



Final Report

2007-711

Audit of the Management of the Government of Canada Centralization of Pension Services Delivery Project

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MAIN POINTS

What was examined

- i. The Centralization of Pension Services Delivery Project's (pension centralization project) goal is to implement a centralized pension delivery model that will replace the current decentralized model and provide members of the Public Service Superannuation Plan, employers and sponsors with higher quality pension services. Its objectives are to improve the efficiency of pension services while ensuring that pension recipients receive accurate information and advice; that policy, acts and regulations are applied in a consistent manner; and that service levels are established, published and utilized to make improvements. Savings, estimated at over \$88 million during the project and \$38 million each year thereafter, are expected to be generated. Centralization is also expected to reduce exposure to recourse and liability claims owing to the improvements in service delivery.
- ii. The project is being implemented by phases in a staged approach, with each successive stage including additional levels of detail. Phase I, the Conceptualization Phase, and Phase II, the Planning and Funding Phase, are now complete. Phases III and IV are currently ongoing. Phase V involves the project Closeout and is scheduled to begin following implementation of the centralized services.
- iii. The audit team examined the practices used to manage the pension centralization project to ensure that the project can meet its stated requirements and produce deliverables on time and within budget. Our examination focused on Phases III and IV, which include the centralization of nine pension services. We also examined the integration of the pension centralization project with that of the Government of Canada Pension Modernization Project (pension modernization project). Documentation relating to Phase II of the project, such as the Business Case and Project Charter, was also reviewed.

Why it is important

- iv. Pension administration in the Government of Canada is facing several challenges in aligning with government-wide priorities to improve accountability and performance. Currently, the Public Service Superannuation Act pension administration is decentralized with multiple parties involved in the delivery of services. Services to active members (employees) are provided primarily through Compensation Advisors working in departments, agencies and Crown corporations. The Accounting, Banking and Compensation (ABC) Branch of Public Works and Government Services Canada (PWGSC) provides services to annuitants (pensioners) and their beneficiaries and provides administrative, advisory and training services to the compensation community.

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- v. The current decentralized approach to pension services delivery has significant shortcomings. The quality of pension services varies, and it is virtually impossible to impose reasonable standards for either accountability or performance. The capacity crisis within the compensation community, with high levels of attrition and widely varying levels of pension-related knowledge and experience, only exacerbates the problem. Moreover, the business processes and systems infrastructure for pension administration are approximately 40 years old and are based largely on outdated technology.
- vi. To address the challenges of this aging technology, the ABC Branch initiated the pension modernization project to renew its pension business processes, systems and working tools. It recognized, however, that to change technology in a decentralized environment would be difficult and costly and would not address the issues of duplication, inefficiencies and quality of service. It was, therefore, decided to develop a new centralized model under which active plan members would interact with a Centre of Expertise within the ABC Branch for pension services.

What was found

- vii. We found that appropriate steps have been taken to effectively integrate the pension centralization and pension modernization projects. We also found that the management framework and management processes for the pension centralization project are generally consistent with the requirements of the Treasury Board policies on project management. The project is proceeding as planned for service implementation and there is good communication with stakeholders. The project has effective leadership, and clearly defined objectives. Deliverables are being actively tracked and monitored. A risk methodology has been established to track risks and issues.
- viii. We noted areas of concern that require management's attention. There are deficiencies with the project work plan in that it does not include level of effort and financial data, does not include all activities, and is not integrated with the project budget. Costs are also not being captured by each service being centralized and more contractors, than planned, are being used. These issues make it difficult to assess if the resource capacity for the project is at risk and whether overall timelines will be met.
- ix. Most of management's attention to date has been focused largely on the project meeting its service implementation timelines. We believe that other components of the project are equally important. The project is experiencing delays in implementing change management that could impact the success of the project.

Recommendations and Management Action Plan

Management Response

ABCB considers the results of this audit accurately and fairly reflect the state of the Centralization of Pension Services Delivery Project as of August 1, 2008. ABCB intend to act on all recommendations of this audit by implementing a Management Action Plan, detailed as follows:

The Assistant Deputy Minister, Accounting, Banking and Compensation Branch should:

1. Implement a more formalized project work plan that includes all project activities, level of effort and costs to allow management to readily assess if the project is meeting its resource and timeline requirements.

