

The City of Edinburgh Council

Internal Audit

Enterprise Resource Planning (ERP) – project assurance report
April 2024

MP2302

Overall
report
rating

Reasonable Assurance

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THE CITY OF EDINBURGH COUNCIL

Enterprise Resource Planning - Project Assurance Report

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1. Executive Summary and Opinion

Between August 2018 and March 2024, Internal Audit (IA) completed an agile system development lifecycle review which considered the design and effectiveness of the controls in place to manage the ERP programme and ensuring delivery of objectives. IA was involved throughout the project providing real-time assurance and advice as the system was developed. This included attendance at key meetings and meetings with key stakeholders through-out the project. In addition, IA provided support for several ad-hoc areas of work that arose during the project lifecycle including a review of the procurement cut-over process, review of controls for shared bank data maintenance, and review of key board papers to ensure accurate and timely information to enable informed decision making.

Several IA findings were raised in the initial stages of the project, mainly relating to project governance, these were actioned by the project team and Internal Audit continued to monitor the effectiveness of governance throughout the project. As this was a systems development lifecycle review, in which Internal Audit reviewed systems design, configuration, testing and refinement in real-time as the development of the systems progressed, there were limited reportable findings beyond project governance. Issues were raised with the Project Team and confirmed as complete prior to progressing to the next stage of the system development.

It is noted that the original timescale to deliver the project in Quarter 2 of 2022 was not achieved which was due to several factors including: delays in the IT change process, ensuring implementation did not impact year-end accounting activities and an initial lack of compatible sundry debt management solutions.

The initial budget for the project was £14.023m, this was adjusted during the project and was supplemented by £961k from a Corporate Services directorate underspend in 2022/23. The total spend of the project was £14.390m, excluding the projected cost of £593k Debt Management (Apex) Phase 2 which is planned for May 2024.

A lessons learned exercise was completed by the project which considered the issues and challenges faced throughout the project as well as the key factors of success. IA feedback included ensuring detailed project plans and project governance structures including clear roles and responsibilities is established early on for similar projects. Additionally, project teams should engage the support of the Corporate Risk Team to understand management of project risks. Ensuring the right individuals are identified at the project planning stage may also maintain project stability.

Future projects should also ensure that decisions consider the impact on all business areas affected and that clear project resourcing plans are in place to ensure adequate resources to support timely delivery, especially if project leads have a key role in business-as-usual activities such as year-end. Future projects should also ensure access to relevant project management tools and training at project outset.

It is important that the lessons learned from this major project are reviewed to aid the success of future projects of the same scale, such as the new HR system and replacement social care operating system. The lessons learned report was presented to the Strategic Programme Board for review in March 2024. It is recommended that key learning and factors of success are communicated wider across Council projects and programmes.

2. Background

Internal Audit provided agile assurance on a systems development lifecycle basis for the Enterprise Resource Planning (ERP) Project throughout the project from August 2018 to March 2024. This report provides a summary of assurance work undertaken and findings raised between August 2018 and March 2024.

The initial internal audit scope was agreed in August 2018, with a rebased scope aligned to the final phase of the project agreed in April 2022. Details of the scope are provided at section 3.

Project Overview:

The overall project aim was to optimise, streamline and improve processes for Finance, Procurement, Human Resources, Payroll, and Debt Management, as well as upgrading and integrating systems. This included:

- an upgrade of Oracle e-Business Suite (EBS) systems and implementing new modules for Finance and Procurement
- developing iTrent for HR and Payroll and upgrading the reporting tool, Business Objects, to expand the functionality of these systems.
- implementing a new debt management system.

Business Case and budget

The ERP Programme was a significant commitment to a major upgrade and replacement of key Council financial and procurement systems. It was therefore important that adequate rigour and scrutiny was applied to all costs associated with delivery to ensure that the solution was delivered within budget and provided value for money.

The initial budget for the project was £14.023m, this was adjusted during the project and was supplemented by £961k from a Corporate services directorate underspend in 2022/23. The total spend of the project was £14.390m, excluding the projected cost of £593k Debt Management (Apex) Phase 2 which is planned for May 2024.

