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FINANCE COMMITTEE

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**Progress Report on Implementation of the Global Resource
Management System**

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

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EXECUTIVE SUMMARY

- This document provides information on progress made on the Global Resource Management System Programme during the period October 2011 to April 2012, the plans for May to October 2012; and the updated status of the programme budget.
- The report emphasizes how the GRMS has become a pillar of the Organization's effort for strengthening its performance, results and impact at the country level. It highlights that the effective and efficient use of the Organization's resources is dependent on the availability of corporate systems in all FAO locations.
- The report provides an overview of the complexity and high impact of the GRMS. It will increase the user base by approximately 800 new users and incorporate the management of approximately 3,000 non-staff human resources which are currently not recorded in any of the corporate systems. It will impact all FAO employees at all FAO locations.
- The report also provides an update on the actions taken to mitigate associated risks, especially those related to capacity and change management in decentralized offices. It also provides an initial indication of the expected benefits which will be delivered by the programme.
- The report highlights a change in the programme's implementation approach to the achievement of IPSAS compliance. Following a recommendation by the Office of the Inspector-General, the resource effort for 2012-13 will now be concentrated on the implementation and deployment of the GRMS IPSAS compliant systems and processes to all offices and ensuring that staff are fully trained in their use. The system will be rolled out to Headquarters and Regional Offices by November 2012, and to all regions by June 2013. IPSAS opening balances and execution of IPSAS compliant transactions would commence thereafter. The re-sequencing recognises that deployment of ERP-supported processes to all locations is a pre-requisite for sustainable IPSAS-compliant transaction processing; as a result the new approach will reduce IPSAS implementation risks and avoid considerable manual effort. The re-sequencing also means that the production of the first IPSAS compliant financial statements will now be effective for financial years commencing 1 January 2014.

GUIDANCE SOUGHT FROM THE FINANCE COMMITTEE

- The Committee is invited to take note of the information presented in this document.

DRAFT ADVICE

- The Finance Committee reviewed document FC143/9 which provided an update on progress made on the Global RMS Programme for the period October 2011 to April 2012, and plans for the period May to October 2012.
- The Committee noted the progress on the Programme and the actions being taken to mitigate program risks. In particular, the Committee noted the revised programme implementation strategy which will ensure the implementation and deployment of GRMS IPSAS compliant systems and procedures to all offices by June 2013, with the date for production of the first IPSAS compliant financial statements now following the deployment of IPSAS compliant systems and being effective for financial years commencing 1 January 2014.

BACKGROUND

1. At its 140th Session in October 2011, the Finance Committee reviewed a progress report on the Oracle R12/IPSAS Project for the period April to September 2011 and plans for the period October 2011 to April 2012.
2. Based on its review of the progress presented, the Committee:
 - emphasized the importance of ensuring that the core project objectives of IPSAS compliance, FAS replacement and the R12 upgrade were delivered by the planned project target dates and within the reported budget estimates;
 - noted the key risks to the project presented in the document, in particular those relating to change management in Decentralized Offices, and directed the project to proceed with the mitigating actions identified to address these risks;
 - requested the Secretariat to include in its next report to the Committee more information on the benefits of the Oracle R12/IPSAS effort, and how these contributed to the strategic vision of the Organization; and
 - requested the Secretariat to provide details of cost efficiencies and value for money to be delivered by the project at its session in May 2012.
3. This document describes progress in the period since the last report and plans for the period May to October 2012 as well as responding to the additional information requested by the Committee at its previous session.
4. The current timeline of the system development and roll-out is shown in the table below and is consistent with that presented in the previous progress report to the Committee:

Activity	Timeline
Programme management	Ongoing 2011-2013
Change management and communication	Ongoing 2011-2013
Project initiation	Completed
Requirements and high level scope definition	Completed
Analysis and detailed design	Completed
Build: configuration and development	October 2011-May 2012
User Acceptance Test	June-August 2012
Training	September 2012-June 2013
Preparations for implementation	September-October 2012
Stabilization and Deployment to Headquarters and Regional Offices	November 2012
Progressive deployment to all regions	by June 2013

Decentralization

5. The current administrative and operations structure has evolved over the years as different functions have been progressively decentralized e.g. field programme operations were decentralized a decade ago; the Shared Services Centre hubs were established in 2008; and since 2010 the Technical Cooperation Programme (TCP) and country offices network support and monitoring responsibilities have been delegated to the regions. At the same time the volume of activity in decentralized offices

has significantly increased with disbursements by decentralized offices having increased by 190% since 2004 to almost USD 600 million per year.

6. While there have been clear benefits introduced by these changes, there have also been problems of incremental changes leading to a fragmented structure, with inconsistent processes and multiple points of contact. By extending the use of the corporate systems to all FAO offices GRMS will create a more consistent structure, providing the tools, processes and support structures needed by managers to deliver their new delegated responsibilities effectively.

7. The GRMS is therefore a fundamental pillar of the vision for decentralization, including the decentralization of emergency operations.

