

The Auditor-General
Audit Report No.49 2003-04
Business Support Process Audit

The Use and Management of HRIS in the Australian Public Service

Australian National Audit Office

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of Australia 2004

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Canberra ACT
31 May 2004

Dear Mr President
Dear Mr Speaker

The Australian National Audit Office has undertaken a business support process audit in accordance with the authority contained in the *Auditor-General Act 1997*. I present the report of this audit and the accompanying brochure to the parliament. The report is titled *The Use and Management of HRIS in the Australian Public Service*.

Following its tabling in Parliament, the report will be placed on the Australian National Audit Office's Homepage—<http://www.anao.gov.au>.

Yours sincerely

A handwritten signature in black ink, appearing to read 'P. J. Barrett'.

P. J. Barrett
Auditor-General

The Honourable the President of the Senate
The Honourable the Speaker of the House of Representatives
Parliament House
Canberra ACT

AUDITING FOR AUSTRALIA

The Auditor-General is head of the Australian National Audit Office. The ANAO assists the Auditor-General to carry out his duties under the *Auditor-General Act 1997* to undertake performance audits and financial statement audits of Commonwealth public sector bodies and to provide independent reports and advice for the Parliament, the Government and the community. The aim is to improve Commonwealth public sector administration and accountability.

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Abbreviations

AGD	Attorney-General's Department
ANAO	Australian National Audit Office
APS	Australian Public Service
APSC	Australian Public Service Commission
ASC	Australian Sports Commission
ASIC	Australian Securities and Investments Commission
ATO	Australian Taxation Office
AWA	Australian Workplace Agreement
CA	Certified Agreement
DEST	Department of Education Science and Training
FTEs	Full-time Equivalents
HDA	Higher Duties Allowance
HR	Human Resources
HRIS	Human Resource Information System
HRISs	Human Resource Information Systems
HRM	Human Resource Management
IT	Information Technology
JCPAA	Joint Committee of Public Accounts and Audit
KAE	Key Area of Examination
KPI	Key Performance Indicator
OHS	Occupational Health and Safety
SLA	Service Level Agreement

Summary and Recommendations

Summary

Background

1. As part of the ongoing financial and management reform that has been taking place in the Australian Public Service (APS), including the devolution of responsibility for managing staff and delivering personnel services from central agencies to line agencies, a majority of Commonwealth organisations purchased new Human Resource Information Systems (HRISs) between 1996 and 2000. The cost of these new systems was estimated to be in excess of \$46 million for certain budget funded organisations, with an average reported implementation cost of \$1.2 million.¹ These systems support information for employee expenses of \$25.5 billion, which represents 14 per cent of expenses for budget-funded organisations for the financial year 2002–2003.
2. For Commonwealth organisations to implement effective strategies to make the best use of their Human Resources (HR), as well as comply with mandatory reporting requirements in an efficient and timely manner, it is essential that they have reliable information systems that provide the necessary management information to facilitate informed decision-making. Better use of HR will ultimately benefit individuals, organisations and the Commonwealth as a whole.
3. The objective of implementing the new HRISs was to improve the collection, maintenance and reporting of HR information. Such information provides organisations with the opportunity to improve Human Resource Management (HRM) practices and, consequently, organisational performance.
4. Organisations have had a number of years to work with their systems to achieve these outcomes and, for these reasons, it was considered that an audit of the use and management of the HRIS was timely.

Audit objectives and scope

5. The audit objective was to provide independent assurance to the Parliament on the effectiveness of Australian Public Service organisations in the use and management of the HRIS to satisfy mandatory reporting requirements, as well as provide meaningful information to management. The audit also considered the use of employee self service facilities offered by the

¹ This information was captured as part of a survey of 50 agencies undertaken for Audit Report No.12 of 2001–2002, *Selection, Implementation and Management of Financial Management Information Systems in Commonwealth Agencies*. This figure does not include the cost of the Department of Defence's HRIS implementation.

HRIS, which has the capacity to provide staff with access to their personal information, reduce manual processing and streamline processing.

6. Systems are not static. The Australian National Audit Office (ANAO) notes that a number of the organisations examined as part of the audit were upgrading their HRIS, implementing new functionality and/or considering introducing new HR strategies, policies and procedures. In addition, some of these organisations were re-examining the content of internal management reports. Some of the organisations were also developing knowledge and information management strategies at the time of the audit. These strategies would necessarily impact on the processes and tools used to identify, collect and maintain information in the organisation including HR information. In forming an opinion on the use and management of organisations' HRIS, the ANAO has taken these factors into account.

7. The audit examined processes in four organisations that provided a cross-section of organisations of different sizes, responsibilities and cultures. Each organisation also employed a different HRIS.

Audit conclusion

8. On the basis of the examination of these representative organisations, the ANAO concluded that, overall, there could be reasonable confidence that such systems were generally being used to satisfy mandatory reporting requirements and to assist in the provision of information to satisfy at least the identified requirements of Executive management. However, there were some important gaps in reporting to management in the organisations covered, as a result, there is significant scope for HR branches to be more pro-active in making suggestions to their Executive, management committees and line managers in respect of HR data they may find useful. This should include the development of HR Key Performance Indicators (KPIs) that support the measurement of the success of HR initiatives and the contribution of those initiatives to organisation objectives.

9. The extensive use of other shadow electronic and manual systems to record important HR data, indicated that the capabilities and capacities of the HRISs were not being used to the full; and that the efficiencies inherent in a HRIS² were not being realised in the assembly, analysis and reporting of critical HR data. This would seem contrary to the significant financial and other investment in HRIS, as the system was not being used to its full potential to inform strategic and operational decisions.

² Such as the creation of a single point of capture, maintenance and reporting for all HR information, which ensures consistent standards and terminology are used when referring to different HR activities and enables the combination of information from different activities to support the development of more strategic reports across HR activities.

10. A lack of financial and operational data on the capital and annual costs of the systems meant that the organisations were unable to measure the cost-effectiveness of the investment in their HRIS. In addition, the growth of shadow systems not only added to the Information Technology (IT) costs but also detracted from the original HRIS capability rationale.

11. The ANAO did not examine the basis for selection of these systems. However, criteria used by the ANAO to assess the use and management of HRIS, were based on the principle that investment cost and payback period should have been approved by the organisation at the time of selecting the HRIS product. There was no evidence that the organisations had determined the level of investment and, more importantly, whether traditional investment hurdles together with the achievement of strategic objectives had been achieved. This information would normally be fed into the budget process to assist management in making decisions regarding where the HRIS fits within overall organisational priorities.

Key audit findings

12. The main findings in this report are as follows.

Information needs

13. Executive committees determined what information would be routinely provided to them. Such information was mostly operational in nature³ but committees did receive additional information⁴ on an ad hoc basis when they requested it. The organisations with HR committees tended to ask for, and receive, more strategic information. Even so, there was still a way to go before organisations could measure the success, or otherwise, of their HR initiatives and their contribution to organisational effectiveness.⁵ There was significant scope for HR branches to be more pro-active in making suggestions to management committees in respect of HR data the committees may find useful. This should include the development of HR KPIs that support the measurement of the success of HR initiatives⁶ and the contribution of those

³ Such as staff commencements and separations, staff numbers by Divisions/Regions, and leave balances. Sometimes this is supplemented with additional data such as the various types of leave taken.

⁴ Such as staff turnover, OHS and rehabilitation statistics, performance management, management of long-term leave, upgrading the HRIS, Certified Agreement (CA) and Australian Workplace Agreement (AWA) negotiations, and rewards and recognition initiatives.

⁵ For example, ANAO Audit Report No.50 2002–2003, *Managing People for Business Outcomes, Year Two*, identifies that organisations need to improve the use of performance management information to contribute towards measuring business outputs and outcomes.

⁶ KPIs that consider operational processing efficiency and effectiveness should also be developed.

initiatives to organisation objectives.⁷ The development of KPIs would also support more frequent reporting on strategic matters that may only be provided in response to requests for additional information.

14. There was little evidence of consultation with line managers to identify their HR information needs. In addition, in most cases it was not clear when, or how, the information needs of line managers had been assessed. As a result, the information regularly provided to line managers was very basic. There is an opportunity for HR branches to consult line managers about their information needs, to assist them to better manage their staff, and to contribute to the effectiveness of the organisation's HR initiatives.⁸ This should include the HR Branch developing reports that:

- assist line managers to support HR initiatives adopted by the organisation; and
- are aligned to the reports provided to Executive and HR committees.

15. The ANAO recognises that improvements in HR data collection, analysis and reporting is not without resource implications. Nevertheless, the cost of not collecting, analysing and reporting such data may be far higher, if HR initiatives that involve considerable investment, and could have far-reaching consequences for an organisation's activities, stall or fail.

16. There was little evidence of the organisations regularly reviewing external reporting requirements of the HR activity.

Processes for data collection and management

17. Only some of the organisations had sufficient policies and procedures in place to collect the majority of the necessary HR data. For those that did not have sufficient policies and procedures in place, this deficiency limited their ability to extract, report or analyse performance in areas where information was not collected and maintained in a structured and easy to access format.

18. The results of the data testing carried out by the ANAO also indicated that the organisations currently had inadequate quality assurance systems. The organisations themselves were aware of many of the shortcomings in their HR data. Partly, this was the result of a number of internal audits that had been carried out in the organisations, and partly, feedback from staff and external

⁷ One organisation achieved this by identifying a number of key result areas that were seen as critical drivers to achieve future organisational success.

⁸ For example, ANAO Audit Report No.50 2002–2003, *Managing People for Business Outcomes, Year Two*, found that there was little evidence that HR functions were actively supporting and coaching line managers, as well as measuring or assessing the effectiveness of and impact on business outcomes of people management strategies, systems and processes.

bodies. Issues surrounding data quality indicated that data collection policies and procedures were not always being implemented in practice.

