

Treasury Board and Finance—Alberta Pension Services Corporation Next Generation Project

SUMMARY

In 2010, Alberta Pension Services Corporation initiated the next generation project to replace its aging pension payroll and member services systems. The project started with a request for information in 2010, followed by a detailed business requirements analysis study and a request for proposal in 2011 to replace these systems.

A leading Canadian pensions and benefits service provider and systems integrator¹ was selected to provide its pension administration system as the solution. The project is a business transformation² initiative. The project has two main phases—planning and design (phase 1) and development and implementation (phase 2). The new systems and processes will be implemented in three stages between July 2014 and November 2015.

What we examined

We examined the quality and completeness of the design of project controls³ (documented plans and procedures) as an early indicator of management's ability to manage the risks of implementing the new system into its operations. We interviewed key project participants, including senior management, and reviewed project documents and deliverables related to the corporation's project risk management systems.

What we found

We found that APS has well-designed project controls for the next generation project to help manage the risks associated with its business change management, project management and project governance activities.

Our audit was a point-in-time audit that focused on the design of project controls only. Our findings indicate that there are no significant project control weaknesses at this time that could cause the project to fail or not meet its plans and objectives. This does not guarantee that the project will be a success, only that we did not find any significant weaknesses that require immediate attention from management.

¹ A systems integrator is a person or company that specializes in bringing together technology solutions with business solutions.

² Business transformation is about making fundamental changes in how business is conducted to meet new business plans and objectives, which can include new technology solutions.

³ The evaluation of the design of a control ensures that the control, individually or combined with other controls, can effectively prevent or detect exceptions. Testing operating effectiveness of controls means to evaluate if the control is doing what it was designed for.

Why this is important to Albertans

APS provides services, on behalf of the Alberta government, to seven public sector pension plans and two supplementary pension funds. APS provides pension services to more than 312,000 members and pensioners.

AUDIT OBJECTIVES AND SCOPE

Our objective for the audit was to perform an early warning assessment⁴ of project controls used to plan for and manage project risks. We assessed whether management had the appropriate risk management systems in place with defined project controls for:

- business change management
- project management
- project governance

We did not audit the operational effectiveness of these project controls because a weakness with its design would be sufficient to determine if its related risk was being managed appropriately or not. We did this audit because this is a significant project for APS. This approach allowed us to provide any advice promptly to APS management and its oversight board, and to maximize the chances of dealing with risks before they caused the project to fail or not meet its expectations. It allowed us to use our audit resources more effectively.

We conducted our field work from January 2013 to March 2013. We substantially completed our audit on March 15, 2013. Our audit was conducted in accordance with the *Auditor General Act* and the standards for assurance engagements set by the Canadian Institute of Chartered Accountants.

BACKGROUND

The project has adopted a vanilla implementation⁵ strategy whereby customization will be minimized. The project budget is approximately \$58 million dollars and has two main phases:

- Planning and design (phase 1)—was completed June 30, 2012 and consisted of project planning activities related to governance structure, project management structure, defining the detailed scope and confirmation of requirements, policy and process changes and business architecture design.
- Development and implementation (phase 2)—commenced in July 2012 and is expected to be completed with the implementation of the new pension services system in 2015. This phase is comprised of system configuration and development, data conversion and cleansing, quality assurance, change management planning and system deployment using a phased implementation strategy.

⁴ Early warning assessment is a review of a project's health in relation to how the project is effectively managing its risks to achieving its stated plans and objectives.

⁵ Vanilla implementation refers to deploying software into the business without, or with minimal, modification, as is, out-of-the-box, to reduce the expense of implementation and future software upgrades.

FINDINGS

We found that APS has well-designed project controls for the next generation project to help manage the risks associated with its business change management, project management and project governance activities. We have no recommendations to APS for this project.

Our audit findings

Business change management controls

We found that planned changes to business processes, policies and pension plan processing were well documented (defined in the business architecture blueprint) and signed off by APS executives. Business stakeholders were actively engaged in day-to-day project activities; roles and responsibilities were clearly defined; a communication strategy was formalized (including an internal and external approach); a training strategy, conversion strategy, and implementation strategy and plans were formalized.

Project management controls

We found that APS had adopted the vendor's project and system development methodologies and standards, which included defined project processes, activities, templates and expected deliverables. A project team organizational structure was established with functional leads on both the vendor and APS sides who were experts in the business subject matter.

Overall project management responsibility was assigned to the vendor's program manager and APS assigned an internal project manager and a project office director to oversee internal staff project activities. Detailed project plans are well defined, project teams meet weekly to discuss issues, risks and project changes, and project status is documented and reported up to the project's governance bodies. The project is being managed with appropriate rigor and team members are consistently applying the vendor's methodology, along with APS's internal project management office standards.

Project governance controls

Executive and management steering committees and a special project board committee provide oversight and makes decisions for the project. The committees met regularly. The board hired a consultant to conduct independent project reviews, which commenced in 2012; five reviews have been completed to date. APS's project stakeholders and executives were actively involved in the project's day-to-day tasks to ensure business needs and potential impacts were well understood by the business. APS senior management has demonstrated its commitment and ownership of the project through these governance activities.

