Fourth progress report on the enterprise resource planning project (Umoja)

**Fifth progress report on the adoption of the IPSAS by the United Nations and
Proposed Revisions to the Financial Regulations of the United Nations
for the adoption of IPSAS**

**Statement by the Chairman of the Advisory Committee on
Administrative and Budgetary Questions**

*ACABQ report on Umoja: A/67/565; related reports: A/67/360 and A/67/164
ACABQ report on IPSAS: A/67/564; related reports: A/67/344 and A/67/345*

Mr. Chairman,

I have the honour to introduce the Advisory Committee's reports on progress in the implementation of the Umoja project (A/67/565) and adoption of IPSAS (A/67/564).

In considering the Secretary-General's fourth progress report on Umoja (A/67/360), the Advisory Committee also had before it the first annual progress report of the Board of Auditors on the implementation of the United Nations enterprise resource planning system (A/67/164). The Advisory Committee is satisfied with the scope and depth of the Board's audit, which provides the General Assembly with an independent assessment of the implementation of the Umoja project and clarifies the key issues of concern in managing major business transformation projects. The Committee looks forward to receiving the Board's next annual progress report.

The Advisory Committee notes that the Under-Secretary-General for Management took up his duties in May 2012, and assumed his role as Chair of the Steering Committee and project owner. The position of Assistant Secretary-General /Umoja project director was also filled on a permanent basis in August 2012. While welcoming the actions taken so far to address the governance and leadership issues faced by the project, the Committee stresses that much remains to be done to instil, across the Secretariat, a sense of ownership and proper accountability for the success of the project. The Committee also urges the Secretary-General to establish a detailed project plan and to introduce expeditiously robust project management tools and methods for measuring progress against the project plan and actual utilization of resources against budgeted estimates.

Concerning the revised deployment strategy and timetable proposed in the fourth progress report, the Advisory Committee notes that Umoja Extension would be divided into two stages - Extension 1 and Extension 2. Umoja Foundation and Umoja Extension 1 would include "transactional" and IPSAS-related processes, whereas Umoja Extension 2 would cover some of the more strategic functions, including planning and programming, supply chain management and budget formulation. The Advisory Committee strongly believes that it is in the best interest of the Organization that the full scope of the Umoja project be delivered, as approved by the General Assembly in its resolution 63/262. It emphasizes that one of the main factors that lead to the decision to shift to an enterprise resource planning system was the poor coverage under existing systems of the strategic functions now included in Extension 2. The Committee cautions against any approach that would essentially only achieve a costly replacement of IMIS and perpetuate the weaknesses of the

1

current outmoded and stand-alone information and communications technology systems. It therefore stresses that the full implementation of the project is paramount so as to avoid such a risk and in order to protect the investment already made by the Member States on this initiative, as well as to realize all of the intended benefits of the project.

Concerning the Secretary-General's proposal to replace the Umoja project team with a "Umoja centre of excellence" in 2016 after deployment of Extension 1, the Advisory Committee questions the rationale for the proposed timing of the replacement of the project team, before the project has been fully implemented. The Committee believes that the authority and leadership of the project's governance and management structures is necessary to deliver such a complex business transformation. It is therefore concerned that the dismantling of the project team prematurely presents risks that Umoja Extension 2 may not be implemented effectively. The Committee is, for that reason, of the view that the project team should be maintained until completion of Extension 2, without precluding, however, the need to make adjustments to the size and composition of the team and to provide most of the required expertise in-house.

The Advisory Committee notes that the timetable for the deployment of the entire system would slip by a further three years, to 2018, and the costs of the project would escalate from the $315.8 million approved for the project to some $348.2 million for the first two phases of the system only. In view of the frequent revisions made to date to the project implementation strategy, timetable and costs, the Committee urges the Secretary-General to ensure that a realistic and workable plan that can be followed through to successful completion is in place. The Committee expects the Secretary-General will take all steps necessary to ensure that the project does not suffer further delays and that project resources are utilized efficiently and effectively. The Committee further recommends that the Secretary-General be requested to seek all options for accelerating the delivery of the project, including Umoja Extension 2, at a lower cost.