19. In most of the organisations, although the systems had the capability to support particular mandatory and non-mandatory reporting requirements, the system modules had not been activated. In some cases, the organisations chose to use shadow systems to capture some information. In other cases, the information was maintained in hard copy or was not captured. All of these approaches contributed to data quality problems in the organisations. In most cases, the selection and/or development of shadow systems was not the result of a business case and a planned implementation. Often these systems were seen as a quick fix to an information gap.

20. Extensive use of shadow systems meant the HRISs were not being used at their full potential and that the investment in the system was not being fully realised. Many of the organisations had plans to upgrade to new versions of HRIS or to activate new HR modules in their existing systems. Careful planning is required to ensure the upgrades and new modules meet the overall HR information needs of the organisation. The organisations that took a planned and measured approach to the implementation and ongoing management of their HRIS tended to make more effective use of their systems. These organisations were better positioned to generate information for a greater range of strategic and operational HR purposes. The other organisations took a less structured, more urgent approach, as short-term HR processing requirements drove their management of the system.

21. There were also some important gaps in the privacy and security access arrangements, particularly in the organisations not reviewing access logs.

Processes for data extraction and reporting

22. All of the organisations had guides and instructions that outline the processes for extracting data and preparing reports from their HRIS or other HR systems. However, in most cases, considerable effort and resources were required to collate and arrange the data for presentation to users. In part, this was the result of the complexity of the HRISs, and also because data was spread throughout the shadow systems rather than being centralised in the HRIS.

23. Although some of the procedures were documented, in most cases there were no formally documented procedures which outline the complete reporting cycle that would assist in the timely and efficient production of reports.

24. A lack of awareness of the capabilities of the HRISs, and lack of staff training, also meant that the capabilities of the HRISs were not being maximised in the most efficient and effective manner.

25. In most of the organisations there were a number of significant gaps in the HR reports produced for management, including: OHS incident numbers and trends; workers' compensation case management performance indicators; performance management information; learning and development information; and recruitment information. These gaps were the result of the organisations not identifying these issues as information needs or not having policies, procedures and systems in place to capture and maintain the required information. Similarly, half of the organisations also did not have and, therefore did not report on, workforce planning strategies.

26. Coupled with the above was another reporting tension encountered by the organisations, namely, the need to balance privacy with the efficient and effective use of data generated by the HRIS.

Information is used to make decisions

27. Where it existed, all of the organisations used information from the HRIS to monitor progress in some important HR areas and to make decisions regarding key operational issues. However, in significant HR areas such as learning and development, workforce planning and OHS, although the HRISs could provide the relevant functionality, it was generally not used. Although shadow systems were sometimes used to generate additional HR data, particularly for some of the more strategic HR issues, this represented something of a missed opportunity and/or an additional cost to management.⁹ This was a reflection on the organisations' ability to identify HR information requirements, particularly strategic requirements, at the time of the implementation.

28. Line managers' use of HR information was properly focused at an operational level and more of the data provided was sourced from the HRIS.¹⁰ However, many managers considered that there was scope to improve the information that was provided to them on a regular basis.

Continuous improvement

29. Although the organisations reviewed aspects of their HR information needs, processes and data quality from time to time, it was not usually done as

⁹ For example, ANAO Audit Report No.50 2002–2003, *Managing People for Business Outcomes, Year Two*, found that organisations were moving to a more centrally managed learning and development framework to address problems such as learning and development was occurring in an ad hoc fashion and there was a lack of systematic approaches to managing on the job development. The centrally managed framework should be supported by a strong information system to support the identification of skills and capability requirements and gaps.

¹⁰ For example, ANAO Audit Report No.50 2002–2003, *Managing People for Business Outcomes, Year Two*, found that there was little improvement in the application of workforce planning in agencies' line areas for decision-making.

part of a systematic management plan and business plan. Rather, it tended to be more ad hoc and reactive.

30. The role of the HRIS in supporting all HR data collection and management, extraction, and reporting processes, including providing required information efficiently and effectively, was not generally monitored and reviewed on a regular basis.

31. There was also a lack of basic financial and operational information on costs, which made it impossible for the organisations to measure the cost-effectiveness of their HRIS, including core and shadow systems, and the return on their investment.

Responses from the organisations

32. Pursuant to section 19 of the *Auditor-General Act 1997*, the organisations that participated in the audit (the Australian Sports Commission [ASC], the Australian Securities and Investments Commission [ASIC], the Attorney-General's Department [AGD] and the Department of Education, Science and Training [DEST]) provided comments on the proposed report prior to its finalisation. Overall summary comments from these organisations are provided below. Responses to the recommendations and specific sections of the report are included in the Appendix of this report.

ASC

33. The ASC will fully consider the audit report recommendations and general comments on the use and management of the HRIS. The ASC will give consideration to the appropriate balance required in achieving the ASC's core goals, the available resources, and the effectiveness of our processes required in the use and management of the HRIS. The report will also provide a good basis for the ASC to ensure that other initiatives and the ASC's recent upgrade of the HRIS continues to provide return on investment through increased reporting and data analyses.

ASIC

34. ASIC agrees the recommendations made in the report are appropriate given the overall assessments made by the ANAO.

35. However, in assessing the specific audit outcomes for ASIC it is important to understand that, in the final report to the Commission, the conclusion to be drawn from the recommendations of the ANAO was that the HRIS in ASIC was being used to satisfy the Commission's information requirements and for all but one of the ANAO's Key Areas of Examination, there was either no recommendation for improvement or the recommendations were to continue to apply the processes and procedures that had been developed.

36. ASIC does agree with the ANAO that, if it is to continue the transition from a transactionally oriented HRIS to one that fully supports a more strategic HR approach, it must continue to review its processes, and continually assess progress against its HRIS Management Plan.

ANAO Comment

37. The ANAO notes the above view. However, for ASIC to satisfy the recommendations made in its management letter, it would need to ensure that it:

- reviews and consolidates HRIS documentation, including developing relevant guidance for the ongoing management of security in the HRIS (Recommendation 2, Key Area of Examination 2);
- applies policies and procedures for data collection, recording and maintenance (Recommendation 3, Key Area of Examination 2); and
- reviews the HRIS management plan (Recommendation 5, Key Area of Examination 5).

AGD

38. AGD has reviewed the report and notes the ANAO's recommendations and agrees with those recommendations.

DEST

39. DEST was pleased that the ANAO enabled it to participate in this review. This process has afforded the Department an opportunity to focus on its use of the human resource information system (HRIS) and shadow systems. Participation in the review has reinforced DEST's view that DEST's system processes are, on the whole, sound.

Recommendations

Set out below are the ANAO's recommendations with Report paragraph references. The ANAO suggests that based on the observations from this audit, other Commonwealth organisations should consider applying the recommendations when using and managing the HRIS.

Recommendation No.1
Para 2.32

The ANAO recommends that APS organisations develop a systematic approach to consultation and the identification of information that addresses the strategic and operational HR needs of the organisation's Executive, HR committees and line managers for recording in the HRIS. This should include the development of KPIs to measure effectiveness of HR strategic issues and their contribution to organisational objectives.

Recommendation No.2
Para 3.33

The ANAO recommends that APS organisations develop and apply policies and procedures to collect, record and maintain critical data to support all strategic and operational HR information needs, where possible, within the one HRIS.

Recommendation No.3
Para 3.34

The ANAO recommends that APS organisations review the compliance of their HRIS system administration manuals with their Information System Security Policy; in particular to include guidance on the ongoing management of HRIS security controls.

Recommendation No.4
Para 4.29

The ANAO recommends that APS organisations develop a coherent reporting summary of timeframes, responsibilities, recipients and data sources for HR, and ensure all staff understand their responsibilities in the reporting processes, including the use of the HRIS as the primary source of information.

**Recommendation
No.5
Para 4.30**

The ANAO recommends that APS organisations undertake a skills audit; develop a skills inventory for those staff responsible for extracting HR data from HRISs; and provide appropriate support and training to maximise the benefits from the investment in their HRIS.

**Recommendation
No.6
Para 6.14**

The ANAO recommends that, to enable the HRIS to continue to meet the organisation's needs in a cost-effective manner, APS organisations should develop and implement a HRIS management plan that includes a systematic, periodic review of:

- the return on investment in the HRIS for core and shadow systems;
- the effectiveness and efficiency of the HRIS in supporting HR strategies, policies and procedures, including providing access to HR information;
- all classes of information maintained in the system over a period of time, for accuracy and completeness; and
- timeframes and plans for extending HRIS functionality, with clear differentiation of requirements between core and shadow systems.

Audit Findings and Conclusions

1. Introduction

Background

Human Resource Management

1.1 The concept of Human Resource Management (HRM) in the public sector has evolved since the 1980s. HRM is now recognised as an important management tool, as it supports one of the key resources of an organisation. Traditionally, managers saw the Human Resources (HR) function as primarily one of administrative processing. However, the focus of HR has now widened to a broader, more strategic role. HRM is now seen as having two dimensions: *operational* HRM, which includes basic HR processing tasks such as pay, recruitment, leave processing; and *strategic* HRM, which involves delivering those services, in a way that directly supports the implementation of organisational strategies. These two dimensions, and the role of the Human Resource Information Systems (HRISs) in supporting these dimensions, were examined in this audit through the themes of:

- Public Service management reforms and external reporting requirements; and
- changes to the business environment for both the public and private sectors.

