ISSUES**

- 6.1 None

## **7. CONSTITUTIONAL POWERS**

- 7.1 The Audit Committee's terms of reference include 'ensuring that the council's financial reports, annual financial statements, Statement of Internal Control and the action taken by the council to implement fully a risk management

system are balanced, fair, conform to accountancy standards and meet prevailing best practice.'

## 8 BACKGROUND INFORMATION

- 8.1 The external auditors, Robson Rhodes, advised the Committee on 18 July 2005 that a further report on their review of the MCS project would be forthcoming.
- 8.2 The high level summary from the external audit report is as follows:

### External Audit Management Letter - Summary

Within this report we have commented as far as possible on the arrangements that the Council has put in place to date to ensure a successful implementation of the SAP system from 1st August 2005.

Our work has identified four specific significant risks, which the Council will need to address/mitigate in the post- implementation period. These are interrelated issues which build upon each other and exacerbate the risk facing the Council overall:

- Whether there was sufficient time available to complete all of the **delivery** tasks associated with such a major implementation project. Areas of particular concern include the delivery of interfaces, alignment of the AXIS and MCS projects, UAT and data migration, systems volume and stress testing, change management action plans at a service level, the adoption of appropriate procedures, and the delivery of a major programme of training across the Council. Due to timescales involved we have not been able to review all areas related to the above for example we have yet to see copies of the service change management plans or review the training programme in detail.
- Whether adequate arrangements have been put in place to ensure that appropriate **security and segregation of duties** have been implemented in the SAP system. Areas of particular concern include reviewing the segregation of duties and authorisations implemented to ensure all possible security weaknesses have been addressed, ensuring that there is a formal process in place for linking individual SAP user profiles to key roles and responsibilities, and process mapping SAP user authorisations in the context of individuals segregation of duties;
- Whether there has been sufficient focus in the project and its execution on addressing weaknesses in the **control environment** identified by sources such as internal and external audit and in delivering best practice in financial stewardship recommended under the CIPFA Financial Management model;
- Whether in the context of the above, there has been sufficient time available to complete and more importantly address the outcomes of **assurance reviews** on the systems by the MCS project team, line

management as appropriate and audit reviews. Of particular concern here are any issues arising from systems testing, internal audit reviews of both documentation and historic control weaknesses and how they will be addressed in such a tight timescale. Due to timescales involved we have not been able to review all areas related to the above.

In addition our review has identified two specific issues that the Council will need to address following implementation of SAP on August 1<sup>st</sup>:

- The need to embed improvements to the financial management and internal control culture across the Council. Whilst some progress on this can be made leading up to go-live via training and by addressing concerns from audit reviews it is a longer-term issue, which requires constant scrutiny and follow up. We would expect to be able to measure progress with regards to the above in the 2004/05 Statement on Internal Control.
- The need to build upon the existing benefits realisation principles which have been set out as part of the project and to underpin them with detailed outcome based targets in areas such as the cost of processing, the quality of management and financial reporting and the degree of assurance that audit is able to give over key systems.

## **9 LIST OF BACKGROUND PAPERS**

9.1 Modernising Core Systems Project Risk Register.

9.2 Anyone wishing to inspect the background papers should telephone 020 8359 7151.

BS: JL  
BT: MB

# London Borough of Barnet

## Modernising Core Systems

## Final Pre-implementation Report

July 27<sup>th</sup> 2005

## Contents

<b>Section</b>	<b>Page</b>
1 Executive Summary	1
2 Approach and context	3
3 IT Control Assurance	9
4 Change Management	14
5 External Output	21
<b>Appendices</b>	
A MCS Project: Terms of Reference	30
B MCS Interim Report: Action plan	33
C Summary of results from MCS end user survey	46

# 1 Executive Summary

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## Context

1.1 As part of our 2005-06 Audit and Inspection Plan, and taking on board the concerns from senior management and the Audit Committee to have an external audit perspective prior to the go-live date of 1 August 2005, we have undertaken a pre-implementation audit review of the London Borough of Barnet's (the Council) Modernising Core Systems (MCS) project.

1.2 The MCS project has the following mission statement:

*“To implement an integrated systems platform that delivers major effectiveness and efficiency benefits for LBB, and provides the necessary platform for LBB to become an excellent class authority.”*

1.3 We commenced our fieldwork in late April 2005, and this interim report summarises our findings to 27th July 2005 (6 days from go-live).

1.4 Our review has focussed on the following areas, (although we have not been able to complete all of the tasks set out in our agreed terms of reference as there are a number of areas where information has not yet been made available):

- **IT Controls Assurance** work focussing on systems testing, data migration, change controls and security arrangements;
- An overall **Change Management** review in the context of the system implementation; and
- **External Output** in terms of the impact on MCS of the production of the Council's final accounts, Best Value Performance Indicators, and Grant Claims and Returns.

## Overall conclusion

1.5 Within this report we have commented as far as possible on the arrangements that the Council has put in place to date to ensure a successful implementation of the SAP system from 1<sup>st</sup> August 2005.

1.6 Our work has identified four specific significant risks, which the Council will need to address/mitigate in the post- implementation period. These are interrelated issues which build upon each other and exacerbate the risk facing the Council overall:

- Whether there was sufficient time available to complete all of the **delivery** tasks associated with such a major implementation project. Areas of particular concern include the delivery of interfaces, alignment of the AXIS and MCS projects, UAT and data migration, systems volume and stress testing, change management action plans at a service level, the adoption of appropriate procedures, and the delivery of a major programme of training across the Council. Due to timescales involved we have not been able to review all areas related to the above for example we

have yet to see copies of the service change management plans or review the training programme in detail.

- Whether adequate arrangements have been put in place to ensure that appropriate **security and segregation of duties** have been implemented in the SAP system. Areas of particular concern include reviewing the segregation of duties and authorisations implemented to ensure all possible security weaknesses have been addressed, ensuring that there is a formal process in place for linking individual SAP user profiles to key roles and responsibilities, and process mapping SAP user authorisations in the context of individuals segregation of duties;
- Whether there has been sufficient focus in the project and its execution on addressing weaknesses in the **control environment** identified by sources such as internal and external audit and in delivering best practice in financial stewardship recommended under the CIPFA Financial Management model;
- Whether in the context of the above, there has been sufficient time available to complete and more importantly address the outcomes of **assurance reviews** on the systems by the MCS project team, line management as appropriate and audit reviews. Of particular concern here are any issues arising from systems testing, internal audit reviews of both documentation and historic control weaknesses and how they will be addressed in such a tight timescale. Due to timescales involved we have not been able to review all areas related to the above.

1.7 In addition our review has identified two specific issues that the Council will need to address following implementation of SAP on August 1<sup>st</sup>:

- The need to embed improvements to the financial management and internal control culture across the Council. Whilst some progress on this can be made leading up to go-live via training and by addressing concerns from audit reviews it is a longer-term issue, which requires constant scrutiny and follow up. We would expect to be able to measure progress with regards to the above in the 2004/05 Statement on Internal Control.
- The need to build upon the existing benefits realisation principles which have been set out as part of the project and to underpin them with detailed outcome based targets in areas such as the cost of processing, the quality of management and financial reporting and the degree of assurance that audit is able to give over key systems.

1.8 Our detailed findings are set out in the remainder of our report.

#### Acknowledgements

1.9 We would like to take this opportunity to thank the Director of Resources and his team for their help and support during the course of our review in what we appreciate is a very pressured period for all concerned.

RSM Robson Rhodes LLP

27<sup>th</sup> July 2005



## 2 Approach and Context

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- 2.1 In accordance with our 2005/06 Audit and Inspection Plan we have undertaken a pre-implementation review of the Council's Modernising Core Systems (MCS) Project. This review has considered the arrangements and process that the Council has put in place leading up to the implementation of the SAP system with a current planned go-live date of 1<sup>st</sup> August 2005. The Council's Audit Committee and senior management were particularly concerned to have an audit view pre-implementation so that any key issues could be flagged up and addressed as appropriate.
- 2.2 Our review has been focussed in three areas as follows:
- **IT Controls Assurance Work:** This areas of our review has focussed on specific project areas which we feel have inherent data quality and system implementation integrity risks, these include:
    - System Testing;
    - Data Migration;
    - Change Controls; and
    - Security Controls.
  - **Change Management Review:** Within this part of our review we have considered both the mechanisms for improving the culture of internal financial control as well as the "softer" aspects of the system implementation including training and the embedding of cultural change. It is our intention to perform this, in part, through as assessment of the Council's ability to secure effective stewardship in the context of the CIPFA Financial Management Model in the context of the implementation; and
  - **External Output:** This area of our review considers in overview the impact of the above on the ability of the Council to produce complete and accurate data and supporting audit evidence with regards to the following for both 2004/05 and 2005/06 financial years:
    - Final Accounts preparation and associated working papers;
    - The Best Value Performance Indicators; and
    - Grant Claims and Returns.
  - We agreed to place a particular focus in both Human Resources and Community Care due to the data quality and financial management weaknesses previously identified in these areas.

2.3 In order to perform the above, we have mapped out what we believe are the key risks from an audit perspective involved in such a large-scale system implementation. The table overleaf summarises these key risks along with an indication of where in our review we intend to address them.