The Secretary-General indicates that organizational readiness is the single biggest factor affecting the ability of the United Nations to implement Umoja on schedule and within the budget. As confirmed by the Board of Auditors, the Umoja project is a very challenging and complex business transformation, not only because it spans most of the Organization's administrative and support functions (finance, supply chain and procurement, human resources, central support services), but also because it encompasses many offices/departments/entities with a great deal of variability in their respective working practices. The Advisory Committee recognizes the challenges and risks posed by the scale and scope of the enterprise resource planning/Umoja project, as well by the disparity in the business models and status of preparedness of the entities participating in the project. It considers that the successful implementation of the project will depend largely on the quality and thoroughness of the preparatory work and readiness of the various entities prior to deployment. It encourages the Secretary-General to continue to develop a common methodology and systematic approach for identifying and planning preparatory activities through the "entity realization phase" of the project.

The Secretary-General indicates that in ERP implementation, direct costs, such as those for system design and development, are borne by the project budget. However, costs for end-user activities that need to be performed throughout the Secretariat prior to deployment (indirect costs), such as cleansing and enriching the data to be migrated to the enterprise resource planning system and end-user training, are, in principle, part of the direct operational responsibilities of the implementing entities. The Advisory Committee was informed that a working group was established in July 2012 to identify all preparatory activities and indirect costs related to Umoja implementation. The Committee agrees with the approach taken by the Secretary-General to identify clearly, in consultation with the concerned parties, all project-related activities and to determine whether the costs of those activities

are to be borne by the implementing offices, departments and other entities or attributed to the Umoja project budget.

The Advisory Committee's conclusions and recommendations on the Secretary-General's proposals for the Umoja project are contained in paragraph 95 of its report.

Turning to the International Public Sector Accounting Standards (IPSAS), the Advisory Committee's report (A/67/564) covers the Secretary-General's fifth progress report on the adoption of IPSAS by the United Nations and the proposed revisions to the Financial Regulations of the United Nations in preparation for the adoption of IPSAS.

In its report, the Advisory Committee cautions that, while the immediate focus should be on establishing systems capable of generating the accounting data required to produce IPSAS-compliant financial statements within the established timeframe, equal attention should be given to planning for the delivery of all of the intended benefits of IPSAS.

With regard to the ongoing activities aimed at data cleansing and the preparation of accurate opening balances, the Committee notes that under the existing field based systems, property management, particularly the verification of assets, has remained an issue of concern. The Committee therefore underscores the importance of taking all necessary measures to ensure correct opening balances in the preparation of IPSAS compliant financial statements.

The Advisory Committee notes the on-going collaboration between the IPSAS and Umoja project teams, but remains concerned about the risk posed by the prolonged delays in Umoja implementation to the timely realization of IPSAS benefits. The Committee acknowledges the contingency measures being undertaken by the Secretariat in the form of temporary adaptations of existing systems and manual workarounds, but also remains concerned about the ability of such solutions to deliver complete, accurate and consistent data.

The Advisory Committee notes the information provided regarding the projected overexpenditure of the IPSAS project budget. It expects that efforts will be made to absorb additional costs within approved resources before any request is made for additional resources.

The Advisory Committee welcomes the progress made by several United Nations System organizations towards the implementation of IPSAS. The Committee has again pointed out the expected increase in the number and information content of the financial and audit reports to be considered by itself and the General Assembly as a result. In that connection, the Advisory Committee has repeated its recommendation that the Assembly consider the implications of IPSAS as a matter of priority (see also A/67/381, para. 16).

With regard to the proposed revisions to the Financial Regulations of the United Nations in preparation for the adoption of IPSAS, the Advisory Committee commends the Secretary-General for consulting with the relevant entities throughout the process. The Committee, however, is of the view that the proposed Regulation 4.19 pertaining to the treatment of interest on voluntary contributions would benefit from further analysis. Furthermore, the Committee welcomes the amendment of the Financial Rules to allow the use of electronic means of data interchange within the procurement process, on the understanding that this would supplement, and not replace, the submission of bids and proposals in hard copy.

Finally, the Advisory Committee trusts that the Secretary-General will ensure that the Financial Regulations and Rules remain in compliance with IPSAS and, where appropriate, harmonized with those of other United Nations System organizations.

I thank you, Mr. Chairman.