



# Audit of Stakeholder Engagement in the PeopleSoft 9.2 Upgrade – Stakeholder Sign-Off Process (Phase 1)

Final Report

Office of the Chief Audit Executive, Evaluation and Risk  
Executive



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## Introduction

1. This engagement was included in the Public Services and Procurement Canada (PSPC) 2019-2020 Risk-Based Audit Plan.
2. PSPC has a legal mandate, identified in Sections 12 and 13 of the *Department of Public Works and Government Services Canada Act* (1996, c.16), to provide payroll services to the employees of the public service of Canada.
3. The PeopleSoft 9.1 Pay System, also known as Phoenix, has been in operation since its implementation in 2016. Version 9.1 of PeopleSoft is an end of life commercial off-the-shelf product and standard support for the core system functionality has ended. Extended support for version 9.1 of PeopleSoft has been negotiated and agreed to between Government of Canada and Oracle until December 2021. After this date, PSPC is faced with two key operational risks:
  - Due to the lack of vendor support, there is a high risk of security vulnerabilities and service degradation impacting PSPC's ability to produce accurate and timely pay.
  - Failure to apply current tax updates represents a compliance risk and significantly impacts PSPC's ability to produce accurate pay as it relates to deductions and tax slips.
4. To address the operational risks, PSPC has developed a plan to upgrade the existing 9.1 PeopleSoft solution to the new 9.2 version by July 2021. Responsibility for performing the system upgrade is to be completed through the PeopleSoft Pay System 9.2 Upgrade Project (referred to as the Project hereafter in this document).
5. The Project will contribute to the achievement of Pay System Sustainability and Pay Stabilization Efforts. The scope of the upgrade focuses on a technical upgrade that will result in minimal changes to integration architecture, data entry, and business processes; however, there are a number of additional potential benefits to performing the upgrade, which will be considered post-upgrade as part of PSPC's continuous Pay Stabilization efforts.
6. Given the large number of stakeholder groups that may be affected and/or be impacted by the upgrade, stakeholder engagement throughout the Project has been identified as a critical success factor to build trust, credibility and strong relationships. This will help facilitate buy-in and successful implementation of this upgrade, as well as future Pay Stabilization projects.
7. As outlined in the Project Charter, key stakeholders include departments and agencies that use the Phoenix system, partners who use Phoenix and/or whose systems interface with Phoenix, and internal and external committees that are required for decisions, endorsement, oversight, project gating, and approvals.
8. As a result of the risk assessment of PSPC's Audit Universe, the Office of the Chief Audit, Evaluation and Risk Executive (OCAERE) determined assurance work related to the Project should be undertaken in 2019-2020 and 2020-2021. Specifically, the OCAERE determined that an audit of the Project's stakeholder engagement activities should be performed throughout the duration of the Project.

9. Originally, the OCAERE audit plan consisted of multiple engagements with regular reporting at key project milestones. The first report was issued in February 2020. During the completion of the first engagement, the OCAERE noted significant overlap between its findings and recommendations and those issued by an independent third party, Gartner, engaged by the Project team to perform periodic assessments at key project milestones.
10. As a result, the OCAERE audit approach has been adjusted to conduct assurance work related to the departmental sign-off process which is a critical stakeholder engagement activity that is key to the success of the Project. The departmental sign-off process is one of a number of measures included in the Project plan that was informed by the Office of Auditor General recommendations, and a series of engagements completed with numerous stakeholders following the initial implementation of the Phoenix system. The development and implementation of the sign-off process is part of PSPC's strong commitment to stakeholder engagement and represents a key element in the Project's go-no-go decision process.

### **Definition of internal audit**

11. An audit provides a reasonable level of assurance by designing procedures so that the risk of an inappropriate conclusion being drawn based on the audit procedures performed is reduced to a low level. This includes inspection, observation, inquiry, confirmation, recalculation, re-performance and analytical procedures.

