

# MIDAS project

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## Executive summary

In this chapter, we discuss our planned audit of the project management processes used by the Department of Finance (Department) to manage the implementation of the MIDAS system.

The Department operates a central financial and human resources system for all government departments. The Department is starting to replace this system. The Department plans to implement the first phase in April 2003. The new system is called the MIDAS system (Multi-Informational Database Applications). The MIDAS system represents a significant investment in information technology by the Government of Saskatchewan.

Our audit objective is to assess whether the Department has adequate project management processes to implement phase one of MIDAS system. This chapter describes the three criteria we plan to use in our audit. To implement the project, the Department should have:

- ◆ adequate processes to maintain management and stakeholder commitment to the project;
- ◆ adequate processes to track and report on the realization of project's benefits; and
- ◆ adequate project management practices and reports.

We plan to report on the Department's project management processes in 2003.

## Introduction and background

The Department of Finance (Department) operates a central financial and human resources system for all government departments. The system provides payment processing, accrual accounting, appropriation controls, payroll, and basic human resources data management. The current systems have been in place for 17 years. Since implementation in 1985, there have been several enhancements to improve the system.

The Department is replacing its current computer systems with Enterprise Resource Planning (ERP) software<sup>1</sup>. In 2001, the Department issued three tenders, one for ERP software, one for an implementation partner, and one for a service bureau (i.e. the provision and maintenance of the new system including hardware and operating system). These tenders have been evaluated and awarded.

The Department plans to implement Oracle Financials over four phases. The Department named the new system the MIDAS system (Multi-Informational Database Applications). The Department plans to begin implementing phase one on April 1, 2003. This first phase includes general ledger, accounts payable, revenue recording, budgeting, forecasting, cash management, and financial management information. Treasury Board approved the first phase with a budget of \$6 million in 2001-2002 and \$7 million in 2002-2003.

The Saskatchewan Property Management Corporation (SPMC) has the responsibility for purchasing for all of the departments. SPMC has agreed to implement the automated procurement (purchasing) module of Oracle Financials as part of phase one of the MIDAS system.

The MIDAS system represents a significant investment in information technology (IT) by the Government of Saskatchewan. Management told us that the estimated cost of all phases of the MIDAS project is \$38 million. The Department expects the new system to benefit all departments by improving the management of financial information. The project is expected to be completed by April 1, 2006.

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<sup>1</sup> Enterprise Resource Planning software integrates a large number of functions across an entire organization into one piece of software. This allows all of the various units within the organization (in this case departments and branches) to more easily share information and communicate with each other.

## Our planned audit objective and criteria

Our Office plans to audit the project management processes used by the Department to manage the implementation of phase one of the MIDAS project.

Large IT projects are inherently risky. IT projects in government such as this ERP have risks including:

- ◆ schedule – ensure the project is done on time;
- ◆ cost – ensure the project is done on budget and ensure all costs are included;
- ◆ scope – ensure the project meets user needs including the department's; and
- ◆ quality – ensure the system is implemented within industry standards including independent quality reviews.

Sound project management processes can reduce these risks and increase the likelihood of a project's success.

The results of our work will provide the Legislative Assembly and the public with independent assurance on how well the Department is managing this major IT initiative. It will determine the strengths of the Department's processes and identify opportunities for improvement, if any. We expect the results of the audit to help the Department and other government organizations to strengthen their project management practices.

We plan to report this audit in two stages. In the first stage (this chapter), we describe the audit and outline the criteria we will use to assess the Department's processes. These criteria will be useful to other government organizations in managing their IT and other projects. In the second stage, we will describe the results of our audit.

Our planned audit objective is to assess whether the Department has adequate project management processes to implement phase one of the MIDAS system. This will involve assessing the Department's readiness to implement the MIDAS system and its project management processes used in the implementation.

