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THE UNIVERSITY OF BRITISH COLUMBIA

REPORT TO THE BOARD OF GOVERNORS

SUBJECT	**UBC FINANCE AND IT GOVERNANCE EXTERNAL REVIEW**
MEETING DATE	**APRIL 14, 2014**

Forwarded to the Board of Governors on the
Recommendation of the President

APPROVED FOR SUBMISSION	

Stephen J. Toope, President and Vice-Chancellor

Presented By	Pierre Ouillet, Vice-President Finance, Resources & Operations
	David Farrar, Provost and Vice-President Academic
	Ian Burgess, Comptroller
	Oliver Gruter-Andrew, Chief Information Officer
Report Date	March 14, 2014
DECISION REQUESTED	**For Information**

EXECUTIVE SUMMARY

At the request of the Board of Governors (through its Audit Committee), an external review of Finance and IT functions at the University was conducted (by the consulting firm PriceWaterhouseCoopers). The mandate of the review was to identify any gaps in governance or capabilities and to propose a high-level roadmap to address them.

While much progress has been achieved since 2010 and a plan is in place to progress IT integration and partnerships over the next three years, the review addressed the broader issues of governance, system adequacy, capability building, training and certification. The recommendations were derived from interviews with 38 UBC individuals, including deans, department heads, finance and IT personnel. Workshops with key stakeholders and comparisons with other leading organizations also took place.

Summary of Finance Recommendations

1. Continue the implementation of the 'integrated distributed' operating model to strengthen financial discipline and functional expertise across UBC over the next 12 to 18 months

2. Target specific finance skill-sets for enhancement and growth

3. Provide additional implementation supports to faculties that are in the early stages of implementing the 'integrated distributed' model, including:

   a) A refined responsibility assignment matrix (RACI) model to articulate roles and responsibilities

   b) Documented best-practice procedures and operating manuals for finance activities

   c) A dedicated team to train and provide best practice supports to faculty finance teams

   d) Evolve Network of University Business Officers/Campus Faculty Business Administrators agendas to focus on implementation strategies

   e) A career skills framework

4. Focus on change management and emphasize behaviour transformation to ensure sustainable improvements in financial discipline and functional expertise:

   a) Appoint change champions and agents

   b) Establish a change management office

   c) Develop a detailed change management and transformation plan

   d) Create a detailed communications strategy

Summary of IT Recommendations

1. Continue with the implementation of the 'integrated distributed' operating model for IT

2. Focus on change management and communication to ensure stakeholder commitment and buy-in to the 'integrated distributed' model

3. Develop an IT decision RACI and use it to further improve the IT governance structures

4. Encourage the replication of the Faculty of Medicine Working Group

5. Continue communication about the governance model

6. Further improve the efficiency and operation of current IT governance mechanisms

7. Continue to strengthen architecture governance

8. Adopting a skills framework such as skills framework for the information age (SFIA)

9. Continue to strengthen the role of client relationship managers

Implementation of the recommendations will occur over the next 18 months.