Public Service management reforms and external reporting requirements

1.2 As part of the ongoing financial and management reform that has been taking place in the Australian Public Service (APS), including the devolution of responsibility for managing staff and delivering personnel services from central agencies to line agencies, a majority of Commonwealth organisations purchased new HRISs between 1996 and 2000. The cost of these new systems was estimated to be in excess of \$46 million for certain budget funded organisations, with an average reported implementation cost of \$1.2 million.¹¹ To assist Commonwealth organisations, when selecting a new HRIS product, the Government endorsed a list of approved HRIS products (referred to as the

¹¹ This information was captured as part of a survey of 50 agencies undertaken for Audit Report No.12 of 2001–2002, *Selection, Implementation and Management of Financial Management Information Systems in Commonwealth Agencies*. This figure does not include the cost of the Department of Defence's HRIS implementation.

Shared Systems Suite) in 1996. Commonwealth organisations were required¹² to select a HRIS from this list.¹³

1.3 There are a number of mandatory reporting requirements that Commonwealth organisations must satisfy. They include:

- HR data to the Australian Public Service Commission (APSC) for inclusion in the:
 - the State of the Service Report;
 - Workplace Diversity Report; and
 - APS Statistical Bulletin.
- Joint Committee of Public Accounts and Audit’s (JCPAA’s) annual reporting requirements;
- Australian Taxation Office’s (ATO’s) requirements for payroll and other tax related information;
- *Financial Management and Accountability Orders 1997* and *Commonwealth Authorities and Companies Orders 1997* requirement for accrued long service leave and personal leave entitlements;
- Comsuper’s requirement to report on the continuous contribution scheme and superannuation exceptions data file; and
- *Occupational Health and Safety Act 1991* requirement for details to be maintained of:
 - measures taken during the year to ensure the health, safety and welfare at work for employees and contractors of the organisation;
 - statistics of any incidents or dangerous occurrences during the year; and
 - any health and safety investigations conducted during the year.

¹² Exceptions to this policy would only be granted by the Chief Government Information Officer (CGIO). The CGIO would consider applications on a case by case basis.

¹³ The approved HRIS products were: Aurion Open, MIMS, Peoplesoft and SAP HR. For more information about the Shared System Suite for HRIS products refer to the following ANAO Audit Reports:

- No.14 of 1996–1997, *Evaluation Process for the Shared System Suite*;
- No.12 of 2001–2002, *Selection, Implementation and Management of Financial Management Information Systems in Commonwealth Agencies*; and
- No.36 of 2001–2002, *Benchmarking Implementation and Production Costs of Financial Management Information Systems*.

HRIS in Commonwealth organisations

1.4 For Commonwealth organisations to comply with mandatory reporting requirements in an efficient and timely manner, as well as implementing effective processes to make the best use of their employee resources, it is imperative that they have a reliable information system that will provide all the necessary management information to facilitate informed decision-making. Better use of HR will ultimately benefit individuals, organisations and the Commonwealth as a whole.

1.5 The objective of implementing new systems was to improve the collection, maintenance and reporting of HR information that provides organisations with the opportunity to improve HRM practices and business performance. Organisations have had a number of years to work with their systems to achieve these outcomes and, for these reasons, it was considered that an audit of the use and management of the HRIS was timely.

Audit objectives

1.6 The audit objective was to provide independent assurance to the Parliament on the effectiveness of Australian Public Service organisations in the use and management of the HRIS to satisfy mandatory reporting requirements, as well as provide meaningful information to management. The audit also considered the use of employee self service facilities offered by the HRIS, which has the capacity to provide staff with access to their personal information, reduce manual processing and streamline processing.

1.7 The results of the audit complement the Information Technology (IT) system management issues raised in Audit Report No.12 of 2001–2002 *Selection, Implementation and Management of Financial Management Information Systems in Commonwealth Agencies*.

Conduct of the audit

1.8 The audit was conducted in accordance with Australian National Audit Office (ANAO) auditing standards at a cost of \$425 000. Audit fieldwork was conducted between February and October 2003.

1.9 The following organisations participated in the audit:

- Attorney-General's Department (AGD);
- Australian Securities and Investments Commission (ASIC);
- Australian Sports Commission (ASC); and
- Department of Education, Science and Training (DEST).

1.10 These organisations provided a cross-section of organisations of different sizes, responsibilities and cultures. Each organisation also employed a different HRIS system.

1.11 While the matters discussed in this report are based on the fieldwork in these organisations, this report does not attribute the audit findings to individual organisations.

1.12 Each of these organisations was provided with a management report detailing the conclusions, audit findings and recommendations for any necessary improvement arising from the fieldwork specific to them. Each organisation has responded to these individual reports and agreed to take remedial action, or advised that action has been taken, to address most identified shortcomings.

1.13 In addition, pursuant to section 19 of the *Auditor-General Act 1997*, these organisations provided comments on the proposed report prior to its finalisation. Overall summary comments from the organisations are included in the Executive Summary of this report (paragraphs 32-39). Responses in relation to specific recommendations or paragraphs of the report are included in the Appendix of this report.

Other factors affecting this audit

1.14 Systems are not static. The ANAO notes that a number of the organisations were upgrading their HRIS, implementing new functionality and/or considering introducing new HR strategies, policies and procedures. In addition, some of the organisations were re-examining the content of internal management reports. Some of the organisations were also developing knowledge and information management strategies at the time of the audit. These strategies will necessarily impact on the processes and tools used to identify, collect and maintain information in the organisation including HR information. In forming an opinion on the use and management of organisations' HRIS, the ANAO took these factors into account.

Structure of the report

1.15 The structure of the report is based on the five Key Areas of Examination (KAE) for this audit. These KAEs are mapped against the evaluation criteria in Table 1.1.

Table 1.1

Key Areas of Examination and Evaluation Criteria

Key Area of Examination	Evaluation Criteria
HR Information Needs Have Been Identified, Defined and Documented	The organisation has adequately identified, defined and documented its HR information needs to satisfy: <ul style="list-style-type: none"> • mandatory HR reporting requirements; and • management's strategic and operational reporting requirements.
Processes are in place for HR Information Data Collection and Management	The organisation has developed an appropriate data collection and management process and procedures to collect and maintain its HR information needs. The HRIS effectively and efficiently supports the data collection and management process and procedures.
Processes are in place for HR Information Data Extraction and Reporting	The organisation has developed an appropriate HR data extraction and reporting process that is effectively and efficiently supported by the HRIS. The HRIS provides an accessible, user friendly and cost effective query and reporting tool that satisfies regular reporting needs and ad hoc information requirements.
HR Information is Used to Make Decisions	The organisation's management and personnel use the HR data and reports to monitor business progress and make strategic and operational decisions.
Regular Review	The organisation regularly reviews its HR information needs, data collection and management process, and data extraction and reporting process. The role of the HRIS in supporting these processes and providing required information efficiently and effectively is monitored and reviewed, and the organisation establishes the return on its investment in the HRIS.

1.16 These criteria are based on the principle that the investment cost and payback period should have been approved by the organisation at the time of selecting the HRIS product. As there has been no management evaluation of the HR investment and payback period in the organisations audited, the audit criteria only address HRIS effectiveness and its management.

2. HR Information Needs Have Been Identified, Defined and Documented

This Chapter examines whether organisations had adequately identified, defined and documented their HR information needs to satisfy:

- *mandatory HR reporting requirements; and*
- *management's strategic and operational reporting requirements.*

Introduction

2.1 As noted earlier, as part of their accountability obligations and responsibilities as an employer, Commonwealth organisations are required to provide specified HR data to a number of external bodies. These include, Comcare, Comsuper, APSC and ATO. HR data is also required in Annual Reports in accordance with the JCPAA annual reporting requirements.

Mandatory external reporting

2.2 All the organisations examined had developed a range of processes to identify mandatory HR information and reporting requirements. However, in respect of identifying many of the mandatory reporting requirements, the organisations tended to rely on their HRIS system supplier consulting the external governing body about their requirements and upgrading the system software to satisfy any changes.

2.3 The organisations did not regularly review external reporting requirements; in one case they relied on the external organisation to advise them of errors in the information provided.

2.4 It is also worth noting that, in two of the organisations examined, although the systems had the capability to support particular mandatory reporting requirements, the system modules had not been activated.

2.5 To help ensure all mandatory reporting requirements are met, two of the organisations had developed a standard set of templates to provide the HR information required for the Annual Report, including the appropriate sections of the financial statements.

2.6 Procedure manuals and guides, either developed by the organisation or the system supplier, usually supported the preparation of mandatory information. However, on occasions, the documentation was somewhat dated or did not form part of a user manual held by relevant staff. However, procedures may have been stored on an organisation's network.

2.7 Generally, the organisations met most mandatory reporting requirements¹⁴ but, as noted later, there were questions over the quality of some aspects of the data provided.

Strategic and operational reporting requirements

Strategic information needs

2.8 To achieve the organisational objectives, efficiently and effectively, it is important that management at different levels in an organisation has access to appropriate information, including HR information, to enable it to make informed decisions.

2.9 Ideally, government objectives should be driving an organisation's strategic directions, including the HR initiatives adopted by the organisation. This, in turn, should be determining the HR data that is collected, analysed and reported. One organisation examined was still developing its HR strategic plan and supporting strategies. This inhibited its ability to specify, collect and report HR data. The other organisations had not developed HR strategic plans but had established business plans, which included priority HR strategies, such as development of systems for the collection and reporting of HR information. One of these organisation's business plans identified workforce planning for current and future business needs as a strategic priority.

2.10 The organisations reported HR data either monthly, quarterly or six monthly to Executive management committees as part of a consolidated package of management information. However, although there were some exceptions, regular HR reporting was generally limited to basic operational data such as staff commencements and separations, staff numbers by Divisions/Regions, and leave balances. Sometimes this was supplemented with additional data such as the various types of leave taken. One organisation provided monthly reports against its Service Level Agreement (SLA) indicators, which covered all key HR activities.