Organizational Impact of GRMS

8. For the first time a single corporate integrated administration system is going to be made available to all decentralized offices in FAO. The new system will result in the implementation of standardized and IPSAS compliant administrative processes across the Organization's world-wide locations.

9. Almost 800 employees in about 100 locations in the Field will need to learn how to use the new system and apply the changed administrative processes. It is estimated that about 3,000 non-staff human resource employees (NSHR) recruited in decentralized offices and currently not recorded in any system will now have a record in the new corporate systems. With this change, up to 8,000 NSHR will need to have timesheet information entered (via proxies) and certified. Approximately 5,000 staff members who currently use the corporate system will need to learn how to use the new system.

10. The GRMS will impact every FAO employee in all locations. The degree of change associated with it is clearly significant.

Progress in the period from October 2011 to April 2012

11. Notable progress has been achieved during the period October 2011 to April 2012, with the Detailed Design phase completed and the Build phase well underway. Key points of interest for the Finance Committee include:

- a) The detailed design phase has been completed including completion of prototype sessions and definition of the specifications for the technical solution. The scope of the solution to be released has also been agreed;
- b) The configuration and development of the technical solution is well underway. Internal project testing of the solution has started and plans have been defined for the User Acceptance Testing phase;
- c) A project to perform a more detailed assessment of the benefits is underway and will be completed in May 2012;
- d) The organizational change management strategy has been approved by the Programme Executive Board (PEB) and training and support preparation and documentation is underway;
- e) The Office of the Inspector-General completed an assessment of the IPSAS implementation in FAO. A number of recommendations were agreed and are being implemented;
- f) The technical architecture and infrastructure modifications required to support the global deployment of the system are well underway; and
- g) The overall deployment strategy has been defined, which includes an initial implementation followed by a phased rollout to decentralized offices.

12. The internal governance of the project has also been strengthened during the period, with the Deputy Director-General (Operations) fully accountable for the overall implementation of the GRMS, and a single, integrated delivery structure now in place. The project resources are now co-located in recently renovated office space. The original projects that made up the GRMS programme have also now been fully integrated and the programme is organised by business process stream.

Plan from May to October 2012

13. The main programme activities during the period to October 2012 will include the following actions, aimed at ensuring that the system can be deployed to Headquarters and Regional Offices in November 2012:

- a) Completion of the configuration, development and testing of the solution. Initially each of the individual components will be tested, followed by integration testing in May;
- b) Once the build and integration testing has been completed, User Acceptance Testing of the solution will be performed between June and August. This will test the end to end solution including the integration of Oracle with other systems inside and outside of FAO;
- c) Development of training and support material, including detailed process documentation for the areas most heavily impacted. The training and support processes and systems will also be put in place;
- d) Training will start in September, including training of the people who will form part of the support structure, followed by other users in HQ and Regional Offices; and
- e) During this period, tests will be carried out on the global infrastructure to ensure the network is ready for the implementation of the new solution. IPSAS compliance preparation work will also be completed during the period, including modifications to policies and procedures.

Progress on actions to mitigate risks

14. The review by the Office of the Inspector General of IPSAS implementation in FAO recommended that the Programme should consider an alternative strategy that prioritizes and phases the delivery of the GRMS system component in 2012-2013, postponing the production of IPSAS compliant financial statements, thereby reducing the related risks to the overall programme objectives.

15. The progress report presented to the Finance Committee in October 2011 identified two major risks for the program: firstly the risk related to implementation of changes in decentralized offices due to capacity constraints; and secondly the risk related to a more general resistance to change. Risk mitigating actions which are ongoing to address these risks include:

- Business Change Management and Field Coordination teams have been fully established, including field secondees. Workshops were held in January with participants from the Regional Offices and field offices. The workshops included explanations of the changes that will be taking place and demonstrations of the new system, providing opportunities for feedback.
- Actions are ongoing to establish Regional operational support units which will support decentralized offices in the performance of the new functions and processes introduced by the GRMS Programme. These units will provide training and support during the deployment period and after go live, creating a focal point for ongoing process improvements

16. The programme has also reviewed the GRMS risks using the Enterprise Risk Management framework. Workshops were held to identify and score the risks and to identify the mitigating actions that can be taken. The risks and the proposed actions were reviewed by the Programme Executive Board in March. A number of actions have already been carried out to mitigate the risks identified.

17. The review by the Office of the Inspector General of IPSAS implementation in FAO was completed in March 2012 and recommended that the Programme should consider an alternative strategy that prioritizes and phases the delivery of the GRMS system component in 2012-13. As described below, it recommended postponing the production of IPSAS compliant financial statements, to avoid time-consuming manual processes to establish opening balances and reduce the related risks to the overall programme objectives and attainment of core benefits.