Project timeline

- June 2018 - Finance and Resources Committee approved a Reset Agreement for the previous Business World project, initiating the rebranded ERP project
- 2018/21 – Systems design, system selection and initial programming and configuration
- March 2021 - HR closure report produced following successful delivery against ERP objectives
- 2021/22 – Programming and systems configuration of Oracle R12 and Apex continues following by systems testing, systems refinement and training
- July 2023 - Debt Management solution (Apex) Phase one delivered
- October 2023 – Oracle version R11 upgraded to R12
- May 2024 – Debt Management solution (Apex) Phase two planned for delivery

2. Background (Continued)

Project Governance

A Project Management Office (PMO) was established to monitor and support the delivery of the key strands of the programme. This included a Project Manager role that was responsible for the operational delivery of the project throughout. In addition, there was a Senior Responsible Officer (SRO) in place with responsibility for overall oversight and key decision-making. In addition, the following governance forums were established:

- a dedicated ERP board met fortnightly throughout the programme, with a set agenda and a comprehensive supporting board pack produced for each meeting with actions tracked. Membership included a wide variety of specialists and key stakeholders, including representatives from the key delivery partners CGI and Claremont
- weekly team meetings and monthly meetings with the wider workstream teams
- weekly project meeting to review and monitor progress with key external delivery partners
- weekly Change Request meetings to review and tracking outstanding requests with the CGI Project Manager

Key stakeholders

Due to the length of the project, there were changes at SRO, project manager, Change Manager and PMO Analyst level. A handover was provided to support project continuity.

The programme was divided into several workstreams, each with a workstream lead supported by a senior stakeholder. The workstreams were:

- Finance
- Human Resources
- Procurement
- Banking and Payments System
- Debt Management System

The key third party stakeholders involved with project delivery were Claremont, Oracle, Midland and CGI.

Risk Management

A RAID (Risks, Issues, Assumptions, Dependencies) log was maintained by the Change Manager/PMO Analyst with regular risk meetings held with the project team to review the risks, identify any emerging issues and update the log as appropriate.

Key risks were reported to the ERP board through presentation within every board pack and clear discussion of key risks was evident by observation from Internal Audit at board meetings and review of action notes.

3. Scope and approach

The scope of this review was to assess the design adequacy and ongoing operating effectiveness of the key controls supporting delivery of the ERP project.

The initial key areas included within scope agreed in August 2018 were:

- Project Governance
- Procurement and support arrangements
- System Design
- Data Migration and Security
- System Testing
- System Implementation
- Communication and Training
- Post Implementation

The scope of assurance work was extended as the project progressed to include:

- Contract Management
- System Design – Sundry Debt Management
- System Implementation – Go/no go and contingency
- In addition, several ad-hoc areas of work and support were provided, including:
 - a review of the Procurement cut-over process
 - shared bank details data maintenance
 - sundry debt management options appraisal review
 - project Lessons Learned exercise.

The following audit approach was applied:

- An 'agile' audit approach with Internal Audit work completed on an ongoing basis throughout the systems development lifecycle and aligned with the relevant stages of the project plan.
- All control gaps identified were discussed with the SRO and project team when they arose to support real-time system development. Where relevant findings were raised formally and reported to the Project Board.
- Bi-monthly updates were provided to the ERP Project Board on progress with audit work and implementation of findings raised.
- Internal Audit had ongoing engagement throughout the project with regular meetings with the project team and attendance at meetings including with workstream leads, finance, project risk reviews and attendance at ERP Project Board meetings throughout the project.

4. Control assessment summary

A summary of findings raised is set out below, it is important to note that as this was a systems development lifecycle review, in which Internal Audit reviewed systems design, configuration, testing and refinement in real-time as the development of the systems progressed, there were limited reportable findings beyond project governance. Issues were raised with the Project Team and confirmed as complete prior to progressing to the next stage of the system development.

