



SUBJECT: Enterprise Resource Planning (ERP) project audit - phase 2

TO: Audit Committee

FROM: Office of the City Auditor

Report Number: CA-14-23

Wards Affected: Not applicable

Date to Committee: December 6, 2023

Date to Council: December 12, 2023

Recommendation:

Receive and file city auditor's office report CA-14-23 regarding the Enterprise Resource Planning (ERP) project audit – phase 2.

PURPOSE:

Vision to Focus Alignment:

- Deliver customer centric services with a focus on efficiency and technology transformation

Background and Discussion:

The City of Burlington's Audit Committee approved an audit to be performed to ensure that the Enterprise Resource Planning (ERP) project has progressed to an acceptable point from a risk perspective and that key high-use business processes in HR, Finance & Burlington Digital Services can 'go-live' on the new ERP solution from their legacy platforms. The scope of this assessment was designed to include: confirmation that the data migrated from the legacy platforms to the new ERP system was accurate and complete, validation that training and change management strategies had been adopted, and individual project risks have been documented and remedied to an acceptable level.

Strategy/process/risk

In June 2023, the Executive Director, Burlington Digital Services & Chief Information Officer (CIO), notified the City Auditor that 'Adesso Project Management' had been engaged to perform an 'ERP Operational Readiness Assessment'. According to the CIO, the objective of this assessment was to proactively obtain assurance that the ERP Project was on-track and setup for success. Adesso Project Management is a professional consulting firm specializing in project management, management consulting and business change. Subsequent meetings and review of the consultant's scope of work revealed significant overlap with the planned audit scope. Meetings were conducted with the CIO and the consultant to discuss their scope-of-work, audit approach, professional background/experience and independence/objectivity. The City Auditor received commitments that the consultants would provide their draft report for review, that the City Auditor would be invited to the Closing Meeting to discuss their audit observations and recommendations and that the consultants would work collaboratively and transparently with the City Auditor. Subsequently in July 2023, the City Auditor notified the CIO that the planned ERP Project Audit – Phase 2 would be withdrawn and would be able to rely upon the work of the consultants to achieve the overall audit objectives. At the September 13, 2023 meeting of Audit Committee, an update about this change of direction was included in report CA-09-23.

The consultant's scope-of-work included the following areas:

Focus Area	Assessment Considerations
Program Assessment	<ul style="list-style-type: none"> • Program Governance – Decision Authority & Accountability • Business Engagement and Ownership • Solution Vendor(s) Performance • Degree of Integration Management & Planning • Program Status and Review of Issues, Risks Dependencies • Review of Program Plan
Solution Readiness	<ul style="list-style-type: none"> • Solution Configuration and Alignment with Business Requirements • Solution Stability and Level of Readiness • Test and Verification Approach and Results • System Integration Status • Status of Implementation Planning & Cutover • Access & Security/User Role Management
Business Readiness	<ul style="list-style-type: none"> • Degree of Business Engagement • Business Readiness Status • Business Change Management & Communications • Training Readiness & Plan • Business Process, Job Aide and Knowledge Base Articles Readiness • Staffing Assessment and Readiness for GO LIVE
Data Conversion, Migration and Governance	<ul style="list-style-type: none"> • Status of Data Conversion/Migration • Data Conversion/Migration Plan • Master Data Management • Approach to Data Governance
Deployment Readiness	<ul style="list-style-type: none"> • Status of Implementation Planning & Readiness • Cutover Plan Review (Deployment) • Process for GO LIVE Approval • Post Go Live plan/Hypercare • Transition plan to Operational Support • Backout & Contingency Plan

Focus Area	Assessment Considerations
Operational Support Readiness	<ul style="list-style-type: none"> Operational Support Model & Processes Status Knowledge Transfer to Operational Support Team Operational Governance
Legacy Systems Readiness	<ul style="list-style-type: none"> Identification of Legacy Systems to be decommissioned Status of Decommission Plan(s)

The consultant's approach included the following procedures:

- Interviews of ERP project management staff, Kainos personnel and Sponsors
- Reviewing of project artefacts against project management best practices
- Assessment of project governance, reporting and communications
- Identifying key findings and preparing recommendations
- Preparing an 'Operational Readiness Assessment Report' and presentation to Enterprise Software Steering Committee (ESSC)

The ERP Operational Readiness Assessment was completed in August and a draft report was prepared and shared with the CIO, City Auditor, Project Executive Sponsors and Project Staff in September. The consultant's report identified detailed observations of the 'project health' ranging from: 'Intervention required', 'Attention required' to 'Stable'. Key observations included:

- **Solution Readiness:**
 - All stakeholder feedback indicates Workday is a good solution fit
 - Testing progress and results are positive
 - Testing management and tracking is leveraging effective tools
 - Data mapping, assessment and population of KDTs has been more complex than anticipated but is progressing well.
- **Project Governance:**
 - Sponsor support and commitment is very strong
 - Status reporting: Sponsors expressed a perception of lack of awareness of overall progress results from not receiving sufficient status reporting
- **Project Management:**
 - The Project Management leads have a strong understanding of overall solution scope, associated tasks and required resources
 - The Project Management leads have been operating without an integrated workplan that reflects all deliverables, dependencies and milestones for both

Kainos and City of Burlington deliverables which has been a major contributing factor to continued schedule slippage

- The project has been operating without a resource plan that supports the workplan resulting in continual resource capacity issues which has been a major contributing factor to continued schedule slippage