2.11 Executive committees also sometimes asked for more information on topical issues or areas of concern such as staff turnover, OHS and rehabilitation statistics, performance management, management of long-term leave, upgrading the HRIS, Certified Agreement (CA) and Australian Workplace Agreement (AWA) negotiations, and rewards and recognition initiatives.

¹⁴ Audit Report No.3 2003–04 *Management of Risk and Insurance* (paragraph 4.26) noted that organisations were not reporting to the insurance providers (Comcover and Comcare) in accordance with the relevant legislative requirements or the requirements of the insurance cover.

2.12 The Executive committee of one organisation received information (including sample reports) on the progress of the workforce planning initiative on an irregular basis. The initiative was being implemented at the time of the audit.¹⁵

2.13 However, it was noted that the organisation with the specialist HR committee tended to focus on strategic HR data as a matter of course. This organisation recognised that there were shortcomings with the format, content and efficiency of production of pre-existing internal management reports on HR matters. The organisation also recognised that the HR Branch had an opportunity to contribute on a more strategic level to the organisation's goals, and to assess the success of its people management programs, by embarking on a benchmarking program.

2.14 Executive management of that organisation agreed that regular internal reporting of HR data was required in the form of Key Performance Indicators (KPIs) and related benchmarks. KPIs were to be selected on their ability to measure the contribution of HR initiatives to achieving organisational objectives by identifying a number of key result areas that were seen as critical drivers to achieve future organisational success.¹⁶

2.15 The organisation undertook significant research to establish a set of KPIs, including:

- researching what other leading organisations were doing;
- participating in the ANAO HR Benchmarking Study;
- discussing requirements with key internal stakeholders; and
- reviewing workforce planning findings.

2.16 It was intended that the KPI project would be linked to other HR projects including:

- a review of the organisation's culture;
- the organisation employment framework in the context of the development of a new CA;
- a workforce planning initiative;

¹⁵ Key Performance Indicators (KPIs) for the workforce planning initiative would not be developed until the fourth phase following extensive planning and consultation with Executive and senior managers.

¹⁶ Other measures of suitability included the KPIs':

- relevance to corporate goals;
- meaningfulness to senior management; and
- relevance to areas requiring improvement.

- a strategic recruitment project; and
- an evaluation of the CA and performance management system.

2.17 Reports based on the KPIs had been presented to the organisation's HR committee and were continuing to be refined.

2.18 Apart from these cases, there was generally little evidence that Executive management was being provided with HR information, linked to strategic HR initiatives, that would assist management in judging the success, or otherwise, of such initiatives.

2.19 HR staff tended to look to Executive management for feedback on the types of information it found useful and had been responsive to the evolving needs of Executive management. For example, for some of the organisations there was evidence of reports changing in content and presentation in response to requests and feedback from Executive management and Boards.

Operational information needs

2.20 It is important that not only Executive management has access to HR data but that line managers also have access to HR data relevant to their sphere of responsibilities.

2.21 In all of the organisations audited, HR data was provided to line managers, usually monthly. Generally the basic information provided was fairly consistent within the organisations covered.

2.22 However, although there was one notable exception, in most of the organisations, it was not always clear when, or how, the information needs of line managers had been assessed. In most cases the information regularly provided to line managers was very basic; for example, payroll expenditure, average staff levels, commencements and terminations, and leave. There appeared to be minimal attempt to provide line managers with the sort of information that would assist them in supporting the HR initiatives adopted by the organisation. In other words, it appeared that little thought had been given to the alignment necessary between the data provided to Executive and HR committees and lower level HR reporting to line managers.

2.23 However, in all cases additional information could be provided on request or was available within the system; provided it had been entered and/or the relevant officer had sufficient knowledge of the reporting functionality and system terminology to extract the information. It was noted that the reporting functions of the HRISs were complex and needed a highly skilled officer to extract the required information.

2.24 Interviews with line managers indicated that the majority felt that additional reports would be useful. Additional information that managers considered would be useful included:

- a break down of sick leave and carers leave between branches;
- training information, including studies assistance information;
- more frequent workload and workforce planning information;
- staff movement information;
- an indication whether an employee had/did not have a performance agreement in place; and
- leave reports such as accrued annual leave and unscheduled leave.

2.25 Documentation defining the information required for basic regular monthly reports, such as payroll expenditure, was generally apparent in the organisations examined. More sophisticated HR reporting, such as performance management information or breakdowns of leave, was far less evident.

2.26 In three organisations¹⁷ line managers had access to some leave records of their direct reports, on an employee by employee basis, through employee self service facilities. In these organisations, staff also had access to view¹⁸ their own personal information through the employee self service facility. At the time of the audit, the management of the other organisation had approved a proposal to implement employee self service facilities.

Conclusion

2.27 In relation to identifying mandatory reporting requirements, the organisations primarily relied on the external governing bodies, such as Comsuper, Comcare, ATO and APSC and the system supplier, to issue advice and system updates regarding requirements and changes. This meant mandatory reporting requirements were generally met.

2.28 Staff in HR areas consulted Executive committees about their data requirements and were responsive to requests for changes or additional information. Generally the information provided to Executive committees on a regular basis was operational in nature. Although Executive committees often sought additional information, it tended to be on an ad hoc basis. The organisation with a high level committee responsible for HR matters, not

¹⁷ One of these organisations was rolling out the employee self service facility at the time of the audit.

¹⁸ For some HR information types employees were also able to update personal details, such as their current address and emergency contacts.

surprisingly, had an interest in more strategic HR information on a regular basis.

2.29 Although some of the organisations had made some progress, there was generally still a way to go before most could report on the effectiveness of their HR initiatives. As the organisations continue to develop their HR Framework and related policies, they have the opportunity to develop KPIs to measure the effectiveness of new initiatives. This situation provides an opportunity for HR areas to be more pro-active in suggesting types of information that Executive committees and Boards may find useful in managing their organisations. The ANAO recognises that improvements in HR data collection and analysis is not without resource implications. Nevertheless, the cost of not collecting such data may be far higher, if HR initiatives that involve considerable investment stall or fail.

2.30 With one notable exception, consultation with line managers about their information needs was not evident. There is an opportunity for the organisations to further consult line managers on their information needs, to help them manage their staff better and contribute to the effectiveness of the organisation's HR initiatives. As well, there would also be an advantage for staff to have access to view their own personal information in the system to enhance management of, and staff commitment to, the information. There was also scope for there to be greater alignment between data reported to the Executive and HR committees, and the data reported to line managers.

2.31 Documentation of information needs across the organisations examined was variable. The HRIS system user guides were generally satisfactory but other documentation was often informal, widely dispersed or not easily located.

Recommendation No.1

2.32 The ANAO recommends that APS organisations develop a systematic approach to consultation and the identification of information that addresses the strategic and operational HR needs of the organisation's Executive, HR committees and line managers for recording in the HRIS. This should include the development of KPIs to measure effectiveness of HR strategic issues and their contribution to organisational objectives.

3. Processes are in Place for HR Information Data Collection and Management

This Chapter examines whether:

- *the organisations had developed an appropriate data collection and management process and procedures to collect and maintain HR information needs; and*
- *the HRIS effectively and efficiently supported the data collection and management process and procedures.*

Introduction

3.1 To assist in helping organisations collect all the necessary HR information in a consistent and timely manner, it is important that organisations have documented policies and procedures. As well, such policies and procedures should be well communicated, kept up to date and implemented effectively, with regular monitoring and review to ensure their ongoing relevance and usefulness.

Policies and procedures

3.2 The ANAO found that there was considerable variation in the range of the organisations' policies and procedures to collect HR information. Policies and procedures to capture mandatory HR information were more evident than for non-mandatory information. Where policies and procedures existed to collect non-mandatory information, they tended to cover traditional HR processing matters such as recruitment, leave and Higher Duties Allowance (HDA); rather than the emerging strategic issues to do with, for example, the effectiveness of workforce planning, learning and development, performance management and absence management.

Documentation and communication of HR policies, procedures, forms and circulars

3.3 HR policies, procedures and guidelines were located on the organisations' intranets, thereby giving all departmental officers access to the policies and procedures.

3.4 Displays on intranets were usually supplemented with hard copy circulars, forms, checklists, templates, and guidance material to assist users

when entering data, and also to assist in the completeness, accuracy, and management of information.

3.5 The organisations tended to communicate policies and procedures through their intranets. However, staff commented that the intranets were often difficult to navigate and it was sometimes hard to find information. It was also important for the organisations to ensure that information on the intranet was up-to-date, as documents were generally only reviewed when they were considered a priority topic.

Maintenance of system manuals

3.6 The organisations had developed various user guides for their HRIS. The guides were designed for use by system administrators, HR staff, supervisors and employees. On-line help was also provided by all of the systems themselves.

3.7 These manuals contained data definitions to support the data entry process. However, in one organisation, the data definitions reflected the terminology used by the system but not necessarily that used by the organisation. As a consequence, some data was duplicated while other useful data was not being captured. Individual HR staff had also developed their own unique set of procedures, checklists or other forms of guidance material to assist them when entering data.

3.8 The majority of the manuals and guides were developed some years ago, one as far back as 1993. Most of the organisations did not have a formal process to review regularly and, if necessary, revise user guides and manuals. Instead, revisions to manuals tended to be made on an ad hoc basis or when systems were upgraded.

3.9 The ANAO sees real benefit in a document controller being given responsibility for keeping manuals current and accurate, issuing updates and maintaining a register of personnel to whom the manual has been issued. The ANAO recognises that this comes at a cost but, if full advantage is to be taken of the considerable investment in HRIS, barriers, such as out of date manuals, inconsistent definitions and work-arounds should be minimised.