Attached: PWC's UBC Finance and IT Review Report, November 2013

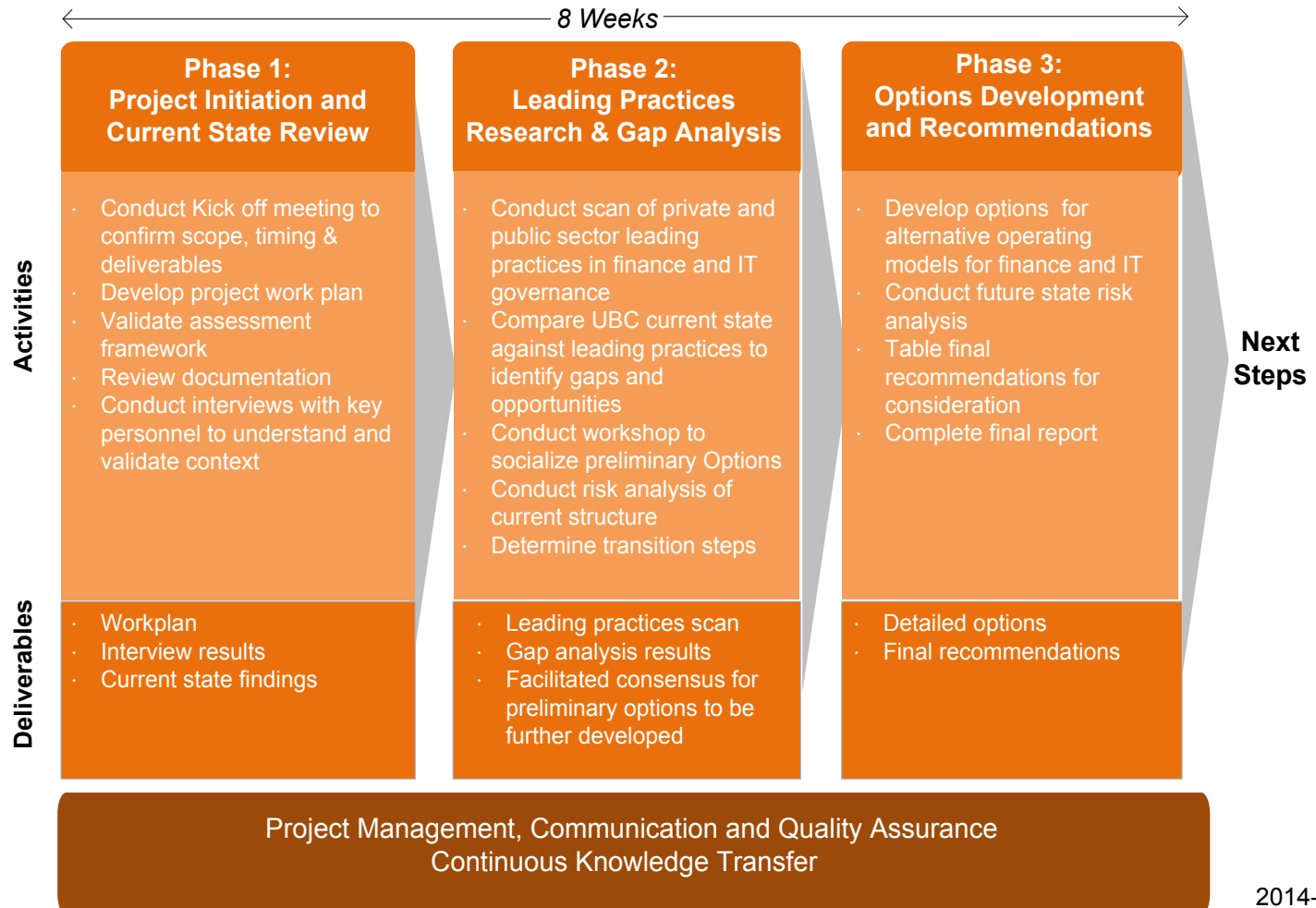# *UBC Finance and IT governance review:*

Audit Committee presentation

Owen Taylor
Gert du Preez

14 April 2014

pwc

Scope and approach for the review

UBC retained PwC to performed a review of its Finance and IT governance. The approach to this engagement is illustrated below:

8 Weeks

Phase 1:
Project Initiation and Current State Review

Activities
- Conduct Kick off meeting to confirm scope, timing & deliverables
- Develop project work plan
- Validate assessment framework
- Review documentation
- Conduct interviews with key personnel to understand and validate context

Deliverables
- Workplan
- Interview results
- Current state findings

Phase 2:
Leading Practices Research & Gap Analysis

- Conduct scan of private and public sector leading practices in finance and IT governance
- Compare UBC current state against leading practices to identify gaps and opportunities
- Conduct workshop to socialize preliminary Options
- Conduct risk analysis of current structure
- Determine transition steps

- Leading practices scan
- Gap analysis results
- Facilitated consensus for preliminary options to be further developed

Phase 3:
Options Development and Recommendations

- Develop options for alternative operating models for finance and IT
- Conduct future state risk analysis
- Table final recommendations for consideration
- Complete final report

- Detailed options
- Final recommendations

Next Steps

Project Management, Communication and Quality Assurance
Continuous Knowledge Transfer

Areas of Focus

The assessment focused on three areas

Operating model	Assessment of current operating models, strengths and weaknesses, views on future model options and ideal levels of integration
Governance model	Perspectives on the current governance model, operation of current committees and structures, clarity of the model, and areas for improvement in governance
Skills and competencies	Perceptions on skills and competencies as well as capabilities required at different levels of leadership

Context

Over the last four years, considerable work has been done to transform the Finance and IT functions from fragmented units lacking professionalism to more integrated units led by experienced professionals supported by robust resource allocation frameworks and strong governance models. Accomplishments include:

IT	Finance
- new management came into place - units (administrative, as well as some academic) were integrated - governance mechanisms were put in place to review strategies, identify priorities and allocate resources across each major IT area - an enterprise architecture roadmap was put in place - many systems were stabilized or upgraded - service levels generally improved.	- budgets have been balanced, efficiencies have been achieved, and revenues have been diversified - the endowment has been made sustainable - incremental budgeting has been replaced by new budget models for both administrative units (zero-based) and Faculties (revenue based) - all administrative units and some Faculties have been integrated, positions have been harmonized and mobility encouraged - new talent has been brought in

Key Findings – Current State Analysis

Expectations and Early Adopters

Topic	Key Points

Expectations	• Many stakeholders agree in principle with the integrated and distributed model as the right model to continue roll-out of, as long as a number of principles are adhered to:
	  • The cost of services should be similar or lower to cost of current service delivery, or should improve service levels. Overall it should be budget neutral.
	  • The cost model should be transparent and fair, and accurate reporting/invoicing should be provided
	  • Teaching and research support are seen as core vs. back-office functions.
	  * There are also a number of other principles specific to IT and Finance functions

Early Adopters	• Generally speaking, early adopters' experience followed a classical "change curve" shape - they report:
	  • In the beginning there were concerns over autonomy, loss of control, and fear of the unknown
	  • After implementation, not with-standing some transition issues, the model has worked out well – greater specialization, more accountable, and improved service.
	  • Now fully supportive, and fully on-board.

