

Modernizing financial and accounting systems at the Municipality of Milan through SAP S/4HANA

A city at a digital crossroads

The Municipality of Milan is one of Italy's largest and most complex local governments, serving a population of around 1.4 million inhabitants. At the Municipality, 14,000 employees across 20 directorates manage a wide range of administrative, financial, and accounting processes. But until recently, fragmented financial and accounting systems prevented them from being fully efficient, effective, and transparent. On top of that, the municipality's 20-year-old software could no longer keep pace with modern needs or accounting requirements.

As a result, in 2018, the Municipality initiated a structured program to modernize and integrate key administrative, accounting, and control processes on a single SAP S/4HANA platform. The goal was to ensure consistency, traceability, and compliance.

Client: Municipality of Milan

Region: Italy

Industry: Public sector

Client challenge: To operate more effectively, and modernize key financial and accounting processes, the Municipality of Milan needed to upgrade its digital infrastructure and migrate to SAP S/4HANA.

Solution: Partnering with Capgemini, the Municipality introduced the solution over the course of a two-year project broken into seven distinct phases.

Benefits:

- Greater transparency and control, better decision-making, and full compliance
- Automated and standardized processes that reduce effort and errors
- Seamless data exchange, reduced duplication, and increased efficiency
- Different departments can manage their own budgets and financial operations while staying consistent.



The processes in scope included financial and economic accounting, budget planning, real estate management, and portfolio and project management.

This implementation would provide all employees with a single source of truth for business data that would allow them to make decisions and conduct analysis in real time. But modernizing highly customized financial and accounting software and moving it to SAP S/4HANA would be a complex challenge requiring high levels of knowledge and skill. This was especially true given that Milan would be the first Italian Municipality to implement SAP S/4HANA and the project would serve as an example for others to follow.

Five years later, the administration set out to find partners with the experience and expertise to succeed. Following a competitive public tender procedure, the Municipality of Milan selected a consortium of suppliers, led by Capgemini, to design and implement the SAP S/4HANA solution. This decision was based on the expertise we had demonstrated in public sector financial processes and regulatory requirements.

Choosing quality over speed

The project unfolded over just under two years through several structured stages: Assessment, Foundation, Build, Test, Deploy, and Go Live and Support.

During the “Assessment” stage, which began in February 2023, the team conducted a thorough, three-month evaluation to fully understand and analyze the existing processes and software. This allowed them to clarify the scope and timings for the rest of the project.

Although the initial target go-live date was January 1st, 2024, the schedule was revised, postponing the release by one year to prioritize solution quality, operational stability, and long-term sustainability.

Next, the “Foundation” stage, which lasted seven months, saw Capgemini employ its iCaptivate methodology, a structured hybrid agile/waterfall approach designed to support controlled and progressive adoption of SAP S/4HANA. The method emphasizes continuous dialogue between client and supplier, as well as constantly iterating to discover what works and what does not.

After extensive consultation, Capgemini and the Municipality agreed to develop the solution in phases. This approach transformed a complex implementation into manageable components.