Table 1: Key External Audit Risks with regards to a SAP Implementation

Classification of Issue	Narrative	Our Approach
<b>Contract Specification</b>	<ul style="list-style-type: none"> <li>➤ Poor specification in the agreed contract, realisation post implementation that the system purchased was not “fit for purpose” in all respects;</li> <li>➤ Examples seen elsewhere include, lack of audit trails, inadequate system security arrangements, standard reporting suite not sufficient and incorrect set up for some areas, for example, grant claims and returns; and</li> <li>➤ Failure to build into the specification, processes specifically designed to address financial management and internal control weaknesses raised by stakeholders such as users, members, senior management and auditors.</li> </ul>	<p>To be addressed in the following areas:</p> <ul style="list-style-type: none"> <li>➤ Change Management; and</li> <li>➤ External Output</li> </ul>
<b>Blue Print Process</b>	<ul style="list-style-type: none"> <li>➤ Lack of user engagement through a combination of both ignorance and resistance;</li> <li>➤ Lack of understanding of what the business requirements are leading to sign off of blue prints which with hindsight were inadequate;</li> <li>➤ Failure to build in adequate check points during the blue print which lead to changes as appropriate;</li> <li>➤ Lack of resources to thoroughly test factors such as user assumptions and process testing; and</li> <li>➤ Rushed/pressured sign off timescales.</li> </ul>	<p>To be addressed in the following areas:</p> <ul style="list-style-type: none"> <li>➤ Change Management; and</li> <li>➤ External Output</li> </ul>
<b>Interfaces</b>	<ul style="list-style-type: none"> <li>➤ Failure to identify all interfaces; or</li> <li>➤ Significant delays where reliant on other parties for creation etc;</li> <li>➤ Failure to risk assess the technical complexity and desirability of different types of interface;</li> <li>➤ Failure to recognise that different interfaces come with different historical baggage dependent on the control environment within that legacy system;</li> <li>➤ Interfaces never actually happen or don't work in practice.</li> </ul>	<p>To be addressed in the following areas:</p> <ul style="list-style-type: none"> <li>➤ IT Controls Assurance</li> </ul>
<b>Testing</b>	<ul style="list-style-type: none"> <li>➤ Insufficient testing of system performed prior to go-live;</li> <li>➤ Lack of appropriate action taken as a result of negative</li> </ul>	<p>To be addressed in the following areas:</p>

Classification of Issue	Narrative	Our Approach
	<p>tests results;</p> <ul style="list-style-type: none"> <li>➤ Lack of engagement in and ownership of the results of testing and the risks posed/accepted/mitigated etc; and</li> <li>➤ Inadequate audit trails to evidence the testing performed.</li> </ul>	<ul style="list-style-type: none"> <li>➤ IT Controls Assurance</li> </ul>
<b>Migration</b>	<ul style="list-style-type: none"> <li>➤ Lack of audit trails to prove the completeness and accuracy of data transfer from legacy systems; and</li> <li>➤ Debates around what is an acceptable in terms of error rates following data migration no ownership as to what is an acceptable risk</li> </ul>	<p>To be addressed in the following areas:</p> <ul style="list-style-type: none"> <li>➤ IT Controls Assurance</li> </ul>
<b>Interaction with 3<sup>rd</sup> Parties</b>	<ul style="list-style-type: none"> <li>➤ Schools - negative experiences with regards to SAP pilot;</li> <li>➤ Unmanaged expectations in terms of the information required/received post the implementations of SAP;</li> <li>➤ Other Partners, ALMOs etc as above;</li> <li>➤ Failure to communicate effectively with suppliers and non-public sector partners about implications of systems change.</li> </ul>	<p>To be addressed in the following areas:</p> <ul style="list-style-type: none"> <li>➤ Change Management; and</li> <li>➤ External Output</li> </ul>
<b>Security</b>	<ul style="list-style-type: none"> <li>➤ Inadequate arrangements post go-live;</li> <li>➤ Unauthorised access;</li> <li>➤ Lack of audit trail;</li> <li>➤ Inappropriate access levels; and</li> <li>➤ Insufficient segregation of duties.</li> </ul>	<p>To be addressed in the following areas:</p> <ul style="list-style-type: none"> <li>➤ IT Controls Assurance</li> </ul>
<b>Skill Set</b>	<ul style="list-style-type: none"> <li>➤ Over-reliance upon consultants and then a lack of skill transfer to the Authority post implementation;</li> <li>➤ Failure to embed the necessary skill set within the organisation by appropriate follow up etc;</li> <li>➤ Key Officers/individuals leaving the project team at critical stages in the implementation.</li> </ul>	<p>To be addressed in the following areas:</p> <ul style="list-style-type: none"> <li>➤ Change Management</li> </ul>
<b>Financial Management</b>	<ul style="list-style-type: none"> <li>➤ Budget Managers in Service areas without sufficient knowledge &amp; skills to effectively manage budgets using SAP;</li> <li>➤ Lack of clarity around the division of roles and responsibilities between finance and service areas following SAP implementation; and</li> <li>➤ SAP standard suite of reports not "fit for purpose" from Budget Managers perspective, information not easily downloaded or manipulated.</li> </ul>	<p>To be addressed in the following areas:</p> <ul style="list-style-type: none"> <li>➤ Change Management; and</li> <li>➤ External Output</li> </ul>
<b>Training</b>	<ul style="list-style-type: none"> <li>➤ Trainers themselves either with no training experience</li> </ul>	<p>To be addressed in the</p>

Classification of Issue	Narrative	Our Approach
	<p>or little or no SAP experience;</p> <ul style="list-style-type: none"> <li>➤ Either too much too soon (so individuals are struggling to keep up) or conversely;</li> <li>➤ Some groups not trained at all prior to go-live due to timing &amp; resource constraints;</li> <li>➤ Large gaps between training provision and go-live (in the event of delayed implementation);</li> <li>➤ Incomplete/inadequate training logs to ascertain who has received what and when etc;</li> <li>➤ Lack of feedback on the training received so trainers are unable to adapt to the needs of the trainees; and</li> <li>➤ Authority fails to correctly identify all prospective users.</li> </ul>	<p>following areas:</p> <ul style="list-style-type: none"> <li>➤ Change Management</li> </ul>
<p><b>Compliance with “new” policies &amp; procedures</b></p>	<ul style="list-style-type: none"> <li>➤ Procedures developed by consultants rather than officers and a disconnect in terms of communication of requirements etc;</li> <li>➤ Work-arounds developed locally in response to the perception that SAP is overly complicated when compared to the “old” system;</li> <li>➤ Assumptions that new systems come with a standard user friendly manner that by a process similar to osmosis automatically reflects how the Council does business;</li> <li>➤ Inadequate/incomplete procedures, or out-dated pre-SAP procedures still being used despite system changeover; and</li> <li>➤ Turn SAP on but business continues to operate the “Council” way regardless.</li> </ul>	<p>To be addressed in the following areas:</p> <ul style="list-style-type: none"> <li>➤ Change Management; and</li> <li>➤ External Output</li> </ul>
<p><b>Contractor Monitoring Arrangements</b></p>	<ul style="list-style-type: none"> <li>➤ Inadequate performance measures with a lack of:                             <ul style="list-style-type: none"> <li>• Defined Deliverables on the part of the Council;</li> <li>• A clear focus on strategic outcomes- eg accounts deadlines met unqualified, a high score on the Use of Resources judgment, a user satisfaction score of above x%, specified cost reductions in the delivery of back office services;</li> <li>• Qualitative based measures with no regard of quantitative measures; and</li> <li>• Inadequate arrangements for the measurement, challenge and review of the</li> </ul> </li> </ul>	<p>To be addressed in the following areas:</p> <ul style="list-style-type: none"> <li>➤ Change Management.</li> </ul>

Classification of Issue	Narrative	Our Approach
	above.	
<b>Audit Trails</b>	<ul style="list-style-type: none"> <li>➤ Can be a particular problem when systems implementations go live part way through a financial year in terms of ensuring a complete audit trail for the whole of the financial year.</li> <li>➤ Lack of engagement with the external auditor about the adequacy of audit trail for a new system.</li> </ul>	To be addressed in the following areas: <ul style="list-style-type: none"> <li>➤ External Output</li> </ul>
<b>Roles and responsibilities</b>	<ul style="list-style-type: none"> <li>➤ Lack of clarity both within individual teams following an implementation, the division of roles between finance and service area and also between the Authority and the Contractor involved in the implementation.</li> </ul>	To be addressed in the following areas: <ul style="list-style-type: none"> <li>➤ Change Management; and</li> <li>➤ External Output</li> </ul>
<b>Time Scales</b>	<ul style="list-style-type: none"> <li>➤ Issues around forced go-live, where the system is turned on before the organisation is ready.</li> </ul>	To be addressed in the following areas: <ul style="list-style-type: none"> <li>➤ IT Controls Assurance;</li> <li>➤ Change Management; and</li> <li>➤ External Output.</li> </ul>
<b>Perceptions</b>	<ul style="list-style-type: none"> <li>➤ Common misconception that “old” problems such as compliance and weaknesses in terms of the overall control environment are solved by virtue of the fact that the system is new, in reality often if arrangements are weak, initially they become weaker following the implementation of a new system before they improve.</li> </ul>	To be addressed in the following areas: <ul style="list-style-type: none"> <li>➤ IT Controls Assurance;</li> <li>➤ Change Management; and</li> <li>➤ External Output.</li> </ul>

2.4 During the course of our review, we have considered the various mitigating actions that the Council has put in place to manage these risks within each of the three sections of this report.

2.5 This report details our findings to date with regards to the above areas. We have not, at this time, completed all areas of our review, partly due to the fact that the Council have not yet made all the required information available to us and partly due to a number of activities having not yet taken place.

2.6 It is therefore our intention to carry out a post implementation review, where we will comprehensively map out what we believe is the Council's position against each of the risks referred to in the above table by which time all the required information should be available to us.

2.7 This report is prepared on an exception basis at a point in time and hence we have only highlighted the issues, which we feel should be brought to the Council's attention at this stage in the implementation process.

2.8 A copy of our detailed terms of reference can be found in the Appendix to this report.

2.9 We commenced our fieldwork in late April 2005, with a view to reporting back to the Council in June 2005. This report summarises the final results of our pre-implementation work as at July 27<sup>th</sup> 2005, it is not intended to cover every issue, which was come to our attention, but rather provide an overview of

2 Approach and Context

the key issues, which we have identified and meet the terms of reference agreed between the Council and RSM Robson Rhodes LLP.

- 2.10 This report has been completed as part of the 2005/06 Audit in the context of the *Audit Commission's Statement of Responsibilities*, which sets out the roles and responsibilities of auditors and councils with regards to the audit process.
- 2.11 This report is for the Council's use only and should not be relied upon by any third parties.

## 3 IT Controls Assurance

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### Background and Introduction

- 3.1 The Council has introduced a number of robust controls to provide project co-ordination, management, communication and control to create a solid foundation for the SAP implementation process.
- 3.2 However, there were a number of major challenges the Council faced before go-live. Our main concerns were:
- The absence of a process to maintain the currency of the overall project plan linking key milestones and deliverables to lower level operational plans. This issue increased the risk that key deliverables did not occur on timely basis, resulting in potential systems and operational failures- a cutover plan was subsequently produced which mitigated some of these issues although we still identified some areas where process was not fully completed.
  - A lack of a formal key milestone alignment of the AXIS and MCS projects. There are major interdependencies between these two projects and alignment of projects key activities is crucial to the success of the MCS project. The Council subsequently put in place a process of reviewing daily specific key indicators around both projects which will determine the go live decision for MCS on August 1st ;
  - A number of major interfaces had not been put in place and interface project milestones had not been incorporated into the project cutover plan at the time of our interim review. Such interfaces are crucial to future systems and business operation. These issues were picked up by the cutover plan subsequently although further work was still ongoing in this area at the time of writing.