Accounting, Banking and Compensation Branch's response. Accounting, Banking and Compensation Branch accepts the recommendation and will be taking the following action(s):

- 1.1 Improve the project work plan to allow management to readily assess if the project is meeting its resource and timeline requirements by:
 - Adding to the project work plan the remaining services to be centralized by March 31, 2009.
 - Plan Enrolment and Orientation
 - Pension Benefit and Survivor Pension Entitlements
 - Employer Support
 - Leave Without Pay (LWOP)
 - Estimating the level of efforts and developing/implementing a costing model for each planned service to complement the project work plan - Completed.
 - 1.2 Dedicate a project resource trained on the advance use of MS Project to maintain, monitor and prepare reports on the status of the implementation of the project work plan by February 27, 2009.
 - 1.3 Present improved status reports to the Director, Pension Services and the A/Director General, Superannuation and Director General Compensation Sector to monitor adherence to project resource and timeline - On going until 2011.
2. Ensure that the change management strategy is effectively implemented so that the organization is properly prepared for the centralization of pension services.

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Accounting, Banking and Compensation Branch's response. Accounting, Banking and Compensation Branch accepts the recommendation and will be taking the following action(s):

2.1 Implement the change management strategy by:

- Obtaining the change management expertise required for an initial analysis (See Workforce and Learning needs below) - Completed.
- For the remaining change management effort required, revising the scope of the original change management statement of work to factor in work done to date and to address remaining change activities required to meet our objectives, such as managing and assessing staff performance in new organization, preparing for the new service delivery model culture, and ensuring adequate training by September 1, 2009.
- Conduct change readiness surveys as one of the first steps required in a change management process - Completed
- When required, conduct additional surveys to assess the state of readiness as additional services are centralized - On going until 2011.

2.2 As part of the Change Strategy, to ensure the organization is properly prepared for the centralization of pension services to conduct an extensive Workforce and Learning Needs Analysis.

The Superannuation, Pension transition and Client Services Sector (SPTCSS) will:

- Collect data on the potential learning needs of each SPTCSS employee through a questionnaire (529 employees) – completed;
- Perform detailed learning needs analysis on responses from a specific employee sub-population (214 most affected employees), consisting of seven positions - completed;
- Prepare findings and recommendations from the analyses of the sub-population responses - completed; and
- Provide an individual competency profile for each employee in the sub-population - completed.

The Compensation Sector will:

- Assess 29 affected employees against the Core Compensation Sector

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competencies - completed;

- Identify current technical competency strengths - completed; and
- Map to new role, and assess against future core competency and technical competency requirements - completed;

- 2.3 As per the individual competency profiles, provide required training to ensure that the specific learning gaps are addressed to prepare employees for the centralization of pension services - On going until 2011.

INTRODUCTION

1. The Accounting, Banking and Compensation (ABC) Branch of PWGSC provides pension administration services to approximately 219,000 retired members and survivors of former plan members and to approximately 277,000 active plan members subject to the *Public Service Superannuation Act*. The current delivery model is decentralized with pension services provided directly to plan members by approximately 1,700 Compensation Advisors in approximately 80 client departments and agencies across Canada.
2. Bill C71 (Pension Reform) and Bill C78 (*Pension Investment Board Act*), enacted in 1999, established a new Public Service Pension Fund as of April 1, 2000. Employee and employer contributions for all pensionable service are credited to this Fund and subsequently invested in the open market by the Pension Investment Board. The new legislation provides an impetus to bring pension accounting practices into line with standard industry practices. The new legislation also allows pension administration expenses associated with introducing changes to accounting practices to be recovered from the Public Service Superannuation Account and the Public Service Pension Fund.
3. As a result of this new legislation, the ABC Branch began, in 1999, to embark on a series of initiatives to ensure compliance with the *Public Service Superannuation Act* and to ensure that the Department is properly positioned to cost effectively manage the future delivery of pension services, in line with industry standards. The business processes and systems infrastructure that the ABC Branch is using for pension administration are approximately 40 years old and, for the most part, are based on outdated technology. The systems are difficult and expensive to maintain and lack the flexibility to provide plan members with services that are in line with industry standards (i.e. self serve, client relations management, etc).
4. To address these issues, the pension modernization project, a multi-year Major Crown Project, was launched. Its objectives are to develop and implement business transformation and information technology solutions for the renewal of pension administration systems and services. The subject of the pension modernization project was audited by PWGSC's internal auditors in four different audits. These audits were conducted between February 2005 and September 2008 and assessed the following:
 - The management framework of the GCPMP that was in place during the period of the Project Definition Phase;
 - The project management framework of the GCPMP at the mid point in its Preliminary Project Approval;