Approach to IPSAS Compliance

18. The integration of the IPSAS project with the other GRMS activities and completion of the detailed planning exercise have highlighted the dependencies between the preparation of IPSAS compliant financial statements and the implementation of the GRMS system and procedural changes. To ensure that IPSAS compliance is sustainable, it is important that the new GRMS (IPSAS compliant) system and processes are deployed to all locations before the creation of opening balances and before starting to execute IPSAS compliant transactions. This approach is consistent with UN Joint Inspection Unit "best practices for implementing a smooth transition to IPSAS" (2010 report).

19. In order to achieve IPSAS compliance by 2013 while at the same time delivering the new GRMS system and procedural solutions, a number of transitional solutions would be required - e.g. since the new GRMS systems will be deployed to decentralized locations during 2013, opening balances (required for IPSAS compliant financial reporting in 2013) would need to be created using a combination of GRMS, legacy system and manual processes, creating significant additional work.

20. The Program has recognized that the resources required to support such transitional solutions would divert resources from the main GRMS system implementation and deployment effort of the solution to worldwide offices during the period when they are most required. In order to reduce program risk and ensure the effective implementation and deployment of the solution, the program has therefore changed its implementation strategy so that the resource effort in 2012-13 will be focussed on the implementation and deployment of the GRMS IPSAS compliant systems and processes to all offices and ensuring that staff are fully trained in their use. This work will therefore become the prerequisite for creating IPSAS opening balances and preparing IPSAS compliant financial statements. The new sequencing means the production of the first IPSAS-compliant financial statements for external audit certification will now be effective for the financial year commencing 1 January 2014.

21. This revised strategy is designed to ensure that the Organization fully achieves and benefits from the improved systems and processes of the GRMS Programme and IPSAS implementation. These include introducing adequate systems, procedures and controls, building field capacity through training and coaching, addressing post-implementation sustainability, and improving the decision-making capacity of budget holders through the provision of complete, accurate, and reliable information for field operations.

Benefits, cost efficiencies and value for money

22. Following the completion of the detailed design phase, the programme has identified the following main areas where improvements are expected. These are summarised in the table below.

Area	Expected Improvements
Financial Management	<ul style="list-style-type: none"> ➤ The Field Accounting System is being replaced and International Public Sector Accounting Standards implemented, leading to: <ul style="list-style-type: none"> • More accurate, complete and timely financial information • Increased internal control (less financial risk) • A reduction of paper-work and unnecessary activities through more efficient workflows • Greater standardisation of tools and systems, improving organizational mobility and flexibility
Human Resources	<ul style="list-style-type: none"> ➤ Implementation of processes which are similar for all employees, regardless of location. ➤ More effective management of Non-Staff Human Resources, including: <ul style="list-style-type: none"> ○ Better time recording management ○ Centralized payment calculations

	<ul style="list-style-type: none"> ➤ Improved delegation of authority for recruitment, enhanced by centralized registration-support
Procurement	<ul style="list-style-type: none"> ➤ Implementation of a standardised procurement process across the organisation, with new system tools providing: <ul style="list-style-type: none"> ○ Full commitment-accounting visibility, and procurement data from all locations ○ Improved vendor management ○ Improved information and reporting on the receipt of goods and services, purchase requisitions, purchase orders and contract management
Travel	<ul style="list-style-type: none"> ➤ Introduction of a new purpose-built Travel system for FAO will be deployed to all decentralized offices: <ul style="list-style-type: none"> • Full integration with FAO's financial systems • Seamless workflow from the trip planning to approval , payment and final reconciliation • Streamlined approvals and tolerances including the use of electronic attestations • Full commitment and budget monitoring, and an improved level of travel transaction reporting
Oracle system and new automated processes	<ul style="list-style-type: none"> ➤ A new Oracle system and automated processes will introduce: <ul style="list-style-type: none"> • Better support for timely decision-making <ul style="list-style-type: none"> ○ A more user-friendly web-based interface ○ A well-performing system, more resilient against connectivity problems ○ Greater efficiency through a reduction in “non-essential” process tasks ○ A significant reduction in the use of off-line shadow systems i.e. Spreadsheets ○ The capabilities to introduce future improvements in an increasingly efficient and effective manner.

At the beginning of March, the project launched an activity to perform a more detailed benefits assessment. The assessment will estimate the expected tangible and intangible benefits of GRMS and describe how these contribute to the overall goals of the Organization. The results of this work will be reported to the Finance Committee meeting in October 2012.

Programme Budget

23. The programme budget is funded principally from the Capital Expenditure facility (Capex). The total 2011-13 approved programme budget is USD 38.5 million. In 2011, USD 10.0 million of the approved programme budget was spent (USD 6.4 million under CapEx and USD 3.6 million under Functional Objectives X and Y).

24. The remaining balance of USD 28.5 million, including USD 3.2 million of IPA funds (IPA action 7.25), is available for expenditure in 2012-13 and will be funded through the Capital Expenditure facility. The remaining balance is expected to be fully expended in 2012-13, and the programme is expected to remain within budget. Details of the expenditures will be provided to the Finance Committee meeting in October 2012.

25. In addition to the above GRMS programme cost, during the period 2006-2010 the IPSAS project reported expenditures totalling USD 7.9 million.