### Data Migration

- 3.3 In order to review the arrangements in place to effectively manage the data migration from legacy systems to the SAP system, we have performed the following:
- A review of the Data Migration Strategy, project plan and associated documentation;
  - Interviews with the Head of Migration and Interfaces, the consultant Data Migration Manager and Internal Audit in order to gain an understanding of and make an assessment over the effectiveness of their roles;
  - Consideration of the arrangements in place with regards data from the legacy systems both leading up to go-live and also in the longer term; and
  - Consideration of the arrangements in place regarding the on-going support and system development following go-live and data migration from legacy systems to the SAP system.

### Data Migration Strategy

- 3.4 The Data Migration Strategy was formally signed-off by project quality assurance in late July. A formal and timely sign-off process forms an important aspect of project quality assurance in order to confirm that appropriate project controls are in place.

### Data Migration Completion

- 3.5 The Horizon planning process highlighted risks that some key data migration elements may not be complete prior to the August 1st go live deadline, increasing the risks of operational deficiencies post go-live.
- 3.6 Furthermore, we noted that a number of data migration elements are being manually entered as part of the data cleansing process (for example, Human Resources data). Whilst we acknowledge that the solution chosen to re-key specific data directly into SAP was chosen to facilitate data integrity, the process presents the following risks:
- Incomplete data sets at the planned go-live date;
  - Reputation risk of sensitive data being disclosed to unauthorised staff; and
  - Incomplete and inaccurate data may be migrated.

### Data migration reconciliation testing

- 3.7 An assessment was made to determine whether adequate reconciliation controls were in place. Our work highlighted the testing process from source application to target application was incomplete. For example, we identified no evidence of data set reconciliation's between LAFIS and SAP. (Note - a previous recommendation was raised to ensure the revised end-to-end processes were robust and Internal Audit was advised to reference and evidence the accuracy tests of data in the SAP system).
- 3.8 Since the initial draft of this report some testing has been conducted mitigating the risk of migrating inaccurate data but there is more work to be conducted in this areas once the AXIS project interfaces are in place. The project is at risk of migrating inaccurate data into the new SAP system as a result of an absence of robust testing controls.

### Data Migration Interfaces and Testing project plan and key milestones

- 3.9 During our review a fundamental planning change was initiated (8 weeks to go live) to further enhance the project delivery and timescales around critical aspects of the project prior to go-live, with the result that project planning is now focussed on team-based daily Horizon planning. We found that the Horizon plans are task focussed on delivery and signoff with tight deadlines in place from various elements of the project supported by daily action plans. We also found Horizon plans were clear and there were individual timeframes for each project element and work stream
- 3.10 However, testing highlighted the final deliverables and key milestones could not be referenced to an overall project plan. The overall project plan has not being updated due to time pressures and the lack of integrated and focussed overall planning. (There are a number individual project plans in place e.g. Data Migration, Interfaces and testing).



- 3.11 The project is at risk that key deliverables and key milestones will occur after Go-Live. High-level risks include business, financial, operational and reputation risks associated with projects of this nature not being delivered on time or within budget. Also, regarding proposed key benefits realisation processes, there is a risk that these processes will be missed due to the complexity of the number of independent plans without integrated milestones.

#### Detailed Integration testing

- 3.12 As a result of decoupling interfaces from the project deliverables prior to go-live; the process of conducting detailed systems integration testing of migrated data was not tested during this review. Estimated review timescales were unavailable as the process of the realignment of interfaces and testing plans was not complete at the time of this review. Examples of testing sign-off were produced but this was not part of a comprehensive package.
- 3.13 The current lack of full alignment and integration increases the risk of system deficiencies post go-live and resulting potential business disruption and additional costs.

#### Interfaces

- 3.14 In order to review the arrangements that the Council has put in place to effectively manage the systems interfaces of existing systems to the SAP system, we performed the following:
- A review of the interfaces strategy developed in February 2005
  - A review of the interfaces reports to the programme board, the project plan and associated documentation;
  - Attendance at the migration and interfaces team meetings; and
  - Review of the revised interfaces contingency plan compiled as part of the process of decoupling the Interfaces from the main project implementation prior to go live.
- 3.15 Meeting with the Head of Migration and Interfaces to assess the progress with interfaces development.

#### AXIS Project Alignment and resource

- 3.16 Formal alignment of the AXIS Project with the MCS Project implementation has now occurred and the AXIS project implementation forms a key indicator reviewed daily as part of no go or go live decision making process in place. The implementation of AXIS is critical to the MCS project delivery. Furthermore, whilst interfaces have been decoupled from the projects planning process prior to go-live, the work on the AXIS interfaces and implementation of the system is still underway and no set milestones for delivery are currently in place.
- 3.17 The project team are fully aware of the critical interdependencies between these two projects and the lack of full co-ordination of the two separate project milestones increased the risk that primary information and business process interdependencies between AXIS and SAP might not be in place at go-live, resulting in potential operational disruption, loss in efficiency and effectiveness and significant additional costs. Management do however consider that they have addressed this risk by the daily process of reviewing risk indicators for go-live.

### Contingency Planning

- 3.18 The interfaces aspects of the project have been decoupled from the overall project plan. Subsequently, the Interfaces team have produced a contingency plan for each primary interface in advance of the go-live date. However, to date the contingency plans have not been realigned with the overall cut-over plan, increasing the risk that key contingencies will not be fully communicated to the business. Management is of the view that this overall process is not necessary although contingencies do exist for specific systems.
- 3.19 Furthermore, if contingencies need to be initiated following go-live, there is a risk that primary business areas will not be adequately prepared to react in a timely and effective manner. Of most concern however, is the current level of systems interfaces still to be implemented and tested, presenting considerable risks to the short-term systems functionality and business process operations.

### Legacy systems decommissioning

- 3.20 We could not establish whether a legacy decommissioning process is fully in place. It was clear once the legacy systems are decommissioned access to legacy systems data in its original format will be possible. However, at this stage of the review this could not be fully assessed until the interfaces contingency plans are re-aligned with the systems test plans and revised milestones are implemented. The Council now has arrangements in place which we will consider in detail post-implementation.
- 3.21 Furthermore, timescales have been revised and were available for review at the time of reporting with respect to legacy data being available or legacy systems being decommissioned due to the re-planning of project deliverables prior to go-live. The Council was at potential risk of decommissioning legacy systems earlier than is required, which may have affected future business operations and efficiency.

### System Testing

- 3.22 In order to review the arrangements that the Council has put in place to test the SAP system and related interfaces to ensure the data input is accurate and users able to use the system effectively, we reviewed the following areas:
- A review of the testing strategy and plan, error log and associated documentation;
  - Interviews with the Testing Manager to gain understanding of and make an assessment over the effectiveness of the role;
  - Consideration of the arrangements in place once interfaces were decoupled from the project plan;
  - Discussed future plans for integration testing in light of select key interfaces not being ready prior to Aug 1<sup>st</sup> go live; and
  - Assessment of the overall systems volume test strategy and plans proposed.

### Test Planning

- 3.23 The decision to decouple interfaces has had an impact on both systems testing and integration testing going forward and no clear co-ordinated timescales are in place.

- 3.24 The lack of a clear co-ordinate plan increases the risk that key aspects of systems and integration testing will not occur in a controlled and timely manner. We will review the subsequent progress made by the Council on this area as part of the post-implementation review.

#### SAP Volume and systems stress testing

- 3.25 The systems testing strategy does not include systems volume and stress testing components. Furthermore, whilst work had been conducted in this area, there is a lack of a formal approach to record the assessment process and results.
- 3.26 The absence of this key requirement increases the risk that the system may not be technically fit for purpose. We understand that this testing took place in late July 2005. We will review arrangements for stress testing post- go live.

#### SAP Security

- 3.27 In order to review the arrangements that the Council has put in place to test the SAP system security and the user authorisations process, we reviewed the following areas:
- A review of the systems architecture and network topology and associated documentation;
  - Interview with Logica CMG consultants working on the BASIS security aspects of the system;
  - Interviews with the Interim Head of Information Systems, and seconded Council Officers to gain understanding of and make an assessment over the effectiveness of their roles with respect to security planning around the SAP implementation;
  - Consideration of the end-to-end security in place to ensure risks associated with inappropriate access to parts of the system are managed appropriately;
  - A review of the process of ensuring appropriate segregation of duties in accordance with compliance and delegated financial authority;
  - Consideration of the arrangements in place once authorisations were allocated to proposed senior users of the SAP system, inline with the joiners and leavers policies and procedures in place;
  - Assessed future plans for user security authorisations testing audit and review taking place and the risks associated with the appropriate skills transfer not having been complete by Aug 1<sup>st</sup> go live;

#### Security Management

- 3.28 There is a limited understanding of the overall security requirements for implementing the SAP R/3 system security. Whilst a number of staff are aware of the building blocks required to ensure an appropriate secure environment, we have been unable at this time to verify the separation of duty controls currently in place.
- 3.29 We identified knowledge gaps regarding the requirements of robust SAP security controls without such controls in place the system and data are at risk of being insecure and at risk of inappropriate access by unknown sources. IT security risks that arise can quickly become business risks, possibly leading to

financial loss. We recognise that progress has been made on verifying authorisations since we originally reviewed this areas.

#### System Level Separation of Duties

- 3.30 The current process being tested has a weakness in that SAP separation of duties has not been reviewed in detail. The Council is at risk of not being compliant with delegated financial authority requirements.
- 3.31 At this time, we have received no information to enable a review of system level separation of duty controls.

## 4 Change Management

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### Background and Introduction

- 4.1 In order to review the arrangements that the Council has put in place to effectively manage the cultural change linked to the implementation of the SAP system we have performed the following:
- Review of the Change Management Strategy, communications plan and associated documentation;
  - Issued a change agents questionnaire designed to assess the change agents skills, awareness of responsibilities under the role, level of support gained from the centre and the overall effectiveness of change management from their perspective;
  - Designed an end users questionnaire to assess the level of awareness of the MCS project and the extent to which users have been engaged in the process to date;
  - Interviewed a number of Service Champions to gain an understanding of and make an assessment over the effectiveness of their role;
  - Considered the arrangements in place with regards to training for the SAP system both leading up to go-live and also in the longer term;
  - Considered the arrangements in place for the on-going support and system development post go-live;
  - Obtained a number of procedure notes and worked in conjunction with Internal Audit to assess the processes in place for reviewing procedure notes;
  - Reviewed the arrangements to be in place with regards to report development and writing; and
  - Evaluated the arrangements in place for the Council to effectively monitor Logica's role in the implementation going forward in terms of benefits realisations.
- 4.2 Detailed recommendations can be found in the Appendix to this report to support the issues raised in this section as appropriate.