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- The adequacy of the GCPMP quality assurance framework and processes as applied specifically to the acceptance of the project implementation plan and the total project implementation costs to be submitted for the EPA; and
 - The adequacy of the project management framework of the GCPMP at the Effective Project Approval phase of the project.
5. It was determined that it would be difficult for the pension modernization project to be successful in meeting these objectives within a decentralized service delivery model. It would also be extremely complex and costly to deploy across client organizations. Moreover, the decentralized service delivery model would limit the ABC Branch from addressing the significant duplication of effort, inefficiencies and delays as well as the higher-than-necessary administration costs that exist with pension services provided by client organizations. It was, therefore, decided to develop a new centralized model under which active plan members would interact with a Centre of Expertise within the ABC Branch for pension services.
6. It is important that there be a strong symbiotic relationship between the pension centralization and pension modernization projects. It is widely acknowledged that neither project can achieve its objectives without their parallel implementation. The pension modernization project solution is predicated on a centralized service delivery model that will allow the project to introduce consistent and efficient business processes through a single point of contact and accountability for client services. The pension centralization project, on the other hand, requires the pension modernization project to provide the automated business processes and new tools to enable work efficiencies.
7. The pension centralization project is a multi-year project with a budget of \$47.2 million. Centralization, supported by the pension modernization project, is expected to generate savings for the government. During the life span of the project, ABC Branch estimated savings of \$88.1 million. Following completion of the project and beginning in 2011-12, ABC Branch expects the project will generate recurring gross annual savings of \$38.2 million. It is also anticipated that centralization will reduce exposure to recourse and liability claims by improving the consistency, accuracy and timeliness of the provision of information.
8. In December 2001, the conceptual phase of the pension centralization project (Phase I) began when the ABC Branch approached Treasury Board and the Canadian Council of Human Resources Associations and received endorsement to undertake a feasibility study to develop a new way of delivering pension services based on industry standards. A detailed report showed that the 1,700 Compensation Advisors were spending 33% of their time on pension activities. The report also signaled that there was a capacity crisis within the compensation community due to high attrition levels and widely varying levels of pension-related knowledge and experience among Compensation Advisors. In March 2003, Treasury Board and the Canadian Council

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of Human Resources Associations agreed that the ABC Branch should proceed with the progressive implementation of the new pension services delivery model.

9. Between April 2004 and January 2007, Phase II of the pension centralization project embarked upon the planning and funding stages. A new centralized model was developed under which active plan members would interact with pension service specialists from a Centre of Expertise within the Superannuation, Pension Transition and Client Services Sector (SPTCSS) of the ABC Branch, located at Shediac, New Brunswick. This would be done through a variety of channels (voice, web, e-mail, facsimile) for pension-related services and advice. A total of 12 pension services were identified for centralization under the new model and three of these pension services were developed, tested and centralized during the above period: Division of Pension Benefits (as of September 2004); Pension Transfers (as of May 2005); and the Public Service Pension Plan Retirement Planning Information Sessions (as of April 2006).
10. During Phase II, a Strategy, Strategic Implementation Plan, Business Case and Project Charter were developed to seek Treasury Board approval to proceed with the full centralization of the remaining nine pension services. The Department received approval from Treasury Board for both projects on June 13, 2007.
11. Phase III of the pension centralization project, which is scheduled to run from August 1, 2007 to June 1, 2009, includes the centralization of those pension services that can take place before the implementation of the new pension administration systems (i.e. pension modernization project). Referred to as Group I, these pension services consist of the following:
 - Pre-employment Information;
 - Spousal/Dependent Benefits Information; and
 - Service Purchase.
12. Phase IV is scheduled to include the centralization of those pension services that will benefit from the technology of the new pension administration systems (i.e. pension modernization project). Phase IV is planned for the period of June 1, 2008 to December 2010. Group II consists of the following six services:
 - Plan Enrolment;
 - Orientation;
 - Employer Support;
 - Pension Benefit Entitlements;
 - Survivor Pension Entitlements; and
 - Leave Without Pay.

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13. Phase V of the project involves the Project Closeout and is scheduled to commence in January 2011. The project is scheduled to terminate in March 2011 when all documentation will be completed and archived, and the project team disbanded.

FOCUS OF THE AUDIT

14. The objective of this audit was to determine whether an effective management framework for the Pension centralization project is in place to satisfy all stated project requirements and produce deliverables on time and within budget.
15. [*], following completion of the initial two phases. The focus of audit was on the planning and execution for Phases III and IV, up to and including the end of July 2008. The audit also examined the integration of the pension centralization project with that of the pension modernization project. Documentation relating to Phase II of the project, such as the Strategic Implementation Plan, Business Case and Project Charter, was also examined.
16. More information on the audit objective, scope, approach and criteria can be found in the section "About the Audit".

OBSERVATIONS

Steps have been taken to integrate and align the pension centralization project with the modernization project.

