

United Nations Nations Unies

BOARD OF AUDITORS

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Opening statement to the Fifth Committee

United Nations Board of Auditors Fourth Annual Progress report on the United Nations Enterprise Resource Planning system (Umoja) A/70/158

19 November 2015

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 UK) 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 fourth annual progress report on the United Nations Enterprise Resource Planning (ERP) system Umoja.

Background

Implementing Umoja is a global, highly complex and high-value project to modernize a wide range of United Nations core business processes and systems that are key to the efficient and effective functioning of the Organization. The solution spans 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.

This is the fourth annual progress report produced by the Board. In previous reports the Board has highlighted significant weaknesses in project management, governance, change management and organisational readiness. In its more recent reports the Board has acknowledged that the Administration addressed some of its major concerns and that it had

put the project on a sounder footing. In its report A/68/151 however the Board emphasised that the organizational challenges were beginning to escalate, as the project moved into a phased, multi-location implementation process across both peacekeeping operations and the wider Secretariat.

In its third report (A/69/158), the Board reviewed the progress made by the Administration in deploying Umoja within peacekeeping operations noted that implementation problems were experienced and that changes and the new ways of working under Umoja needed to be introduced in a more effective, planned manner. The Board highlighted that achieving business readiness for Umoja was a collective responsibility among heads of business units, process owners, staff and the Umoja project team.

This report reflects the projects position just ahead of the major Cluster 3 deployment of Umoja to major UN entities in Nairobi and a number of other locations around the world (including the UN Environment Programme, UN Habitat, ESCAP and the Office for the Coordination of Humanitarian Affairs) and was therefore drafted several months ahead of the planned Cluster 4 deployment in November to the remaining UN entities around the world. The scale of the challenges around implementing Umoja in over 60 entities for some 23,500 users cannot be underestimated. The fourth progress report (A/70/158), focused on:

- Project Management
- The Umoja deployment strategy and organisational readiness
- Support arrangements for Umoja
- Risks around the current deployment schedule, and
- Costs and benefits of Umoja

Key findings and conclusions

Overall, if implemented successfully, and notwithstanding the risks around implementation, Umoja continues to represent a unique opportunity to drive more cost-effective delivery of mandates by increasing the operational effectiveness of administrative functions through modern, better ways of working, and the provision

of improved management information to support better decision-making. It is essential that the high level of reliance on the Umoja project team is reduced and that heads of business units assume ownership and responsibility for ensuring the successful deployment and effective use of Umoja.

However the Board considered that weaknesses in preparing staff for the changes Umoja will introduce, and gaps in post implementation support arrangements noted at the time of audit introduced further risks to the implementation strategy and noted that the Administration had not developed adequate contingency plans to mitigate these known risks. Significant challenges were encountered with previous deployments of Umoja to peacekeeping operations due to the lack of organisational readiness and there was a high risk that similar problems would emerge in June and November 2015.

On project management

There has been a sustained and consistent improvement to Umoja project management. Umoja now has unambiguous senior ownership by the Under Secretary-General for Management and there have been important improvements in management of strategic issues. The Board noted also that the role of process owners continues to mature and the Administration has started to adopt the concept of process management.

On deploying Umoja and Organisational Readiness

The Administration continues to be driven by the published project schedule to determine its rollout plans rather than any objective assessment of organisational readiness or the ability to manage business change to generate the expected benefits. The sixth progress report of the Secretary-General (A/69/385) recognised the problems experienced with previous deployments and committed the United Nations to a pace of implementation in accordance with the ability of the organisation to adopt the new system and processes. This has not occurred. The Board considers that implementation to the current project schedule remains optimistic and high risk rather than being founded on realistic planning assumptions.

The Administration is aware of the scale of the challenge posed by the roll out of Umoja in 2015 but considers that the risk of delaying the current deployment schedule outweighs the risks of proceeding in the face of known weaknesses. The Administration considered that delaying the planned Umoja deployment beyond 2015 would lead to significantly increased project costs, overstretch the resources of the project team, and create a range of practical problems arising from having to maintain IMIS and other legacy systems alongside Umoja for an extended period. They also consider that from a staff perspective the Organisation is primed for the Umoja roll out and any further delay would lead to a loss of momentum and impact adversely on staff morale.

The Board considers that the risks associated with implementation have not been adequately assessed by the Administration and contingency planning is poorly developed. The Administration is assuming that it will be able to deploy additional resources required to address any protracted problems in the same way that it coped with the roll out of clusters 1 and 2. The scale of the challenge around clusters 3 and 4 is of a different order of magnitude due to the more complex functionality involved, and the number of users in geographically spread locations. The Board has identified a number of gaps in the Administration's preparations for the implementation of Umoja including in the areas of training, user testing, data conversion, and post-production support following go-live.

On mainstreaming Umoja support

Longer term support and mainstreaming of the Umoja system is planned to be delivered by the Office for Information Communication Technology (OICT). The United Nations' global ICT strategy and the sixth progress report of the Secretary-General are consistent in their commitment to transfer responsibility for longer term support for Umoja to OICT. OICT is providing help desk facilities and other areas of support, but detailed plans for the transition from the project team to OICT have not been prepared and the feasibility and costs of the transition are therefore uncertain.

On target operating model

The organisation has not yet defined a clear target operating model within which Umoja will operate. The Administration recognises that it does not yet have a clear and agreed model for the United Nations and has recorded the need for one as a key risk mitigation in relation to business transformation. Proposals for a Global Service Delivery Model are to be presented to the General Assembly at its 70th Session.

Optimising Umoja

The Administration has used the Umoja implementation to improve a range of its administrative processes, however there is evidence that further significant optimisation of the business processes and underlying systems will be possible. The Department of Field Support, which has the most experience of implementing Umoja, recognised that some processes could be further improved and re-engineered some business processes after the system was implemented.

On costs and benefits of Umoja

The Administration expects the costs of the Umoja project to be approximately \$439.4 million by the end of 2016-17. Based on the likelihood that costs of stabilising the system in clusters 3 and 4 will exceed current estimates, and the remaining work required to complete the design and build of Extension 2 functionality, the Board can give no assurance that the full scope of Umoja can be delivered within the current cost estimate.

The underpinning financial benefits case for Umoja remains heavily dependent on assumptions made several years ago and the specific forecast of overall benefits does not enjoy high confidence amongst senior managers. The Administration is committed to the delivery of cumulative quantitative benefits of \$140 million to \$220 million by 2019. Estimated quantitative benefits of \$81.4 million are envisaged in 2017, comprising \$30 million from the regular budget and \$51.4 million from peacekeeping operations. No credible support for the estimated benefits expected from 2017 onwards has been presented to the Board.

Recommendations

In order to maximize the chances of successfully completing the project and achieving its aims, the Board makes seven recommendations in paragraph 19 of this report that, if implemented successfully, would:

- increase the level of ownership by heads of business units of Umoja (19 a);
- reduce the level of risk around the current deployment approach (19 b & c);
- improve the readiness of OICT to take over management and support of the Umoja solution from the project team (19 d & e); and
- increase the certainty of benefits which the Umoja solution can benefit drawing on experience to date and other reforms (19 f & g).

Of the 21 outstanding recommendations made in the Board's previous reports, all of which were accepted by the Administration, three have been fully implemented, six are under implementation, three have not been implemented and nine have been closed by the Board. Overall, the Board judges management to be committed to implementing its recommendations.

Chair, this concludes my introductory statement. I, along with my colleagues, would be happy to answer any questions the Committee may have.

Thank you.

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