### Key Findings

#### Change Management: Time Scales

- 4.3 The successful implementation of a new system is dependant upon the ability of the organisation to embrace the change required. Effective implementation of the Council's Change Management Strategy is central to achieving this required change. The project timescales linked to this are very tight and there is a risk that given such timescales, there is insufficient time available for the thorough implementation of the Strategy across the Council.

#### 4 Change Management

- 4.4 Having discussed the overall timeframe with relevant officers within the MCS team we are satisfied that the team are aware of the risks involved however, the real challenge for the team is to ensure that they are able to bring the rest of the business with them leading up to the implementation and in the vital early stages post the go-live date.
- 4.5 We identified varying degrees of “buy-in” from the Service areas within the Council. Some appear to have struggled with the concepts and implications of the implementation more than others with only relatively recent engagement having been received from Barnet Homes.
- 4.6 Both Human Resources and Borough Treasurers are faced with particularly challenging positions as they have to address increased complexities around not only being effected by the SAP system but also being instrumental in its implementation, deal with issues relating to devolved services and in some cases, interim management arrangements, all of this being further compounded with individuals being uncertain of the shape and composition of the Borough Treasurer's function in the longer term as a result of the full implementation of the MCS project.
- 4.7 The results of the Council's staff survey showed about a 50% awareness rate of the MCS project, which is reasonably low in the context of such a large-scale project however, we appreciate that this survey was carried out some time ago.
- 4.8 We have therefore carried out an additional survey to canvass the views of a number of end-users more recently. The results from this survey were positive showing that of the end-users that responded, 93% were aware of the project. A summary of these results can be found in Appendix C to this report.
- 4.9 The Council has produced a detailed overall framework for change management. Our review of the documentation did not reveal any significant gaps although execution of the detail of their change management plans needs to be properly considered in the context of what is feasible to deliver in the very short term and the extent to which the intended cultural change in financial management practice can be embedded in the short, medium and longer term.
- 4.10 We intend to continue to monitor the extent to which cultural change has been achieved and report back to the Council formally as part of our post-implementation review in due course.

#### Change Management: Service Change Management Plans

- 4.11 As part of the Change Management Strategy, Service Champions are required to develop a Service Change Management Plan tailored to their particular service as appropriate. We understand that the plans will include risks identified, issues and change logs, benefits analysis and a business impact analysis.
- 4.12 At the time of writing we had yet to receive any service change management plans for review. In the context, we would question the degree of buy-in from the services if these plans were yet to be completed and finalised. The lack of such documentation poses a serious risk to improving the financial management and control environment as service buy-in is essential to a successful implementation.
- 4.13 However, discussions with the relevant officers highlighted that comprehensive plans were not necessarily expected from all Service areas, providing that sufficient information had been received in whatever form considered appropriate. This was justified on the basis that they were to be “live” working documents.

## 4 Change Management

4.14 Whilst it is good practice that Service representatives own and implement the Service Change Management Plans we recommend that the Central Change Management Team ensure mechanisms are in place for the following going forward:

- Recording the receipt and ascertaining the completeness of documentation received;
- Reviewing and challenging the context of the Service plans (in whatever form);
- Monitoring the progress and effectiveness of the implementation of the plans going forward; and
- Identifying the need for, and then providing support to, the Service Champions as appropriate.

### Change Management: Localised Procedures

4.15 One of the more medium term risks that the Council faces is the development of and adherence to localised procedures to cover all the relevant business processes, which sit outside of the SAP system, but will, nevertheless, be affected by the implementation.

4.16 Should these localised arrangements not be appropriately formalised then there is a risk that many of the potential benefits resulting from the SAP system implementation could be diminished.

4.17 We understand that the MCS team are considering a number of ways to effectively assist the Service areas with this business processing re-engineering post go-live. Given specific information with regards to localised procedures is not available at the time of writing, we intend to pick up on progress in this area as part of our post-implementation review

### Training: Expertise and Scheduling

4.18 We understand that the Council has recruited “trainers” internally from within the organisation. These individuals are not SAP experts and in some cases are not business process experts in all of the areas for which they will ultimately be responsible for providing training.

4.19 There is a risk that due to the above, the quality of training materials and training delivery will be compromised and that end users may not be provided with adequate training overall. Potentially this could result in the following:

- Breakdowns in Internal Control;
- Poor data quality and integrity;
- System users not taking ownership of the business processes;
- Work-arounds being developed locally; and
- Low staff morale and resistance to the system overall.

4.20 However we are aware of a number of mitigating actions, which the MCS team are taking in response to the above risks. These include:

- A two-week induction programme for the trainers, to be facilitated by Logica CMG. This programme is to include both generic SAP training and “train the trainer” training;
- The Council intends to use Logica CMG's standard training templates;

## 4 Change Management

- A Logica CMG trainer is to be utilised for one day a month to over-see the development of the training programme overall;
- The Council intends to monitor the development of training materials; and
- The course outlines have been reviewed by the relevant Functional Project Teams.

4.21 The scheduling of the training also provides a challenge to the MCS team due to the following:

- The number of users who will require training;
- The volume of courses which will need to be delivered; and
- The timing of the training programme and the likelihood that individuals will be on leave for periods over the summer in addition to the pressures that the finance team will be under due to the accounts closedown timetable.

4.22 Linked to the ability of the Council to manage the above risks, at the time of writing our initial post implementation report, the team had yet to develop the training matrix and schedule (which would go part way to addressing the above risks) due to weaknesses in the information received from the services in relation to their specific user allocations.

4.23 We also understand that some initial problems were experienced once the training programme had commenced, although these were quickly addressed and changes made to the original programme as required.

4.24 It essential (in the context of the above challenges) that there are effective and efficient feedback mechanisms such that any amendments required to the training programme can be built into future sessions as quickly as possible. We also recommend that the Council retain comprehensive training logs which detail which individuals have received which training sessions, and how this corresponds with their user allocations.

4.25 Although we acknowledge that the MCS team are taking actions to try and manage these risks such as the recruitment of a training support administrator and the use of a scheduling database, we feel that in view of both the volume and the timescales, ensuring effective and complete training provision continues to pose a major risk for the Council at this time.

4.26 We intend to review both the training matrix and assess the way in which the Council responded to the required changes in the training programme as part of our post implementation work in the future. We also intend to consider the views of those trained in order to ascertain the effectiveness of the training which individuals received.

### Training: Support Skills

4.27 There are a number of topics for which a demand has been identified under the “Developing Support Skills” training programme, these include:

- Procurement and Contract Management;
- Financial Management; and
- Basic IT Skills.

4.28 We understand that due to the short timescales involved, it is the intention of the MCS team to deliver SAP technical training as the priority with the delivery of support skills training post go-live.



#### 4 Change Management

- 4.29 The procurement and contract management training is arguably appropriately delayed on the basis that the contract management module of the SAP system is not planned to go live until phase two of the implementation. However, at this time, we would recommend that the Council considers the content and nature of this training alongside our previously issued report on the topic such that the weaknesses noted can be appropriately addressed as part of the training.
- 4.30 With regards to the IT training, there is a risk that if individuals are attempting to use the SAP system without a basis understanding of IT then this may have a negative impact on the overall control environment at the Council. We intend to follow up on the way in which the training team intend to mitigate against this risk during the remaining part of our review.
- 4.31 In terms of financial management training, the risk associated with this are that budget holders are given the responsibility for managing budgets without the necessary skills which may result in ineffective budget management and potentially significant uncontrolled overspends in the medium term.
- 4.32 We therefore recommend that "high risk" budget holders are identified as those individuals who are responsible for significant budgets and have limited experience and knowledge with regards to financial management. Measures should be put in place to ensure that these individuals are given additional support by Borough Treasurers as appropriate.
- 4.33 Linked to the above, we also recommend that there is a very clear division of roles and responsibilities between Borough Treasurer's and service budget holders with regards to budget management and that this is communicated to both parties prior to go-live and monitored post go-live.

#### Procedures: Review of documentation prior to go-live

- 4.34 The Council's Internal Audit function has taken on the role of reviewing all proposed procedures relating to the SAP system prior to go-live.
- 4.35 The Internal Audit review is designed as a process rather than a content review which, given their role within the Council and their requirement to maintain independence, we feel is appropriate. However, in this context, the review being carried out does not constitute an effective independent review of the detailed content of the proposed procedures.
- 4.36 Our work in this area has highlighted that the Service teams are, in the main, also not currently performing an independent content review. We believe that such a review is essential in both ensuring the appropriateness of the procedures to be adopted and demonstrating service buy-in to the process overall.
- 4.37 We would therefore suggest that the Council takes measures to ensure that this independent review is performed and evidenced as such prior to the procedures becoming operational.
- 4.38 During the course of our review, we identified that to date, about half of these procedures have been reviewed by the Internal Audit function.
- 4.39 Given the timescales involved, there is a considerable amount of work remaining in this area if all procedures are to be appropriately reviewed prior to go-live. This presents a significant risk to the project overall due to the potential for the following:
- There may not be time for any weaknesses identified by Internal Audit to be appropriately implemented by service areas and the MCS team;
  - Not all weaknesses may be identified prior to go-live; and

## 4 Change Management

- There are risks around a potential disconnect between the on-going Internal Audit review and the roll out of training (which commenced on the 13<sup>th</sup> June) on procedures, which may not have been reviewed at this time.

- 4.40 Due to the above, the original internal audit matrix, which was developed for documenting all Internal Audit reviews, is no longer being utilised. Through discussions with the relevant auditors we identified that Internal Audit believed that many of the risks (and related controls) that would be covered by their matrix would be consistent across a number of procedures and therefore there was limited benefit in documenting these.
- 4.41 In addition to the consistent risks referred to above, Internal Audit also considered specific risks relating to individual procedures as appropriate. However, these were not formally documented in all cases during the Internal Audit review performed.
- 4.42 Therefore, although we support Internal Audit's role in carrying out a process review on the procedures prior to go-live, should we not be able to obtain sufficient evidence to support the detail behind the review process then we may not be able to provide assurances over this part of the project.
- 4.43 At the time of writing) we had yet to review all necessary evidence to support the review of all procedures, we will therefore consider this as part of our post-implementation review in due course.

