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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 (GRMS) Programme during the period May to September 2012, the plans for October 2012 to May 2013, and the updated status of the programme budget.
- The programme is on track to go live in HQ and Regional Offices in November 2012, with phased deployment to Decentralized Offices by May 2013.
- IPSAS activities have been re-planned according to the revised milestones discussed at the 143rd Session in May 2012. Accounting policies have been completed and approved and other activities are progressing according to plan.
- The benefits assessment has confirmed that GRMS is a critical investment of the Organisation, contributing to the long-term vision and objectives and delivering tangible benefits in the short-term.
- The implementation of changes in decentralized offices due to capacity constraints continues to be a major risk. This risk was reaffirmed in a recent assessment by the Office of the Inspector General.
- Further steps to mitigate the risks are described in connection with the deployment of GRMS to decentralized offices, including additional capacity training and extensive onsite support in decentralized offices in the period during and immediately after the cutover to GRMS.
- The programme governance was refined in June 2012. Representation has been expanded to include the remaining two Regional Representatives so that all five Regional Representatives are now on the Programme Executive Board.

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 FC147/13 which provided an update on progress made on the Global RMS Programme for the period May to September 2012, and plans for the period October 2012 to May 2013.**
- **The Committee noted the progress on the Programme including the deployment of GRMS as planned to HQ and Regional Offices in November 2012. The Committee also noted the plans for deployment to decentralized offices and the steps taken to mitigate risks related to office capacity constraints as reported by the Office of the Inspector General.**
- **It took note of the planned costs of GRMS and the benefits that the Programme is expected to deliver. It requested the Secretariat to continue to monitor these and present an update at its spring session in 2013.**

BACKGROUND

1. At its 143rd Session in May 2012, the Finance Committee reviewed the progress report on implementation of the Global Resource Management System (GRMS) for the period October 2011 to April 2012 and plans for the period May to October 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, and the R12 upgrade continued to be fully integrated and were delivered by the planned project target dates and within the reported budget estimates, and that the new 2014 deadline for IPSAS compliant statements were rigorously adhered to;
 - noted the difficulties faced by the project and asked that any action required of the Committee and its members be included in the next report;
 - requested the Secretariat to include in its report to the Finance Committee in October 2012 a comprehensive integrated implementation plan including planned, incurred and estimated costs of the GRMS with breakdowns by year and lines of expenditure and milestones to monitor progress; and
 - to report on the benefit realization analysis as well as how these benefits contributed to the vision and strategic Objectives of the organization; and
 - requested the Secretariat to continue to monitor project governance arrangements as also highlighted by the Office of the Inspector General review and report thereon at the October 2012 Session of the Finance Committee.
3. This document describes progress in the period since the last report and plans for the period October 2012 to May 2013 as well as responding to the additional information requested by the Committee at its previous session.

Scope and Timeline

4. The scope of GRMS is unchanged since the project initiation phase in May 2011. GRMS was created by combining four initiatives into a single programme to improve coordination, share resources and minimise costs:
 - IPSAS project
 - Field Accounting System (FAS) replacement project
 - ATLAS (travel) replacement project
 - Oracle Release 12 upgrade project
5. The creation of an integrated programme will also allow the Organization to deploy a single, global system for administrative processes to all locations. The GRMS system covers all the administrative processes that are essential to support operations:
 - Finance: accounts receivable, accounts payable, managing accounting to reporting (general ledger), asset management, cash management;
 - Manage procurement;
 - Human resources: recruitment, performance management, post management, staff development, HR servicing, non-staff HR, payroll;
 - Manage travel: duty and entitlement travel (from planning to expense processing);
 - Administrative reporting: operational and management reports and provision of data to the corporate data warehouse.

6. The timelines for the development, testing and implementation of the technical solution and the commencement of IPSAS-compliant financial statements are unchanged since the last progress report to the Committee. The timeline for the deployment to decentralized offices has been accelerated and the aim is now to complete the deployment by May 2013.

7. The main milestones from the integrated plan are listed below. A more detailed implementation plan is included as Annex A.