### **Focus of the audit**

12. The objective of this audit was to assess the adequacy and effectiveness of stakeholder engagement throughout the lifecycle of the Project. The engagement will be completed in multiple phases, with results reported in multiple engagement reports to ensure that audit findings and recommendations are provided to the Project team in a timely manner. This report contains the findings from the first phase of the engagement and assessed the Project team's stakeholder engagement activities as they related to the sign-off process. The second phase of this engagement will look at the Project team's execution of the sign-off process including adequacy of the engagement of stakeholders (for example, providing adequate opportunity for departments to test and completeness of briefing packages) that will be signing off, and the handling of any issues, related to the sign-off process, in accordance with approved escalation procedures.
13. The scope of the audit focused on relevant stakeholder engagement activities undertaken by the Project team from its inception through to completion of the first phase of the engagement. The audit included an assessment of stakeholder engagement activities as they relate to internal and external stakeholders, including departments and agencies that use the Phoenix system, partners who use Phoenix and/or whose systems interface with Phoenix, and internal and external committees that are required for decisions, endorsement, oversight, project gating, and approvals.
14. The audit assessed the degree to which stakeholder engagement activities have been performed to meet the needs of the stakeholders. More specifically, audit activities assessed whether the Project team effectively identified stakeholders to which the sign-off process is applicable, consulted with the relevant stakeholders on the process, incorporated feedback into the process and ensured that escalation procedures have been developed to address a scenario in which one or more stakeholders decide not to sign-off.

15. The audit assessed the activities completed by the Project team between December 2019 and October 23, 2020. Reviews of documentation were completed; including meeting minutes, records of decisions, presentation material, and other items (e.g. activity trackers) developed by the Project team. Interviews with key Project team members were performed between July 2020 and October 2020 and interviews with a sample of four (4) stakeholders were completed in October 2020. Stakeholders selected for interviews were members of the key governance committees that provide oversight of the Project.
16. The scope excluded an assessment of project activities outside of those directly related to the engagement of stakeholders.
17. More information on the audit objective, scope, approach, and criteria can be found in the section “About the Audit” at the end of the report.

### Statement of conformance

18. This audit engagement was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing, as supported by the results of the quality assurance and improvement program.

### Observations

19. Sufficient and appropriate audit procedures have been conducted and evidence gathered to support the accuracy of the findings and conclusions in this report and to provide an audit level of assurance. The findings and conclusions are based on a comparison of the conditions, as they existed at the time, against pre-established audit criteria that were agreed on with management. The findings and conclusion are only applicable to the entity examined and for the scope and time period covered by the audit.

### Stakeholder Identification and Consultation

**Expectations:** Stakeholders to which the sign-off process is relevant have been identified and consulted with by the Project team on the sign-off process. Stakeholders’ feedback has been considered prior to finalizing the process.

**Conclusion:** Through the completion of an assessment, the Project team determined that the sign-off process is relevant to all departmental stakeholders (i.e. all departments and agencies) and that all such stakeholders would be requested to submit their acceptance and sign-off as part of the Project’s go-no-go decision. The Project team has consulted with a wide-variety of stakeholders on the sign-off process and has obtained feedback on changes and improvements that stakeholders would like to see. This feedback has been incorporated into subsequent versions of the process.

*Note – Additional consultations with stakeholders were planned to be completed by the Project team in November 2020. As such, this criteria was not fully addressed by October 23, 2020, the final day of fieldwork for the first phase of the audit. As the audit is being performed in multiple phases to ensure the timely reporting of findings to the Project team and to the Departmental Audit*

*Committee the assessment of activities completed by the Project team after October 23, 2020 will be included in the report for the subsequent phase of the audit, which is expected to be completed in Spring 2021.*

20. Through discussions with key members of the Project team, it was noted that the Project team completed an assessment to identify the stakeholders to which the sign-off process is relevant. They determined that the sign-off process is relevant to all departments and agencies. As such, responsible executives including Chief Financial Officers (CFO) and Heads of HR from each of the departments and agencies that use the Phoenix system, in addition to Chief Information Officers (CIO) from departments that manage Human Resources Management Systems (HRMS), will be provided a briefing package that includes attestations from PSPC’s senior management as to the operational and system readiness, a project summary, and a departmental summary along with a request for sign-off as part of the Project’s overall go/no-go decision.
21. Between December 2019 and October 2020, the Project team completed consultations on the sign-off process with a wide-variety of stakeholders to obtain feedback on the proposed sign-off process including the decision to include all departments and agencies in the sign-off process. Through discussions with various governance committees including the Upgrade Steering Committee (USC)<sup>1</sup>, the Integrated Pay Advisory Board (IPAB)<sup>2</sup>, and several other committees, the Project team briefed stakeholder representatives on the draft process and requested feedback regarding changes to the process. Where feedback was noted to have been provided to the Project team by members of these committees, it was confirmed that changes to the draft process were made, as required. For example, a member of the IPAB provided feedback to the Project team, noting that to support PSPC’s request for departmental sign-offs, responsible executives would benefit from PSPC’s senior management providing assurance of the Phoenix systems’ “collective readiness”; specifically for areas where stakeholders’ ability to perform testing is limited. Based on this feedback, the Project team updated the sign-off process to include the completion of several “attestations” by PSPC ADMs, which will be included within the briefing packages that will be sent to stakeholders when requesting their sign-off prior to system go-live.