### Benefits Outcomes

- 4.44 As part of our review we have considered the Benefits Outcomes contained within the Contract between the Council and Logica CMG.
- 4.45 Although our work in this area is not yet complete, we were concerned to note that the benefits outcomes identified in the contract were few in number and very generic in nature, as follows:
- Eliminate system causes of HR BVPI qualifications;
  - Quicker closedown of the accounts (subject to the necessary human resources being assigned);
  - BVPI 8 Payment of Invoices within 30 days (subject to staff inputting data correctly);
  - Cost centre managers have reports available and perform analysis/planning;
  - Reduction of the systems in operation at the Council as listed in the de-commission list of the Legacy Control Table; and
  - % of procurement that can be tracked by SAP. This excludes procurement that is initiated by other systems and that performed via procurement cards.
- 4.46 We are currently awaiting the receipt of additional information with regards to these outcomes. However, our initial view is that the current list of benefits outcomes needs to be supported with a series of specific, measurable outcomes such that outcome based indicators can be embedded that reflect the key financial requirements of the Council. Specifically, we believe that the Council needs to ensure that:
- The outcomes used to monitor the benefits need to be reviewed and qualitative measures developed and key dependencies identified, communicated and agreed between both parties;

#### 4 Change Management

- The omissions with regards to the degree to which Internal Audit recommendations are addressed in the SAP system (where practical need to be addressed and additional indicators built in as appropriate;) and
- Audit arrangements need to be put in place to ensure the quality and accuracy of the reported outcomes prior to any payment being made.

#### CIPFA Financial Management Model: In the context of the implementation overall

- 4.47 As part of our terms of reference we agreed to undertake a review of the Council's overall arrangements with regards to the implementation in the context of the requirements of the CIPFA Financial Management Model.
- 4.48 Given the direct link between an effective system implementation and effective internal and budgetary control within any given council, the securing stewardship element of the Model is most appropriate to the SAP implementation.
- 4.49 The Council undertook a self-assessment against the Model back in 2004. Our work in this area to date has highlighted that to date no follow up work has been undertaken, partly due to the fact that the Council intends, instead, to complete a self-assessment against the Key Lines of Enquiry (KLOE) in preparation for CPA going forward.
- 4.50 It is our view that the CIPFA Model provides a detailed and comprehensive framework within which to assess the Council's arrangements with regards to financial management in its widest sense, and can easily be tied into the requirements of the KLOEs which whilst needing to be underpinned by good practice in financial management and internal control are too general in description to form a detailed basis for embedding best practice in financial management.
- 4.51 Therefore, we believe that it is imperative that robust self-assessments against the CIPFA model will be integral to the assessment of the effectiveness of the implementation overall.
- 4.52 Given the Council has not performed any follow up work in this area, we intend to consider the Council's Self-assessment under the KLOES in the context of the implementation. We are due to commence our work in this area during August 2005.

## 5 External Output

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### Background and Introduction: *Accounts*

- 5.1 In order to review the arrangements that the Council has put in place to ensure that complete and accurate data can be produced in relation to the accounts for both 2004/05 and 2005/06 we have performed the following:
- Liaised with Internal Audit about the scope, extent and timing of their work in relation to the implementation;
  - Held discussions with relevant leads, including the Finance team lead for MCS and staff in Borough Treasurers as appropriate; and
  - Canvassed the views of senior stakeholders in Borough Treasurers in terms of their perception of the level engagement with the project and their top priorities for MCS to address going forward;
  - A consideration of the ability of the legacy systems to produce audit working papers for the 2004/05 final accounts audit and also our requirements for the 2005/05 final accounts audit where we will be looking to audit across two systems within the same financial year.
- 5.2 Detailed recommendations can be found in the Appendix to this report to support the issues raised in this section as appropriate.

### Key Interim Findings: *Accounts*

#### Historic control weaknesses within the Council's legacy systems

- 5.3 As the Council's External Auditors we look to place reliance upon a standard set of key controls as part of our final accounts audit. These key controls are selected because they are fundamental to the effective operation of the Council's systems. In prior years we have noted a number of weaknesses in relation to these key controls, both as designed and as operating in the Council's legacy systems.
- 5.4 Historically, Internal Audit has also highlighted weaknesses across a number of the Council's systems such that very few of the Council's financial systems have been issued with a full assurance from Internal Audit in the past 2 years. The table below summarises Internal Audit's assessment on these systems and of these, which are to be captured going forward in the MCS project.

Table 2: Summary of Key Financial Systems Weaknesses and relationship to the MCS project

System	Internal Audit Assurance 2003-04	Internal Audit Assurance 2004-05	New system part of MCS
<b>Financial Ledger</b>	None	Full (1)	<b>Yes</b>

5 External Output

System	Internal Audit Assurance 2003-04	Internal Audit Assurance 2004-05	New system part of MCS
<b>Fixed Assets</b>	None	Limited	<b>Yes</b>
<b>Stock</b>	Limited	None	<b>Yes</b>
<b>Debtors</b>	Limited	Limited	<b>Yes</b>
<b>NNDR</b>	Adequate	Audit deferred to June 2005	No (2)
<b>Council Tax</b>	Limited	Limited	No (3)
<b>Cash and Investments</b>	Limited	Satisfactory	<b>Yes</b>
<b>Creditors</b>	Limited	Follow-up audit around fraud-based controls only	<b>Yes</b>
<b>Housing Benefits</b>	Adequate	Limited	No (4)
<b>Payroll</b>	None	Limited	<b>Yes</b>
<b>Pensions</b>	Adequate	Full	No
<b>Notes</b>			
<ol style="list-style-type: none"> <li>1. There was one priority 1 recommendation for which it was subsequently identified there were compensating controls.</li> <li>2. New system Pericles from January 2005</li> <li>3. Planned for Pericles from October 2005</li> <li>4. Currently being considered for Pericles</li> </ol>			

- 5.5 Accepting that new systems cannot, in themselves, address all control compliance issues, it is imperative that the Council takes the opportunity presented by the MCS project to address any design issues related to the above control weaknesses.
- 5.6 During the course of our review, we identified that there is a process for communicating control weaknesses raised by both ourselves, and Internal Audit to the MCS team. There is also evidence of the profile of these issues being lifted through their inclusion as key deliverables within the MCS weekly activity plan, progress of which is monitored by the MCS project manager.
- 5.7 Although the primary responsibility rests with the Council for ensuring audit recommendations relating to the current systems are addressed, where appropriate, as part of the MCS project, we recognise there is also a role for audit (both internal audit and ourselves) to review and reach a view on the adequacy of steps taken, ideally before the system goes live so that any necessary corrective action can be taken as appropriate.
- 5.8 In light of this, Internal Audit intend to undertake a review with a view to identifying what actions have been taken to address the control weaknesses as described above within the design of the SAP system.

5 External Output

5.9 It is our intention to then review and comment upon this piece of work from an external audit perspective as and when the Internal Audit review is complete.

5.10 We have now received this information and intend to pick this up as part of our post implementation review in due course. There are of course associated risks with this piece of work from the Council's perspective should it not be fully completed by Internal Audit prior to go-live.

**Audit Trails for 2004-05 and 2005-06**

5.11 We understand that all the Council's legacy systems will remain in place such that we are able to obtain satisfactory audit trails for the 2004-05 audits effectively without the need to interrogate the SAP system.

5.12 For 2005-06, it is the Council's intention to utilise the Audit Trail Module within the SAP system. Given the Council are still in the process of considering how this would work in practice we have yet to carry out our review of 2005-06 audit trails. We therefore propose to follow up on progress made in this area as part of our post implementation review.

**Views of Key Finance Stakeholders**

5.13 In addition to the above, we also canvassed the views of a sample of key finance stakeholders, specifically in relation to the controls weaknesses and the impact of the new system implementation in addressing these weaknesses going forward.

5.14 We have summarised the comments obtained from our sample in the table below, which provides more information to reinforce the messages outlined in previous sections to this report.

Table 3: Views of Key Finance Stakeholders

Ref	Question	Summary of comments
1	<b>Are you clear about how MCS will address weaknesses in current financial systems such as LAFIS, payroll, creditors, debtors and fixed assets?</b>	<p>MCS should help to manage control weaknesses relating to data duplication/ integrity if interlinking feeder systems are reduced.</p> <p>MCS should help through better accountability provided by "who did what trail and history".</p> <p>MCS should help through integrated systems for financial management, financial accounting and also fixed assets accounting.</p> <p>Aware of broad intentions for these to be addressed but not clear whether specific criteria have been set.</p> <p>MCS should assist by enabling budget managers to be more accountable for their budgets.</p> <p>However new systems do not replace the need for accountability in individual roles. It is particularly important that the right people are assigned appropriate roles within the system.</p>
2	<b>Are you clear as to how MCS will help improve overall financial and budget management in the Council?</b>	<p>For the new system to have impact, people will need accept responsibility for change, and will also need to be properly trained.</p> <p>MCS should help by making budget holders directly responsible for extracting information from the SAP system and having better access to budget details, spending profiles, actual spending and commitments.</p> <p>MCS should facilitate speedier reporting of the Councils financial position</p>

Ref	Question	Summary of comments
		<p>to Heads of Service and Members.</p> <p>However there is a risk that the pressure to reclaim under-spends back to the centre will discourage a responsible attitude.</p>
3	<p><b>What in your view are the top 5 five issues which MCS must deliver to help you and your team do your job better?</b></p>	<p>Culture change including:</p> <ul style="list-style-type: none"> <li>➤ Greater sense of ownership for making MCS work when implemented in the middle and lower levels of the organisation.</li> <li>➤ Managers taking ownership for getting data right – in particular accurate HR data.</li> </ul> <p>Clarifying roles and responsibilities of finance, services and the corporate centre in financial management when new system comes in.</p> <p>There must adequate controls in place – example given related to the central control of procurement.</p> <p>MCS should provide a fully operational system, which delivers what is required by the organisation.</p> <p>Proper training and support on the new system needs to be appropriate to all users, including full documentation of new systems and documented procedures which are user-friendly.</p>

### Background and Introduction: *BVPI Data Cleansing Activities*

- 5.15 As part of our review with regards to the Best Value Performance Indicators we considered the following:
- Whether the actions taken to date to ensure the Council's payroll and HR data is complete and accurate are appropriate and whether they are likely to result in increased confidence in the reliability of information held and the associated indicators produced and reported; and
  - The potential impact the introduction of the SAP system on the collation and production of the HR and Payroll indicators from 2005/6 onwards.
- 5.16 In order to perform our review, we have held discussions with the lead officers responsible for implementing action plans created as a consequence of previous audit reports and also with the responsible officers for each of the indicators.
- 5.17 In terms of the future collation of indicators, it should be noted that this report has been produced pre the implementation of the SAP system and therefore, can only consider the potential of the system and the proposals in place for its use in future reporting periods. We cannot therefore, conclude on the nature of the actual indicators which the Council will produce and present for audit in the future.