17. For projects to contribute to the achievement of the Department's objectives, they must be aligned with its business directions and priorities. In the audit of the management of the modernization project (2007-714), it was concluded that the modernization project "has adequate mechanisms in place to ensure it aligns with TBS and departmental business directions, priorities and requirements".
18. Centralization, which supports the pension modernization project, is a vital component of the transformation of pension administration. The modernization project is designed to provide the automated processes and tools to enable work efficiencies. Neither project can achieve its objectives without the successful implementation of the other. A symbiosis between the two projects is necessary for them to meet their objectives.
19. Integrating and strategically aligning both the centralization and modernization projects increases the effectiveness of the two projects and brings considerable efficiencies.
20. The centralized service delivery model enables the pension modernization project to restrict the deployment of the new system solution to one organization, thereby

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avoiding additional costs and maximizing business transformation opportunities. In turn, the centralized service delivery model benefits from the implementation of a “commercial off-the-shelf” solution that will allow technological advances such as immediate processing of transactions and management of workflow. The modernized systems will increase service delivery efficiencies. It is important, therefore, that both projects work closely together to align their implementation schedules, human resources strategies and communications plans to maximize results and minimize impacts on ongoing operations.

21. We would expect to find interdependent issues that have an impact on both projects to be dealt with effectively through sharing of information and good communications.
22. We found that the projects are integrated both at the committee and operating levels, which allows for discussion and resolution of progress and issues so that both projects move forward coherently.
23. An Integration Committee has been formed with a mandate to ensure that both projects are aligned to a shared vision, that work progresses in the same direction, that schedules are aligned, that issues and risks are identified, that project information is shared, that regular project status updates are provided, and that the goals and objectives of both projects are understood. The Committee is comprised of a Steering and a Working Group with the Steering Group co-chaired by the DG, SPTCSS and the Director, Pension Services Directorate. Both projects are well represented in these groups. The Steering Group and the Working Group have met three and eight times respectively dating back to June 2007. There is also a Forms Committee and a Human Resources Working Group that includes members from both projects and that meet monthly.
24. At the operating level, the centralization Project Director meets regularly with the Manager of the modernization project and with the Change Manager and Release Manager on a bi-weekly basis. A Strategic and Integration Advisor has been appointed to coordinate both project activities, attend workshops and provide advice. There is also an Integration and Performance Lead who fulfils a similar role on the Shediak Team. The Chief, Change Management and Communications of the pension centralization project in Shediak works closely with his counterpart on the modernization project. There is also a sharing of each project’s change management plans and strategies. Monthly Status Reports for each project are also shared.
25. Overall, we found that there is good synergy and cooperation between both projects and that the projects leverage off each other, whenever possible.

The management framework is generally effective and consistent with the requirements of Treasury Board but the project work plan needs improvement.

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26. The Treasury Board policies on project management provide central guidance for all departments to effectively control and manage projects that are funded by the federal government. For any large project, it is important to have an effective management framework for adequate definition and responsible implementation of the project.
27. We expected to find that the pension centralization project established an effective management framework and that its project management practices are consistent with the Treasury Board policies on project management. More specifically, we expected to find appropriate systems, processes and controls for managing the project. This would include clear accountabilities, appropriate delegation of authorities and allocation of resources, well-defined project scope, sound risk management and a well-documented project work plan all of which would be developed and applied using sound project management principles.

Project Accountabilities

28. Accountability identifies the resource (s) ultimately responsible for the project. Roles and responsibilities are assigned to identify individuals that require them to successfully complete assigned tasks. Clearly articulated accountabilities, roles and responsibilities help ensure a project will achieve its objectives.
29. The pension centralization project does have a clear accountability structure that is well documented in the Business Case, Project Charter and the Treasury Board Submission.
30. The project sponsor, the Assistant Deputy Minister of the ABC Branch, is ultimately accountable for meeting the project's stated objectives. Project governance is provided through a Steering Committee, which is comprised of the Directors General of the Compensation Sector and SPTCSS in Shediac and the Director of the Pension Services Directorate. This Committee provides strategic and operational guidance to the project. The Director General of the SPTCSS and the Director of the Pension Services Directorate are designated as the project authorities, accountable for ensuring that the project is delivered successfully and aligned with the transformation of pension administration and departmental direction. As well, they are accountable for allocating funding, for ensuring coherence with other pension initiatives, for resolving and obtaining decisions on issues and for ensuring that service to clients is not disrupted. There is also a Pension Projects Integration Committee co-chaired by these two individuals. The project has two project teams, one in Ottawa and one in Shediac. The Project Director leads the project under the general guidance of the Director of the Pension Services Directorate.
31. Roles and responsibilities of each team are clearly defined in Annex E of the Project Charter which was approved by the project Steering Committee. Key personnel who were interviewed demonstrated an understanding of their tasks and responsibilities which were consistent with those identified in the Project Charter.