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<sup>1</sup> The Pay System (Phoenix) Upgrade Steering Committee (USC) is a DG-level committee with representatives from a variety of stakeholder organizations including departments and agencies that use the Phoenix system and central agencies (e.g. Treasury Board of Canada Secretariat (TBS) and the Office of the Chief Human Resources Officer (OCHRO)). The committee was established as a bi-weekly forum to provide management decisions on various issues (e.g. changes to project scope, schedule, and budget) as required by the Project team.

<sup>2</sup> The Integrated Pay Advisory Board (IPAB) is an ADM/DG-level committee with representatives from key PSPC branches (e.g. Pay Administration Branch (PAB), Receiver General and Pension Branch (RGPB), and Chief Information Officer Branch (CIOB)), a variety of stakeholder organizations including departments and agencies that use the Phoenix system, central agencies (e.g. Treasury Board of Canada Secretariat’s (TBS) Chief Information Office Branch (CIOB) and the Office of the Chief Human Resources Officer (OCHRO)), and enabling organizations (e.g. Shared Services Canada (SSC), IBM, Oracle). The board was established to provide direction and advice in support of the decision-making processes related to Government of Canada HR-to-Pay system.

22. In addition to completing consultations with the USC, IPAB, and other committees, the Project team also provided periodic updates to the Upgrade Acceptance Board (UAB)<sup>3</sup>, which consists of departmental ADMs who are responsible for the success of the Project, on the status of the sign-off process. Following the completion of the consultation process with stakeholders in November 2020, the Project team will present the sign-off process to the UAB for final approval before it is communicated to all relevant stakeholders.
23. As all departmental stakeholders are not represented on the committees from which the Project team sought feedback on the draft sign-off process, three presentations of the sign-off process were made by the Project team directly to the broader CFO, CIO, and Heads of HR communities in September and October 2020 through these communities' monthly forums. Through discussion with the Project team and interviews with a sample of stakeholders, it was noted that feedback from these meetings was positive, did not require any updates to the draft sign-off process, and confirmed that executives responsible for completing sign-offs understand and are comfortable with the process.
24. Interviews with a sample of four stakeholders were performed by the audit team in October 2020 to corroborate the information provided by the Project team regarding the consultation process that was completed with the USC, IPAB, and UAB committees throughout 2020. A sample of stakeholders that participate in these committees was selected to be interviewed. The sample selected included two stakeholders that host an HRMS and two stakeholders whose HRMS is hosted by another department. As a result, the selected stakeholders had varying levels of involvement with the Project including some stakeholders that are highly involved with system integration testing activities and participate in several Project-related committees and working groups and other stakeholders who have minimum involvement with the Project.
25. Through discussions with representatives from each of the four stakeholders, the following general observations were noted regarding the consultation process completed by the Project team through the aforementioned committees:
- The Project team engaged stakeholders in open discussion and provided committee members with a sufficiently detailed overview of the proposed sign-off process. Where feedback on the process was provided by stakeholders to the Project team, stakeholders' concerns were addressed and if changes to the process were necessary, they were implemented in future iterations of the process.
  - Where stakeholders had concerns specific to their organization, the Project team participated in further discussions to address those concerns.
  - For departments that host a HRMS for other departments, the host departments have taken steps to communicate the details of the sign-off process to the departments that use their HRMS. Based on the knowledge of the interviewees from host departments, there are no significant concerns regarding the sign-off process within the hosted departments.

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<sup>3</sup> The PeopleSoft 9.2 Upgrade Acceptance Board (UAB) is an ADM-level committee with representatives from a variety of stakeholder organizations including departments and agencies that use the Phoenix system. The committee was established as a quarterly forum to provide formal acceptance of project deliverables and approval for the Project team to move to subsequent project phases.



- As the sign-off process had not been finalized as at the time of the interviews, stakeholders noted that they would be looking to ensure that the final process and briefing packages will include sufficient reporting on the metrics that departments require to gauge the level of risk that a move to implement the project into production represents. Stakeholders noted that although the process has not been finalized, they are comfortable that the Project team will ensure that concerns of stakeholders are addressed and the briefing packages provided to stakeholders will be comprehensive and evidence-based.

