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Agenda item 130

**Reports of the Secretary-General on
the Enterprise Resource Planning Project (A/67/360)
and
the International Public Sector Accounting Standards (A/67/344)
and
the Proposed Revisions to the Financial Regulations of the United Nations
for the Adoption of International Public Sector Accounting Standards (A/67/345)**

FIFTH COMMITTEE

Statement by

Mr. Yukio Takasu
Under-Secretary-General for Management
Friday, 16 November 2012

Mr. Chairman,
Distinguished delegates,

1. I have the honour to introduce the fourth progress report of the Secretary-General on the enterprise resource planning project. Mr. Baca, ASG for the ERP project and Ms. Casar, Controller, are present with us. I would like to express my gratitude to the chairman of the ACABQ for its thorough consideration of this subject and for the Committee's report.
2. The Enterprise Resource Planning project, Umoja, is at the centre of management improvements led by the Secretary-General and endorsed by the General Assembly. The full implementation of Umoja is essential to make the UN an efficient, global and unified Organization.
3. At the last session, Member States expressed concerns about the project governance as well as the delays in the implementation and requested the Board of Auditors to conduct a comprehensive audit. The Secretariat has accepted all the recommendations of the Board and is acting upon each recommendation. It is also important to note that the findings and recommendations of the Board cover the period April 2011 to April 2012. As both the Board and ACABQ note, significant

remedial actions have been taken and the situation has evolved considerably since then.

4. The fourth progress report has been prepared after an open, transparent and fundamental reassessment of the project scope and status, cost estimates, timetable, and benefits. In reassessing the plan, we have been guided by three principles: first, that the success of Umoja is indispensable to realizing a unified and global Organization; second, the financial constraints being faced by Member States, and third, to deliver the maximum benefits to Member States for their investment.

5. **Governance:** Immediately upon taking up my functions as Under-Secretary-General for Management in May 2012, I assumed the role of Chair of the Umoja Steering Committee and that of Project Owner. The post of the Project Director was upgraded to the level of Assistant Secretary-General effective 1 July 2012, and we ensured continuity of the project leadership by finalizing swiftly the appointment of Mr. Ernesto Baca at the ASG level effective 1 September 2012. The terms of reference of the five process owners have been clarified to better define their accountabilities and role.

6. **Revised deployment strategy and timetable:** After a vigorous review, the deployment has been revised to an entity-by-entity approach and the timetable has been adjusted. The functional scope of Umoja would now be divided into three parts: Foundation, Extension 1 and Extension 2. Foundation and Extension 1, which include transactional and IPSAS related processes, will be initially introduced in mid-2013, with deployment across the Secretariat by the end of 2015. The design blueprint and baseline of Extension 2, which includes the more strategic functions like planning and programming, would be finalized and validated by the end of 2015, and the processes will be built and deployed by 2018. The Secretary-General is committed to implementing the full scope of the Umoja and agrees with the Advisory Committee that full implementation is paramount to gain the full benefits of the new business model.

7. **Cost:** With the revised timetable, it is now estimated that additional resources of \$32.3 million would be required to complete the deployment and stabilization of the Foundation, Extension 1 as well as the design blueprint and baseline of Extension 2. This would bring the expenditure through 2015 to \$348.1 million from the approved amount of \$315.8 million. The build and deploy phases of Extension 2 would require additional funds. As recommended by the Advisory Committee, we will seek all options for accelerating the delivery of the project, including Extension 2 and provide estimates of the requirements for the implementation of the full scope of the project, and of future costs for operating, maintaining and upgrading the system.

8. Starting in January 2013, Umoja will start using the NOVA system to track core budget expenditures and the corresponding deliverables. With reference to indirect costs, a working group led by the Controller will review and validate such costs as data cleansing, user testing and training. We will make every effort to meet these requirements through redeployment within existing resources.

9. **Benefits realization:** The potential benefits based on the revised deployment timetable are currently estimated in the range of \$80 million to \$150 million annually effective 2017. After the deployment and stabilization of Extension 2, an additional potential \$60 million to \$80 million could be realized annually, reaching a combined benefit of anywhere between \$140 million to \$220 million in 2019.

10. It is important to note that a number of conditions and business re-engineering dependences are a pre-requisite for the realization of benefits. While some qualitative benefits will accrue immediately, quantitative benefits will not be felt before Umoja is fully stabilized. Potential benefits should not necessarily be seen as budget savings and should not be factored into until the full deployment of Umoja.

11. **Risk management/organizational readiness:** the most serious risk factor in Umoja implementation is organizational readiness. This is because the UN Secretariat is not migrating from a single business model, but from multiple business models, and different levels of readiness to adopt Umoja. We are taking steps to address the unique needs of different entities and promote commitment to the project throughout the Secretariat.

Mr. Chairman and distinguished delegates,

12. It must be stressed that an ERP system is inherently difficult and challenging to implement in an organization such as the UN, where the activities are diverse and geographically dispersed all over the world, not to mention different working models and variability in working practices. There has been no precedent of such a major transformational project at the UN. However, there is no choice here but to succeed. The project leadership is totally committed to the successful completion of Umoja with your understanding and support.