Application of procedures for the collection and maintenance of HR information

3.10 ANAO data quality testing of information maintained in electronic records against hard copies, suggested that data collection policies and procedures were not being consistently implemented. The testing revealed a significant number of records were incomplete and/or inconsistent, missing or inaccurate in relation to:

- performance agreements;
- APSED information, including personal details such as gender, background, diversity and disability, education, employment status (active/inactive), start dates and salary ranges. Major inconsistencies in records related to diversity, disability and education information;
- recruitment—electronic records had not been updated for recent activity in relation to individual recruitment exercises and there were some inconsistencies between electronic and hard copy records;
- learning and development, particularly in relation to records of course attendance, and evaluations and recording ratings for courses;
- AWAs—in relation to substantive salary;
- OHS incidents;
- workers' compensation claims; and
- staff levels, employment status, movements and work group allocation.

3.11 One organisation advised the ANAO that it had chosen to rely on Comcare's Customer Information Service rather than its HRIS for workers' compensation information. It is of concern that the organisations did not have confidence in their own data, or chose not to maintain their own records, given the cost and effort that goes into the collection of HR data, and the limitations of information captured by an external organisation.

Use of shadow systems to store HR data

3.12 One of the contributing factors to the poor data quality was the large number of other electronic and manual shadow systems that were used to record HR data. Most of the organisations examined had a large number of shadow systems containing HR data. These shadow systems included Lotus Notes databases, Excel spreadsheets, Filemaker Pro databases, Vettrack and Microsoft Access databases.

3.13 These shadow HR databases covered important areas such as:

- OHS incident reporting;
- workers' compensation and case management;
- recruitment;
- learning and development information including studies assistance;
- AWAs;
- performance planning and performance appraisals; and
- probation.

3.14 In at least one organisation, different divisions stored similar data on different IT platforms. For example, performance agreement and performance appraisal cycle information was stored in various forms on different platforms depending on the group, division and the officer coordinating the process.

3.15 These shadow systems were often the legacy of systems that were in place prior to the introduction of the organisation's HRIS. However, they did not share information, and had minimal access, integrity and maintenance controls. Their existence also meant that the HRIS was not being used to its full potential and that the investment in the system is not being fully realised.

3.16 Most of the organisations had plans to migrate some of this data to their HRIS over time, as part of an upgrade of the system or as particular HR modules were turned on. However, organisations should consider how the issues surrounding the use of shadow systems will be managed until the relevant HRIS module is activated. Appropriate controls should also be put in place to maintain the integrity of data in any migration process, to prevent the situation that occurred in one organisation, when information was not transferred when the organisation migrated from one HRIS to another.

3.17 Planning for the implementation of the HRIS system, or any upgrade, is essential for the long-term effectiveness of the system. The ANAO observed that the organisations that took a planned and measured approach to the implementation and ongoing management of their systems, tended to have a better outcome in terms of generating information for a range of strategic and operational HR purposes. This approach could involve, for example, reviewing existing HR processes, conducting an information needs analysis and staging the implementation.¹⁹ The organisations that took a less structured, more urgent approach driven by short-term processing requirements, tended to make less effective use of their systems, by only generating some operational HR information.

Quality assurance

3.18 The results of the data testing carried out by the ANAO, also indicated that the organisations had inadequate quality assurance systems. The organisations themselves were aware of many of the shortcomings in their HR data. Partly, this was the result of a number of internal audits that had been carried out in the organisations, and partly, feedback from staff and external bodies.

¹⁹ Or upgrade or the implementation of new modules.

3.19 The organisations examined had steps underway or plans to improve the quality of the HR data produced. One organisation had included enhancing the collection, integrity and use of HRIS data as a specific HR strategy. To this end, it had implemented a number of initiatives to assist with improving the quality of data including:

- the provision of monthly reports to senior managers, including information on their staff. The managers were required to review this information and provide updates to the HR Branch where necessary;
- systems administrators working with HR staff to ensure that they understood the importance of accurate and reliable HR data;
- a control process that involved a knowledgeable officer from the HR Branch examining some reports for inaccuracies before they were distributed elsewhere;
- a project that analysed data exception reports produced by the HRIS to determine why the exceptions occurred, how they occurred and how they could be rectified; and
- planning a series of internal audits to examine data quality.

3.20 Other responses to data inaccuracies were more spasmodic and reactive. For example, in another organisation staff conducted a data purification process following concerns with the accuracy of long service leave balances and the calculation of long service leave by the HRIS. In a third organisation, internal audit had completed a series of audits of data quality, in relation to concerns over the financial and payroll aspects of the HRIS. This organisation advised the ANAO that it had recently altered its hard copy record keeping practices. It was also planning to review electronic record keeping, to address the issues identified and to better meet the needs of the organisation. In the fourth organisation, the HR Branch reviewed long service leave balances and establishments information.

Privacy and security

3.21 The management of access security to computer systems is an integral part of a control environment aimed at restricting the possibility of unauthorised access, which could result in the processing of erroneous or invalid transactions or the invasion of privacy.

3.22 All of the organisations had access controls to protect the privacy of staff and keep the information secure. However, there were a number of gaps in the controls. For example, in one organisation the use of generic user IDs limited the benefits of an audit trail.

3.23 In all the organisations, while user logs were maintained, they were not normally reviewed. One organisation advised that the existence of access controls reduced the need to monitor the log. However, not only was such a practice contrary to the organisation's own IT security policy, it also did not detect any attempts to access unauthorised areas or attempts by employees to change their own records. This is especially important where staff have very wide access to a system. In another organisation, the draft Information System Security Policy had not been updated to reflect its current HRIS but referred to the previous system.

3.24 In another organisation the User Guide established the basis on which user access controls, audit trails and other security measures were implemented. However, there appeared to be no guidelines for administering these controls over time, for example, allocating responsibility for reviewing access controls and audit trails, and establishing the frequency of such reviews.

Conclusion

3.25 Some of the organisations had developed sufficient policies, procedures and guidance to support the collection and maintenance of the majority of HR information, while others were yet to fully develop appropriate data collection and management processes and procedures. In the latter case, this limits the organisations' ability to extract, report or analyse performance in areas where information is not collected and maintained in a structured and easy to access format.

3.26 However, even where appropriate policies were in place, there was scope to improve the quality of the documentation to reflect consistent and contemporary terminology, and improve the quality of the document control arrangements.

3.27 In most of the organisations, although the HRIS had the capability to support particular mandatory and non-mandatory reporting requirements, the system modules had not been activated. In some cases, the organisations chose to use shadow systems to capture some information. In other cases, the information was maintained in hard copy or was not captured. In most cases, the selection and/or development of shadow systems was not the result of a business case and a planned implementation. Often these systems were seen as a quick fix to an information gap.

3.28 Extensive use of shadow systems means the HRISs were not being used at their full potential and that the investment in the system was not being fully realised. Many of the organisations had plans to upgrade to new versions of HRIS or to activate new HR modules in their existing systems. Careful planning is required to ensure the upgrades and new modules meet the overall HR information needs of the organisation. The organisations that took a

planned and measured approach to the implementation and ongoing management of their HRIS tended to make more effective use of their systems. These organisations were better positioned to generate information for a greater range of strategic and operational HR purposes. The other organisations took a less structured, more urgent approach, as short-term HR processing requirements drove their management of the system.

3.29 In addition, data quality testing indicated that improvements could be made to the collection and maintenance of HR information in some of the organisations by:

- improving the application of existing policies, procedures and guidance; and
- developing guidance where it did not already exist.

3.30 Common data quality issues related to the collection and maintenance of information for:

- recruitment;
- diversity and disability;
- learning and development; and
- performance management.

3.31 The organisations examined were generally aware of the limitations of much of their HR data and had undertaken initiatives to improve the quality or had initiatives planned. However, it will take commitment and resources if these long standing issues are to be resolved. Planned upgrades to new versions of the HRIS in a number of the organisations or the implementation of new modules in others present an ideal opportunity to review data collection processes and make better use of organisations' HRISs that are not being used to their full potential at the moment.

3.32 There were also some important gaps in the privacy and security access arrangements. In particular, there were organisations not reviewing access logs or not establishing guidelines for administering access controls over time. There is scope, for example, to allocate responsibility for reviewing access controls and audit trails, and to establish the frequency of such reviews.

Recommendation No.2

3.33 The ANAO recommends that APS organisations develop and apply policies and procedures to collect, record and maintain critical data to support all strategic and operational HR information needs, where possible, within the one HRIS.

Recommendation No.3

3.34 The ANAO recommends that APS organisations review the compliance of their HRIS system administration manuals with their Information System Security Policy; in particular to include guidance on the ongoing management of HRIS security controls.

4. Processes are in Place for HR Information Data Extraction and Reporting

This Chapter examines: whether the organisations had developed an appropriate HR data extraction and reporting process that was effectively and efficiently supported by the HRIS; and also whether the HRIS provided an accessible, user friendly and cost-effective query and reporting tool that satisfied regular reporting needs and ad hoc information requirements.

Introduction

4.1 It is essential that organisations not only specify their HR information requirements and develop procedures to collect the relevant information, but that they also specify and implement processes to extract and report the data from their systems.

Documented procedures

4.2 As noted earlier, all of the organisations produced mandatory data for external bodies and a series of regular reports for Executive management and line managers. These reports were supplemented by ad hoc reports that were produced on request. The mandatory data and management reports were sourced from data held in the organisations' HRISs, or from the large number of shadow systems that contained HR data.

4.3 Although there were some documented procedures, there were usually no formally documented procedures that outlined the complete reporting cycle that would assist in clarifying responsibilities and reporting timeframes. However, generally speaking, the officers involved in preparing reports had an understanding of their reporting responsibilities.