26. In September 2020, the Project team determined that although the consultations on the sign-off process were performed at a wide-variety of committees and that the executives that attended the CFO, CIO, and Heads of HR government-wide meetings had been consulted, that further consultations would be performed with all departmental stakeholders. The additional consultations would ensure that all departmental stakeholders were given an opportunity to review the proposed sign-off process and to submit feedback on it before it was finalized. The Project team decided that a communication would be sent out from the Project Sponsor to the CFO, CIO, and Head of HR for each stakeholder organization with a copy of the proposed sign-off process, an example of a departmental briefing package, and a link to a recorded video walkthrough of the sign-off process, which will be hosted on GCGollab. As audit fieldwork for the first phase was completed as at October 23, 2020, confirmation that the Project team incorporated feedback received from stakeholders after this date will be included in the report for the subsequent phase of the audit, which is expected to be completed in Spring 2021.

**Recommendation:** N/A – No recommendation is required as this time.

**Management Action Plan(s):** N/A – No management action plan is required.

### Development of Escalation Procedures

**Expectations:** The Project team has developed guidance on escalation procedures to be followed if one or more stakeholders decides not to sign-off.

**Conclusion:** The Project team had not completed the development of guidance on escalation procedures to be followed if one or more stakeholders decides not to sign-off. Through discussion with the Project team and review of relevant documentation, it was confirmed that the Project team was in the process of developing this guidance.

*Note – The Project team will develop the guidance on escalation procedures and will finalize these procedures before March 2021. As such, this criteria was not fully addressed by October 23, 2020, the final day of fieldwork for the first phase of the audit. As the audit is being performed in multiple phases to ensure the timely reporting of findings to the Project team and to the Departmental Audit Committee the assessment of activities completed by the Project team after October 23, 2020 will*



*be included in the report for the subsequent phase of the audit, which is expected to be completed in Spring 2021.*

27. To prepare for the possibility that one or more stakeholders decide not to sign-off in Spring 2021, a Minimum Threshold for Departmental Sign-off was developed by the Project team in consultation with the USC. The minimum departmental sign-off threshold includes the following minimum requirements:

- All departments maintaining HR Systems Interfaced to Phoenix (i.e. host departments) will be required to sign-off;
- 70% of the hosted departments will be required to sign-off; and
- 80% of the direct entry departments (enter payroll data directly into Phoenix) will be required to sign-off.

28. In October 2020, the Project team obtained approval of the threshold from the USC and began the development of escalation procedures to accompany the threshold. In the event that the minimum threshold is not met, the escalation procedures will be followed to achieve a resolution and allow the Project to move forward to the implementation phase. As audit fieldwork for the first phase was completed as at October 23, 2020, development of escalation procedures and their incorporation into the sign-off process after this date will be reported in the report for the subsequent phase of the audit, which is expected to be completed in Spring 2021.

**Recommendation:** The Project team should continue to develop escalation procedures to be followed if the Minimum Threshold for Departmental Sign-off is not met. Procedures should be documented and communicated to relevant stakeholders well in advance of the execution of the sign-off process.

Escalation procedures should include items such as:

- defined escalation stages including the procedures to be completed at each stage and responsibility for completing each procedure
- specific contacts, including names and contact information, to which issues are to be escalated at each stage
- conditions to be met and timelines for escalation to each stage
- communication requirements to be followed at each escalation stage (e.g. notification of departmental stakeholders that sign-off threshold was not met)

**Management Action Plan(s):**

Develop an escalation procedure that includes escalation stage, process, action, timing, and point(s) of contact.

Action implementation target date: Approval via project governance (Upgrade Steering Committee) – January 2021

Communicate the escalation process as part of the departmental sign off acknowledgement email to all stakeholder groups.

Action implementation target date: January 2021

Implement as part of the Departmental Sign Off process.

Action implementation target date: April 2021

## About the audit

### Authority

This engagement was included in the Public Services and Procurement Canada (PSPC) 2019-2020 Risk-Based Audit Plan.

### Objective

The objective of the audit engagement was to assess the adequacy and effectiveness of stakeholder engagement throughout the lifecycle of the Project. More specifically, the engagement assessed stakeholder engagement activities as it relates to the sign-off / approval process. The engagement will be completed in multiple phases, with results reported in multiple engagement reports to ensure that audit findings and recommendations are provided to the Project team in a timely manner.

