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FINANCE COMMITTEE

Hundred and Thirty-eighth Session

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**Progress Report on Upgrade to Oracle R12 in parallel with the IPSAS
Project**

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EXECUTIVE SUMMARY

- At its 137th Session in February 2011, the Committee was presented with the estimated cost 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 requested that additional information on the scope, timeline, cost estimate breakdown and information on similar projects in other UN Agencies be presented at its Session in March 2011.
- The report provides the requested information as well as an update on progress for the period October 2010 to March 2011 and plans for the period March through September 2011.

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. At its 137th Session in February 2011, the Committee acknowledged the estimated cost of the synergistic programme to implement International Public Sector Accounting Standards (IPSAS) and the Field Solution in parallel to the upgrade of the Organization's Oracle based Enterprise Resource Planning system (ERP) to Release 12. In addition to the significant benefit of running these major administrative projects in an integrated way, such an approach allows the IPSAS Project to exploit the significant new functionality available in Oracle Release 12 while ensuring that the Organization will not be required to rely on an unsupported version of its ERP in 2013. The synergistic introduction of Oracle Release 12 will also permit the Organization to replace the current Field Accounting System with a Field Solution that uses standard Oracle Release 12 functionality for deployment to the Decentralized Offices as an integrated part of the ERP. Under the new synergistic approach IPSAS compliant systems will be delivered in 2012. The first IPSAS compliant official accounts will be prepared for the calendar year 2013.
2. Following discussion of the report at its 137th Session, the Finance Committee requested that additional information on the scope, timeline, cost estimate breakdown and information on similar projects in other UN Agencies be presented at its Session in March 2011.

I. Benefits of the programme and the synergistic approach

3. A "synergistic" approach has been adopted for managing the upgrade of the Organization's ERP to Oracle Release 12 in parallel with the IPSAS Project and the Field Solution. This approach will ensure the timely delivery of these major administrative projects while at the same time allowing the IPSAS project to exploit the significant new functionality available in Oracle Release 12 and ensure that the Organization will not be required to rely on an unsupported version of its ERP in 2013.
4. The "synergistic" introduction of Oracle Release 12 will also permit the Organization to replace the current Field Accounting System with a Field Solution that uses standard Oracle Release 12 functionality for deployment to the Decentralized Offices as an integrated part of the ERP.
5. Finally, this approach will also strive to take on-board, where appropriate, other new Oracle R12 functionalities where they enhance and improve existing business processes, including Human Resource and Procurement related functionalities.
6. In addition to the above, a replacement of the current proprietary Atlas travel system with a new corporate travel solution that will meet Organization-wide needs is also being considered for inclusion in the synergistic programme of work.
7. The key benefits of the synergistic approach are an overall reduction of the effort needed at the various stages of the programme and the tight integration of deliverables, improving quality and control over the final product, as well as ensuring timely delivery of an upgraded FAO integrated ERP solution to be utilized both in Headquarters and Decentralized Offices.
8. The synergistic approach will ensure that the Organization's ERP will include those functionalities and improvements needed to support the Organization for years to come, especially by extending the use of the system in Decentralized Offices, a cornerstone of FAO renewal. This will be achieved in a timely basis through leveraging synergies across various project activities, including common training and deployment and efficiencies in configuration, development, and testing.

II. Scope, timeline and costs of inputs

9. The initial scope of the ERP integrated upgrade will be restricted to the work needed to deliver IPSAS compliant accounting functionalities, the replacement of the Field Accounting System and the upgrade of the Oracle software to Release 12.
10. Other changes to the ERP will be considered for inclusion within the scope based on the Organization's ability to absorb the change and its capacity to deliver the additional work without increasing the risk of delivering the required IPSAS functionalities by the planned target date in the last quarter of 2012.

11. The major constraint to expansion of this restricted scope is the availability of resources, both functional and technical, and the challenging timelines. The limited pool of skilled resources within the Organization to support project activities and ensure go-live within the 2012 financial year will limit the available options. Careful management of resources and focused attention to the timely delivery of the projects will be fundamental to the successful completion of the programme of work.

