Opening statement to the Fifth Committee

United Nations Board of Auditors fifth annual progress report on the Enterprise Resource Planning system (Umoja) A/71/180 for the year ended 31 December 2015

5th November 2016

Mr. Chairman,

Distinguished representatives,

On behalf of the Chairman, Professor Mussa Juma Assad (Controller and Auditor General of Tanzania), and the other Board members Sir Amyas Morse (Comptroller and Auditor General of the United Kingdom) and Mr. Shashi Kant Sharma (Comptroller and Auditor General of India), I have the honour to introduce the main findings from the Board of Auditor's fifth annual progress report on the United Nation's Enterprise Resource Planning system, Umoja.

Background

Umoja is an ambitious global project to modernize a wide range of business processes and systems that are essential to the efficient and effective functioning of the Organization. The solution will span most of the Organization's administrative and support functions, including finance and budget, supply chain and procurement, human resources, central support services, and programme and project management.

At 31 December 2015, expenditure on Umoja was $374.1 million, 97 per cent of the approved budget of $385.1 million. A further $54.3 million was approved in January 2016, increasing the total budget for the project to $439.4 million up to the end of 2017.

Key findings

Umoja remains central to the successful reform and modernisation of administrative services in the United Nations. Achieving global deployment is a major achievement which has introduced a step change in technology and offers a platform to support wider business transformation initiatives including the Global Service Delivery Model. However, the Administration still needs to demonstrate it can realise the financial and service delivery benefits promised. At the time of our audit the Board considered it likely that additional funding would be required, and that in consultation with member states, the Administration would need to take difficult decisions and make major revisions to existing plans. In order to better control the growing costs of the project, the Board recommended that the Administration conduct a thorough review of current plans and priorities to develop fully costed options for delivering the remaining scope.

On Deploying and stabilizing the Umoja solution

Umoja Integration (Foundation and Extension 1 functionality) has now been deployed to four Clusters with over 33,000 users globally, including nearly 17,500 employee self-service users. Improved readiness assessment procedures identified a number of risks to successful implementation, but the Administration decided that delaying the deployment of clusters 3 and 4 presented an even greater risk. A post-deployment survey of Cluster 3 users subsequently identified that 47 per cent of those surveyed strongly disagreed or were dissatisfied that they were ready to go live on 1 June 2015. 49 per cent of users considered themselves unprepared when asked the same question prior to deployment of Cluster 4.

Training needs had not been assessed with any rigour and users were inadequately trained prior to deployment of Umoja. The number of planned training events was not achieved prior to go-live, with an average completion rate by location of 53 per cent. At the time of audit, the Administration could not confirm whether individual users had received all the training required to carry out their roles. However, it has since informed the Board that it has developed business intelligence reports which provide detailed training statistics.

Although problems were expected and mitigations put in place, the scale of problems reported in 2015 exceeded the Administration's capacity to respond. By March 2016 all of the Umoja team's software business analysis capacity, some 64 staff, were dedicated to post-deployment support. An additional 14 consultants were contracted to provide temporary assistance, but a shortfall of business analysis skills in key areas including financial accounting, funds management, travel and payroll hampered the Administration's ability to resolve problems promptly.

Although Umoja operations were stable in many areas at the time of audit, a number of severe difficulties were encountered on implementation as users struggled to cope with the requirements of the new system. More than 400 issues were reported by clusters 3 and 4, including; high volumes of open items, and numerous delayed or blocked payments (over 20,000), large numbers of items held in suspense (e.g. 40,000 items relating to travel tickets), the need for highly inefficient manual uploads of data, and the absence of business intelligence reports, including donor reports. User complaints were particularly strong from entities with extensive field operations, some of whom reported major disruption to their operations. The Administration grouped reported problems into 67 "high level issues" and informed the Board that it considered 11 of the 67 high level issues were resolved.

Weaknesses in business intelligence reporting functionality was identified as a critical issue by Cluster 3 and 4 entities post deployment and there has been limited progress developing plans to exploit the improved information available in Umoja. In 2009 the Administration identified the use of consolidated, up to date financial and performance information from across the Secretariat as a major benefit of Umoja. However, although there are over 1,000 standard reports on the system, users were unclear what reports were available or which to use, leading to over 400 requests for management information and other reports.

On *Delivering the remaining Umoja functionality*

The Board found that the Administration did not have an up to date and fully costed plan to deliver the remaining scope of Umoja that took into account the need to address other concurrent and competing challenges. At the time of audit, the Administration faced a number of competing demands including: stabilizing and enhancing Umoja functionality for Clusters 3 and 4: decommissioning the legacy asset management system (Galileo); implementing ICSC changes to service conditions; deploying Cluster 5; building and deploying Umoja Extension 2; and, mainstreaming Umoja technical and business support. The Administration continues to be over-reliant on a small number of key staff to address these challenges and the Board noted that the deployment of Cluster 5 functionality had slipped and the development of Extension 2 functionality had also fallen considerably behind schedule. The overall impact on the project budget of meeting all these challenges had not been fully assessed at the time of audit.

Umoja costs and benefits

The design, build, implementation and stabilization of Umoja Foundation and Extension 1 has consumed most of the project budget. Additional funding is likely to be needed to meet the challenges faced by the project. To contain project costs, funds were moved between objects of expenditure and some costs relating to Umoja implementation have been passed to Departments. The ability of departments to continue to absorb such additional costs is unclear, and the Administration does not centrally monitor the level of these indirect costs.

The Administration remains committed to realizing qualitative and quantitative cumulative benefits in the overall range of $140 million to $220 million by 2019. There is no agreed methodology for realizing benefits and the Board was unable to validate the "tangible benefits realized" reported to ACABQ in September 2015. A budget reduction target of $81.4 million for 2017 in respect of Umoja benefits was agreed centrally and Departments were asked to contribute through opportunities arising from frozen posts, abolished posts and non-post reductions. The lack of a performance baseline

increases the risk that budget reductions were agreed primarily on the basis of Departments' ability to accept them, rather than a reliable assessment of actual benefits realised.

Other findings

Other findings reported by the Board include:

- **The Administration has agreed new software requirements arising from changes to staff service conditions but has concluded that it will be unable to deploy the upgraded software in line with the General Assembly's mandated implementation dates.**
- **There is increasing engagement with the project by some business units who are taking accountability for delivering elements of the solution, for example the Department of Field Support has assumed responsibility for leading the deployment of Cluster 5.**
- **Detailed mainstreaming plans for Umoja have not yet been prepared and robust estimates of future support and maintenance costs for Umoja have not yet been produced. The Total cost of ownership (TCO) of Umoja over 15 years, including capital and maintenance costs are unknown but in the Board's view are likely to exceed $1 billion**

On Recommendations

The Board has made 38 previous recommendations since it began auditing the project in 2012. In 2015 some 16 recommendations were extant, of which two were fully implemented, eight were under implementation, five had not been implemented and one had been closed by the Board. The recommendations either not implemented or under implementation relate in the main to understanding the benefits of the new ERP system and the change management actions required to deliver them. This report contains 5 new recommendations intended to maximize the chances of successfully completing the project, and achieving its aims.

This concludes my introductory statement. I, along with my colleagues, would be happy to provide any clarifications or additional information that the Committee may require.

Thank you.

Salhina Mkumba
Director of External Audit, Tanzania
Chairman, Audit Operations Committee