### Scope and approach

#### Scope

The scope of this audit included the stakeholder engagement activities undertaken by the Project team from its inception through to completion of the Project. The audit included an assessment of stakeholder engagement activities as they relate to internal and external stakeholders, including departments and agencies that use the Phoenix system, partners who use Phoenix and/or whose systems interface with Phoenix, and internal and external committees that are required for decisions, endorsement, oversight, project gating, and approvals.

The audit is ongoing and commenced in September 2019. The early phases focused on identifying and examining the foundational elements of the Project's stakeholder engagement activities including:

- Stakeholder Identification Processes: The performance of a stakeholder identification process.
- Stakeholder Management Plan and Strategy: The development and communication of a strategy and plan to engage stakeholders throughout the lifecycle of the Project.
- Stakeholder Governance: The implementation of project mechanisms impacting how stakeholders are engaged, including:
  - defining and communicating roles and responsibilities of the Project team members and stakeholders throughout the Project lifecycle;
  - developing a risk management framework and supporting processes to support the identification, escalation, and resolution of identified risks/issues impacting stakeholders;
  - developing processes for decision-making and acceptance (sign-offs) throughout the Project; and,
  - conducting performance measurement activities and addressing issues where required.

This phase is focused on assessing the degree to which stakeholder engagement activities being performed meet the needs of the stakeholders. More specifically, audit activities will assess:

- Stakeholder Sign-Off / Approval Process: Stakeholders' involvement in the go/no go sign-off process in support of the go-live decision.

The audit did not include an assessment of project activities outside of those directly related to the engagement of stakeholders (e.g. adequacy of technical testing performed by the Project team).

### Approach

The audit was conducted in accordance with the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.

The audit team has analyzed information, documentation and performed interviews and/or workshops with internal and external stakeholders in order to: validate that the process has been communicated and stakeholders understand what they will be agreeing to when signing off on the project, and stakeholders are engaged as agreed upon to support the sign-off. The Sign-Off briefing package will be circulated in Q2 of 2020-21.

In addition, the audit team will continue attending, as an observer, Communication and Engagement Working Group meetings and relevant project committee meetings including the Upgrade Steering Committee, and the Integrated Pay Advisory Board. This is to ensure the full range of stakeholder engagement activities have been considered in the conduct of the audit.

Audit activities have been performed concurrently with the Project's activities. The audit team has communicated audit findings to the Project team on a real-time basis, through regular status reports (bi-weekly or more regularly), to facilitate timely implementation of corrective actions. The audit team has remained independent from the Project team and was not responsible for management decision-making as it relates to the Project's activities and deliverables.

During the examination phases of each assessment area identified above, interviews were conducted with key PSPC departmental personnel from the Pay Solutions Branch and external consultants working with the PSPC Project team (i.e. IBM). Furthermore, interviews and/or workshops were conducted with a sample of external stakeholders to obtain a variety of perspectives on the adequacy and effectiveness of the project's engagement activities. In addition, an in-depth review of relevant documentation was performed. At the conclusion of the examination phase key members of the Project team were requested to provide validation of the findings.

During the reporting phase for this individual assessment area, the audit team documented the audit findings, conclusions, and recommendations in a draft audit report. The draft report includes the results of the assessments performed up to the end of the period for which the report relates. The draft report will be submitted for acceptance to the Assistant Deputy Minister, Pay Solutions Branch in a timely manner following acceptance by the Chief Audit Executive. The draft final report will be tabled at the Departmental Audit Committee meetings.

A management response to the findings contained within this report and a Management Action Plan in response to the audit recommendations was requested from the Project team. The draft final report, management response, and Management Action Plan will be tabled at a subsequent Departmental Audit Committee meeting for final approval.

### **Criteria**

The criteria for this review were chosen based on the audit team’s understanding of the Project risks based on previous audit work performed and through planning discussions with the Project team.

The criteria were as follows:

#### **Stakeholder Sign-Off / Approval Process**

- An assessment has been completed to identify all stakeholders relevant to the sign off process.
- Stakeholders have been consulted on the signoff process and their feedback have been considered prior to finalizing the process.
- The process contains guidance on escalation procedures if one or more stakeholders decides not to sign off.

### **Audit work completed**

Fieldwork for this audit was substantially completed between August 5, 2020 and October 23, 2020.

### **Audit team**

The audit was conducted by members of the Office of the Chief Audit Executive and Deloitte, overseen by the Director of Continuous Auditing and Advisory Services and under the overall direction of the Chief Audit Executive.