12. Consideration of whether to include other ERP related initiatives within the scope of work (e.g. replacement of the travel system) will be finalised during the first quarter of 2011.

13. The total cost estimates for the programme are USD 14.6 million in 2011, and USD 23.9 million for 2012-13 as reported to the Committee at its 137th Session when it requested an additional breakdown of the cost of individual inputs.

14. The majority of the costs reflect human resources required for the various project activities, (including the backfilling of divisional staff assigned to those activities), and which account for USD 34.6 million of the total cost estimate for 2011-2013. A description of the project activities that this resource effort will support is provided below:

Activity and contributions	Timeline
Project/programme initiation and management : Project managers, programme office and key stakeholder contribute to this activity, particularly from Finance, Human Resources, Procurement, Travel business offices and project teams and the CIO division	Ongoing 2011-2013
Change management and Communication: Managed by the programme office to achieve synergies, this activity requires inputs from all project stakeholders and functional team members	Ongoing 2011-2013 with a peak in 2012
Requirements definition: functional analysts from all business offices	2011
Analysis and Design: Functional and technical analysts	2011
Configuration and development: Mainly technical analysts and developers, with input as needed from the functional teams	2011
User Acceptance Test: Mainly functional teams, with inputs from business offices. Technical resources required for issue resolution	2012
Training: Mostly specialised training resources with inputs from the functional resources, and some support from the technical team	2012-2013
Preparations for implementation: functional and technical resources	2012
Deployment and stabilization: technical and functional support to end users worldwide	2013

There will be approximately 100 Full Time Equivalents (FTE) people each year to be employed in the programme. This total resource level is comparable to best practices and other similar UN projects. The organization may enter into framework agreements with external specialised suppliers for some of these activities (e.g. training), in alternative to direct recruitment of staff and non-staff human resources.

15. In addition to the human resource inputs, the cost estimates for 2011-2013 also include the following cost categories which total USD 3.9 million:

- Licenses: USD 400,000
- Hardware: USD 250,000
- Travel: approximately USD 2,800,000 of which almost USD 1,700,000 is in direct support of training activities.
- Procurement (External Quality Assurance contract): USD 500,000

III. Similar projects in other UN agencies

16. A number of UN agencies have initiated or undertaken comparable projects in order to adopt IPSAS, re-engineer their business processes and implement/upgrade and enhance their ERP platforms.

17. Costs and timelines can only be compared at a high level as they are impacted by several variables which include the level of maturity of the business processes of the Organization, the degree of compliance of Organizational processes with IPSAS, the degree of changes to be introduced, the magnitude and complexity of the scope of work, the technology used, the number and location of users, and the costing methodologies.

18. Based on official documentation available on the Organizations' websites the summary costs of comparable ERP implementation projects are as follows:

- WFPWINGS II Project – a complete business reengineering project including IPSAS (2006-2009): **USD 56.5 million (WFP/EB.1/2010/6-G/1)**
- ILO IRIS implementation – Oracle implementation project: approximately **USD 40 million (JIU/REP/2005/4)**
- WHO contracted Oracle Corporation at a cost of **US\$ 55 million** in 2004 (**JIU/REP/2005/4**)
- UN secretariat UMOJA project – major UN reengineering project and software implementation including IPSAS: **USD 20 million** for the biennium 2008/09, **USD 175.3 million** for the biennium 2010/11 and **USD 120.4 million** for the biennium 2012/13 (**A/64/380**)
- UNICEF Vision-ONE ERP and IPSAS projects – business reengineering, roll-out of functionalities and adoption of IPSAS: approximately **USD 10 million** for the biennium 2008/09 and **USD 32.3 million** for the biennium 2010/11 (**E/ICEF/2008/AB/L.1 and E/ICEF/2009/AB/L.4**)