Auditors use criteria to evaluate matters that they audit. The criteria outlined in Exhibit 1 and described in the following paragraphs set out the main elements that we will look for when we audit the processes the Department uses to implement the MIDAS system. We based the criteria upon international standards, literature, and reports of other auditors (see selected resources). In particular, we used the Project Management Institute's standard, entitled *A Guide to the Project Management Body of Knowledge*, as the management framework to support the criteria.

We discussed the criteria in Exhibit 1 with key individuals at the Department. They agree that the audit criteria are clear, reasonable, and attainable.

**Exhibit 1 – Audit criteria**

To implement the MIDAS project, the Department should have:	
1.	Adequate processes to maintain management and stakeholder commitment to the project;
2.	Adequate processes to track and report on the realization of the project's benefits; and
3.	Adequate project management practices and reports.
	Adequate project management practices include risk management, scope management, cost and schedule management, human resource management, communications management, procurement management, and quality assurance (see Exhibit 2).

**Criterion 1 – Adequate processes to maintain management and stakeholder commitment**

We expect the Department to have project management processes to obtain and maintain strong senior management commitment to the MIDAS project. We expect that management will be held accountable for the success of the project. We expect that senior management has a strong project team with adequate resources to carry out the project. We expect that the project fits within the Department's strategic plan. There should be clear communication and reporting throughout the term of the project.

Our review of other jurisdictions and current literature suggests that senior management commitment is the most common, and perhaps the most important, feature of successful projects. Senior management demonstrates commitment by actively overseeing and promoting the project. Management

commitment is enhanced when management is held accountable for the success of the project. Having senior management promote the importance of the MIDAS system to other departments, governments, and non-governmental organizations to pursue a common interest in a project helps maintain commitment.

## **Criterion 2 – Adequate processes to track and report on realization of the project’s benefits**

We expect the Department to have a process to quantify and track project benefits throughout the project and after implementation. We expect the Department to base these benefits on a strong business case that is consistent with the Department’s and the Government’s vision, strategic goals, and objectives.

The benefits outlined should be measurable and management should report annually on achieving their benefits. The benefits should include ensuring that the project meets user needs. The business case should outline the full costs of the project and compare the costs to the expected benefits.

## **Criterion 3 – Adequate project management practices and reports**

We expect the Department to have good project management systems and practices to control the implementation of the MIDAS project. We expect the Department to ensure that project teams have the necessary experience, skills, and leadership to manage the project.

Good project management practices include planning and reporting progress against the plan. The project team also needs to manage risk, ensure quality work, and communicate progress and successes. Good project management systems and practices help ensure that project teams meet deadlines, contain costs, and meet requirements. See Exhibit 2 for more information.

## **What’s next?**

This report outlines the criteria we will use for our audit. We will report our results in a future report.

## Exhibit 2 – Project management framework

The three general criteria of a strong project management climate are:

- ◆ management commitment to the project;
- ◆ the project's ability to achieve its objectives and benefits; and
- ◆ good project management systems and practices.

We will audit to these criteria based on the risk and scope of our project. We will use the Project Management Institute's standard titled *A Guide to the Project Management Body of Knowledge* as the management framework to support the above three criteria.

*Integration management* – the processes required to ensure that the various elements of a project are properly co-ordinated.

*Scope management* – the processes involved in determining what the users need, how the needs will be met and verifying if they are met.

*Time management* – the processes to plan, schedule, and control the project's activities to help get the project done on time.

*Cost management* – the processes to plan, estimate, and control the project costs.

*Quality management* – the processes needed to evaluate if the project is managed well and meets the stakeholders' needs.

*Human resource management* – the processes required to make the most effective use of people involved in the project, including stakeholders. This includes change management, training, and staffing.

*Communication management* – the processes, including the organizational structure, used to ensure the timely and complete creation, movement, and storage of information.

*Risk management* – the processes to identify, evaluate, plan, and respond to risks.

*Procurement management* – the processes to decide what to contract for: tendering and selecting the best contractor; and negotiating, managing and closing the contract.

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