Audit area	Overall assessment	Findings / recommendations raised	Finding status
Project Governance	Limited Assurance	1 finding (High Priority) 3 recommendations 1 finding (Medium Priority) 3 recommendations 1 finding (Advisory) 1 recommendation	All Actions Complete ✓
Procurement and support arrangements	Substantial Assurance	n/a	n/a
System Design	Substantial Assurance	n/a	n/a
Data Migration and Security	Substantial Assurance	n/a	n/a
System Testing	Substantial Assurance	n/a	n/a
System Implementation	Substantial Assurance	n/a	n/a
Communication and Training	Substantial Assurance	n/a	n/a
Post Implementation	Substantial Assurance	n/a	n/a
Contract Management	Substantial Assurance	n/a	n/a
System Design – Sundry Debt Management	Substantial Assurance	n/a	n/a
System Implementation – Go/no go and contingency	Substantial Assurance	n/a	n/a

5. Summary of findings and Lessons Learned

Project Governance and ERP Detailed Project Plans

- The project commenced in July 2018 and by November 2018, a detailed project plan had not yet been developed for both the programme and the key delivery and enabling workstreams. It was noted, that lack of detailed plans was recorded as a project risk.
- In November 2018, it was highlighted that the Project Team did not have access to project management tools (for example Microsoft Project and Microsoft Project Viewer) which were required to support effective and timely management of the project. The Programme Team had raised a change request CGI in May 2018 which had not yet been actioned. This was escalated to Digital Services and resolved, with access provided.
- Initially, whilst clear roles and responsibilities were documented for the Senior responsible officer (SRO), and the Programme Manager, clearly defined roles and responsibilities were not documented for the wider programme team including project team members and workstream leads.
- An approved Terms of Reference, structure and schedule of meetings (including standing agenda items, forward planning and minutes) and reporting process was documented for the Project Board, however similar governance arrangements had not yet been agreed for other key meetings such as the Project Working Group, Change Request tracking meetings; and Risk Management meetings. These were subsequently established and communicated.

ERP Management of Risk

Internal Audit reviewed the ERP risk management processes to ensure that all project risks were appropriately recorded, reviewed, and managed effectively. Project risks were held within a project 'RAID Log'. It was noted that the RAID log was in the early stages of development and there was a lack of understanding among some project team members and workstream leads on project risk management. It was recommended that the Project Team engaged the support of the Corporate Risk Team, and an initial risk workshop was held in January 2019 and a further workshop held in February 2019. Further reviews of the RAID log found this to be comprehensive with regular review at a project and board level, including escalation of risks impacting the critical path, as required.

Lessons Learned Exercise

The project team completed a lessons learned exercise at project close, which was included in the project closure report. Internal Audit feedback for lessons learned included ensuring detailed project plans and an effective project governance structure including clear roles and responsibilities is established early on for similar projects. Additionally, project teams should engage the support of the Corporate Risk Team to understand management of project risks.

Due to the turnover of key project roles, and complexity / duration of the project, it was sometimes difficult for new project staff to get up to speed quickly. The turnover also meant that earlier decisions were sometimes difficult to confirm, and due to timescales, decisions were sometimes made by senior officers via email. Ensuring the right individuals are identified at the project planning stage may help maintain project stability.

Future projects should also ensure that board decisions consider the impact on all business areas affected and clear project resourcing plans are in place, especially if project leads are key to business-as-usual activities. Future projects should also ensure access to relevant project management tools and training at project set up.

Appendix 1: Control assessment and assurance definitions

Overall Assurance Ratings	
Substantial Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

Finding Priority Ratings	
Advisory	A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.
Low Priority	An issue that results in a small impact to the achievement of objectives in the area audited.
Medium Priority	An issue that results in a moderate impact to the achievement of objectives in the area audited.
High Priority	An issue that results in a severe impact to the achievement of objectives in the area audited.
Critical Priority	An issue that results in a critical impact to the achievement of objectives in the area audited. The issue needs to be resolved as a matter of urgency.