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32. We concluded that the accountability for the project is clear and consistent with the Treasury Board policies on project management. We believe that the project authorities are at the appropriate level to provide the supervision required to ensure the project teams produce the deliverables as planned on time and within budget.

Authorities and Resources

33. From project inception, Departments must delegate authorities and allocate adequate resources appropriate to the scope, complexity and risk of the project, enabling the project lead to represent the Department on all matters pertaining to the project; fully define objectives for each phase of the project; and, be accountable for achieving the approved objectives.
34. We found that authorities for the centralization project to be adequately delegated. The Project Director reports to the Director of Pension Services Directorate, one of the designated project authorities. The Project Director is responsible for achieving project results in terms of quality, cost and timing, and ensuring that stakeholders are engaged. The Project Charter indicates that the Project Director has full financial signing authority for the project.
35. We reviewed the Business Case that describes the methodology and assumptions made to estimate the resource requirements and costs. Approved project funding for the Implementation Phases (III and IV) and the Close-out Phase (V) total \$47.2 million. We found that this estimate was based on sound and rigorous analysis.
36. The heavy use of contractors is currently placing some stress on the project budget. Initially, the strategy was to use only employees, except for a few specialized positions in Ottawa where contractors were to be hired. This has not been possible due to the competing demands for centralization team members because of the large number of pension-related initiatives under way in the ABC Branch (i.e. the modernization project; the pension data correction project; the pension imaging initiative; as well as pension communications and web development). The project is now working on re-allocating funds from 2007-08 to 2008-09 as monies were not spent as planned.
37. Currently, contractors occupy five of the ten positions in Ottawa. Shediak, which has a team of 20 one-time FTEs and 35 ongoing FTEs, has not used any contractors. Both the Ottawa and Shediak teams claim that they are short one and two individuals respectively. They indicated that qualified individuals are difficult to find. This could have an impact on the project's ability to complete its activities within the required timeframe or the quality of the end product.
38. In terms of human resources, we observed that the two project teams work in close partnership with each other. All outputs involve the input and agreement of both

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teams. Responsibilities and accountabilities for the two teams are set out clearly in a matrix in the Project Charter. Interviews with both teams indicated there is synergy and ongoing communications with team meetings held bi-weekly.

Project Scope

- 39. Project leaders are accountable for the full definition of the scope of a project, including the wider interests of the government. The definition of scope is to be accomplished with early consultation with other departments or central agencies affected by the project. Stakeholder involvement is an integral component of defining the project scope. In addition to other elements, the project scope must also describe the project's vision, objectives and expected results.
- 40. We observed that the project's vision, objectives and expected results are clearly defined in the Project Business Case, Project Charter and the Treasury Board Submission requesting project approval. These are consistent with PWGSC's stated compensation mandate. Other critical aspects such as project deliverables, project work plan, communications work plan, critical milestones and timeframes, as well as the identification of stakeholders, are contained in these documents.
- 41. Stakeholders were formally involved in project activities from an early stage, such as project requirements definition, design and implementation. Consultations with shareholders have taken place both internally and externally to ensure that the scope of the project was clearly defined and decisions fully supported and justified.

Risk Management

- 42. Risk is defined as the uncertainty that surrounds future events and outcomes. It is an expression of the likelihood and impact of an event with the potential to influence the achievement of an organization's objectives. Risk management is a process to identify, assess, manage, and communicate risk. It is an important management tool to identify areas that could negatively impact the ability of a project to deliver on time, within budget and to meet requirements.
- 43. We found that a formal risk assessment for the project was conducted as part of the Business Case. The overall risk was considered to be medium, with the majority of the identified risks rated as medium or low. For those risks identified as high, mitigation strategies were developed. The project has also established a risk methodology to track risks and issues and to develop mitigation strategies throughout the course of the project. Each time a risk or issue is identified, a Risk Template is completed. Each new risk or issue is analyzed and rated by the team. All risks and issues are reviewed monthly to identify changes in status. Currently, there are 16 risks being monitored.

