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Government of Canada Transformation of Pay Administration Initiative

Presentation to Financial Management Institute (FMI)

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Public Works and
Government Services
Canada

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Agenda

- Provide an overview of the TPA Initiative
- Present status update on system changes and service delivery
- Outline funding and financial controls
- Outline internal and external stakeholders
- Present key challenges
- Share lessons learned



Government of Canada



Government of Canada : *One of the largest payroll administrators in the country*

Provides pay services for 300,000 + employees



Services over 100 departments and agencies



Encompasses more than 100 collective agreements



Carries out 9 million annual transactions (\$20+ Billion)



Federal Pay System

Case for change:

- Federal pay system is **labour intensive**. At end of **40+** year-old lifecycle
- **Technology outdated** and system increasingly difficult to maintain
- Processes **fragmented, decentralized and cumbersome**
- **Compensation expertise being lost** due to high attrition rates
- Employees/managers **demanding more flexible services**
- **Benchmarking** against other public/private sector organizations



Transformation of Pay Administration (TPA) Initiative

Prime Minister announced in August 2010 that the Government of Canada will transform its pay administration

Pay Modernization Project

Replace more than 40-year old pay system with an available commercial off-the-shelf solution and business processes based on industry-standard practices



Consolidation of Pay Services Project

Consolidating pay services from departments and agencies to the Public Service Pay Centre in Miramichi, New Brunswick



Overall Strategic Outcome

Ensure the long-term sustainability of GC pay administration and services. When fully implemented, TPA Initiative will generate savings of up to **\$78.1M** per year.



Aligned with Budget Direction

TPA Initiative aligned with direction from recent successive budgets

Budgets 2012 and 2013

“Federal organizations were asked to look at the efficiency and effectiveness of their programs and operations to ensure value for taxpayers’ money, as well as to rethink business processes and service delivery platforms.”

Economic Action Plan 2013

“... Ensure that the public service is modern, affordable and high-performing.”



Contributes to responsible expenditure management by:

- Implementing a government-wide solution and consolidating services to standardize the way it does business

Contributes to streamlining administrative functions by:

- Implementing processes and a system that reduces costs in areas of service delivery and administrative systems



TPA Initiative: Status

Pay Modernization

- **Design:** End of Design completed in June 2014
- **Build:** Started as planned in Jul 2013
- **Test:** System testing began in Jun 2014
- **Transition:** Transition activities began Jul 2014
- **Go-Live:** 3 roll outs of new pay system in Jul, Oct, Dec 2015
- **Close-out:** Feb 2016

Pay Consolidation

- **Wave 2:** First 2 stages completed. Stage 3 on schedule, Stage 4 planning underway
- **Wave 3:** Preparations underway for Stage 1
- **College:** Negotiations underway
- **Ph-2 Study:** Study and options analysis underway
- **Close-out:** Dec 2015



Funding for TPA

Total Cost of TPA Initiative: \$ 309.5 million

Pay Modernization

\$ 186.6 million

Consolidation of Pay Services

\$ 122.9 million

Source of funding:

- 100% from fiscal framework
- Vote 5 capital based on a new asset for the Government of Canada

- Mix of Vote transfers from participating departments and fiscal framework
- Majority of funds are Vote 1 Operating Expenditures

