

Procure to Pay

P2P

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Organisation: Health Canada

Country: Canada

Level of government: Central government

Sector: Health

Type: Financial Resources, Public Service

Launched in: 2012

Overall development time: 18 months

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Description

Health Canada (HC) and the Public Health Agency of Canada (PHAC) launched the Procure to Pay (P2P) initiative in 2012 to transform their Finance and Material Management functions in order to save CAD 2 million annually. The project objective was to revolutionise the transactional environment by creating a single integrated shared service platform beginning with procurement and ending with invoice payment. The expected outcome was to provide quality cost-effective services, while enhancing internal controls, reporting capability, and financial management governance for HC and PHAC. Specific project objectives included to:

- Re-engineer through enabling SAP technology and workflow the end to end accounting and procurement transaction processing for HC and PHAC.
- Eliminate "wet ink" where possible and move to a paperless environment, with integrated workflow and electronic approvals directly in SAP.
- To consolidate accounting operations from 14 regional offices to 2 national hubs.
- Regroup multiple dispersed HC and PHAC procurement teams into a more centralised shared services organisation.

The P2P initiative is yielding benefits in terms of efficiency, standardisation of business processes, and compliance of internal controls on accounting and procurement as well as an anticipated return on investment of 300% over 5 years.

Why the innovation was developed

- HC and the PHAC launched the initiative to transform Finance and Material Management functions in order to save \$ 2 million annually.
 - The objective was to revolutionise the transactional environment by creating a single integrated shared services platform beginning with procurement and ending with invoice payment.
 - The expected outcome was to provide quality cost-effective services, while enhancing internal controls, reporting capability, and financial management governance.
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Objectives

Enhance transparency, Improve efficiency

- To re-engineer through enabling SAP technology and workflow the end to end accounting and procurement transaction processing for HC and PHAC.
 - To eliminate "wet ink" where possible and move to a paperless environment, with integrated workflow and electronic approvals directly in SAP.
 - To consolidate accounting operations from 14 regional offices to 2 national hubs.
 - To regroup multiple dispersed HC and PHAC procurement teams into a more centralised shared services organisation.
 - Implement standardised end-to-end business processes from procurement to payment.
 - Migrate to automated/preventative controls reducing the cost of controls and increasing assurance.
 - Implement system driven data validation and national business processes improving analytics.
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Main beneficiaries

Businesses, Government bodies, Government staff

- HC and PHAC Accounting and Material Management: Clear efficiency gains and improved internal controls.
 - Cost Centre Managers and Administrators: Standardised business processes and improved accuracy of information/reporting.
 - HC and PHAC Management: Achieved required budget reductions, improved internal controls and accuracy of information for reporting/decision making.
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Existing similar practices

Consolidations of internal services functions

In the private sector, civil society or elsewhere

Shared services organisations

Consolidations of internal services functions (for example procurement and accounting) within shared services organisations enabled by SAP technology including workflow emails and automated approvals.

Results

Efficiency

- The P2P initiative is yielding benefits in terms of efficiency, standardisation of business processes, and compliance on internal controls on accounting and procurement as well as an anticipated return on investment of 300% over 5 years.
 - Regrouped multiple dispersed HC and PHAC procurement teams into a more centralised shared services organisation.
 - Consolidated accounting operations from 14 regional offices to 2 national hubs.
 - Implementation of standardised business processes facilitated nationalisation and centralisation and enhanced internal controls.
 - Migration to automated / preventative controls reduced the cost of controls and increased assurance.
 - System driven data validation and national business processes have resulted in improved data analytics.
 - System controlled transaction deadlines and escalations have eliminated the need for Materiel Management and Finance to track and chase transactions.
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Effectiveness

- Improved accuracy of information. Detailed information now being captured such as, mandatory standing offers, contract types support analysis to inform decisions on strategies to respond to business requirements.
 - Improved internal controls. Now have 100% assurance that transactions are approved under financial authorities were executed by individuals to whom the authority was delegated.
 - Supports the department's Financial Statement readiness for a controls reliant audit.
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Service quality

Reliability:

- Migration to automated / preventative controls reduced the cost of controls and increased assurance.
- System driven data validation and national business processes have resulted in improved data analytics.
- Implementation of standardised business processes enhanced internal controls.