4.4 All of the organisations had user guides and instructions that outlined the steps involved in extracting data from their HRIS and producing reports. These guides varied in comprehensiveness. For example, in one organisation the manuals provided only limited instructions on some important HR areas, such as recruitment and OHS. The ANAO also found that the use of these documents also varied. In part, this was because staff found it difficult to comprehend large, complex technical manuals without adequate training or guidance.

User-friendliness

4.5 Most of the data extraction processes from the HRISs in use were not considered to be user-friendly. For example, some systems required the use of multiple screens, the inability to limit the number of fields produced more information than needed; and not being able to drill down reduced analytical capacity.

4.6 As a result, information was often downloaded to Excel or some other platform, so that it could be manipulated and presented in a more user-friendly format. A substantial amount of time and resources was spent ensuring that the information was presented in a way that could be understood by readers. In fact, an instance was noted where an organisation sought data from the APSC, rather than extract the information from its own HRIS.

On-line analytical processing tools

4.7 In an effort to improve the analytical capabilities of their HRISs and reduce the time spent on data extraction, the majority of the organisations examined had software tools, such as on-line analytical processing tools,²⁰ attached to their HRIS to help them extract and drill down and manipulate data.²¹

4.8 Although the use of these software tools is generally considered to be user-friendly, and provides organisations with the opportunity to develop a standard set of reports that is easier and less time consuming to use, it does not have access to real-time information, and information is often up to two weeks out of date. It is also worth noting that, when the data structure in the HRIS changes, similar changes need to be made in the software tool, to ensure the completeness and accuracy of information reported. One organisation found that making these changes could be time consuming. Ensuring that there are appropriate access controls was also an issue.

4.9 Staff also need to be trained in the use of such tools, and there was evidence that this was not always happening. In one organisation nine officers had access to the tool. However, the tool was mainly used by two officers. Part of the reason being that staff had not attended training when it was offered.

²⁰ One organisation used Microsoft Access instead of an on-line analytical processing tool (for example, iTM1 or Cognos).

²¹ One organisation has access to the facility but does not use the facility as it does not meet its needs.

Accuracy of reporting

4.10 Reports must be accurate and reliable otherwise the wrong decision may be made or managers may lose confidence in the reports and be reluctant to use the information to make a decision.

4.11 The accuracy of reports generated by the HRISs is generally only limited by the completeness and accuracy of the information entered in the system, and the accuracy of the specification of report parameters. As noted in the previous Chapter, there were issues with the accuracy of information in reports, due to the poor integrity of data in the system.

4.12 One of the common issues in all of the organisations examined, was the level of training provided to staff to extract data accurately and generate reports. The ANAO found that there was often a lack of awareness of the functionality of the HRIS and a shortage of HR and other staff skilled in extracting and reporting data stored in the systems. As noted earlier, even though all the organisations examined had guides and instructions, the ANAO found that they were not always used because of a lack of training. As a result, there is a real need to train more officers in the use of the HRIS reporting functions, or to refresh the skills of current users, to make the system reports more accurate and more cost-effective.

Timeliness

4.13 The timeliness of data extraction is only limited by the timeliness of data entry. However, because there was a need to present the information in a more user-friendly format, some of the organisations took three to four days to produce reports from the HRIS. Delays were also caused when reporting staff were trying to ascertain the data required to produce the report.

4.14 In practice the number of staff who generated reports was often quite small. This was sometimes the result of a lack of expertise, training or sometimes the result of access to manuals or reporting being restricted. This made it difficult to generate reports when key staff were absent. The organisations tried to take steps to avoid key staff being away at the same time, but this situation could cause delays in producing reports.

Presentation of reports

4.15 Use of graphics, explanations of results and forecasts all help readers of reports understand the information that is being presented which, in turn, assists in making informed decisions.

4.16 All the organisations made use of graphics in their reports to Boards and Executive management. Most also provided explanations and commentary on the results, for example, how current events might affect the

future and what actions the organisation could take to manage the situation. However, although trend information was sometimes presented, there was limited forecast information even though the facility existed in all of the HRISs to produce forecasts.

4.17 As noted earlier, the information in some of the reports had been changed in response to feedback from management and to improve the presentation of the information.

4.18 On the other hand, information to line managers was less likely to be presented graphically or contain explanations.

Gaps in reporting

4.19 The ANAO found that in most of the organisations there were a number of significant gaps in the reports produced for management. These included:

- OHS incident numbers and trends;
- workers' compensation case management performance indicators;
- performance management (such as results of performance appraisals, performance agreements and individual development plans);
- learning and development information; and
- recruitment information.

4.20 All of the systems in use in the organisations examined had the functionality to capture and report this data. However, the functionality was often not being used, or the data was not being captured centrally, or was incomplete.

4.21 Similarly, three of the HRISs had workforce planning modules but none of the organisations used the modules. Also, half of the organisations did not have and, therefore did not report on, workforce planning strategies.

Access to systems

4.22 Ideally all staff who need to access the system to generate reports should be able to do so. In practice, access is usually limited to HR staff and system administrators. Other staff, including divisional administrators, often did not have the expertise to generate reports, other than very simple reports, and if they required more information or other reports they made an ad hoc request to the HR staff. Even many of the HR staff relied on one or two 'experts' to generate reports. In three of the four organisations, line managers and staff also had access to employee self service facilities, which enabled:

- the line managers to view some leave records for direct reports on an employee by employee basis; and
- staff to view their own personal information.

4.23 Another important issue is balancing the need for privacy with the efficient and effective use of data generated by the HRIS. In two of the organisations Business Managers were responsible for preparing reports for Group and Division Managers. The Business Managers had access to the HRIS for reporting and query purposes. However, they were only provided with access to information for their Division or Group for privacy reasons. This caused problems for Business Managers, as all issues did not fall neatly within a particular Division or Group. For example, when an officer was requesting a transfer into another Group (their information could not be viewed by the recruiting Group).

4.24 All of the organisations had implemented access controls for reporting in the HRIS to protect personal and sensitive information of individuals.

Conclusion

4.25 All of the organisations examined, extracted data from their HRIS to generate mandatory data and regular or ad hoc reports to Executive management, HR committees or line managers. However, not all relevant data was stored in the HRISs and considerable effort and resources were often required to collate data for presentation to users.

4.26 User documentation supported some data extraction and reporting processes. In most of the organisations there were no formal procedures which outlined the complete reporting cycle that would complement the timely and efficient production of reports. The organisations should develop an overview of reporting timeframes, responsibilities, recipients and data sources for HR reporting. This would provide guidance on opportunities to: streamline reporting; develop new reports; and ensure that individuals responsible for

reporting understand what they are responsible for, where they can get guidance from, and where they can access information.

4.27 The capabilities and efficiencies available from the HRISs examined, were also not being maximised, in part, because of a lack of awareness of their functional capabilities and training for staff.

4.28 There were also significant gaps in the reports that were being generated from the HRISs and/or shadow systems, especially information on OHS and workers' compensation. All of the systems in use in the organisations examined had the functionality to capture and report this data. However, the functionality was often not being used, or the data was not being captured centrally, or was incomplete. Similarly, three of the HRISs had workforce planning modules but none of the organisations used the modules. Also, half of the organisations did not have and, therefore did not report on, workforce planning strategies.

Recommendation No.4

4.29 The ANAO recommends that APS organisations develop a coherent reporting summary of timeframes, responsibilities, recipients and data sources for HR, and ensure all staff understand their responsibilities in the reporting processes, including the use of the HRIS as the primary source of information.

Recommendation No.5

4.30 The ANAO recommends that APS organisations undertake a skills audit; develop a skills inventory for those staff responsible for extracting HR data from HRISs; and provide appropriate support and training to maximise the benefits from the investment in their HRIS.

5. HR Information is Used to Make Decisions

This Chapter examines the extent to which organisations used the HR data and reports to monitor business progress and make strategic and operational decisions.²²

Introduction

5.1 Given the significant financial and other investment in HRIS it is important that the data generated by such systems is used to inform strategic and operational decisions.

Use of HR data

5.2 All the organisations had a number of committees that received or considered HR information on a regular or ad hoc basis, including Governing Boards, Executive management committees, HR committees and OHS committees.

5.3 The range of HR issues considered by the committees varied. This has included recruitment and selection, performance management, workforce planning, workforce diversity, learning and development, CAs and AWAs, absenteeism, leave, turnover rates and exit surveys, and capability frameworks.

5.4 Where the relevant data had been captured by the HRIS, most of the HR data presented at these meetings was sourced from the HRIS. However, as noted earlier, this was not always the case and shadow HR systems were very common in the organisations. In such cases these systems were often the source of data.

5.5 There was evidence that committees were using this information to monitor progress in a number of key areas²³ and to make some decisions regarding operational strategies²⁴ to be pursued by the organisation.

²² This criteria has been examined from a more strategic point of view in Audit Report No.61 of 2001–2002, *Managing People for Business Outcomes* and Audit Report No.50 of 2002–2003, *Managing People for Business Outcomes, Year Two*.

²³ For example, the status of performance agreements, leave balances, recruitment and selection, unscheduled leave and long-term leave, turnover and exit surveys, learning and development, and/or workforce planning.

²⁴ For example, the management of leave balances.

5.6 Chapter 4 identified some important gaps in reporting to management. The impact on decision-making and further explanation of the reasons for some of these gaps are discussed below.

