

Chapter 9

Finance—MIDAS Financials Annual Audit

1.0 MAIN POINTS

The Ministry of Finance (Finance) is responsible for administering the financial system used primarily by ministries which serves as the general ledger for the General Revenue Fund. This financial system is called the Multi-Information Database Applications System – Financials (MIDAS Financials). Beginning in 2012, Finance created the Central Accounts Payable unit (Central AP). Central AP is responsible for processing invoices, expense claims, and auditing selective payments.

Each year, we assess whether Finance has effective central controls to manage and secure MIDAS Financials. In 2012, Finance had effective controls with one exception. Finance has not signed service level agreements with its user agencies; therefore, responsibilities for key payment processing activities were not clearly assigned.

2.0 INTRODUCTION

MIDAS Financials is used to record and account for financial activities. MIDAS Financials includes modules for general ledger, cash management, accounts payable, accounts receivable, purchasing (including tender management, requisitions, and receiving), payments, public sector forecasting, capital assets, and inventory.

Beginning in 2012, Finance created a centralized group called the Central Accounts Payable unit. The responsibilities of the Central Accounts Payable unit include processing invoices, expense claims, and other requests for payments; reviewing and auditing selective payments (risk-based approach); and filing and managing AP documentation for ministries.

Over 30 government agencies use MIDAS Financials to process and record transactions and issue payments (user agencies). Finance performs central controls to protect the confidentiality, availability, and integrity of MIDAS Financials and its information on behalf of these agencies. These agencies rely on Finance to have effective controls to manage and secure MIDAS Financials and its information.

For 2012-13, MIDAS Financials forecasts to record over \$11.1 billion in operating expense transactions and \$255.3 million in capital transfers.¹

3.0 AUDIT OBJECTIVE, SCOPE, CRITERIA, AND CONCLUSION

The objective of this audit was to assess the effectiveness of Finance's central controls to manage and secure the MIDAS Financials system and data for the eleven-month period² ending December 31, 2012. The audit did not assess the effectiveness of the

¹ Forecast of operating expense and capital transfers taken from Saskatchewan Provincial Budget 13-14.

² MIDAS Financials underwent a significant upgrade in December 2011; therefore, our previous audit covered the period ended January 31, 2012.



controls at user agencies (e.g., ministries). Rather, it focused on the central controls at Finance.

User agencies rely on Finance to have effective central controls and carry them out properly. We carry out this audit annually to support our audits of various user agencies.

To conduct this audit, we followed the *Standards for Assurance Engagements* published in the *CICA Handbook - Assurance*. To evaluate Finance's processes, we used audit criteria based on the *Trust Services Principles, Criteria, and Illustrations* authored by the Canadian Institute of Chartered Accountants and the American Institute of Certified Public Accountants, as well as international standards, literature, and reports of other legislative auditors. Finance agreed with the criteria (see **Figure 1**).

We based our findings on our examination of Finance's agreements, plans, reports, policies, and processes. We also interviewed Finance staff and examined Finance's controls to secure MIDAS Financials.

Figure 1 – Audit Criteria

Effective central controls to manage and secure MIDAS Financials systems and data should include control processes that:

- 1. Monitor systems and data centrally**
 - 1.1 Responsibilities are clearly defined
 - 1.2 Management has approved policies and procedures
 - 1.3 Management monitors security and system operating as planned
- 2. Protect systems and data from unauthorized access**
 - 2.1 User access controls protect the system from unauthorized access
 - 2.2 Physical security controls protect the system from unauthorized access
- 3. Make systems and data available for operation**
 - 3.1 System and data backups occur and are tested
 - 3.2 Disaster recovery plans are in place and tested
- 4. Maintain the integrity of systems and data**
 - 4.1 Processes to manage the system and data exist and are followed
 - 4.2 Change management processes exist and are followed

We concluded that, for the 11-month period ended December 31, 2012, the Ministry of Finance had effective central controls to manage and secure MIDAS Financials except for assigning roles and responsibilities for payment processing in service level agreements with user agencies (e.g., ministries).

4.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we describe our key findings and recommendations related to the audit criteria in **Figure 1**.

4.1 Need to Assign Roles and Responsibilities for Payment Processing

During 2012, Finance created a centralized unit for payment processing called Central Accounts Payable (Central AP). Central AP undertakes certain responsibilities previously performed at certain user agencies (e.g., ministries). For example, Central AP

responsibilities include processing invoices, expense claims, and other requests for payments; reviewing and auditing selective payments (using a risk-based approach); and preparing and generating accounts payable reports.

As of December 31, 2012, service level agreements (SLAs) between Finance and user agencies did not exist. Without signed SLAs, Finance and user agencies have not formally assigned and may not understand their respective responsibilities for key payment processing activities.

- 1. We recommend the Ministry of Finance establish service level agreements with user agencies to clearly assign responsibilities for key payment processing activities.**

Subsequent to our audit, Finance provided us with a draft memorandum of understanding (MOU) that it plans to sign with user agencies. In April 2013, Finance indicated that it had signed MOUs with all of the ministries.

4.2 User Access Removal Now Timely

We recommended that the Ministry of Finance implement a policy for the timely removal of user access upon receipt of requests for removal from user agencies.
(2012 Report – Volume 1)

Status – Implemented

During our audit period, Finance implemented a policy that outlines the process to remove MIDAS Financials user access upon Finance's receipt of removal requests from user agencies. The policy requires timely removal of user access. The policy requires Finance to remove MIDAS Financials user responsibilities within 24 hours of receipt of removal requests for users who can change data, and within 48 hours of receipt of removal requests for users who can only look at data, not change it. We found Finance complied with this policy during our audit period.

5.0 SELECTED REFERENCES

Canadian Institute of Chartered Accountants (CICA) and the American Institute of Certified Public Accountants (AICPA). (2009). *Trust Services, Principles, Criteria, and Illustrations*. Toronto: Author.

International Organization for Standardization. (2005). ISO/IEC 27002:2005(E). *Information technology - Code of practice for information security management; 2nd Edition*. Geneva: Author.