Development

Design

- A small team of senior management developed the idea for the P2P initiative in order to transform HC and PHAC's procurement to payment business processes to achieve the required CAD 2 million and 30 staff member annual budget reductions.
 - The idea was to implement a more streamlined, efficient, technology based, and standardised accounting and procurement shared service delivery model which leveraged the private sector in a modern SAP environment.
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Testing

- SAP functional and technical team members performed testing in Sandbox, Development and Quality Assurance SAP servers.
 - A production pilot was run with a small group of Cost Centres and Accounting Operations for invoice processing.
 - User acceptance testing was completed for invoice processing with accounting staff.
 - Extended user acceptance testing was completed by procurement officers and a small group of Cost Centres for procurement functionality.
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Implementation

Tools used:

- SAP ASAP methodology starting with blueprinting required functionality.
- Strong senior level commitment and support for the project including necessary financial priority from the HC departmental investment planning process.
- Development and approval of a strong business case.
- Development and approval of a project charter detailing the project plan, risks and mitigation strategy and change management approach.
- Formation of a dedicated project team with P2P automation expertise under the direction of a full time project manager.
- A comprehensive change management approach.
- Implementing the SAP P2P technology in advance as an enabling piece before migrating to the consolidated procurement and accounting operations.

Resources used:

- Cost to implement the initiative of just under CAD 2.5 million.
 - Team of SAP consultants working with HC SAP technical and functional employees.
 - Dedicated project manager.
 - Business process re-engineering consultant leading business process design, change management and training.
 - Participation on a part time basis of accounting and procurement staff.
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Diffusion

- HC has extended its SAP instance to host another federal government department, Aboriginal Affairs and Northern Development Canada (AANDC), and has extended the SAP P2P functionality to AANDC.
 - HC has provided the SAP functionality developed and lessons learned to the IFMS Programme Office (a SAP Centre of Expertise for the Canadian Federal Government providing shared common SAP development for departments using SAP). This office assessed HC's solution for the leveragability to a common solution for SAP government departments.
 - The Office of the Comptroller General's Financial Management Transformation Initiative is reviewing the HC P2P solution to leverage our experiences and lessons learned in the context of the design and development of the future Government of Canada P2P solution.
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Challenges and solutions

- Adjusted scope definition of the project to include more components as the project progressed. Added additional expert client staff during blueprinting.
- User acceptance testing (UAT): The procurement subject matter experts scheduled to perform the UAT were not knowledgeable in SAP based procurement transactions and required basic SAP and SAP procurement training with a limited time available.
- Change management / training: The change management requirement on the procurement side was very high, exceeding that required for accounting. The procurement staff lacked familiarity on SAP processes. Additional SAP training earlier would have been beneficial.
- Timing of implementation: The procurement launch occurred near the fiscal year end (2012/2013) which is the busiest time of year for procurement staff. This coupled with a lack of knowledge about SAP functionality, created serious challenges which were overcome by reassigning staff and the use of overtime. Alternatively, this situation fully tested the new system as all aspects of procurement activity are encountered during this year end period.

Lessons Learned

Lessons Learned

- The scoping and blueprinting phases of the project require very close attention from the project team and senior management.
 - It is important to assess the level of knowledge of staff assigned to perform user acceptance (UAT) (never make assumptions about the UAT participants level of knowledge). It is equally important to ensure UAT testers are trained appropriately to "hit the ground running".
 - Sound testing/piloting strategies is required to ensure system issues are addressed prior to launching so as to avoid user frustrations.
 - The provision of a project stabilisation period post implementation was very important. A longer stabilisation period for procurement automation was required due to the broader scope compared to accounts payable.
 - The change management required on the procurement side was very high due to the lack of familiarity by procurement staff on SAP processes. More SAP training earlier would have been very helpful. The inclusion of change management/training resource for the overall project would have been an asset.
 - Timing of production deployment must be considered. For example, consider year-end peak periods when determining the roll-out plan. Phased and waved transition is strongly recommended.
 - Training: A well articulated training strategy should consider new and existing users and should be implemented in phases, such as by organisation, geographic locations, and/or function. Accommodations should be made to provide refresher training.
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Conditions for success

- P2P requires unconditional senior level support and commitment to objectives - continuous communication is key.
 - New governance model (i.e. shared services) and delivery models.
 - Partnering with IT early.
 - Dedicated P2P team with automation experience is essential.
 - Governance and planning will ensure benefits are achieved. Develop a sound business case, project charter, plan and reporting.
 - Dedicated project manager.
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Other information

- The P2P initiative created a single, integrated shared services platform serving both Health Canada (HC) and the Public Health Agency of Canada (PHAC). HC/PHA first Canadian Federal Government Departments to implement P2P functionality.
The Health Portfolio is considered to be a vanguard in this area in terms of best practices, efficiency realisations and improved internal controls.
- For 2014/2015 the HC/PHAC P2P solution has been extended to Aboriginal Affairs and Northern Development Canada as they are now hosted on HC's SAP instance.
- P2P drives business process re-engineering and enables organisational transformation.