Project Management Principles and Practices

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44. Departments are expected to establish and follow sound project management principles and practices when identifying, planning, approving/budgeting, defining and implementing projects. Standard project management principles that include, inter alia, an appropriate organizational structure; planning and analytical tools for work breakdown, responsibility assignment, and schedule preparation; a communications plan; and, a performance evaluation of the project all contribute to ensuring that the integrity of the accountability framework of a project is preserved.
45. We observed that the project is generally following the project management principles and practices of the Project Management Council referred to in the Treasury Board policies on project management except in the case of the project work plan where we have identified certain weaknesses.
46. The project scope is outlined in a Work Breakdown Structure format to facilitate the management of the project. The project is focused on the delivery of pension services through seven areas (components) of scope: project management; communications; service implementation; change management; organization and human resources alignment; performance management; and integration management. The associated tasks and activities for all project components are identified and managed through the use of this Structure. Based on this Structure, a project work plan is developed using MS Project software.
47. The project has a formal process to implement each of the centralized services that includes planning, design, implementation and stabilization. At the planning phase for each service, project team members assemble to identify all required steps, map processes and prepare a strategic implementation plan. An executive summary of this plan is distributed to the project authorities for comment and approval. Following approval of this summary, a re-engineered version of the plan is developed that serves as the guide for implementing each service.
48. On an on-going basis, project deliverables are monitored and tracked against the project work plan by a delegated project coordinator. Weekly meetings are held between the Project Director and the Director of Pension Services Directorate. There are also monthly meetings between the Director of Pension Services Directorate and the Project Financial Advisor, where the financial status of the project is reviewed. Project Status Reports are prepared monthly for senior ABC Branch management and these are complemented with periodic meetings and presentations. The Integration Committee is also involved in monitoring progress and managing issues related to concurrent pension initiatives.
49. The Project Charter contains a communications strategy to identify key stakeholders (internal and external). This provides the framework for the communications component within each of the service strategic implementation plans. The communications strategy includes numerous working groups involving various

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PWGSC pension projects and Compensation Advisors from the compensation community. An Internet site also provides stakeholders with updates on the project.

50. A financial control framework has been developed to guide the project in financial management, control and reporting. Full-time Financial Officers have been assigned to the project, both in Ottawa and in Shediak. The project's spending and payment processes identify applicable Financial Administration requirements.
51. The project team has implemented a robust information management process. An electronic filing system has been established that is accessible to the Shediak and Ottawa teams. This system includes a file for each of the deliverables identified in the Work Breakdown Structure. A paper filing system has also been established in Ottawa that mirrors the electronic system. Document/version control procedures have been implemented and there is restricted access to certain documents. Document Management Protocols have been developed as well as procedures to save documents in the electronic filing system.

Project Work Plan

52. A project work plan basically outlines the project activities. A well-documented plan with integrated human resources and financial information can serve as an effective guide for project execution, control and reporting to ensure the project meets its required objectives on time and within budget.
53. We expected to find a project work plan that factors the level of effort estimates and that is fully integrated with the project budget to allow comparisons between the work completed and the resources expended. We would also expect the project work plan to identify timelines for all activities to facilitate monitoring and ensure deadlines are met.
54. As noted above, we found that the project work plan has weaknesses that limit its effectiveness as a tool in controlling project costs and ensuring project timelines are met. We also observed that the manner in which the Work Breakdown Structure has been established has resulted in some duplication. For example, activities associated with the communications component are similar to those found under service implementation. This has led to some confusion for the Service Leads.
55. We also found that the project's focus is largely centred on meeting the scheduling timelines for service implementation. Less emphasis is placed on the other six components of the Work Breakdown Structure as identified above. The project work plan is followed closely by team members in order to track service implementation progress but less so for other components of the Work Breakdown Structure. This is also evident in the Project Monthly Status Reports, which uses a "dashboard" page to highlight key information, and which focuses primarily on service implementation.

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56. The work plan is currently a listing of task activities designed to allow the project team to track workload and assign work to team members. The plan shows the duration of time over which an activity is to be completed and the responsible individual. It does not, however, identify the “work effort” required and has not included all of the project activities. For example, the last four services to be centralized – pension benefits entitlement, survivor pension benefit entitlement, employer support and leave without pay – have yet to be formally included in the plan. Therefore, without including all project activities and work effort, the plan cannot be used to substantiate overall project resource requirements (human and financial) or to indicate that the resource utilization rate is on target. Also, there is a potential risk that timelines may not be met.
57. The project is managing its financial resources based on its annual budget approved by the Treasury Board. This financial information is not incorporated into the work plan. Consequently, the burn rate, which shows percentage of work completed versus resources expended, is difficult to determine. The project budget and the work plan are not integrated for this type of control or reporting. This makes it difficult to know if the resource capacity for the project is at risk. Moreover, the project is currently not identifying costs associated with centralizing each service, an important element required to control overall project costs.
58. Steps are currently under way to amend the project work plan by reviewing the tasks and activities in order to eliminate duplication. The Project Team expects to show the amount of effort associated with each of the activities. The Project Financial Advisor is developing a methodology to capture costs by individual service, applying an “overhead” rate involving other components of the Work Breakdown Structure (e.g. Change Management, Communications, etc). The Project Director has advised that the intent is to identify the effort and costs for the totality of the project in order to calculate and report on the project’s burn rate.

