

United Nations Nations Unies

BOARD OF AUDITORS

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Opening statement to the Fifth Committee

Introduction to the United Nations Board of Auditors Third Annual Progress report on the United Nations Enterprise Resource Planning system (Umoja) A/69/158

6 November 2014

Mr. Chairman,

Distinguished representatives,

Thank you for the opportunity to discuss the third annual report of the Board of Auditors on the enterprise resource planning (ERP) system (Umoja).

Background

In the Board's last progress report (A/68/151), it was able to confirm that the Administration had strengthened project governance and management arrangements and had put the Umoja project on a sounder footing. It highlighted, however, that the implementation challenges were about to escalate significantly, as the project moved into a phased, multi-site implementation process across both peacekeeping operations and the wider Secretariat. In particular, the Board noted systemic issues that needed to be addressed, including the Organization's ability to manage change, business readiness and the ambitious planning assumptions for the project.

At the time of this third progress report, five years after General Assembly approval, Umoja has cost some \$271 million of an approved budget of \$348 million. It will provide administrative and support functions in five areas: finance, supply chain and procurement, human resources, central support services, and programme and project management and will encompass over ninety different entities. Implementing an ERP on this scale is a very challenging and complex undertaking and Umoja is fundamental to the management reform of the UN.

This report covers:

- The Pilot of Foundation in UNIFIL
- The roll-out of Foundation in Peacekeeping operations and 17 of 38 Special Political Missions
- Management's response to the problems which have occurred in Peacekeeping
- The roll-out of Foundation in Special Political Missions

- Preparations for (but not the results of) the Pilot of Umoja Extension 1 in MINUSTAH

Key findings

Our key findings illustrate that the challenges identified in the second progress report emerged as very real issues.

The roll-out of Umoja Foundation in Peacekeeping

Implementing Umoja in peacekeeping operations and Special Political Missions is a significant milestone and represents a major technical achievement. However, the Administration encountered unexpectedly severe problems introducing the new ways of working in peacekeeping operations.

For example, staff did not all adopt the new business processes and were using workarounds, in particular in key financial processes. The level of training and skills, management understanding of the solution and inconsistent business processes between locations were significant contributory factors to the problems that emerged. The issues faced also demonstrate weaknesses in the acceptance procedures on the part of stakeholders involved in signing off on technical, process and business readiness issues.

Management's response to the problems

In February 2014, in the light of the problems encountered, the steering committee re-profiled the deployment schedule to create more time to address business readiness and established a post-implementation review task force to tackle the problems in peacekeeping operations. Those decisions were necessary and pragmatic, in particular the deferral, from July 2014 to June 2015, of roll-out in departments based in New York reflecting concerns over business readiness within the wider Secretariat and the level of resources being used to support the stabilization of Foundation in peacekeeping operations. At the time of the Board's audit, the implications for project cost, delivery and benefits were uncertain.

It is clear however, that the initial implementation of foundation has taken longer, raised more issues, and tied up more resource than expected. Addressing the problems and working to stabilise the implementation in the post-deployment stage has heavily occupied the ERP project team and has impacted on its preparations for future releases of the ERP system.

The potential impact on the Board's audit of peacekeeping operations

The Board is currently assessing the impact of the weakened control environment and transaction processing errors as it completes the audit of the peacekeeping financial statements for the year ended 30 June 2014 and will report its findings in due course.

Achieving successful delivery of the project to time, cost and scope

Overall, if implemented successfully, in the Board's view the ERP project remains an essential opportunity to modernise the business administration of the United Nations. However, the Board believes that it is highly unlikely that the ERP project will deliver its full functionality within the existing forecasts of time or cost and that the Administration needs to 'take stock' and assess what can be realistically achieved.

It is entirely possible that the ERP project will deliver qualitative and quantitative benefits that will optimize the return on investment, but this should not come at any cost. The Administration needs to develop an achievable, fully funded and independently assured deployment plan that reflects the United Nations diversity and complexity. We question the level of realism in the current plans for a number of reasons:

- **In the absence of any clear linkage between planned expenditure and planned deliverables, the Board can provide no assurance that expenditure to date is matched by the appropriate level of actual delivery.** As at 31 March 2014, the project had spent \$271 million, 78 per cent of the approved budget of \$348 million to the end of the biennium 2014-2015. At the forecast burn rate the project will run out of funds in June 2015. At the time of audit the Administration was forecasting that it would need to spend \$372 million to complete the design, build and implementation of Foundation and Extension 1, and the design of Extension 2, leaving a known funding gap of at least \$24 million. The anticipated final cost of the project is unknown because the cost of Extension 2 has not been fully defined.
- **In light of the delays already incurred, and the likelihood of further delays, the Board considers the revised deployment schedule agreed in February 2014 is unlikely to be met.** The need to spend additional time and resource stabilising the system during the initial roll-out of foundation is a strong indicator of the post-implementation challenges the Organisation will face when roll-out commences in the wider Secretariat. There has been no independent assurance that this deployment schedule can still be met.
- **The level of associated costs remains unknown.** A previous Board recommendation notwithstanding, the associated costs incurred, such as data cleansing and training, are not recorded centrally. The full costs of the project, and the extent of extra work and dedicated resources required for implementation (while not a part of the project budget discussed above), remain unknown. Failing to capture the associated costs of the pilots and early roll-outs has limited the lessons for future deployment in terms of advising business units of the resources that they will need to deploy to prepare for the implementation and operation of Umoja.

Progress is being made to quantify the benefits from more efficient and cost-effective ways of working, but the plans and baselines for realizing and measuring them have not yet been established. These need to detail not just the identification of benefits, but exactly how and when the estimated annual benefits of between \$140 million and \$220 million will be realized.

There remains no agreed future service delivery model for the United Nations. We recognise this is challenging but it is important to have some sense of destination model to help support ERP implementation and benefits realisation, avoid expensive retrofitting, and enhance accountability.

Progress against previous recommendations

Of the 26 recommendations made previously, 5 have been fully implemented, 11 are under implementation, 5 have not been implemented and 5 have been closed by the Board as they have been superseded by new recommendations.

Chair

That concludes my statement. My colleagues and I are of course happy to answer any questions that the Committee may have.

Steven Townley
Director of External Audit (UK)
Chair, Audit Operations Committee