Learning and development

5.7 Although learning and development is a common agenda item discussed by committees, only one used its HRIS to record and report on learning and development activities. This was despite the fact that all of the HRISs examined as part of the audit had the capability to record a significant amount of learning and development information. For two of the four organisations examined, information recorded was maintained on one or more shadow systems.²⁵

5.8 However, one of these organisations, where learning and development was a standing agenda item for the HR committee, did not adequately report learning and development information, because limited information was captured and recorded centrally and the information captured was incomplete. For this reason, reports on the organisation's single training and development indicator (Training Investment Per Employee) were understated. The organisation was aware of this issue and, at the time of the audit, was considering ways to improve learning and development information. The other organisation was also considering ways to improve learning and development information to support decision-making.

Workforce planning

5.9 Most of the HRISs in the organisations examined in the audit also had a workforce planning module. However, as far as workforce planning data is concerned none of the organisations used the workforce planning module of their HRIS. However, two of the organisations used the HRIS to source base data for workforce planning analyses. One of these organisations extracted base data from its HRIS, using an on-line analytical processing tool, and then relied on an external organisation to process the data. Another organisation expected to use the workforce planning module once its workforce planning strategy was fully in place.

OHS

5.10 All the organisations examined as part of the audit had an OHS committee. The role of the committee includes the responsibility to monitor incidents numbers and trends. All HRISs had modules to record OHS incidents. However, only one of the organisations used its HRIS to record OHS

²⁵ One organisation does not collect any training data apart from recording training needs identified in the performance management process.

data, two of the organisations were in the process of testing or populating the module, and one organisation used a shadow system.

5.11 A common omission was the lack of regular reporting on OHS and workers' compensation data to the relevant OHS committee. As a consequence OHS committees were not in a position to monitor OHS issues. One of the organisations advised the ANAO that it relied on Comcare data. Unfortunately such data was only a record of worker's compensation claims and notifiable incidents. Data was not recorded for all incidents which could have given rise to a claim, and which could be used to identify potential areas of risk and enable appropriate strategies to be put in place to prevent similar incidents. Another organisation maintained incident data in one database and workers' compensation claims in another. Again, because the information could not be aggregated, it was not possible to identify what incidents lead to workers' compensation claims or put strategies in place to prevent claims.

Branch managers use of HR information

5.12 As with the reports to management committees, the HRIS was the source of HR data provided to line managers, where it was recorded in the HRIS. However, because HRISs are strong on basic operational data and much of the information provided to line managers is fairly basic, for example, staff commencements, movements, Full-time Equivalents (FTEs), sick leave and budgets, a greater proportion of the data was sourced from the HRIS than was the case for management committees.

5.13 Evidence indicated that the use of HR information from HRISs by line managers was focused on operational monitoring such as:

- leave levels;
- staff levels and payroll expenditure;
- contract renewal dates; and
- compliance with organisational policies.

5.14 However, instances were noted where business units and line managers did not receive information that was specific to their area of control. That is, they were provided with information at the organisation-wide level or at the group level. But they did not have a view of how their branch compared to the organisation and group. This made it difficult for managers to determine what course of action they needed to take. It also reinforces the importance of proper consultation with line managers to determine their information requirements, as recommended earlier.

5.15 Line managers also generally felt that, although it was possible to request ad hoc reports, there was an opportunity to improve the content of standard reports to make them more useful for operational decision making. For example, some managers considered that additional information in areas such as learning and development, studies assistance and unscheduled leave would be useful.

Conclusion

5.16 All of the organisations were using information sourced from their HRIS, where it existed, to monitor progress in at least some key areas and to make decisions regarding key operational HR issues. However, in key HR areas such as learning and development, workforce planning and OHS, although HRISs could provide the relevant functionality, it was generally not used. Although shadow systems were used to generate some of the HR data, particularly for some of the more strategic HR issues, this represented a missed opportunity and/or an additional cost to management.

5.17 Line managers' use of HR information was focused at an operational level and more of the data provided was sourced from the HRIS. However, many managers considered that there was scope to improve the information that was provided to them on a regular basis.

6. Regular Review

This Chapter examines whether organisations:

- *reviewed their HR information needs, data collection, extraction and reporting processes;*
- *monitored and reviewed the role of the HRIS in supporting these processes efficiently and effectively; and*
- *established the return on their investment in the HRIS.*

Introduction

6.1 It is essential that organisations regularly monitor and review their HR information needs to assure themselves that their HRIS is continuing to meet their needs in a cost-effective manner or whether changes are required. A documented management plan provides a systematic approach to such a review.

Policies and procedures

6.2 Only one of the organisations had a documented management plan in place to manage the development of the HRIS and improve the efficiency and effectiveness of the system over a three-year period. The plan, however, had not been updated to reflect delays; although, it did identify a number of reviews to be completed each year over three years. In addition, the plan was supported by the business plan for the HR Branch, which identified current priorities.

6.3 The three organisations without a management plan had also conducted reviews and more were planned. However, these reviews tended to be less systematic and strategic and more ad hoc and reactive.

6.4 These reviews had been conducted by external consultants, internal audit or the HR Branch. They had generally addressed areas such as establishments, payroll costs, leave entitlements and recruitment. However, some pre and post-implementation reviews had also been conducted when systems had been upgraded or new modules activated. One organisation conducted a brief review of the functionality and use of its HRIS.

Data quality reviews

6.5 Except for some internal audits that had focused on data quality issues for superannuation, payroll and leave information, there was limited evidence of reviews of the quality of other HR data. For most of the organisations, with the exception of payroll fortnightly checklists, there were no documented standard review periods, processes or procedures for the review of HR data.

6.6 Only one organisation had a systematic approach, as part of its management plan and business plan, to reviewing the quality of HR data, including a planned review of the accuracy, completeness and timeliness of the data stored in its HRIS. This review complemented other organisational initiatives that were designed to improve the quality of data maintained in the system, including running data exception reports daily, and asking managers²⁶ to review the accuracy of information presented to them in reports.

6.7 Relying on report users, or other third-party mechanisms to identify problems in the system, runs the real risk of users losing confidence in the system and setting up shadow systems. This, in turn, reduces the benefits of the considerable investment in HRISs. A systematic planned data review program targeted at critical HR data is critical.

Reviews of reporting

6.8 In two of the organisations examined, reporting to Executive management was reviewed on a regular basis and another organisation planned to. However, in only one organisation was a review of the reporting to line managers a priority.

Reviews of the cost of the system and return on investment

6.9 In order to be able to judge the cost-effectiveness of the HRIS, the capital and annual ongoing costs must be known. However, while some of the organisations could provide details of the capital costs of upgrades or the annual software maintenance fee, none of the organisations examined could provide details of the total annual cost of managing their HRIS. Not surprisingly, therefore, none had undertaken an assessment of the return on investment in their HRIS.

²⁶ Another organisation also asked managers to advise the HR Branch if there were errors in the report presented to them.

Implementation of review recommendations

6.10 For the most part, the organisations implemented the recommendations of reviews. Although in one significant case, not all of the recommendations were implemented and the reasons for rejecting the recommendations were not documented.

Conclusion

6.11 Most of the organisations did not have a HRIS management plan in place with regular review periods to assess the:

- return on investment;
- effectiveness of the system in regard to supporting HR strategies, policies, procedures, data capture and reporting; and
- accuracy and completeness of all types of information recorded in the system.

6.12 There were ad hoc reviews from time to time as part of a review of a specific HR strategy, policy or procedures. The role of the HRIS, however, in supporting all HR data collection and management, and extraction and reporting processes, including providing required information efficiently and effectively, was not generally monitored and reviewed on a regular basis.

6.13 A lack of basic financial information on costs made it impossible for the organisations to measure the cost-effectiveness of their HRIS and the return on their investment in the HRIS. This together with non-aligning the workforce planning requirements also precluded an objective evaluation of strategic resourcing decisions.

Recommendation No.6

6.14 The ANAO recommends that, to enable the HRIS to continue to meet the organisation's needs in a cost-effective manner, APS organisations should develop and implement a HRIS management plan that includes a systematic, periodic review of:

- the return on investment in the HRIS for core and shadow systems;
 - the effectiveness and efficiency of the HRIS in supporting HR strategies, policies and procedures, including providing access to HR information;
 - all classes of information maintained in the system over a period of time, for accuracy and completeness; and
 - timeframes and plans for extending HRIS functionality, with clear differentiation of requirements between core and shadow systems.
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Canberra ACT
31 May 2004



P. J. Barrett
Auditor-General

Appendix

Appendix: Organisation responses

ASC response to recommendations

Recommendation No.1

1. ASC Agrees. In the development of a more strategic approach to the use of the HRIS, the ASC is planning increased consultation with line managers to improve the effectiveness of management reporting to the Executive.

Recommendation No.2

2. ASC Agrees. Steps already taken by the ASC lay a foundation for implementing this recommendation to review and develop policies and procedures as a result of the recent upgrade, in March 2004, of our HRIS. The upgraded system will enable greater collection and reporting capability, and provide increased opportunity for data analysis and monitoring of trends. The collation of all information within one HRIS will be a phased approach taking into consideration the resources required and the strategic and operational benefits anticipated.

Recommendation No.3

3. ASC Agrees with qualification. The ASC is currently finalising an internal Security Review which will enable a considered analysis of the information provided in the audit in line with the maintenance of an appropriate Information Systems Security Policy.

Recommendation No.4

4. ASC Agrees. The ASC has a strong commitment to Corporate Planning and Reporting. The recent upgrade of the HRIS will enable the HR program to further enhance the systematic provision of information to line managers to assist in the corporate planning processes.

Recommendation No.5

5. ASC Agrees. The recent upgrade of the HRIS has provided the opportunity to assess current skills and provide appropriate training to ensure a return on investment. Further training in the areas covering reporting and data analysis will enable increased trend analyses within current Executive reporting.