Activity	Timeline
Project initiation, requirements definition, analysis, detailed design and system build phases	Completed
User Acceptance Test	Completed
Preparations for implementation	September-October 2012
Deployment to HQ, Regional Offices and Pilot Offices	November 2012
Deployment to first wave of Decentralized Offices	February 2013
Deployment to second wave of Decentralized Offices	April 2013
Deployment to final wave of Decentralized Offices	May 2013
IPSAS-compliant inventory stock take	December 2013
Produce first IPSAS-compliant Financial Statements	1st January 2014-March 2015

Progress in the period from May to September 2012

8. Significant progress has been achieved during this period. Most notably, the programme is on track to go live as planned in HQ, Regional Offices and Pilot Offices in November 2012. The system build and User Acceptance Testing phases have been completed and preparations for the implementation are well underway. Key points of interest for the Finance Committee include:

System Delivery

- The build phase has been completed including configuration and development of the solution and end-to-end process testing of the system by the project team;
- The User Acceptance Testing of the system by business users has been completed including integration of Oracle with other systems inside and outside of FAO;
- During this period, tests were carried out on the global infrastructure to ensure the wide area network is ready for the implementation of GRMS in the field.

Training, Communications and Deployment

- The training and support approach is based on an e-learning platform, which was obtained from WFP at no cost. It is recognised, however, that classroom training is also needed especially for decentralised offices;
- The training and support systems and processes have been prepared and the training material has been developed;
- Support staff have been identified within each of the regions. These staff were trained in the new systems during September and will in turn provide training and support to regional and decentralized offices;
- The GRMS website was launched at the end of 2011 and has been regularly updated including slide shows with overviews of the changes in each area, blogs, and links to recorded Question & Answer sessions. Several presentations have been given through HQs and communication material is periodically distributed to the regions;

- The deployment plans, resource requirements and cost estimates have been defined, working in conjunction with all the regions.

IPSAS Procedures

- Accounting Policies were completed and approved for all IPSAS standards applicable to FAO. In addition, technical memoranda which support the accounting and financial statement presentation approach for specific transaction processes and disclosures were also completed during this period;
- The review and identification of entities which will require to be consolidated in FAO's IPSAS compliant financial statements was completed;
- Work initiated on the detailed financial statement templates which will be used for future IPSAS compliant financial statement preparation as well as analysis work in support of opening balance preparation (Assets, Inventory and Leases).

Other Activities

- The project to assess the detailed benefits has been completed and the results are summarised below;
- The Office of the Inspector General completed an assessment of the systems implementation component of the GRMS Programme. A number of recommendations, which are outlined later in this report, were agreed and are being implemented.

Plan from October 2012 to May 2013

9. The main programme activities during the next period will include the following:

System Delivery

- The old system will be switched off on 30th October and the new system is planned to go live in HQ and Regional Offices on Tuesday 6th November 2012.

Training, Communications and Deployment

- Training of end users in HQ and Regional Offices will be completed during October 2012 in parallel with the final preparations for the cutover;
- Six pilot offices (Nigeria, Benin, India, Turkey, Bolivia and Lebanon) are planned to go live after the initial implementation in HQ and Regional Offices and before the end of the year; they will be migrated from the current Field Accounting System (FAS) to the new GRMS system;
- The first major wave of decentralized offices will be moved from FAS to GRMS during February 2013. This will be followed by a second deployment wave which is planned to be completed in April 2013. A third and final deployment wave covering some of the larger and more complex offices is planned to be completed in May 2013;
- End user GRMS support will be provided. Initially this will be for HQ, Regional Offices and pilot offices and thereafter extended to users in all offices where the system is deployed.

IPSAS Procedures

- In parallel with the deployment, the procedures and templates for IPSAS-compliant financial statements will be finalised;
- Stock taking procedures to support the valuation of inventory opening balances will be piloted in Decentralized Offices during the first half of 2013 as part of the deployment waves.

Second assessment of GRMS by the Office of the Inspector General (OIG)

10. A large programme of this nature entails a number of risks which are primarily managed within the GRMS Programme and its governance structure. In line with good practice, there have also been regular external reviews, including audits by OIG and External Audit, a review by a consultant working as part of a CIO review, plus external quality assurance reviews conducted by

Ernst & Young. These reviews are important to draw, from an independent perspective, the attention of the Organisation to the risks.

11. A second OIG assessment during summer 2012 focused on the systems implementation components of the Programme to complement the earlier review of the IPSAS implementation. Two key points highlighted by the assessment were as follows:

- The development of the travel solution is high risk, due to its complexity, and the time available to complete the User Acceptance testing is ambitious;
- Stronger coordination is needed between the GRMS Programme and other transformational initiatives (such as further decentralization); the scope of the latter is changing making it more difficult for the Programme to manage the associated risks.

12. Measures have been taken to address these two points.

- Resources have been re-directed towards the travel module. Work has also been prioritised to ensure that functionalities essential for HQ and Regional Offices will be ready for November and those needed for deployment of GRMS to decentralized offices will be ready by January 2013;
- Contacts with the TC department have been strengthened. Regular coordination meetings are held with TC and TCE to align activities. A joint GRMS-TCE mission has been held in RAF to align the deployment plans. A number of TCE staff have also received early training in GRMS and will be able to provide GRMS support to decentralized offices.

