

Audit Committee Report

DATE: Monday, May 29, 2023

WARD(S): ALL

TITLE: FINANCE MODERNIZATION AUDIT

FROM:

Kevin Shapiro, Director of Internal Audit

ACTION: FOR INFORMATION

Purpose

To communicate the findings from the Finance Modernization Internal Audit.

Report Highlights

- A key driver of service excellence is changing the way the City makes decisions and operates.
- This includes how the City plans to be able to understand actual results in near real time, as well as anticipated costs and revenues under different scenarios.
- The audit has identified governance issues within the Finance Modernization Program that increases the risk that the program and individual projects will not be delivered on time or on budget.
- Due to the issues identified, the program and individual projects are at a greater risk of failing to meet expected outcomes and anticipated benefits.
- Management has developed action plans which will mitigate the identified risks and address the recommendations outlined in the report.
- Internal Audit will follow up with management and report on the status of management action plans at a future committee meeting.
- This audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

Recommendation

1. That the Internal Audit Report on Finance Modernization be received.

Background

The objective of the audit was to evaluate the adequacy and effectiveness of the controls, processes, and procedures in place to mitigate the risks associated with the implementation of the Finance Modernization Program.

The audit scope included assessing that:

- The program governance process and project management framework are well defined and consistently applied. This includes a framework for communication and training activities.
- Key performance indicators have been developed and management tracks, monitors, and reports on the critical success factors of the program. This includes identifying priorities, corrective measures and preventive actions that can lead to a positive outcome.
- Ensure that design concepts have been thoroughly reviewed and meet the specific objectives of the program, including the analysis of alternative designs.
- Risk identification and mitigation methodology is being appropriately embraced by the project management team, including risks that may involve budget, time, scope, and quality.
- Information Technology systems are being leveraged, integrated, and used to their maximum capabilities.
- Budgetary and financial records appropriately reflect operational and capital objectives of the program.

This audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

Previous Reports/Authority

Not applicable.

Analysis and Options

In 2018, as part of the Finance Modernization program, Deloitte was engaged to provide management consulting services to lead the Finance Portfolio in the development of a current state, future state, gap analysis, strategy map, implementation plan and comprehensive performance measurement framework. The original scope focused on the need for the City to invest in the Finance Portfolio to better support the Service Excellence.

Finance Modernization has evolved into something much different than what was envisioned in the original program. Although the objectives of the current Finance Modernization are necessary to improve the efficiency and effectiveness of operational service delivery, they do not address the fundamental gaps previously identified within the Finance portfolio. Not fully addressing the original program scope increases the risk that comprehensively updating financial processes will continue to be deferred. There is also the significant risk that Finance staff, already frustrated with manual and inefficient processes, are increasingly unsatisfied with the ongoing deferral of improvements that directly relate to their day-to-day work environment.

With the multi-disciplinary nature of programs like Finance Modernization, it is important that the management approach is standardized as much as possible to mitigate the risk of the program and individual projects not meeting expected outcomes and anticipated benefits. A standardized city-wide program and project management governance framework is essential for effectively managing capital projects, including cost, schedule, and performance risks.

Financial Impact

There are no direct economic impacts associated with this report.

Broader Regional Impacts/Considerations

Not applicable.

Conclusion

The audit has identified governance issues within the Finance Modernization Program that increases the risk that the program and individual projects will not be delivered on time or on budget. Due to the issues identified, the program and individual projects are at a greater risk of failing to meet expected outcomes and anticipated benefits.

There are several contributing factors:

- Although the objectives of the current Finance Modernization projects are necessary to improve the efficiency and effectiveness of operational service delivery, it has shifted the focus from the original program objective of modernizing the Finance function itself.
- At the time of the audit, the City did have a program management governance framework, but it had not been implemented across all City functions.
- Business cases have not been developed for all the individual projects or for the Finance Modernization program.

- A comprehensive program and resource schedule has not been developed that provides a general overview of the program, including the program tasks, dependencies, and assigned team members and stakeholders.
- Program financial reporting is currently being prepared manually, and the information is difficult to obtain.

It is recommended that the following improvements be implemented to enhance program delivery and to ensure that the Finance Modernization program can successfully meet its objectives and outcomes:

- Develop a detailed long-term road map, that goes beyond the current program scope, addressing the comprehensive Finance function improvements that were identified in the original program scope, and to leverage the technological and process improvements being implemented under the current program.
- Formally adopt a city-wide program and project management framework that will be a driver to set predetermined goals, improve outcomes and strengthen program management governance.
- Prepare business cases for the program. This exercise will be important due to the likelihood that this program will be extended beyond the current scope and timeline in order to achieve the objectives originally envisioned by the Finance Modernization program.
- Develop a detailed program roadmap, that includes a resource plan, that extends beyond the implementation of the JDE software.
- Simplify the process of creating and validating monthly variance reports. Additionally, the all-inclusive cost of system integration, expanded work activity, and earned value estimates should be included in the financial reporting provided to the program management team.

Internal Audit will follow up on the status of outstanding management action plans related to this audit and will report the status to a future Audit Committee meeting.

For more information, please contact: Kevin Shapiro, Director of Internal Audit, ext. 8293.

Attachments

1. Finance Modernization Audit.
2. Presentation Materials.

Prepared by

Kevin Shapiro, Director of Internal Audit, ext. 8293

Approved by

A handwritten signature in black ink, appearing to be 'K. Shapiro', with a long horizontal flourish extending to the right.

Kevin Shapiro, Director of Internal Audit