### Key Interim Findings: *BVPI Data Cleansing Activities*

- 5.18 There are currently three projects ongoing in relation to the cleansing of the current data held within HR and Payroll as follows:

- **The HR data cleansing exercise** led by the Resources Performance and Strategy Manager and concerned with cleansing the Council's "base data" in relation to HR and Payroll;
- **Operation Windmill**, the objectives of which includes: 'to conduct a rigorous assessment on the HR/Payroll procedures in the recruitment and payment of LBB staff' and is primarily aimed at reducing the risk of payroll fraud occurring; and
- **The MCS Data Cleanse Strategy** that aims to ensure that there is clean HR and Payroll data available to agreed deadlines for migrating to SAP.

5.19 There are risks associated with concurrent projects operating in the same area at the same time. Such risks include the potential for a disjointed approach, duplication of effort or unclear lines of responsibility. These appear to have been addressed as far as possible through close working between the three project groups, all of which having the benefit of falling under the same Directorate. However, we do recommend that this situation be kept under review with a view to mitigating these risks as far as possible.

#### HR Data Cleansing Exercise

5.20 The quality of personal data held by the Council has previously been identified as poor, during our review reported in October 2004, weaknesses were identified with regards to the paper filing system, for instance, files could not be located or incomplete data was held. In addition, a number of inconsistencies were identified between information held on the paper file and that held on Delphi, the payroll system currently used by the Council. Our resulting report recommended that:

*'...the Council reviews the current controls in place with a view to identifying weaknesses and implementing a suitable control environment going forward. Such a control environment should ensure that data is complete and accurate, this being achieved through the adoption of a series of standard internal controls...'*

5.21 In response to the above, two forms were issued to every individual recorded within the Delphi system. A Part 1 form was issued and contained all personal details held on Delphi relating to the employee. Employees were requested to either amend the form as appropriate or return it signed as confirmation that there had been no changes to the details held on Delphi.

5.22 A Part 2 form, a Work Force Monitoring (WFM) form was also issued at the same time. The WFM requested information on an individual's gender, disability status, ethnicity, faith, sexuality and level of educational attainment. Table One below details the response rate to these forms from employees live on the Delphi system as at 11 May 2005:

Table 4 - Percentage of Part 1 and Part 2 Forms Returned by Employment Area to date

Employee Area	Part 1	Part 2
LBB Admin Staff	95.3%	94.2%
LBB Councillors	78.9%	71.1%
Schools	80.7%	84.2%
Woodhouse College	82.4%	12.1%



5 External Output

Miscellaneous	78.2%	74.9%
Barnet Homes	92.7%	78.8%

- 5.23 There is on-going activity to capture the missing information at this time. Reminders have been issued to all staff whom have not yet returned their forms with a fourteen day deadline for submission. (However, it should be noted that employees are not required by law to submit the information requested on the Part 2 form).
- 5.24 A process is in place for checking that data has been transferred correctly from the returned Part 1 forms to Delphi. A database has been established which contains all employee records. Information from returned forms is entered onto the corresponding database record; the team inputting information from the forms do not update Delphi. This information is then transferred to Delphi. A team member who did not input the information checks the paper form against the database entry. A further ten percent sample check is taken of paper records against Delphi records.
- 5.25 Logs of the checks performed were retained. Although the logs detailed the records checked and the dates on which they were checked, they did not contain information on whether errors were identified as a result of the check.
- 5.26 We recommended that any logs of future checks record any errors identified and the corrective action taken. This will allow officers to ascertain accuracy levels of information being input and whether additional or less checks on the data held are required.
- 5.27 As part of our review, 60 Part 1 forms were randomly selected and the details checked against the corresponding entry on Delphi. The results of our testing showed that in 6 of the 60 forms reviewed, inconsistencies were noted between the information on the forms and that input into the system. That is, a potential 10% error rate overall.
- 5.28 An Ethnicity and Equalities database has been set up to record information contained in the Part 2 forms. Delphi does not have the capability to record information on ethnicity, which is needed for BVPI 11b, % of top 5% of earners from black and minority ethnic communities. It will be possible to record this information on SAP and the information held on the database will be uploaded to SAP. Once SAP is implemented, devolved HR Officers will input this information directly onto the employee's personal record on SAP.
- 5.29 A test was also undertaken on the information recorded in the Ethnicity and Equalities database. Sixty database records were checked against the corresponding form. The results were as follows:
- In fourteen cases, no form was held for the selected employee. It is not obligatory that employees supply this information;
  - In forty cases, information on the form matched that recorded on the database; and
  - In 5 cases, discrepancies were identified, resulting in a potential 9% error rate overall.
- 5.30 Although we would never expect 100% accuracy, we would have some concerns over potential error rates of 9-10% in the Council's base data. That being said, when the result is considered in the context of the extent of the previous weaknesses, we feel that the Council has made considerable progress in this data cleansing exercise over recent months.

5 External Output

- 5.31 All returned forms are currently held by the team co-ordinating this exercise. On completion, the forms will be distributed to the corresponding service area and placed on the appropriate personal file. It has not yet been determined when this will take place.
- 5.32 We carried out a subsequent review of data cleansing activity on July 28<sup>th</sup> 2005. The results of this work have been reported separately to the Council.

**Operation Windmill**

- 5.33 The Council's Corporate Anti-Fraud Team (CAFT) was given responsibility for undertaking a major project with the objective of conducting a rigorous assessment on the HR/Payroll procedures in the recruitment and payment of Barnet staff. Operation Windmill is designed to ensure that the recruitment processes in place safeguard against the risk of fraudulent activity going forward.
- 5.34 An action plan has been developed to run over a 15 week period, the proposed duration of the project; however, the plan is a living document and is, therefore, liable to change. Operation Windmill focuses on ensuring that there is a standardised recruitment procedure in place across the whole Council.
- 5.35 Our initial review of the action plan highlighted no areas of concern or omission, although the document itself is very high level and does not provide detailed information as to exactly how the actions within the plan are to be achieved.
- 5.36 We appreciate that the rationale behind keeping this action plan at such a high level was to enable the CAFT team to commence work as soon as possible, and hence effectively "close the door" to the Council until such time that the previously identified weaknesses were addressed.
- 5.37 However, operating at such a high level and without detailed plans in support of the main action plan does increase the risk that areas are missed or treated incorrectly. The Council has taken measures to mitigate against these risks by only allowing very few individuals within the CAFT team to be involved in the implementation of the action plan.
- 5.38 We intend to continue to monitor and review the progress against Operation Windmill over the duration of the project and are due to work with CAFT in a spot check exercise to ensure that the various procedures that have been put in place have been adhered to. We envisage that this piece of work is likely to occur in September 2005.

**The MCS Data Cleanse Strategy**

- 5.39 The MCS Data Cleanse Strategy was received as part of the data migration strategy on July 26<sup>th</sup>. We intend to complete our review during our post-implementation review.

**The implementation of SAP and the collation of data for HR and Payroll Indicators going forward**

- 5.40 As well as looking at the quality of the data held, our review also considered the likely impact of the introduction of the SAP system on the way in which the HR and Payroll indicators are collated and calculated going forward.
- 5.41 A major issue previously identified with regards to the reporting of the indicators was the uncertainty over the size of the denominator relating to the total number of employees in the Council. These weaknesses were due, in the main to the failure of the Council to maintain a complete and accurate establishment list in the past.

5 External Output

- 5.42 We are aware that as part of the data cleansing strategy work has been ongoing to produce organisation unit structures and position spreadsheets that will be transferred across to SAP. These spreadsheets contain details of all posts within the Council. Processes are in place to ensure that these are updated on a weekly basis with starters, leavers and new positions. This information if kept up to date will become the Council's establishment list and will help to ensure that there is a sound basis for the denominator used to calculate corporate health indicators where the total number of Council employees is required.
- 5.43 SAP will also be capable of holding information on working patterns and the status of employees for example, part-time or full-time, which will help to address another failing of Delphi. However, it is critical that accurate employee information is held and that this is regularly updated to ensure records are correct both pre and post-SAP implementation.
- 5.44 As part of the MCS project, procedures and Business Process Procedures (BPP) have been written to cover HR and Payroll activities. In general terms, all procedures have been produced using a standard template. The template includes a section on Change Management Issues and Risks; however, the template used does not detail how any risks identified will be managed or who will own the risk. We understand that the BPPs for HR and Payroll have been written by an external consultant.
- 5.45 A procedure has been written to cover the steps to be followed for notifying and inputting an employee's sickness absence record. The Sickness Absence (including Industrial Accident) procedure was reviewed and it was noted that there were discrepancies between this procedure and the Attendance Management policy available on the Council's intranet. For instance, there is no reference to the role of the AMMO in the procedure and it is unclear from the procedure whether once SAP is implemented it will remain a requirement that a SW66 is also completed to record sickness on.
- 5.46 There is a section on Reporting Requirements within each procedure. For the Sickness Absence procedure it was noted that there were no reporting requirements. We would have expected this procedure to refer specifically to BVPI 12 requirements.
- 5.47 There has been no independent review of the procedure; from discussions with the author of the procedure, it has been established that it has been written based on guidance already in place.
- 5.48 The above highlights the potential risk of disconnects between the writing of procedures and the Council's actual needs. Action should be taken to ensure that not only these specific issues are addressed but also that all procedures are fit for purpose prior to go-live.
- 5.49 We also recommend that the Council consider undertaking an exercise whereby the procedures being developed are cross checked against reporting requirements in the context of the BVPIs such that any potential omissions in terms of the data recorded can be identified and addressed prior to go-live.

### BVPI Further Work to be performed

- 5.50 We are due to review and report more comprehensively on all HR data cleansing activities in due course. However, we would like to point out that it is imperative that the Council is able to track the extent to which records have been cleansed both pre and post migration given not all cleansing activities will be complete before migration into the SAP system during July 2005.
- 5.51 With regards to Community Care, our work on updating on the progress made is currently on-going and we are due to report to the service in August 2005.

## Background and Introduction: *Grant Claims and Returns*

- 5.52 As part of our review with regards to grant claims and returns we considered the following:
- The way in which grant claims and returns are to be recorded within the SAP system; and
  - Specifically for the big claims and returns (that is, LA01, HOU01, HOU02 & BEN01) how the various legacy systems are to interface with the SAP system.