13. In closing, I would like to summarize the actions requested of the General Assembly. The Assembly is requested to approve the revised deployment strategy and timetable, to note the revised requirements for 2012, and the proposed requirements for 2013. No additional appropriation for the current biennium is being requested.

Thank you Mr. Chairman.

The Controller will introduce the Secretary-General's report on IPSAS.

Mr. Chairman,
Distinguished Delegates,

1. The Committee has before it the fifth progress report of the Secretary-General on the adoption of International Public Sector Accounting Standards (IPSAS), (A/67/344), the report of the Secretary-General on the proposed revisions to the Financial Regulations of the United Nations for the adoption of IPSAS (A/67/345), the report of the Board of Auditors (A/67/168), on the second annual audit of IPSAS implementation, and the report of the Advisory Committee on Administrative and Budgetary Questions (A/67/564) on all three reports.
2. The IPSAS progress report, A/67/344, presents progress for the twelve-month period ended 31 August 2012, updating the information presented in the previous progress reports, A/62/806, A/64/355, A/65/308 and A/66/379. This report outlines the status of IPSAS implementation across the United Nations system and deals in much more detail with the Secretariat's implementation. The report also discusses the key concerns expressed by the Board of Auditors in its report A/67/168 and how the Secretariat is addressing them.
3. At the system-wide level, eleven organizations have already obtained a 'clean' audit opinion from their external auditors on their IPSAS-compliant financial statements for 2011. The ten organizations implementing IPSAS in 2012 have all reported that their implementation is progressing well.
4. Let me now turn to the implementation of IPSAS in the UN Secretariat. For the UN Secretariat, the first target is peacekeeping operations commencing on 1 July 2013, leading to the preparation of the first IPSAS-compliant financial statements for the fiscal year 2013/14 by 30 September 2014. For all other Secretariat operations, IPSAS-compliant operations will commence on 1 January 2014, leading to the preparation of financial statements for 2014 by 31 March 2015.
5. The report before you outlines how the Secretariat is addressing the challenges in meeting these two deadlines, including the concerns expressed by the Board of

Auditors, the Advisory Committee on Administrative and Budgetary Questions and the General Assembly.

6. As we get closer to implementation, project management, risk management and change management have acquired greater prominence as reflected in a number of the activities during this period. The Management Committee actively monitors the project, including its linkages to the Umoja project. The IPSAS Steering Committee continues to use a risk management approach to steering the project. Project management tools have been deployed to enable over 45 teams through out the Secretariat to monitor their local efforts and report back to the central project management function in OPPBA and, in turn, to the IPSAS Steering Committee and the Management Committee.

7. I would like to express my appreciation to the Board of Auditors for its extensive engagement during this year in supporting the finalization of the IPSAS-compliant policy framework, which was critical for the Umoja design as well as the development of detailed operational guidance, which is now under way. I would also like to thank OIOS for their engagement in identifying potential problems in implementation in different offices/missions.

8. Over the last 7 months, the IPSAS project has continually adapted its implementation strategy and plans, in close collaboration with the Umoja project, as Umoja's deployment strategy and plans have evolved. The Board of Auditors has reviewed our approach and acknowledged that it is both sensible and feasible, even as it stressed the importance of a "very well designed and executed strategy". In view of its criticality as well as the risks to both Umoja and IPSAS implementation, the two projects undertook a joint, external validation of the IPSAS transition plans. With greater certainty now about the Umoja deployment plans, the two projects are also progressively blending the implementation plans to ease the change burden for the user community.

9. Mr. Chairman, Distinguished Delegates, Let me now turn to the report before the Committee on the proposed revisions to the Financial Regulations to support the adoption of IPSAS. These proposed revisions, accompanied by explanations of the proposed changes, are submitted to the General Assembly for its approval. The new Financial Rules are presented for information and will be promulgated by the Secretary-General following the General Assembly's approval of the changes to the Financial Regulations. The proposed changes are the outcome of a collaborative effort led by the IPSAS team with review among others, by the Office of Legal Affairs, Office of Internal Oversight and the Board of Auditors.

10. The proposed revisions to the Financial Regulations are organized into twelve broad categories. Section II of the report, from paragraphs 6 to 20, contains a brief outline of the twelve categories.

11. I would like to draw the Committee's attention to paragraphs 17 and 18 which deal with annual audit of financial statements, in view of its implications on the programme of work of this Committee, the Advisory Committee on Administrative and Budgetary Questions and the General Assembly and also its impact on the Secretariat and the Board of Auditors. More work remains to be done in this area to deal with this impact.

12. Mr. Chairman, Distinguished Delegates, the UN's IPSAS implementation is very challenging due to the complexity and size of its operations. The challenge is compounded by the complex IT systems environment, and the delayed roll out of Umoja. As the Board has noted, "... any further deferral (of the implementation date) would lead to greater cost and reputational damage with no greater certainty of success." The Administration is, therefore, determined to synergize its change management initiatives, especially Umoja and IPSAS, and is ensuring that the projects have the necessary senior management sponsorship and support to ensure their timely implementation.

13. While acknowledging that the risks are high, the Secretary-General remains resolute in his commitment to implement IPSAS by 2014.

14. Thank you, Mr. Chairman.