Key Findings – Current State Analysis

Benefits Realization and Change Management

Topic	Key Points

Benefits Realization	• For some stakeholders, the benefits of increased integration are not clear and when typical benefits are highlighted they are doubtful whether these will be realized.
	   • Skepticism is especially focused on efficiency and cost related benefits as it is felt that some typical centralization benefits assume that standardization will also occur, which is more difficult in the diverse university environment.
	   • It has been suggested that a baseline of core metrics should be created prior to rolling out the model to a specific department or faculty, which can then be compared with the situation after roll-out. This can help prove the benefits.
	   • There is a perception that layers of bureaucracy are added with the I&D model, while there is a need for more agility in today's fast-evolving environment. There is a worry that the university will lose some of its innovation and creativity because of this lack of agility

Change Management	• Efforts to communicate the change are appreciated – but more is required • Timing of the change (communication during summer period) cited a few times as not ideal • Overall, notable sense of fear over loss of autonomy • From a people perspective, staff are highly concerned over job security • Plea for more time to implement and avoid any perception of I&D "being done to us"

Key Findings - Gap analysis

The scan of other institution as well as our broader experience leads to the following considerations:

Considerations from leading practices/scan	UBC gap analysis
The overall trend in terms of operating models is towards greater integration. This is aligned with what we see in the Canadian and global markets, across industries. The most important driver is often cost reduction and efficiencies	The UBC operating model is aligned with the trend towards greater integration
A collaborative culture, communication and emphasis on relationship building are seen as critical success factors for more integrated models	The current state review highlighted a need for more emphasis on communication and change management at UBC
Simplified service catalogues, service level agreements and chargeback models can help manage demand and customer expectations	While these enablers are in place, it needs to be ensured that they are in line with customer requirements
Skill frameworks such as SFIA (Skills Framework for the Information Age) are being implemented by some leading organizations.	A framework such as SFIA could be a great complement to UBC's IT Career Framework

Key Findings - Gap analysis

The scan of other institution as well as our broader experience leads to the following considerations:

Considerations from leading practices/scan	UBC gap analysis
In complex environments with a high degree of diversity and unique requirements, full integration is hard to achieve	There is a recognition at UBC that some services such as research support will be difficult to fully integrate
Responsibilities, Accountabilities, Consultation and Information ("RACI") requirements are clearly defined	The current state review indicated a need for a decision RACI to be defined
Consensus and agreement over RACI enables formal documentation of governance structure and service level agreements	The decision RACI can form the basis for reviewing the governance structures and making appropriate changes
A long-term view is taken to permit the organization to flexibly adapt the operating model over time (i.e. annual assessments, set terms of committees, expiry-dates for SLAs)	Governance should be seen as a journey, not a destination, and should be optimized continuously
No one-size fits all – the model needs to be tailored to the unique culture and requirements of each institution	The UBC model will be blended model to ensure that it is appropriate to its unique environment

Summary of IT recommendations

#	Area	Recommendation	Relative Priority
1	Operating model	Continue with the implementation of the 'integrated and distributed' operating model for IT	High
2	Operating model	Focus on change management and communication to ensure stakeholder commitment and buy-in to the integrated and distributed model	High
3	Governance	Develop an IT decision RACI and use it to further improve the IT governance structures	Medium
4	Governance	Encourage the replication of the Faculty of Medicine Working Group	Medium
5	Governance	Continue communication about the governance model	Medium
6	Governance	Further improve the efficiency and operation of current IT governance mechanisms	Low
7	Governance	Continue to strengthen architecture governance	Medium
8	Skills & competencies	Adopting a skills framework such as SFIA	Low
9	Skills & competencies	Continue to strengthen the role of client relationship managers	Medium

Summary of Finance Recommendations

#	Recommendation	Priority
1	Continue the implementation of integrated distributed operating model to strengthen financial discipline and functional expertise across UBC over next 12 to 18 months	High
2	Target specific finance skill-sets for enhancement and growth	High
3	Provide additional implementation supports to faculties that are in the early stages of implementing the integrated distributed model, including: a) A refined RACI model to articulate roles and responsibilities b) Documented best-practice procedures and operating manuals for finance activities c) A dedicated team to train and provide best practice supports to faculty finance teams d) Evolve NUBO/CFBA agenda to focus on implementation strategies e) A career skills framework	High
4	Focus on change management and emphasize behaviour transformation to ensure sustainable improvements in financial discipline and functional expertise: a) Appoint change champions and agents b) Establish a change management office c) Create detailed change management and transformation plan d) Create a detailed communications strategy	High

Questions?

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