## Key Interim Findings: *Grant Claims and Returns*

- 5.53 At this time we have performed limited work in this area other than to identify that the Council intends to record grant claims and returns in the SAP system as Internal Orders.
- 5.54 We understand that the MCS team are currently in the process of critically assessing this decision in light of the Council's requirements. It is our intention to review this assessment as part of our post-implementation review as this information has not been made available to us at this time.
- 5.55 Given the diversity of the Council's grant claims and returns in terms of both value and number of actual claims, in addition to the weaknesses which have been identified with regards to the processes in place over the last couple of years, we would recommend that this piece of work is carried out as a matter of priority such that any required system amendments can be identified and actioned as soon as possible.

# Appendix A: Terms of Reference

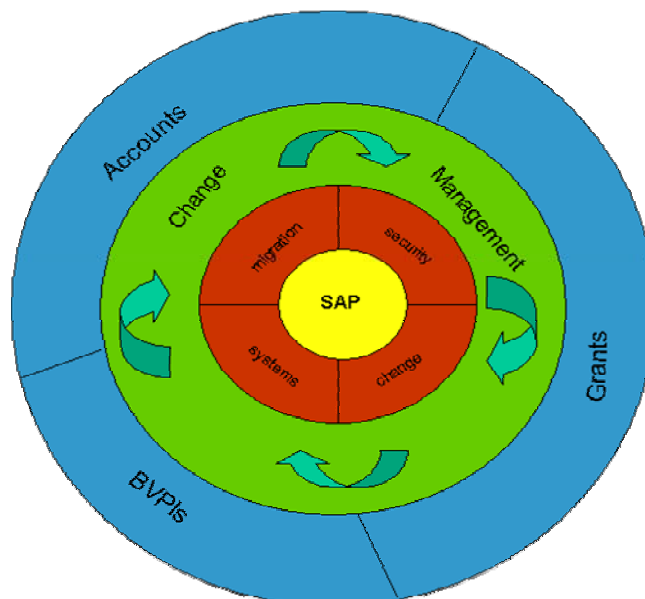
## Modernising Core Financials Project

The proposed scope of the Modernising Core Financials project can be summarised as follows:

- **Controls assurance work:** Regarding specific project areas which we feel there are inherent data quality and system implementation integrity risks;
- **Change management review:** Which considers both the wider mechanisms for improving the culture of internal financial control as well as the “softer” aspects of the system implementation including training and the embedding of cultural change. This will be carried out through an assessment of the Council's ability to secure effective stewardship under the CIPFA Financial Management Model in the context of the SAP implementation; and
- **External output:** The impacts of the above on the ability of the Council to produce complete and accurate data and supporting audit evidence with regards to the following for both the 2004/05 and 2005/06 financial years:
  - Final accounts and associated working papers;
  - The Best Value Performance Indicators; and
  - Grant claims and returns.

We will also place a special focus on the relationship between the MCS project and improvement in financial management and data quality in Community Care as well as the impact of the current activity within Human Resources.

Figure 1: The review in summary



Within the above scope we would aim to perform the following:

**Control assurance work:**

Review Area	Start
<p><b>Systems testing</b></p> <p>We will review the controls in place to help ensure that the system will function according to business requirements and will operate in a manner that is consistent with working practices. Our focus on this area will be to review systems functionality, interface controls, volume, negative and performance testing controls.</p>	18 <sup>th</sup> April
<p><b>Data migration</b></p> <p>We will review the controls in place designed to ensure that the data transferred from legacy systems to SAP will be transferred completely and accurately and that only business required data is transferred.</p> <p>We will review the planned business and automated controls designed to ensure the completeness and accuracy of data interfaced from other business systems to SAP / vice-versa.</p>	18 <sup>th</sup> April
<p><b>Change Controls</b></p> <p>We will review the change control management process and sample test change requests to ensure that appropriate controls are being followed.</p>	2 <sup>nd</sup> May
<p><b>Security controls</b></p> <p>We will review the planned SAP security controls designed to ensure only authorised access to SAP and also the appropriateness of system level separation of duties. Some typical areas of review will be:</p> <ul style="list-style-type: none"> <li>• Logical access controls;</li> <li>• User profile management;</li> <li>• Master data maintenance;</li> <li>• Expenditure master data maintenance and input/output controls;</li> <li>• Dictionary access;</li> <li>• Default parameters;</li> <li>• Remote access (SAP R/3 Remote Function (RFC));</li> <li>• Profile generator and security administration (super-user SAP review and administration group);</li> <li>• Table change control;</li> <li>• Log and trace files; and</li> <li>• SAP router -where applicable.</li> </ul>	2 <sup>nd</sup> May

### **Change Management Review:**

Our review in the area of change management will focus on the stewardship aspects of the CIPFA Financial Management model and in particular will consider the potential impact of the new system on the overall internal control environment within the organisation through an assessment of:

- Roles and responsibilities and overall ownership of the system;
- Training needs assessments and proposed training programmes;
- Development and dissemination of procedural guidance;
- Reviewing the impact of the project on all key financial systems currently graded by Internal Audit as having none or limited assurance;
- Mapping our high level control matrix for final accounts purposes against the SAP implementation and identifying any shortfalls;
- The planned support mechanisms and processes; and
- Arrangements for on-going system development.

We intend to commence our work in this area during the w/c 18<sup>th</sup> April 2005.

### **External output:**

In this part of our review we intend to work with officers to ensure that appropriate arrangements are in place to facilitate the audit of the 2004/05 final accounts, Best Value Performance Indicators (with a particular focus on finance driven BVPIs) and grant claims and returns given that the SAP system should go live either during or prior to the audits commencing.

We also intend to advise officers as to the potential risks and associated solutions for the 2005/06 audits given that both systems will have been operational during the 2005/06 financial year.

We intend to commence our work in this area during the w/c 18<sup>th</sup> April 2005.

### **Outcomes:**

All our findings will be discussed with the relevant officers. Given the timing of our review in relation to the planned go-live date, and the evolving nature of the MCS project, we intend to report back our findings on an on-going basis each week to the Director of Resources in addition to issuing a final report at the end of our review in May 2005.

### **Resources and Timing**

The work will be performed as follows:

Controls assurance: Steve Snaith;

Change management: Emma Turner and John Williams; and

External output: Emma Turner and Irene Loh.

All areas of the review will be supervised by Paul Dossett, with an intended completion date of 27<sup>th</sup> May 2005.

The review is included in the agreed 2005/06 Audit and Inspection plan.

## Appendix B: MCS Interim Report: Action Plan

**Note:** We intend to follow up on progress made towards addressing the various recommendations raised in this report as part of our post-implementation review.

Ref	Recommendation	Priority:	Management Response	Timescale
<b>IT Controls Assurance: Data Migration</b>				
3.4	The Council should ensure that all key aspects of the MCS project have been formally quality assured. In particular, our interim review identified that with regards to the Data Migration Strategy there was no evidence of this formal quality assurance having occurred.	3	<i>The Data Migration Strategy has been signed off formally. All aspects of the data migration strategy have been feed through to the cut over plan.</i>	<i>Completed and On-going.</i>
3.7	<p>The Cut Over plan should be verified by key personnel to ensure business process owner buy-in to the overall data migration process, addressing the immediate and subsequent business and financial implications for adopting a manual entry based approach.</p> <p>The project board should implement the necessary controls to ensure all data elements manually entered are easily recognisable by key personnel and where necessary sensitive data should be secured by each of the business areas.</p> <p>The project board should allocate responsibility to asses key data</p>	2	<ul style="list-style-type: none"> <li>▪ <i>Agreed, there will be a schedule of meetings. Cut over manager attending daily horizon update meetings.</i></li> <li>▪ <i>Agreed and in place</i></li> <li>▪ <i>Named resources are recorded in horizon reports and on the data object list.</i></li> </ul>	



Ref	Recommendation	Priority:	Management Response	Timescale
	migration risks and associated contingencies, in the event that data objects are not migrated pre go-live.			
3.9	Reconciliation of the financial data migrated from legacy systems should be tested end-to-end by the business and the respective controls should be in place to ensure data migrated is complete, accurate and secure.	2	<i>Agreed and there is a process to do this.</i>	
3.12	The Project Board should formerly validate and sign-off the Cut-Over plan. This plan should integrate the key project elements, which were decoupled from the overall project plan including Interfaces and Integration testing.  The Project Board should validate and sign-off the Interfaces and Systems Testing re-alignment plan when completed to maintain the focus on Interfaces and subsequent integration testing.	1	<i>Agreed, Cut-Over plan going to Programme Board for approval on 7<sup>th</sup> July.</i>  <i>Agreed.</i>	
3.14	The Testing Manager and the Interfaces Manager should ensure the systems integration test plans are realigned and the planning outlines any subsequent UAT processes. This revised plan should be validated and signed-off by the Project Board.	2	<i>Agreed.</i>	
<b>IT Controls Assurance: Interfaces</b>				
3.18	Whilst we acknowledge that work with regards to the AXIS project alignment has now progressed, a formal review should be completed as a matter of urgency to ensure that the project milestones of the AIXS project are in line with the MCS project.	1	<i>Agreed this is the major project risk at present, plans are being worked on and will be ready by the beginning of week commencing 27/6/5.</i>	

Ref	Recommendation	Priority:	Management Response	Timescale
	Additionally, an associated contingency plan should be produced, indicating any resource requirements necessary to mitigate associated risks and to provide a clear basis to inform the senior management go-live decision.			
3.20	<p>The Project board should ensure the interface milestones are fully integrated with the Cut-Over plan prior to signoff.</p> <p>Key business personnel should ensure the contingencies planned are suitable for the business in the short term, ensure the cost implications are noted and formerly validate and authorise the associated contingency plan.</p> <p>The overall status of interface implementation and testing should form an integral basis of the senior management go-live decision.</p>	1	<p><i>All tasks outstanding from horizon reports and all interface milestones will be incorporated into the Cut-Over plan prior to its sanction and approval by the Programme Board on 7<sup>th</sup> July.</i></p> <p><i>Any contingency plans that may become necessary will go through a process of business agreement and formal board sanction prior to their acceptance and application.</i></p>	
3.22	The legacy systems decommissioning process should form an integral part of the Cut-Over plan currently under development, incorporating clear realigned key milestones and systems deliverables. This process should take into consideration disaster recovery planning in line with overall business continuity requirements.	2	<i>Agreed, this is contained in the Cut-Over plan.</i>	
<b>IT Controls Assurance: System Testing</b>				
3.25	The Testing Manager and Interfaces Manager should review test timescales, realign their plans and assess the systems, technical	1	<i>Agreed and in progress.</i>	