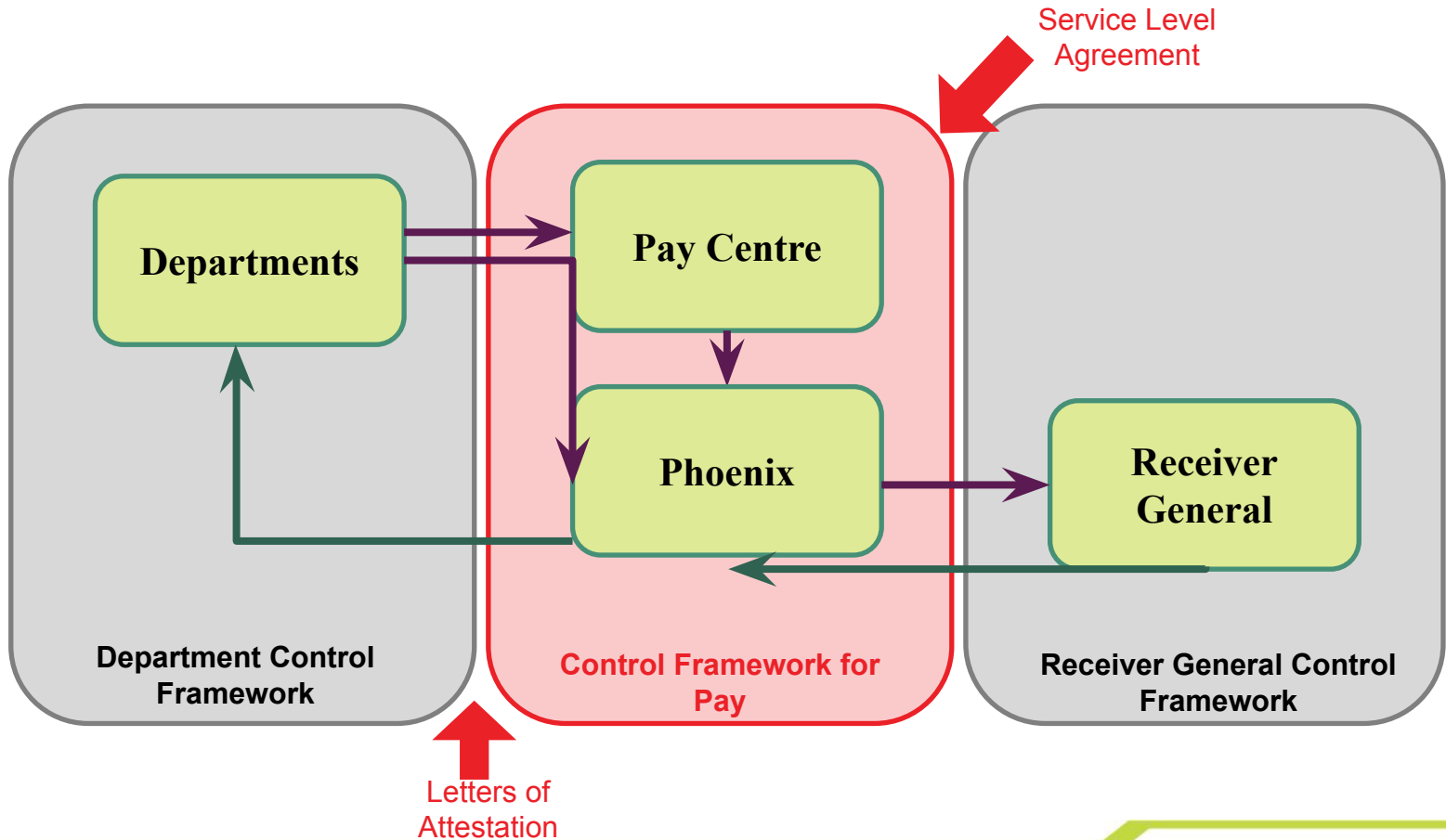


Saving from Efficiencies

Summary of Savings (annual, starting 2016-17)	Per Year
Savings from standardization and economies of scale –Consolidation of Pay Services Project	\$10.8M
Savings due to seamless integration between GC HRMS (PeopleSoft) and Phoenix – Pay Modernization Project	\$35.3M
Savings due to employee/manager self-service capabilities – Pay Modernization Project	\$17.6M
Savings from process changes and automated payroll calculations – Consolidation of Pay Services Project/ Pay Modernization Project	\$14.4M
Total Annual Savings from efficiencies for Treasury Board Secretariat to harvest, starting in 2016-17	\$78.1M



