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Organización de las Naciones Unidas para la Alimentación y la Agricultura

FINANCE COMMITTEE

Hundred and Fortieth Session
Rome, 10 - 14 October 2011
Progress Report on Implementation of the Oracle R12/IPSAS Project

Queries on the substantive content of this document may be addressed to:

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EXECUTIVE SUMMARY

- At its 137th and 138th Sessions in February and March 2011 respectively, the Committee was presented with the estimated cost and funding of the synergistic programme to implement IPSAS and the field solution in parallel to the upgrade of the Organization's Oracle ERP systems to Release 12. The Committee recognized the cost estimates presented and encouraged the Secretariat to seek further opportunities for cost efficiency and ways to maximize the value-for-money delivered by the programme.
- This report provides an update on progress for the period April to September 2011, on plans for the period October 2011 to April 2012, and on the programme budget. The report also illustrates the risk management approach adopted by the programme.

GUIDANCE SOUGHT FROM THE FINANCE COMMITTEE

- The Finance Committee is invited to take note of the information provided in the document.

Draft Advice

- **The Finance Committee noted the information provided in the report.**

Background

1. The Finance Committee has reviewed regular reports on the adoption of IPSAS since its 115th Session in September 2006 when it approved that FAO adopt IPSAS.[1] At its 135th Session in March 2010, the Committee was informed of the impact on all ERP-dependent projects of the necessary upgrade of the Organization's systems to Oracle Release 12 and recognized the benefits of adopting a cost effective, synergistic approach to upgrade the ERP to Oracle R12 in parallel with the IPSAS Project.[2]

2. Further information on the estimated costs and proposed funding of this synergistic approach was provided to the Committee at its 137th Session in February 2011 and its 138th Session in March 2011.[3] The Committee recognized the cost estimates presented and encouraged the Secretariat to seek further opportunities for cost efficiency and ways to maximize the value-for-money delivered by the programme, requesting that progress reports on the status of the programme be provided at its future sessions.

3. As reported at the last session the current timeline is as follows:

Activity	Timeline
Project/programme initiation and management	Ongoing 2011-2013
Change management and Communication:	Ongoing 2011-2013 with a peak in 2012
Requirements and high level scope definition:	2011
Analysis and Detailed Design	2011
Build: Configuration and development	2011 - mid 2012
User Acceptance Test	2012 H2
Training	From H2 2012-2013
Preparations for implementation	2012
Stabilization and Deployment to Decentralized	2013

4. The following paragraphs describe progress in the period since the last report and plans for the period October 2011 to April 2012.

Progress in the period from April to September 2011

5. Significant progress has been achieved during this period with the Program Initiation and High Level Design phases now completed. Key points of interest for the Finance Committee include:

a) The Programme Initiation Document (PID) which sets out the scope, delivery objectives, approach, schedule, budget, governance structure, and the resources that will implement the programme was submitted to and approved by the Programme Executive Board (PEB).
b) Programme structures and governance arrangements were established.
c) The high-level design of processes and the system was completed. The high-level design provides an estimate of the resources and work required to translate business requirements

[1] FC 115/11
[2] FC 135/12
[3] FC 138/11 and FC 137/2.2

into new systems and business processes and will be the basis for deciding on the final approved scope of work. Value-for-money is one of the criteria being used to validate detailed scope decisions and business unit requests to introduce new or changed functionalities. This approach will strive to implement where appropriate new Oracle R 12 functionalities which will enhance and improve the performance of existing business processes, including financial management and reporting, support to decentralized offices, and human resources, travel and procurement management.

d) The programme has continued to identify and move forward with the implementation of specific early deliverables where these will deliver organization-wide business benefits and reduce overall programme risk in advance of the main implementation date. During this period, this included the implementation of a reconfigured Oracle Asset module that will provide users with better control of their asset data and, as a result, better information to run their offices and their projects. In addition, some ‘goods received’ functionality was also deployed to a restricted group of users.

e) The Change Management and Communications work stream was initiated. An organizational change management strategy is being defined and will be presented for approval to the PEB in early October 2011. Other key activities in this workstream have already started, including a first impact analysis and key communication actions.