Delays in developing a change management strategy could impact the overall success of the project.

59. Change management is a structured approach to transitioning from a current state to a desired future state. A timely and coordinated focus on scheduling the implementation of change management is critical to ensure the preparation for the business transformation that the centralization of pension services will bring.
60. We would expect to find change management and transition activities taking place over the full course of the project at scheduled intervals to allow the organization to be properly prepared for the changes that centralization of pension services (and the other pension initiatives) will bring.
61. The transformation of the administration of pension services represents a major change and a significant culture shift for SPTCSS in Shediac, the compensation

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community, PWGSC Regional Pay Offices, the Compensation Sector and *Public Service Superannuation Act* plan members, active and retired and/or their survivors.

62. The role of most SPTCSS employees is expected to change dramatically during the implementation of both the pension centralization project and the pension modernization project. Their environment will change from an operational/transactional to a contact centred environment where advice and information is provided to plan members.
63. Change management is a key component of the pension centralization project, and it is important to have a strategy and plan in place to facilitate the implementation of centralized services. The approach to develop a change management strategy and plan was to outsource this activity. The original targeted date to have consultants start was February 15, 2008. On May 1, 2008, two services were centralized – Pre-employment Information and Spousal/Dependent Information – without the attendant change management processes being actioned.
64. We noted that these delays in outsourcing have received little attention in the Monthly Project Status Reports that goes to ABC Branch senior management. The issue was brought to management attention in March 2008 through the Monthly Project Status reporting but was not raised in subsequent reports.
65. Little progress has been made to date to implement the change management contract. Considerable work, estimated to involve some 320-person days, remains to be completed.
66. It is important that the change management issue be addressed as soon as possible. According to project management, delays with the contracting process will place unnecessary stress on the operating staff in Shediak and could result in morale issues. It could also affect the overall project schedule and cost, and place the credibility of the Department at risk if is not ready to deliver a quality centralized service to stakeholders within the promised timeframe.

CONCLUSION

67. Steps have been taken to integrate the pension centralization and pension modernization projects to ensure that both are aligned and to maximize results. The pension centralization project has a management framework and systems, processes and controls that are generally consistent with the Treasury Board policies on project management. To date, management has been able to meet its scheduled service implementation timelines and operate within its financial budget.
68. The pension centralization project has displayed effective leadership, the roles and responsibilities are clearly defined and the two teams that make up the project work well together. The project follows general project management principles and has

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mechanisms to monitor project deliverables and a risk methodology to track risks and issues. Stakeholders are also integrally involved through good communication.

69. We found that there are weaknesses with the project work plan. The level of effort has not been factored into the plan, all activities have not been incorporated, and the plan is not fully integrated with the project budget. Costs are also not being captured by service implementation and more contractors than planned are being used. Delays in developing a change management strategy could also impact the success of the project. These issues raise concerns about the project's ability to operate within its resource capacity and meet its overall timelines.

MANAGEMENT RESPONSE

ABCB considers the results of this audit accurately and fairly reflect the state of the Centralization of Pension Services Delivery Project as of August 1, 2008. ABCB intend to act on all recommendations of this audit by implementing a Management Action Plan, detailed as follows:

RECOMMENDATIONS AND MANAGEMENT ACTION PLAN

The Assistant Deputy Minister, Accounting, Banking and Compensation Branch should:

1. Implement a more formalized project work plan that includes all project activities, level of effort and costs to allow management to readily assess if the project is meeting its resource and timeline requirements.

Accounting, Banking and Compensation Branch's response. Accounting, Banking and Compensation Branch accepts the recommendation and will be taking the following action(s):

- 1.1 Improve the project work plan to allow management to readily assess if the project is meeting its resource and timeline requirements by:
 - Adding to the project work plan the remaining services to be centralized by March 31, 2009.
 - Plan Enrolment and Orientation
 - Pension Benefit and Survivor Pension Entitlements
 - Employer Support
 - Leave Without Pay (LWOP)
 - Estimating the level of efforts and developing/implementing a costing model for each planned service to complement the project work plan - Completed.

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- 1.2 Dedicate a project resource trained on the advance use of MS Project to maintain, monitor and prepare reports on the status of the implementation of the project work plan by February 27, 2009.
 - 1.3 Present improved status reports to the Director, Pension Services and the A/Director General, Superannuation and Director General Compensation Sector to monitor adherence to project resource and timeline - On going until 2011.
2. Ensure that the change management strategy is effectively implemented so that the organization is properly prepared for the centralization of pension services.