13. The other two key points identified by OIG are listed below and relate to the deployment to decentralized offices. These points were taken into consideration when defining the deployment approach, which is described in the next section:

- The acceleration of the deployment deadline from October to May 2013 reduces the benefit of risk mitigation inherent in the pilot approach which was adopted for deployment in the field;
- The skills gap in some decentralized offices may be too large to successfully address it in the time available. This may imply the need for an extended post-implementation phase to ensure users receive adequate guidance until the situation becomes more stable.

Deployment to decentralized offices and actions to mitigate risks

14. During August and September the Rome-based team and the Regional Focal Points worked together to develop the approach and more detailed plans for the deployment of GRMS to decentralized offices.

15. The progress reports presented to the Finance Committee in October 2011 and May 2012 highlighted a major risk related to implementation of changes in decentralized offices due to capacity constraints, and this was reaffirmed by the Office of the Inspector General in the recent assessment.

16. The GRMS rollout and training programme is aimed at training FAO Representation staff to carry out standard FAO procedures in the areas of HR, Purchasing, Travel and Accounting using the new toolset provided by GRMS. The risk is that these standard procedures are not being properly carried out at present for various reasons.

17. To counter this risk, basic training in FAO procedures is also needed before training on the use of the system and a comprehensive change in internal office procedures in almost all remote offices may be foreseen. The programme therefore proposed an additional week of capacity building prior to the GRMS training and extensive onsite support after implementation at every office. The proposed action to counter this risk in over 100 offices has a cost of up to USD 2 million. The successful implementation of updated processes, in all remote offices, in full compliance with FAO procedures, is essential for realising the benefits of GRMS. The benefit of such an approach greatly outweighs the additional cost that this entails.

18. The main features of the deployment approach and plans, including the proposed capacity building and onsite support, are as follows:

- Six pilot decentralized offices will be implemented before the first deployment wave to validate the approach and understand any risks before starting the main deployment waves;
- The system will be deployed to decentralized offices in three waves to allow the Organization to absorb the changes;
- The deployment approach has been considerably strengthened. There will be an additional week of capacity building prior to the GRMS system training and up to a month of onsite support in each decentralized office during and immediately after the cutover from the Field Accounting System to GRMS;
- Regional Representatives are actively involved and have each nominated Regional Focal Points. The deployment is being carried out as a collaboration between the Regional Focal Points and the central GRMS programme team;
- Regional end user support teams have been established in all regions and staff have been trained in the new system and end user support processes;
- As a contingency, regional offices are preparing to be able to temporarily perform transactions on behalf of some decentralized offices.

Programme Governance

19. Following the strengthening of the governance in March the Programme Steering Group has also ended and a Single Programme Executive Board has been chaired by the Deputy Director-General (Operations) with senior managers representing each of the impacted areas, including three of the Regional Representatives and the Inspector-General as an observer. The programme governance arrangements were refined in June and representation was expanded to the remaining two Regional Representatives. All five Regional Representatives are now on the Programme Executive Board.

20. The Programme provides quarterly updates on progress to the Director-General. A status update was also provided to the Audit Committee in July.

Expected benefits

21. Since the last progress report an assessment of the benefits of GRMS has been completed. The assessment was undertaken at a detailed level. Processes were mapped at an individual task level with assignment of roles and responsibilities. For the areas where the processes or the responsibilities are changing, the effort to perform each task within the new GRMS-based business processes was compared to the effort for the current processes. This was combined with volumetric data to estimate the overall workload impacts.

22. The assessment also highlighted that there are key weaknesses with the administration systems and processes provided today. These are documented in the Independent External Evaluation (IEE) and other reports reviewing the Organization's operations. The major weaknesses with reference to decentralized offices include:

- No corporate solution for locally supporting Procurement, Travel, HR, Budget and Planning functions;
- Tools available are no longer fit for purpose, in particular the Field Accounting System (FAS);
- There is a lack of integration between local and corporate systems;
- There is insufficient management information to support operations and decision making. Key information is not captured, e.g. local commitments, locally recruited non-staff employees, in-country travel;
- Fragmented policy and procedural frameworks at country office level;
- Limited post-transaction monitoring of key processes is in place.