IV. Governance

19. Based on the PRINCE2 methodology adopted as a standard for large projects by FAO, as well as Root & Branch review recommendations regarding the role of the business and the Chief Information Officer, the governance structure proposed to manage the ERP Programme comprises three levels of management:

- An IPSAS/R12 Programme Executive Board (PEB) tasked to direct the programme of work. The Programme Executive Board (PEB) is the owner of the ERP programme of work. With input from the Programme Management team, the PEB monitors the progress of the work at a strategic level and makes decisions to ensure successful delivery of the expected benefits, in particular through continual alignment with Organizational commitments and priorities
- An IPSAS/R12 Programme Management component to coordinate the overall integrated programme of work. It follows the directions set by the Programme Executive Board and ensures that the various projects deliver as per the agreed scope, timelines and resources
- IPSAS and R12 Projects with clear individual delivery objectives, working closely with each other and supported by functional and technical pools to improve cross- functional work.

V. Progress to date

V.1 Programme management activities

20. An initial high level Programme plan has been drafted. Consultations are in progress to define common Programme processes, templates and development standards. Finally, the proposal to include in the Programme scope the development of a new Travel system has been analysed and is currently under review.

V.2 IPSAS

21. The Finance Committee has reviewed regular progress reports on the adoption of IPSAS with the most recent progress report presented to the 135th Session of the Committee in October 2010. The main focus of work for the period October 2010 to February 2011 was on the following areas:

- The User Requirements Phase of the Project was completed with all key User Requirements Documents (URDs) either validated or in the process of final review and sign off by key stakeholders.
- A pilot of the new Receiving process was implemented in January 2011 and was rolled out on a limited basis at HQ as an early deliverable of the IPSAS Project. The new system-supported Receiving process will allow HQ Procurement Service users to record in the Oracle ERP system, receipts and inspection/quality control results for a subset of their transactions with delivery to Decentralized Office locations. Implementation of this deliverable not only represents a major step towards the adoption of IPSAS, but also provides organizational benefits by using the Corporate Administrative Systems to support the current invoice validation process.

V.3 R12 Upgrade

22. The project initiation document (PID) has been submitted to the project board for review and approval and the key project positions have been staffed. A first version of the project schedule and major milestones has been completed based on the high level programme plan and expected synergies. Preliminary work to ensure support and synergies with the on-going IPSAS project has begun and includes:

- Comprehensive tests of the underlying hardware and software technologies).
- Technical work in preparation of the Design phase of the project.
- Performance tests of Oracle Release 12 in collaboration with IPA 3.90 project to ensure Decentralized Office users can access the system.

VI. Plans for the period March – September 2011

23. IPSAS project activities for the next period will include work on the following areas:

- Proposed changes to Financial Rules and Regulations to allow the introduction of IPSAS were reviewed and approved by the Finance Committee at its 135th Session in October 2010. These amendments will be presented to the CCLM for review at its 92nd Session in March 2011.
- The next phase of the Project will involve designing solutions (gap analysis) for the User Requirements on the new R12 functionality. The output will be a defined set of IPSAS compliant business processes including decisions on whether to use standard system functionality or required customizations to support those processes. This will allow the functional and technical specification work to begin.
- The project will continue to identify and move forward with the implementation of specific project early deliverables where these will deliver organization-wide business benefits and reduce overall project risk in advance of the main IPSAS implementation date.

24. The R12 project will focus efforts at providing the programme and IPSAS project with an environment to assess the new R12 functionality and information needed for the upcoming design and scope confirmation phase:

- Provide a R12 environment to aid the programme scope confirmation and the high level design sessions of the IPSAS project.
- Conduct an early impact analysis of the changes introduced by R12 to support design decision making
- Provide a preliminary view of R12 performance in the Decentralized Office locations in collaboration with the IPA 3.90 project.

25. The Integrated IPSAS/R12 ERP Programme of Work will continue to report regular updates on progress to the Finance Committee.