Accounting, Banking and Compensation Branch's response. Accounting, Banking and Compensation Branch accepts the recommendation and will be taking the following action(s):

- 2.1 Implement the change management strategy by:
 - Obtaining the change management expertise required for an initial analysis (See Workforce and Learning needs below) - Completed.
 - For the remaining change management effort required, revising the scope of the original change management statement of work to factor in work done to date and to address remaining change activities required to meet our objectives, such as managing and assessing staff performance in new organization, preparing for the new service delivery model culture, and ensuring adequate training by September 1, 2009.
 - Conduct change readiness surveys as one of the first steps required in a change management process - Completed
 - When required, conduct additional surveys to assess the state of readiness as additional services are centralized - On going until 2011.
- 2.2 As part of the Change Strategy, to ensure the organization is properly prepared for the centralization of pension services to conduct an extensive Workforce and Learning Needs Analysis.

The Superannuation, Pension transition and Client Services Sector (SPTCSS) will:

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- Collect data on the potential learning needs of each SPTCSS employee through a questionnaire (529 employees) – completed;
- Perform detailed learning needs analysis on responses from a specific employee sub-population (214 most affected employees), consisting of seven positions - completed;
- Prepare findings and recommendations from the analyses of the sub-population responses - completed; and
- Provide an individual competency profile for each employee in the sub-population - completed.

The Compensation Sector will:

- Assess 29 affected employees against the Core Compensation Sector competencies - completed;
- Identify current technical competency strengths - completed; and
- Map to new role, and assess against future core competency and technical competency requirements - completed;

- 2.3 As per the individual competency profiles, provide required training to ensure that the specific learning gaps are addressed to prepare employees for the centralization of pension services - On going until 2011.

ABOUT THE AUDIT

Authority

This audit project was approved by the Audit and Evaluation Committee as part of the 2008-2011 Risk-Based Multi-Year Audit and Evaluation Plan.

Objective

The objective of this audit was to determine whether an effective management framework for the Pension centralization project is in place to satisfy all stated project requirements and produce deliverables on time and within budget.

Scope and Approach

This audit was conducted from May to September 2008.

The audit examined the Pension centralization project management systems, processes and controls to ensure that the requirements of Treasury Board policies on Project Management had been considered.

The audit focused on the planning and execution for Phases III and IV of the project, up to and including the end of July 2008. The audit also examined the integration of the Pension centralization project with that of the Pension modernization project.

The scope of audit did not include a review of the transition that is taking place at the Centre of Expertise in Shediac as a result of the project (i.e. staffing actions, accommodation, etc.) or any assessment of the impact that the project may have on the Shediac operations or on Compensation Advisors in departments, agencies and Crown corporations.

The audit was conducted in accordance with the Treasury Board Policy on Internal Audit and the Institute of Internal Auditor's International Standards for the Professional Practice of Internal Auditing.

Interviews were conducted with key personnel in the ABC Branch, PWGSC, including SPTCSS located in Shediac, New Brunswick. Relevant processes and documentation were also reviewed. Based on analysis of the information and evidence collected, the audit team prepared findings and conclusions, which were validated with project management.

Criteria

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The following audit criteria were reviewed and accepted by the ABC Branch:

Project alignment and integration with the modernization project

1. The Pension centralization project is effectively integrated with the Pension modernization project through cooperation and sharing of information, good communication and a sound Integration Committee that has been established to assure operational needs are met, decisions are made and issues resolved.

Project Management Framework

2. PWGSC has established a management framework for the pension centralization project that includes clearly defined roles and responsibilities, appropriate leadership and senior management oversight for responsible implementation of the project.

3. From the Pension centralization project's inception, PWGSC has delegated authorities and allocated resources appropriate to the scope, complexity and risk of the project.

4. The project leader is accountable for the full definition of scope for the Pension centralization project, including the wider interests of the Government of Canada. This definition of scope is to be accomplished with early consultation with other departments or central agencies and stakeholders affected by the project.

5. The project leader is accountable for establishing an adequate management framework for the pension centralization project that addresses the size, scope, complexity, risk, visibility and administrative needs of the project.

6. The project leader is following appropriate project management principles and practices as identified in the guidelines produced by the Project Management Council and the *Project Management Institute*, including the preparation of a risk assessment, supporting documentation and progress status reports to senior departmental management.

7. PWGSC has established and approved sound internal policies, guidelines and practices to be followed by the project leader, project managers and other staff responsible for planning, approving/budgeting, defining, and implementing the Pension centralization project.

Audit Work Completed

The audit fieldwork was substantially completed on August 1, 2008.

Audit Team

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The audit was conducted by members of the Office of Audit and Evaluation Branch and an audit consultant overseen by the Director, Internal Audit and under the overall direction of the Chief Audit Executive, Office of Audit and Evaluation.

The engagement was reviewed by the Quality Assurance function of the Office of Audit and Evaluation.