Plan from October 2011 to April 2012

6. The main programme activities for the next period will include work on the following areas:

a) The Programme Executive Board (PEB) will meet in October 2011 to review the outputs of the High-level Design phase and approve the final scope of work to be delivered by the programme. This review will include the consideration of other changes to the ERP beyond the core scope of the IPSAS Project (including the replacement of the field accounting system) the R12 upgrade and the Travel Replacement Project all of which have already been approved by the PEB. The major constraint to increasing the scope of work will be ensuring that it is aligned with available resources and the ability of the Organization to manage the associated delivery risks and internalize the degree of change proposed by the final scope of work.

b) The detailed design phase will be carried out in which the approved scope of work will be translated into a detailed design supported by functional and technical specifications for the proposed solutions within the existing business process and technical architecture deployed as part of the solution.

c) The build phase will also start in which the system will be built and configured in accordance with the design specifications. This phase also includes the elaboration of policies, procedures, user documentation, training materials, construction of technical objects and preparation for organizational change management.

d) Work will also commence on other programme phases including preparing for user acceptance testing and for the delivery of employee training and post-implementation support activities.

Programme Risk Management

7. Risks are inherent in large Programmes involving significant business transformation, hence the need to be pro-active in managing them and minimizing their consequences. Risks are being monitored on a constant basis and the risk management plan adjusted accordingly throughout the Programme. The programme has been in contact with the Enterprise Risk Management (ERM) team, and will continue to align the programme’s risk management methods and practices to the ERM framework.

8. A tender to acquire external Quality Assurance services for the programme has been issued, and proposals have been received from a number of leading firms. The selection process is expected to be completed by the end of September 2011.

9. The Audit Committee has stressed the importance to management of devoting sufficient attention to managing the risks that may threaten the implementation of the Programme. At the same time, the Committee has noted the intrinsic difficulties of the project and encouraged management to adjust the project timetables if it became apparent that this is necessary. The Programme will continue to report regularly on the management of this risk to the Audit Committee.

10. The programme has recognised two important areas of change-related risk. The first concerns the implementation of changes in decentralised offices, as employees in these offices will be faced with the greatest amount of change. The gradual ("roll-out") approach to introducing changes in the Field will help meet this challenge. The second area of risk relates to a more general resistance to change, as new concepts (such as IPSAS) and more system-based procedures are introduced throughout the Organization. Resistance may emerge because of widespread "change-fatigue", as the Organization continues to introduce numerous change initiatives impacting the same employees. Effective sponsorship, communication, training and on-the-job support will be essential to managing both areas of risk.

11. As part of its approach to risk management, the programme has defined contingency plans to manage increases to its risk profile. Risks may increase as a result of delays in "freezing" the programme's detailed scope, or as a result of increases in complexity or estimated time-frames in other programme areas. Contingency plans currently focus on the re-planning of activities so as to diminish risk by, for example, phasing the introduction of new functionality over multiple releases. These plans, however, respect the goals of introducing IPSAS compliant systems in 2012 and producing IPSAS compliant financial reports for 2013.

Programme Budget

12. The programme budget is funded principally from the Capital Expenditure facility together with a contribution from the IPA. The total 2011-13 programme budget is USD 38.5 million of which USD 23.9 million, including USD 3.6 million of IPA funds (IPA action 7.25), has been requested under the 2012-13 Appropriation. A summary status of the resource utilization for 2011 is provided in the table below:

2011 Project Budget and projected balances by funding source (US millions)

row		**Capital Expenditure**	**IPA**	**TOTAL**
1	2011 Funding Available	13.0	1.6	14.6
2	Total Spend to 31 August 2011	6.4	1.4	7.8
3	Forecast Spend to 31 December 2011	3.7	0.2	3.9
5	Projected Balance at 31 December 2011 available for spending in 2012-13	2.9	-	2.9

13. The projected balance of USD 2.9 million referred to in row 5 is due to the late start of programme activities in 2011 caused by additional time required to locate and hire some key external resources with the appropriate skill set. The underspending is expected to be fully utilized in 2012-13

as programme activities proceed. In line with the current practice, if there is any unspent balance in 2010-11 in the Capital Expenditure facility, it will be transferred to the forthcoming biennium.

14. Refinements to the budget, and possible additional cost efficiencies, may be identified during the finalisation and approval of the detailed scope during October 2011. The Secretariat will keep the Committee informed of developments in this area.