Financial Controls



Stakeholders

Internal Stakeholders

- 100 + departments and agencies (Executive, Technical, Operational)
- Key client groups: employees, managers, compensation community, HR, Finance, IT
- Key organizations: TBS, OCG, SSC, PWGSC
- Key champions: Deputies, Heads of HR

External Stakeholders

- Financial Institutions, Insurance Administrators
- Unions
- Suppliers
- Academic Institutions
- External Advisory Committee (EAC)
- Media and Parliamentarians
- Canadian Public



Challenges

Challenges inherent in a transformative undertaking of this scale include:

- **Multi-year initiative:** Maintaining momentum over long haul, from 2009 to 2015. Outcomes slowly realized rather than 'big bang'
- **Containing costs for implementation:** working with vendor to plan cost estimates during planning / managing cost variances during implementation
- **Complexity of business** in federal context underestimated by vendors
- **Overcoming systemic challenges** in government context
- **Horizontal government-wide initiative** impacting all departments requires more change management/BT support than originally planned
- **Requirement to recruit** skills and competencies to manage large transformational initiatives within public service
- **Consolidating national services** in regional setting (N.B.)

- Lesson #1

- Business Case Lessons Learned**

- Involvement of Finance Branch early in process and at key milestones
- Alignment with government and departmental priorities articulated throughout project lifecycles

- Lesson #2

- Contract Management**

- Leverage procurement expertise in leading private sector negotiations
- Committed Crown-vendor resources
- Clearly defined business requirements
- Formal quality assurance and controls
- Fixed price approach with incentives for early delivery

- Lesson #3

- Budget Management**

- Management of all contingency funds by Crown.

- Safeguard to final years of project



Lessons Learned (cont'd)

•Lesson #4

•Risk Management

- Continuous risk management to implement within scope, time & budget
- Categorization of risks
- Analysis at granular level

•Lesson #5

•Clear Accountabilities

- Clear accountabilities and responsibilities between Crown and vendor
- Clear accountabilities and responsibilities in departments (Deputy Heads and Heads of HR)

•Lesson #6

•Monitoring and Reporting

- Hands-on oversight
- Outcome performance framework
- Earned Value
- Internal audits and external independent reviews



Lessons Learned (cont'd)

•Lesson #7

•Stakeholder Engagement

- Active stakeholder engagement strategy and targeted communications
- Involve functional and end users as early as possible

•Lesson #8

•Phased Approach

- System roll out and account transfers in well-scoped phases

•Lesson #9

•Co-Location

- Both project teams and System Integrator co-located to ensure rapid information exchange

•Sustainability

- Senior management priority
- Timely decision-making
- Team work with clear accountability

•Believe!



Questions and Discussion



Extra Slides



Pay Centre Control Framework

- **Mitigate pay administration risks**
 - Compliant with GC requirements & **aligned with recognized industry standards (COSO)**
 - Controls **embedded in business process workflows** & operational procedures focused
 - financial, process and service controls
 - **Delineation of responsibility & accountability** for controls between departments & PWGSC
- **Quality Assurance** program to monitor & report compliance
 - Continuous internal & scheduled **third party reviews**
 - **Enterprise approach** to maximize results
 - **Annual letters of representation** to provide assurance of control effectiveness
 - **Professional Development Program** prepares employees to operate in an environment where controls are part of the culture

** Designed to ensure accuracy, completeness, integrity & timeliness of pay services*



•People

Departments Need to Get Prepared!

doing business, their roles and responsibilities and the self service features in the new pay system

•Processes

- Changes to business processes; alignment with TBS Common Human Resources Business Processes

•Technology

- Ensuring connectivity between the departmental HR system and *Phoenix*

•Data

- Phoenix will start with data from the existing pay system. Data in the departmental HR system is aligned with information in the existing pay system