- **Implementation Readiness**

- Although there is a good understanding of the Kainos led activities during the cut-over timeframe, there is no detailed plan that integrates Kainos and City of Burlington activities and resources
- There is no documented deployment strategy that aligns realistic workplan dates with key business cycle dates and other dependencies or impacts, such as black out dates
- Training material and Job Aid content development is proceeding well, however the effort required is significant

Adesso provided the following key recommendations to address their observations:

1. Implement a robust Sponsor Project Status Reporting model that includes a comprehensive reporting template, effective involvement of Business Leads and a one-hour meeting time every two weeks. A template was provided by Adesso and subsequently adopted by the Project Team.
2. Establish a "Project Management Team (PMT)". Their focus will be the development and task level execution of the updated project workplan.
3. Identify and validate reports required for Go-Live and Post Go-Live – Sponsor Approval.
4. Identify and validate Job Aids required for Go-Live and Post Go-Live – Sponsor Approval.
5. Ensure Kainos is aware of the revised project plan and proactively engaged as required.
6. Ensure Stakeholders are aware of the project work that is in scope but will be completed after Go-Live.

Based upon preliminary findings from the ERP Operational Readiness Assessment, the ESSC commissioned Adesso to perform a subsequent "Replanning Effort". The objective of this three-week exercise was to work collaboratively with the ERP Project Team, ERP Executive Co-Sponsors and Adesso Consultants to create a new integrated workplan and revise the implementation schedule. This was successfully completed in September. The recommendations provided by Adesso have been completed or are in progress. At the time of writing this report, the ERP Project Team are continuing to

execute the project plan with the revised implementation schedule with a 'Move-to-Production' target of January 24, 2024 (soft launch for select Finance & HR users) and broader (City-wide) go-live planned for February 25, 2024.

Another layer of independent assurance currently underway is the Workday Delivery Assurance (DA) reviews. Under the Workday implementation process, representatives from Workday independently review and verify whether the City's Implementation Partner (Kainos) is building, configuring and deploying the software within Workday's standards and methodology. Workday's Delivery Assurance process provides an additional layer of risk management, experience and technical expertise from deploying the software with other clients and provides the City with a trusted advisor outside of Kainos. DA reviews have been continuously on-going since June 2022 across all Workday Financial and Human Capital Management SKUs using an iterative approach; the final series of DA reviews are planned in January 2024 once the Workday 'Gold Tenant' is completed. Observations, recommendations and a 'Deployment Health' status are provided to the IP for implementation and/or awareness.

Another layer of independent assurance includes public reporting to Mayor and Council through the CSSRA Committee. This reporting occurs quarterly and provides Council and the public with a project status report identifying the project "health status" over: scope, schedule and budget. The most recent report to CSSRA Committee was [CM-11-23](#) on September 11, 2023.

Options Considered

The City Auditor considered the possibility of continuing the audit in parallel to the ERP Operational Readiness Assessment being conducted by the consultants. Ultimately this option was not taken with the following rationale:

- The scope-of-work of the Adesso consultants included the same themes of change management and data migration while also including other areas not included within the planned audit (Deployment Readiness, Operational Support Readiness and Legacy System review). Overall, the scope-of-work of the Adesso consultants was more comprehensive than the scope-of-work envisioned for the internal audit.
- The ERP Operational Readiness Assessment was conducted by external consultants independent of City staff and the ERP Project, which provided for an independent and objective perspective. Through meetings with the consultants, a review of their respective LinkedIn profiles and reviewing the Adesso Project Management website, it appeared that the consultants were well qualified to perform the review from a professional, technical and experience perspective. Finally, the Audit Committee, Management and ERP Project staff could obtain more value by having the ERP Operational Readiness Assessment conducted by

an ERP project management expert rather than through a traditional internal audit process.

- Continuing to perform the internal audit parallel to the ERP Operational Readiness Assessment would result in duplicative questions and interviews with ERP Project staff resulting in an inefficient usage of City and Kainos staff time, with limited incremental value.

Financial Matters:

Total Financial Impact

The total cost of the ERP Operational Readiness Assessment was \$25,435.

Source of Funding

The ERP Operational Readiness Assessment was funded from within the Council approved capital project.

Other Resource Impacts

A total of 52 hours of the City Auditor's time were incurred on this review; Adesso Project Management was engaged for 18 cumulative days of effort to complete the review. City staff from the ERP Project Team and Executive Co-Sponsors were highly involved through interviews, meetings, providing evidence, reviewing the report etc. This amount of time was not tracked by the City Auditor.

Climate Implications

Not applicable.

Engagement Matters:

Not applicable.

Conclusion:

An ERP Operational Readiness Assessment was completed by a professional consulting firm with expertise in project management and major IT transformations, which replaced the planned ERP Project Audit – Phase 2. The consultants performed a

comprehensive assessment of the ERP Project including project management controls, data migration, change management and the organization's readiness to adopt the new solution. Some opportunities for improvement were identified, reported to the ESSC and adopted by the ERP Project Team. Other forms of independent assurance including Delivery Assurance reviews conducted by Workday and public reporting to Council are on-going and complement the existing layers of project controls.

Respectfully submitted,

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City Auditor

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Report Approval:

All reports are reviewed and/or approved by the Chief Financial Officer and the Executive Director of Legal Services & Corporation Counsel.