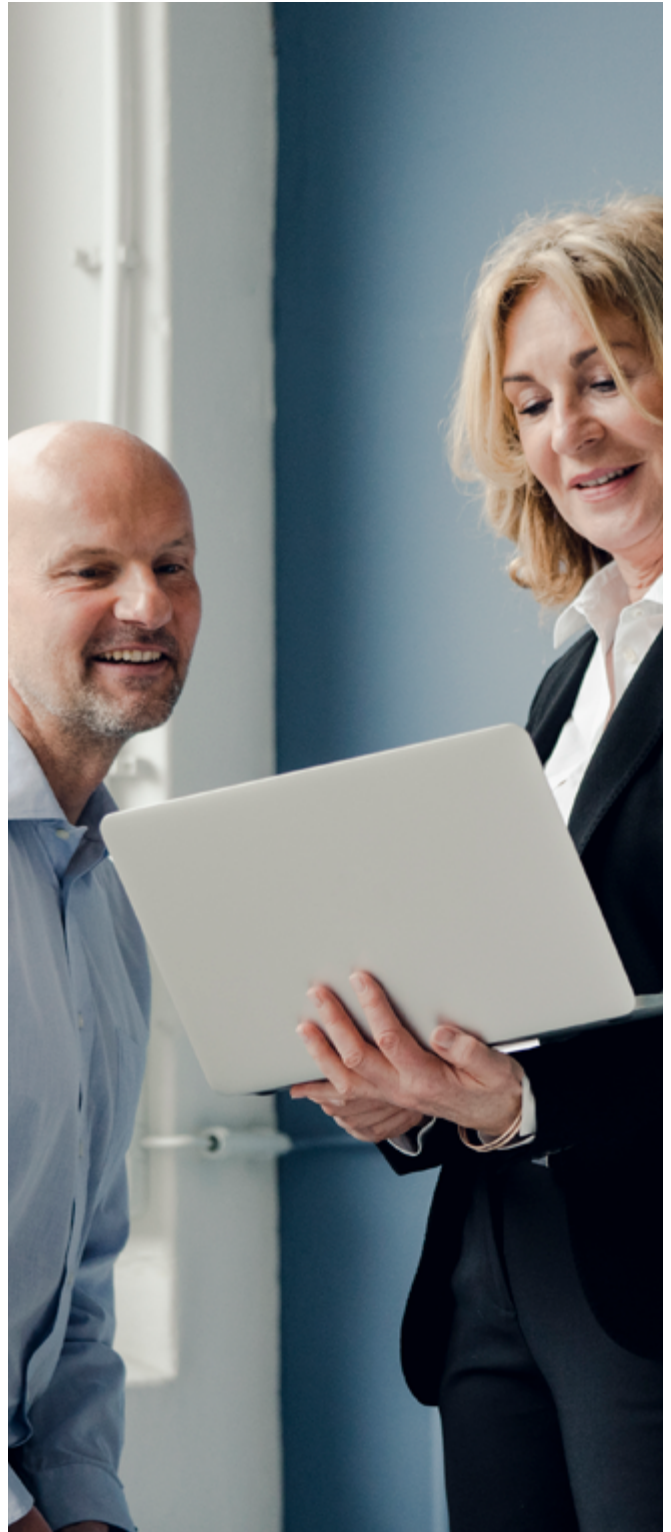
Systematic approach leads to success

Throughout the “Build” stage, the team helped to migrate the SAP S/4HANA solution in batches to RISE, SAP’s cloud-based platform. They started with the most important part of the solution, its budget functionality, which included the Master Balance Sheet and Forecast Balance Sheet. Afterwards, they worked systematically to encompass the full range of accounting processes, including the Accrual Balance Sheet, Receipts, and Expenses functionality.

The budget aspect of the task presented two challenges. First, it involved integrating the key processes needed to feed the budgetary workflow. Second, Italy’s public sector uses financial and economic accounting, which SAP Funds Management does not fully support. As a result, the solution needed substantial customization to suit the specific environment.

Beginning in July 2024, the “Test” stage involved more than 100 people. Change management helped the team organize User Acceptance Testing and proved invaluable when implementing an integrated training plan for all users. More than 100 virtual and in-person classrooms took place, ending four months after go-live. The team also provided effective support, including how-to guides, bite-sized learning materials, and on-the-job training, for everyone using the new SAP system.

The “Deploy” stage saw the team migrate key data and deploy all elements of the solution that had successfully passed through testing. Accounting reconciliation was the most challenging aspect of this process, due to unstructured data in the legacy system – particularly in areas like work-in-progress management. Finally, “Go live and Support” began on January 18th, 2025. From that day on, all the Municipality’s 1,400 users were able to work on the new SAP S/4HANA system.



A system fit for the city it serves

The new platform went live on schedule on January 1st, 2025. Instead of grappling with fragmented, obsolete systems, users now access all financial and accounting aspects of key administrative processes through a unified, modern platform. This has improved how financial and accounting processes are managed, providing greater visibility, consistency, and control over day-to-day operations.

They benefit from:

- Centralized data with real-time data processing and analytics for increased transparency and control, improved decision-making, and alignment with regulatory requirements.
- Automated and standardized processes that reduce effort and errors.
- Secure integration with other public administration systems to enable seamless data exchange, reduce duplication, and increase efficiency.
- The ability to centralize or decentralize functions so that different departments can manage their own budgets and financial operations while staying consistent.

Each user also has specific roles and permissions tailored to their responsibilities across different

financial and administrative processes. This role-based access makes sure that use of the system is secure, efficient, and targeted across departments.

With a solid technology foundation in place, the Municipality can now focus on adding new features and capabilities, rather than maintaining aging systems. Crucially, they can also be confident that the system is both compliant today and can scale to be compliant tomorrow.

With 20% of the contract scope remaining, the next phase of the partnership will focus on consolidating external applications into the system. These include digital document management and governance processes currently handled by separate tools.

An upgrade to the next version of SAP S/4HANA will follow. Just as during the main implementation, the team will work iteratively and collaboratively, anticipating and resolving problems fast so they do not interrupt the activities of users and citizens.

[Beyond the technological upgrade, implementing SAP S/4HANA has given the Municipality a stable and scalable platform to support its administrative and financial processes. It can also continuously evolve to meet changing organizational and regulatory needs.](#)

As Italy's first Municipality to implement SAP S/4HANA, the experience represents a relevant reference case within the broader context of digital transformation initiatives in local public administration.



“As Italy's first municipality to implement SAP S/4HANA, Milan has positioned itself as a leader in digital transformation in the public sector.”

Guido Arnone,
CTO, Direttore Innovazione Tecnologica e Digitale,
Comune di Milano

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