23. GRMS, including the implementation of IPSAS, will address all of the above-listed weaknesses. It is a critical long-term investment for the Organization and a key tool to enable the vision of an empowered FAO within both HQ and decentralized offices. Some of the main benefits include:

- Deploying a common administrative system to all offices introducing IPSAS compliant processes;
- Enabling decentralization and building capacity in the field;
- Empowering decentralized offices by supporting delegation of authority and speeding up decision-making;
- Increasing location-independence and mobility;
- Improving quality and completeness of financial and human resource information;
- Providing better accountability, transparency and use of resources;
- Providing more structure to FAO processes for greater compliance and monitoring over use of funds;
- Improving the effectiveness of a number of other major initiatives, such as the decentralization of emergencies, that are dependent on the deployment of GRMS to fully realise their benefits.

24. The new system and processes will provide a common global platform for further process improvements in the future. Once GRMS has been deployed there will be opportunities in all areas to streamline end-to-end processes and achieve further efficiency savings.

25. Some processes were improved by adopting best practice process design embedded in the new software, although the scope of the programme did not include the complete re-engineering of FAO's business processes.

26. The synergies obtained by combining the four projects allowed a number of improvements to be included that will deliver immediate benefits. For example the new Oracle Release 12 functionalities combined with the need to review business processes created the opportunity to fundamentally change the way non-staff human resources are processed. The new solution has reduced manual processing of non-staff human resources by two thirds, removing manual steps to create financial and HR records which are now created automatically when a non-staff HR request is approved.

27. Despite additional ongoing costs in some areas associated with the introduction of better controls, these improvements have led to a net overall tangible benefit. The results of the benefits assessment recently reviewed with the Programme Executive Board estimated that recurring tangible benefits of USD 4.5 to 10.3 million per annum will be achieved. The estimated tangible benefits were presented as a range because in some areas the current baseline performance could not be accurately measured and the figures were based on estimated best and worst performance.

28. The total expected benefits include:

- Tangible benefits which include both realisable cost savings and productivity improvements. A small part of the reduced effort is concentrated on specific roles and can be realised as cost savings. The remainder are fragmented across many people and will result in productivity improvements;
- Intangible benefits, including those related to addressing the weaknesses with the current administration systems and processes, and enabling future process streamlining.

Programme Budget

29. 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).

30. In addition to the above GRMS programme cost, expenditures of USD 7.9 million were incurred during the period 2007-2010 under the previous IPSAS project prior to its integration with the GRMS Programme.

31. A breakdown of the programme budget and the IPSAS expenditures including the period prior to the start of GRMS, is shown in Table 1 below. More than 80% of the costs relate to staff and non-staff human resources involved in the programme, including the following activities:

- high-level analysis and design;
- design of business processes;
- design and specification of technical solutions;
- writing policies and procedures;
- system configuration and build;
- testing of system components and the end-to-end solution;
- configuring the e-learning platform;
- preparing training and support material;
- delivering training to regional support teams and end-users;
- providing support to end-users - initially HQ and regional offices then decentralized offices;
- preparing for the initial go live in November including dry runs of the cutover process;
- preparing the wide area network for deployment to decentralized offices;
- capacity building in decentralized offices, including basic training in FAO procedures;
- managing the cutover from FAS to GRMS for approximately 100 decentralized offices;
- providing onsite support in decentralized offices before and after the cutover to GRMS;
- communications to managers, end-users and other impacted people;
- preparation of IPSAS-compliant financial statements.

32. The non-staff costs include additional hardware and software to support the GRMS system and to enable its access from over 100 decentralized offices. Software licence costs are relatively low for this type of project as the GRMS programme involved an upgrade of the existing Oracle system rather than the purchase of an entirely new software package.

Table 1: Breakdown of expenditures

Figures in USD millions	IPSAS project				GRMS programme			
Type of expenditure	2007	2008	2009	2010	2011	2012 (est)	2013 (est)	Total
Human Resources	0.0	0.7	2.2	4.2	9.0	16.3	6.5	38.9
Business Office Users								
<i>Finance</i>					3.4	4.1	1.5	
<i>HR</i>					0.3	1.6	0.8	
<i>Travel</i>					0.2	0.5	0.2	
<i>Procurement</i>					0.1	0.7	0.3	
<i>Shared Services Centre</i>					0.1	0.6	0.1	
Technical and Functional Experts					4.2	4.9	2.0	
Change Management						1.9	0.9	
Quality Assurance/Testing					0.7	1.1	0.4	
Programme Management						0.9	0.3	
Software & Hardware					0.3	1.7		2.0
End User Training						1.1	1.1	2.2
Other Costs¹	0.2	0.1	0.2	0.3	0.7	1.4	0.4	3.3
	0.2	0.8	2.4	4.5	10.0	20.5	8.0	46.4

¹ Other costs include travel, valuation fees, external audit and other general operating expenses

ANNEX A - GRMS IMPLEMENTATION PLAN

GRMS Programme Plan

