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Opening statement to the Fifth Committee

Introduction to the UN Board of Auditors second annual progress report on the United Nations Enterprise Resource Planning system (Umoja) (A/68/151)

2 December 2013

Dear Chairman,

Distinguished delegates

On behalf of the Chairman, Mr. Amyas Morse (UK), and the other Board members, Mr. Liu Jiayi (China) and Mr. Ludovick Utouh (Tanzania), I have the honour to introduce the Board's second annual progress report on the United Nations Enterprise Resource Planning system (Umoja).

Background

The United Nations' proposed $378 million Enterprise Resource Planning (ERP) system (Umoja) will span administrative and support functions in five areas: finance, supply chain and procurement, human resources, central support services, and programme and project management, will encompass over ninety different entities.

Umoja is a challenging and complex business transformation project, and the most important of a number of business transformations within the UN. While noting a history of delays and cost-escalations (**Figure 1 to this statement),** the ERP system, if implemented successfully, remains a significant and essential opportunity to modernise the business administration of the United Nations. This is the Board's second annual review of the project and the key finds are summarised below.

Key findings

In terms of Umoja as a project, the Administration has responded positively to the findings and recommendations of our last report and has taken action which has

placed the project on a sounder footing. It has appointed an experienced project director, increased engagement between key stakeholders and the project, and strengthened project governance (**see Annex IV of the report**)**.** There have also been major initiatives to catch up on lost time and complete the design and build of the technical solution (Get to Green and Get to Build – paragraphs 65-68).

Progress has come at a cost, the project team is overstretched, and severely fatigued at a time when the challenge is about to increase exponentially. The Board has seen evidence of the high burden being placed on the Umoja project team to recover lost time. The high level of support provided to the pilot at UNIFIL (July 2013) is unsustainable once the first phase of full implementation starts in November 2013 across peacekeeping missions and then the wider UN in 2014.

Project management has improved but, as recognised by the project team, more needs to be done to face the coming challenges, For example, the project team has improved its approach to managing risks, in particular by formalising its reporting of risks to the steering committee. But we remain concerned that risks are still not being effectively managed, acted upon quickly enough, or being costed to support more effective consideration of their likely impact and decision-making on their handling.

The Administration has spent 55 per cent of the budget ($208.8 million). At the time of reporting the design was two thirds complete, and the system half built but not yet fully deployed (Table 1 at the end of this statement). There is still no integrated plan, linking spend to deliverables, making it difficult to judge what progress should have been achieved for the $208.8 million investment to date (paragraph 56). We cannot at this point provide assurance that the ERP project will successfully deliver its full functionality within the existing forecasts of time or cost.

On the procurement of services we conclude that the lack of an overarching commercial strategy at the outset of the Umoja project has led to difficulties in effectively engaging the market to secure optimal value for money from vendors. Since the audit, the Administration has informed us that it has presented to the steering committee a plan to develop a commercial strategy for the remaining procurements; we intend to return to this issue during our next audit.

In terms of Umoja as a wider business transformation, the appointment of 'process owners' to own and drive new and consistent ways of working is a positive development (**Section 3 of the report**). The challenge now is to ensure process owners have both the authority to drive change across business areas, and an appropriate mechanism is in place to enable negotiation between process owners and other senior managers on, for example, mandating organisations' staffing requirements and therefore the cost of operating streamlined processes across all entities to realise the expected financial and operational benefits. Many organizations find fully embedding process ownership extremely challenging and we caution against setting an overly optimistic time frame for a genuine system of end to end process ownership to be in place and functioning well.

The wider Administration needs to continue to develop benefits realisation plans. These need to detail not just the type of benefits, but exactly how and when the estimated annual benefits of between $140 million and $220 million will be realised through either (1) streamlined processes requiring fewer staff or (2) the use of improved management information to enable better decision making. We recommend that the Administration needs to articulate not just financial benefits, but the quantitative and qualitative improvements to service delivery that the new ERP will enable.

There is no agreed future service delivery model for the United Nations. We recognise it is challenging to define a clear future United Nations service delivery model given the strong vested interests of many stakeholders, and the complexity of existing organisational, managerial and governance structures. But, as emphasized by the Chair of the Board in his statement on 11 October, it is important to have some sense of the future 'target operating model' of the United Nations that the ERP, and other transformation initiatives, are going to support, to help secure stakeholder buy-in, avoid expensive retrofitting, and enhance accountability for delivery.