Recommendation No.6

6. ASC Agrees with qualification. The ASC will consider the development and implementation of a HRIS management plan taking into account the

ASC's core business, the requirements of all stakeholders and the available resources. This plan will provide a comprehensive timeframe to enable an iterative systematic review of information, return on investment, security and use of shadow systems.

ASIC response to the key findings

Information needs (Para 13–16)

7. ANAO's final management letter to ASIC contained the following conclusion for this KAE.

8. 'ASIC is continuously developing its reporting to the Commission and, more recently, Executive Directors and Branch Managers.' ANAO also concluded, 'ASIC has also developed, and regularly reports to the organisation on its performance against KPIs in its service level agreement.'

9. ANAO made only one recommendation for this KAE, that ASIC continues to consult with key stakeholders on a regular basis.

10. In response to the ANAO's findings in this report, ASIC has adequately identified, defined and documented its HR information needs and endorses the ANAO recommendation that it continually review and refine these needs.

Processes for data collection and management (Para 17–21)

11. The ANAO final report to the Commission concluded for this KAE, 'ASIC has developed sufficient policies and procedures and guidance to support the collection and maintenance of the majority of HR information.'

12. ASIC will continue to apply these procedures as recommended by the ANAO and the Commission accepts the recommendation by the ANAO to further consolidate the manuals and procedures that supported the HRIS including those that guide the management of security controls and ASIC will review these manuals, procedures and guides on a periodic basis.

ANAO Comment

13. The ANAO notes the above view. However, for ASIC to satisfy the recommendations made in its management letter, it would need to ensure that it:

- applies policies and procedures for data collection, recording and maintenance (Recommendation 3, Key Area of Examination 2); and
- reviews and consolidates HRIS documentation, including developing relevant guidance for the ongoing management of security in the HRIS (Recommendation 2, Key Area of Examination 2).

Processes for data extraction and reporting (Para 22–26)

14. In the ANAO's final management letter to ASIC the ANAO concluded that ASIC has developed reports consistent with management requirements. ANAO also concluded that ASIC had developed procedures to produce these reports and the processes were documented. ANAO acknowledged that ASIC requested and responded to feedback from management on HRIS reports, and had sought to increase perceived accuracy while aiming at simplified presentation.

15. ANAO made no recommendation for improvement for this KAE.

Information is used to make decisions (Para 27–28)

16. In the final management letter to ASIC the ANAO concluded for this KAE, that both at the strategic level (through the Commission) and at the operational level (through branch managers), decisions were made using HR information.

17. ANAO made no recommendation for improvement for this KAE.

Continuous improvement (Para 29–31)

18. ASIC agreed with the only recommendation made by the ANAO for this KAE.

19. ASIC needs to continue to review its HRIS Management plan on a periodic basis to reflect changes in timelines and changes in the future priorities for HRIS.

ASIC response to recommendations

20. ASIC acknowledges that all six recommendations are appropriate given the overall assessments made by the ANAO in the report. However, for all but one recommendation there is a qualification on the specific application of the recommendation to ASIC.

Recommendation No. 1

21. Agree with the qualification for ASIC being that the only recommendation made in ANAO's final management letter to the Commission for this key area of examination, was that ASIC should continue to consult, as it had been doing, with all key stakeholders such as the Commission, Executive Directors, and managers.

Recommendation No.2

22. Agree with the qualification that ASIC has already developed sufficient policies and procedures on data collection and recording and is applying these to the management of HRIS data. The consolidation of HRIS data into a single system was not a recommendation made by ANAO to ASIC but additional

HRIS system consolidation is being assessed for stage II of ASIC's HRIS upgrade project.

ANAO Comment

23. The ANAO notes the above view. However, for ASIC to satisfy the recommendations made in its management letter, it would need to ensure that it applies policies and procedures for data collection, recording and maintenance (Recommendation 3, Key Area of Examination 2).

Recommendation No.3

24. Agreed. ASIC is reviewing procedures and compliance of its security administration manuals with ASIC's overall information security policy.

Recommendation No.4

25. Agreed with the qualification that this was not a recommendation made to ASIC for this key area of examination. ASIC already has a consolidated reporting calendar with timeframes, recipients, responsibilities, etc. as recommended.

Recommendation No.5

26. Agreed with the qualification that this was not a recommendation made to ASIC for this key area of examination in ANAO's final report. ASIC has in place a Capability Framework used to define the roles responsible for HRIS data extraction and reporting, there are regular reviews of individual capability and these reviews are used to guide individual staff development plans.

Recommendation No.6

27. Agreed with the qualification that ASIC has a 3-year HRIS management plan in place, which was developed in July 2002. ASIC agrees that this plan must be continually reviewed to reflect changes in HR strategy, implementation timelines and HRIS effectiveness and efficiency.

AGD Response to Recommendations

28. AGD has reviewed the report and notes the ANAO's recommendations and agrees with those recommendations.

Recommendation No.1

29. AGD has recently completed a review of the reports in consultation with the Executive and key stakeholders. As a result, several new monthly and quarterly reports have been developed to include key HR information which better addresses strategic and operational needs. This will, in turn, provide the opportunity to measure the effectiveness of HR strategies. AGD is in the process of implementing further modules of its HRIS, namely the People

Development and Training modules which will enhance the availability of HR data.

Recommendation No.2

30. AGD will review its policies and procedures to capture and maintain critical HR data within the HRIS. This will include data relevant to emerging needs. As an example all data in respect of the Performance Agreements and Appraisals will be recorded within the HRIS in 2004/2005.

Recommendation No.3

31. AGD will review documentation in respect of system administration. This will include the need to conduct regular reviews of system access for processing and reporting.

Recommendation No.4

32. AGD will further develop reporting timeframes and responsibilities to ensure that the appropriate data is captured and reported. The source of the data will be from the HRIS.

Recommendation No.5

33. AGD through the performance agreement process will identify training needs for those staff requiring additional skills in HR reporting.

Recommendation No.6

34. AGD will develop a management plan to maximise the effectiveness of its HRIS. This together with the implementation of Service Level Agreements for the operation of the system and the processing of employee entitlements will ensure the accuracy of the data.

DEST response to recommendations

Recommendation No.1

35. Agree.

36. DEST has been proactive in identifying, capturing, monitoring, reviewing and refining HR data for the purposes of workforce planning and the development of HR KPIs. DEST is a member of the infoHRM benchmarking programme and currently monitors seven HR KPIs on a regular basis, including against both public and private sector benchmarks. DEST provides infoHRM with a quarterly extract of information taken from DEST's HRIS. DEST monitors the HR KPIs, which have been selected by the Department on the basis that they provide useful and relevant performance information and directly link to its HR strategies and interventions. This data is also provided to senior management forums on a quarterly basis.

37. Workforce planning is integrated into DEST's business planning process to ensure alignment between people strategies and business priorities. The process uses a range of HR data from the infoHRM programme and iTM1 (a multidimensional HR database). This data is considered in discussions between line managers and HR representatives to identify workforce capability gaps and in the development of HR strategies. HR KPIs and other HR related data are also used to monitor and evaluate the impact of HR strategies.

38. DEST recognises the use of HR Reporting by line managers and Business Administration Units could be further enhanced and has commenced a HR Data Management and Reporting Project to make progress in this regard. It is planned to implement a new suite of reports in the first half of the new financial year.

Recommendation No.2

39. Agree where possible, but acknowledge that it may not always be the best approach or cost effective to capture all critical data in the one HRIS.

40. DEST considers the HRIS to be the primary vehicle for HR Information Management and this principle guides any decisions regarding extending HRIS functionality viz implementing alternative systems.

Recommendation No.3

41. Agree.

42. DEST reviews its Financial/HR security on a six monthly basis as part of system administration and as part of system software upgrades. Security access is automated/position based in the case of HR. This approach came into effect at the end of July 2003. Where requests are made for specific HR access, an appropriate application form with delegate approval is required before requests can be actioned. This process ensures security controls are in place.

43. HR reporting data relating to employees is restricted to two people per Group within DEST with the exception of the Corporate Strategy Group and areas within the Finance Group as access to this information forms part of their functions. DEST's system security is regularly audited both internally and externally, and also takes place annually as part of the preparation of Financial Statements. Specific reasons for the granting/non-granting of access are business decisions based on whether there is a requirement for staff to view specific data in order to perform their duties.

44. DEST has a Security and Authorisations strategy which is endorsed both by its Chief Auditor and Chief Financial Officer. This strategy encompasses an access control policy which is also in accordance with, and used in conjunction with, the DEST LAN Security Policy.

Recommendation No.4

45. Agree.

46. As outlined in the response to *Recommendation 1 (paragraph 2.32)*, DEST has commenced a HR Data Management and Reporting Project, the outcomes of which will further enhance current reporting frameworks and processes. This project has already sought the views of senior management on appropriate reports and their distribution in DEST to support managers in strategic people management. The project will be finalised in the new financial year and will provide a coherent reporting summary which will identify the most appropriate system as the primary source of information—this may not always be the HRIS.

47. DEST uses its HRIS to record and extract data for Workforce planning purposes and monitoring HR KPIs associated with the infoHRM benchmarking programme.

Recommendation No.5

48. Agree with qualification.

49. DEST staff involved in extracting HR data currently have an appropriate level of skill required to perform their duties effectively and have development support to maintain and/or enhance their skills. However, it is recognised that increasing skill levels within the Business Administration Units would enable access to a broader range of information. Such an outcome is expected from the HR Data Management and Reporting Project.

50. Undertaking a skills audit and developing a skills inventory is not always the most appropriate approach. Consistent with DEST's Performance Management Framework, employees and their managers identify the skills required to undertake their work, whether or not they possess those skills, and how they plan to attain/maintain those job skills. Appropriate support and learning is then made available to accommodate the needs identified.

Recommendation No.6

51. Agree.

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