Ref	Recommendation	Priority:	Management Response	Timescale
	and resource requirements.			
3.27	The Project Board should ensure the volume and systems stress tests are included in the overall testing strategy and that the testing is carried out in-line with key project milestones within a formal testing recording environment.	2	<i>Agreed and will be planned and included in the Cut-Over plan.</i>	
<b>SAP Security</b>				
3.30	The Council should ensure that an appropriately qualified member of staff is responsible for the overall management of SAP information system security.	1		
3.32	A Review of the segregation of duties and the authorisations implemented is required to ensure all possible security weaknesses have been addressed.	1	<p><i>LBB have recognised this area as an area that will require additional support and knowledge transfer from LCMG. For this reason LBB are looking to reengage the Authorisation Consultant for the month of August to work along side the Authorisations team when their is an expectation that there will be a substantial activity level.</i></p> <p><i>This will;</i></p> <ol style="list-style-type: none"> <li><i>1. Help bolster the team to cope with the demand from the users around access issues</i></li> <li><i>2. Provide guidance and support on real issues to the newly formed Authorisations team.</i></li> </ol>	<i>On-going</i>

Ref	Recommendation	Priority:	Management Response	Timescale
			3. Allow a greater period of time for knowledge transfer over a wider sample of issues.	
3.32	The Council should implement a formal process of linking individual SAP user profiles to key roles and authorisations.	1	See above response to 3.34	
3.32	The Council should conduct process mapping of SAP user authorisations in context with individual segregation of duties.	1	See above response to 3.34	
3.32	Authorisations testing sign off and role requirements around authorisations should be conducted.	3	See above response to 3.34	
3.32	The current LBB joiner leaver processes are weak and not up to date - the SAP systems implementation leaver joiner process if reviewed and updated should be used to fill gap where the existing processes are weak. Before August 1 <sup>st</sup> there should be full list of up to date SAP users and employees using the system in place for audit review to ensure the process is robust.	1	See above response to 3.34 The starters / leavers process linked to SAP is currently in development and is expected to be completed by 1 <sup>st</sup> August. It is being built based on the generic standard Barnet model attached.	
3.32	The Council should review the level of consultant involvement in implementation to ensure LBB skills transfer where required, and to avoid conflicts of interest with Logica consultants signing off processes.	1	<i>The security consultant from LCMG will be on site for 1 week after go live to assist and transfer knowledge to relevant LBB officers.</i>  <i>The consultant will then return for 3 days per week for the next two weeks to help with any issues that the team cannot resolve.</i>	Immediate

Ref	Recommendation	Priority:	Management Response	Timescale
<b>Change Management: Service Change Management Plans</b>				
4.14	<p>The Council should ensure that there are processes in place to ensure the following:</p> <ul style="list-style-type: none"> <li>• Formal receipt of all documentation received from service areas with regards to their service change management plans;</li> <li>• Documented review arrangements with regards to the above;</li> <li>• Linked to the above point, formal monitoring arrangements to facilitate progress against implementation of the plans; and</li> <li>• Adequate support offered by the Centre as appropriate.</li> </ul>	1	<ul style="list-style-type: none"> <li>▪ <i>Agreed an on-going log is kept and recorded on the version control document.</i></li> <li>▪ <i>Programme Board now receives fortnightly update on change management progress and discussions are held with service management.</i></li> <li>▪ <i>Agreed, however difficult to agree documented processes.</i></li> </ul>	
<b>Change Management: Localised Procedures</b>				
4.17	<p>The Council should development and communicate a comprehensive framework to address the required business process re-engineering in relation to localised procedures within each service area in support of the SAP implementation.</p>	1	<p><i>We agree but feel this is not feasible to do pre-Go Live. This will be a service led approach and internal change capacity has been developed to progress.</i></p>	
<b>Change Management: Training Expertise and Scheduling</b>				
4.19	<p>The current arrangements with regards to the use of in-house trainers should be reviewed in light of the associated risks in this area to ensure that they can and will deliver the comprehensive and detailed training that users need.</p>	1	<p><i>Agreed, thus the reason why SAP trained resources have been brought in to augment and assist with the team's training delivery.</i></p>	

Ref	Recommendation	Priority:	Management Response	Timescale
4.22	A comprehensive training matrix and supporting schedules should be developed to ensure that the appropriate scheduling arrangements are in place and the related risks are mitigated.	1	<i>Agreed, such schedules are under development. There has been a robust business review in place by the change team in support of the training team. The training schedules are being refined post the business reviews conclusion by the change team.</i>	
4.23	It is essential the effective and timely feedback mechanisms are in place to facilitate any required amendments to either the content to or scheduling arrangements around the proposed training programme.	2	<i>Feedback mechanism in place on attendance and quality and service expertise has been identified to attend training sessions to ensure business quality.</i>	
4.23	Comprehensive training logs should be collated and retained for each and every training session that is held both leading up to the implementation and also post 1 <sup>st</sup> August. These logs need to be cross-checked back to individuals' user allocations as appropriate.	2	<i>Agreed</i>	
<b>Change Management: Support Skills Training</b>				
4.27	The Council should ensure that our findings with regards to Contract Management are taken into account in the design and roll-out of procurement and contract management training as part of phase two of the implementation.	2	<i>Agreed, this will be passed to Strategic Procurement Team and monitoring will be captured in SAP tendering module (implementation due in phase 2).</i>	
4.29	The Council should consider the risks associated with providing financial management training post go-live and take appropriate action to mitigate these.	3	<i>Training schedule includes training for Senior Accountants to be able to deliver budget management training.</i>	

Ref	Recommendation	Priority:	Management Response	Timescale
4.31	The division of roles and responsibilities between budget holders within the services and Borough Treasurers needs to be clearly communicated and documented prior to go-live in the context of increased contact for the budget holders in relation to the SAP system going forward.	1	<i>The Borough Treasurer has issued proposals for restructuring accountancy, which reinforce the change in responsibility between accountancy and budget holders. SAP training on budget management for budget holders will obviously address this matter so there should be no scope for any lack of uncertainty. Over the split of responsibility, although clearly there will need to be ongoing accountancy support to budget holders for the first few months.</i>	
<b>Change Management: Procedures</b>				
4.34	There is a need to ensure that the services own and take responsibility for the sign off and adoption of procedures prior to go-live. It is therefore necessary for each service area to perform an independent review of the procedures with a view to confirming that they are fit for purpose, evidence of this independent review should be retained.	1	<i>Agreed. People from within the business will be carrying out User Acceptance Testing and Authorisation Testing.</i>	
<b>Change Management: Benefits Outcomes</b>				
4.43	The suite of benefits outcomes within the contract need to be supported with the following: <ul style="list-style-type: none"> <li>The outcomes used to monitor the benefits need to be reviewed</li> </ul>	1	<ul style="list-style-type: none"> <li><i>Agreed, a business benefits paper has been developed which identifies all the business</i></li> </ul>	

Ref	Recommendation	Priority:	Management Response	Timescale
	<p>and qualitative measures developed and key dependencies identified, communicated and agreed between both parties;</p> <ul style="list-style-type: none"> <li>• The omissions with regards to the degree to which Internal Audit recommendations are addressed in the SAP system (where practical) need to be considered in the context of benefits realisation; and</li> <li>• Audit arrangements need to be put in place to ensure the quality and accuracy of the reporting outcomes prior to any payments being made.</li> </ul>		<p><i>benefits as per LBB/LCMG contract. These will be reviewed and measured to ensure delivery.</i></p> <ul style="list-style-type: none"> <li>▪ <i>All the Internal Audit recommendations identifying what SAP should address through its implementation have been incorporated into the daily Horizon planning to ensures the final SAP solution facilitates requirements. Note such IA recommendations are not considered as part of business benefits outcome, but as base line business requirements.</i></li> <li>▪ <i>IA will include, in the scope of their work, a review of the management procedures to ensure payment certification procedures in this area are adequate</i></li> </ul>	
<p><b>Change Management: CIPFA Financial Management Model</b></p>				
4.48	<p>There is a need to ensure that any self-assessments performed against the CIPFA Financial Management Model are done so in the context of the SAP implementation.</p>	2	<p><i>The corporate financial management best value review made use of the draft FM model, and was conducted at a time when the council had already made the commitment to the MCS project.</i></p>	



Ref	Recommendation	Priority:	Management Response	Timescale
<b>External Output: Accounts</b>				
5.11	The Council needs to ensure that all relevant internal/external audit recommendations have been reviewed in the context of the SAP system specifications to ensure that (where possible) the system set-up sufficiently addresses the historical weaknesses.	1	<i>See 4.43 bullet 2. Process to monitor this will be integrated as part of implementation.</i>	
<b>External Output: BVPIs and HR &amp; Payroll Data Cleanse</b>				
5.18	The situation in terms of the three strands of data cleansing activity within HR & Payroll need to be kept under review with a view to ensuring a complete and comprehensive approach to the issues identified and also ensure that any duplications of effort can be avoided.	2	<i>Co-ordination meetings have now been scheduled and will be led by LBB Project Manager.</i>	
5.24	For any future data cleansing activities the Council should ensure that a comprehensive log of all checks performed is retained as audit evidence.	3	<i>Agreed and is now being actioned. A requirement to log checks will be built into the IS programme office project management methodology.</i>	
5.41	It is essential that the Council's newly developed Establishment list is kept up to date going forward and that independent checks are performed on both the completeness and accuracy of the document.	1	<i>Agreed – sign off by Heads of Service, draft proposals in discussion for on-going enhancement of the establishment list.</i>	
5.48	The Council should undertake a review of their system requirements in light of the definitions for the BVPIs as a cross-check to ensure that all appropriate information is capable of being recorded post the SAP system go-live.	2	<i>Agreed this is happening as part of preparation for Go Live as it is a system requirement.</i>	

Ref	Recommendation	Priority:	Management Response	Timescale
5.50	It is essential that the Council is able to track all data cleansing activity which occurs prior to migration into the SAP system post migration and that audit evidence to support this is retained.	1	<i>Agreed –and monitored as part of daily horizon reporting.</i>	
<b>External Output: Grant Claims and Returns</b>				
5.54	The Council need to ensure that the critical analysis of the appropriateness of treating grant claims and returns as internal orders is carried out and any findings acted upon as appropriate prior to go-live.	2	<i>Agreed. The SAP functionality supports the management of incoming grants and the movement of funds associated with incoming grants.  SAP functionality does not support outgoing grants and claims management.</i>	

**Recommendations Weighting:**

Priority 1 = Fundamental

Priority 2 = Significant

Priority 3 = Best Practice

## Appendix C: Summary of results from MCS end user survey

