Report to the Policy and Finance Committee
from Nigel Hutt, Manager FIS & Special Projects

## Financial Information Systems (FIS) Update

### 1.  Purpose

To provide the Committee with an update on the status of the FIS Project and an analysis of project expenditure to date.

### 2.  Background

In November 1997 a review of the Council's current Financial Information Systems (FIS) was undertaken.  The Council's previous systems were established in 1989 following the Local Government reforms of that time.

An outcome of the 1997 review was the development of the FIS strategy that highlighted shortcomings in the Council's systems – the major issues being:

- A lack of integration in the systems, inhibiting the gathering and reporting of corporate information.
- Technology associated with the disparate systems being incompatible.
- Weakness in functionality, particularly in project accounting and recording of financial commitments.
- Evidence of multiple "off line" systems as a consequence of the weaknesses of the existing systems.

The FIS strategy recommended that the Financial Information Systems be enhanced, with replacement of the existing systems being the preferred option.

The strategy recommended that the Council move to a single "corporate" system which encompassed the key applications of core financials, budgeting and human resource/payroll. A report was put to Council (refer PE98.364) seeking ratification of the proposal and approval of the expenditure.

Following approval of the expenditure, the Finance Department undertook an extensive exercise to review potential replacement products culminating in the selection of preferred suppliers in November 1998. SAP was selected as the product for the Council's Financial and HR/Payroll system (ICS – Deloitte were engaged as the implementation partner) and Essbase was selected as the financial planning/budgeting product.

A project team, consisting of representatives from both Finance and the operating Divisions, was established and, along with the ICS-Deloitte consultants, commenced configuring SAP to meet the Council's functional requirements in mid-February 1999.

The systems successfully went live as follows:

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|---|---|
| Essbase – financial planning/budgeting | 30 November 1998 |
| SAP – Core financial modules | 9 August 1999 |
| SAP – HR/Payroll modules | 1 October 1999 |

## 3.    Comment

### 3.1    Financial Planning/Budgeting (Essbase)

The Essbase budgeting and financial planning software was implemented in November 1998 and was used successfully in the 1999/2000 annual planning cycle.

The financial planning/budgeting system was implemented in two phases. We recognised that the implementation of a new financial system would result in changes to the chart of accounts (the coding structure for Council's ledgers). Phase I therefore, involved the implementation of the new system on the old coding structure whereas and Phase II required the realignment of codes in Essbase to the new SAP chart of accounts. Both phases have been completed resulting in the Council's detailed budgets for the 1999/00 being loaded into SAP and the budgets for the next seven years converted to the new structures.

### 3.2    Core Financials (SAP)

The original target "go live" date for SAP financials was 8 July 1999 which was extended by a few weeks to 9 August 1999  (although all post 1 July 1999 transactions have been entered into the new system).  The Finance team employed a conservative roll out strategy of the system to the business with the initial focus necessarily being on maintaining the integrity of the transaction processing areas.  We have concentrated on getting support staff

trained in new processes and the "back room" functions bedded down, before introducing the systems further to the business.

A major milestone was the completion of the first set of Financial Statements for the 30 September Quarterly Reviews. All divisions have indicated broad comfort with the reasonableness of the year to date financial results being reported by the new system.

3.3    **HR/Payroll (SAP)**

The implementation of the SAP Human Resources/Payroll modules was deferred until the completion of the 1999 annual salary review carried out in September. The effective "go live" date was 1 October and staff and Councillors have been paid using the new system since this time.

## 4.    Implementation Process – Quality Assurance

SAP quality assurance reviews were undertaken over the financial and HR/Payroll modules, which highlighted no major issues. Audit NZ was also engaged to review the system scope and design process and found no material issues. In addition Audit NZ commented positively on the overall implementation process at the time the Council's 1998/99 Annual Report was adopted.

## 5.    Operational Issues

- The usual "glitches" have occurred (as would be expected when implementing a system of this size and complexity) but these have generally been resolved in a timely manner. There remain a number of issues to be resolved which we expect to take 6-12 months to "bed down'.

- As part of the core financial modules a new purchasing system was implemented. This is an area where most process changes have occurred and this has clearly had the largest operational impact on the business. Purchase Order processing is currently being handled by divisional co-ordinators as an interim step. We plan to trial full on-line purchase order processing with a "pilot" division in the new year. Management will continue to monitor the effectiveness of the new purchasing system closely, with a formal review expected within the next 12 months.

- An objective with the HR/Payroll system was to introduce on-line timesheeting for staff. However, due to the complexities involved, this has not been able to be delivered immediately. During the system implementation it became clear that, due to a variety of different employment contracts in the Council, the task of introducing this would not be simple. Electronic timesheeting is dependent upon having robust validation rules built around the online timesheet. The matter will be pursued further in the new year. In the mean time, staff have noticed little

impact and are continuing to use the manual timesheet process on an ongoing basis.

- On-line access to managers for reporting and enquiry purposes has not yet been achieved. This was a critical driver for the project proceeding and remains a key priority for the first quarter of 2000.

## 6.     **Financial Costs**

An analysis of expenditure on the FIS project is provided as attachment 1. At this stage we are forecasting that total project expenditure will be under budget by $220,000. (The forecast is $2,280,000 against the budget of $2,500,000).

## 7.     **Communications**

The fact that the Council's FIS project looks likely to come in under budget is a good news story, which should be communicated to ratepayers.

## 8.     **Recommendation**

*That the report be received and the contents noted.*

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Attachment 1   FIS Project Costs