Chair, in summary, concerted and agile action has helped place the project on a sounder footing. There is greater clarity regarding the high level of challenge inherent in preparing the wider United Nations for the successful delivery of an ERP business transformation project but many critical issues remain to be resolved. We note the commitment of the Administration to meet the increasing challenge as the project moves

into a phased, multi-site implementation, using multiple vendors, across both peacekeeping and the wider Secretariat. At this stage, however, due to the uncertainties described in the report, the Board is not yet in a position to provide assurance that the ERP project will deliver its full functionality within the existing forecasts of time or cost, or deliver the level of qualitative and quantitative improvements to service delivery that would represent an optimal return on investment.

Chair, this concludes my introduction. The Audit Operations Committee will as ever be available to answer any questions during the informal session of the Committee.

Thank you.

Hugh O'Farrell
Director of External Audit (UK)
Chair of the Audit Operations Committee

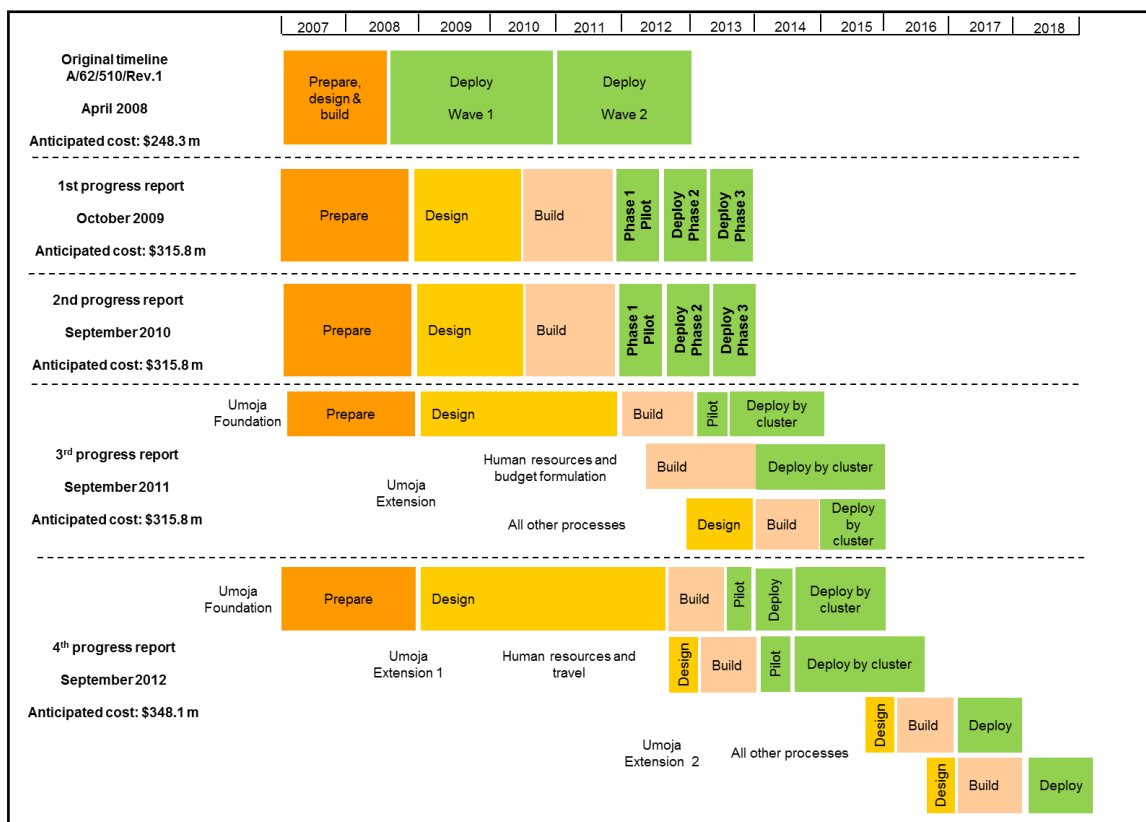**Figure 1: Changes in the deployment timetable and anticipated final cost of Umoja**

Table 1

Phase	Umoja Foundation	Umoja Extension 1	Umoja Extension 2
Scope	122 processes with functionality to support IPSAS requirements. Its scope includes: finance; procurement of goods and services; and assets, inventory and property management.	66 processes across human resources and travel. Its scope includes: organizational and position management, personnel administration, entitlements, benefits, time management, payroll, travel initiation, travel expenses and online booking. A self-service portal will also enable staff and managers to access and update personal information and submit requests, claims, and settlement forms.	133 processes with functionality related to budget formulation, force planning, programme management, supply chain planning, warehouse management, conference and event management, full grants management and commercial activities.
Design (% complete)	95%	86%	40%
Build (% complete)	90%	45%	0%