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y la
Alimentación

FINANCE COMMITTEE

Hundred and Thirteenth Session

Rome, 8 - 12 May 2006

Progress Report on Administrative Information Systems

INTRODUCTION

1. This report provides information to the Finance Committee on progress made with the Administrative Information Systems between February 2005 and January 2006, and plans for the period February 2006 – January 2007.

I. ORACLE FINANCIALS

Progress between February 2005 and January 2006

2. The main focus of work for the period February 2005 to January 2006 was on the project to upgrade the Oracle Financials Applications. This was identified as a prerequisite for the successful implementation of the Human Resources Management System (HRMS) project in order to benefit from the substantial improvements that have been made in later versions of the product. The new version of Oracle Financial Applications was successfully implemented in August 2005.

3. Work was also undertaken in the following areas:

- a) **Field Accounting Replacement Project.** The initial stages of the project were completed, including documentation of user functional requirements and evaluation of potential technical solutions to meet those requirements.
- b) **Improvements in Payroll Masterfile Information.** A project to improve the quality of payroll bank masterfile information was initiated. The main objectives are to: standardize banking data maintained in the Payroll Application; introduce international banking standards in the maintenance of such data; and increase the straight-through-processing (STP) rate of payroll electronic funds transfer payments.
- c) **Preparation and publication of the Corporate Accounting Manual.** All financial and accounting related procedures, administrative rules and regulations

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which, when taken together, will constitute a comprehensive corporate accounting manual, are under review. Work on this exercise is expected to continue throughout 2006 with individual sections of the work being published as they are completed during the period.

- d) **Improved use of standard functionality in purchasing business processes.** A number of system changes were implemented to make better use of existing Oracle Financials release 11i functionality to support purchasing business processes.

Plans for February 2006-January 2007

4. The HRMS/Payroll implementation will represent a significant expansion to the functionality provided by the Organization's ERP system and there will be significant integration points with the existing Oracle Financials Applications. The main focus of work for the period February 2006 to January 2007 will therefore be on providing support to the implementation and integration of these applications as part of the HRMS project.

5. During the period of the HRMS project, system development will be frozen to ensure that significant changes are not implemented in the production system while the new system is undergoing testing. This will limit the scope of other system developments which can be completed during the remaining period of the HRMS project.

6. Work will however also continue in the following areas:

- a) **Field Accounting Replacement project.** The design, development and testing phases of the project are planned for completion during this period. Based on the latest project timetable, the planned implementation date for the new system and integration with the expanded ERP system is January 2007, following the HRMS/Payroll implementation.
- b) **Developments in the Accounts Payable (Payments) application.** Improve payment efficiency through development and implementation of electronic Payment Request Form processing.
- c) **Improvements in Payroll Masterfile Information.** Streamline and improve the efficiency of funds' disbursement by updating of all payroll master file information.
- d) **Preparation and publication of the Corporate Accounting Manual.** Work will continue on the review and revision of existing financial policy, procedures and other documentation necessary to constitute a comprehensive corporate accounting manual.

Resource Utilization

7. The cost of work undertaken in relation to Oracle Financials is:

Year	Actual			Estimates		
	2003	2004	2005	2006	2007	Total
Arrears Allotment	\$ 216K	\$1 169K	\$1 311K	0	0	\$2 696K
Capital Expenditure Account	0	0	0	\$500K	0	\$500K

8. The amount of US\$500 000 to be provided under the Capital Expenditure Facility during 2006-07 will be used to finance the project to redevelop the Field Accounting System (FAS). The other planned activities will be carried out under the Regular Programme.

Issues and Comments

9. The Reform Proposals relating to the decentralized structure, streamlining and delegation, field programme operations and monitoring potentially affect some of the core assumptions under which the functional requirements for FAS were completed. The implementation of some of the reform initiatives during 2006-07 could change the business models, financial framework and relationships between FAO Representations, Regional Offices, Sub-Regional Offices and Head Office. In case of significant changes to already documented business requirements, the timing and cost of the project will be reassessed.

II. PROGRAMME PLANNING, IMPLEMENTATION, REPORTING & EVALUATION SUPPORT SYSTEM (PIRES)

Progress between February 2005 and January 2006

10. Activities during 2005 complied with the annual plan provided to the Finance Committee in May 2005.

- a) **Programme of Work and Budget (PWB) 2006-07.** The design of the PWB 2006-07 module was updated as planned and used to prepare the SPWB and main PWB 2006-07. New technology to streamline the related document production, translation and publishing workflows was successfully implemented. The PWB module was further adapted and used to produce the Reform Proposals published as a supplement to the PWB document.
- b) **Support for Information System (IS) Planning.** PIRES supported the collection of initial data related to proposed IS projects in the MTP 2006-11. AFI's efforts in this area were supported through linking of planned biennial outputs to associated IS projects for use in developing a Biennial IS Plan.
- c) **Workplanning, Monitoring and Assessment.** The departmental toolkit was refined by adding functionality to update working allotments in line with plans, and developing reporting tools for implementation monitoring.
- d) **Corporate Budget Monitoring and Forecasting.** Proposals for streamlining of administrative and financial processes and delegation of authority, along with planned implementation of the Human Resource Management System (HRMS) and Human Resources Management Model (HRMM), had a major impact on this integration workstream. A review of functional requirements began near the end of the reporting period that will lead to further development work in the current biennium.
- e) **Regular Programme/Field Programme Interactions.** Integration was limited to the presentation of an integrated budget in the Reform Proposals. Improvements will require further development to enable interactions at regular programme entity and extra-budgetary project levels.
- f) **Support to Programme Monitoring.** The PIR module has been readied for use in collection of data for 2004-05.

Plans for February 2006-January 2007

11. Development during the period will address, on the one-hand, incremental improvements in existing modules (MTP, PWB, Allotments, Workplanning, Implementation Monitoring, PIR), and on the other adaptations and extensions to support reform-related processes in three main areas.

- a) **Integration with corporate systems,** focussing on HRMS, budget forecasting and monitoring, and linkages to the data warehouse.
- b) **Improved network performance of PIRES in decentralized locations** in order to support delegations of programme management responsibilities to multi-disciplinary teams.

- c) The possible implications of **country-level planning** for PIRES functionality, including preparation of national medium term priority frameworks and linkages to corporate programme planning processes.

Resource Utilization

12. Resource utilization proceeded according to plan, and US\$500 000 has been provided under Capital Expenditure for further development work in 2006.

	Actual			Estimates		
Year	2003	2004	2005	2006	2007	Total
RP Allotment	\$588K	\$437K	\$827K	\$450K	\$450K	\$2 752K
Arrears Allotment	\$96K	\$372K	\$0			\$468K
Capital Expenditure				\$200K	\$300K	\$500K

Issues and Comments

13. PIRES has demonstrated its adaptability in supporting preparation of the Reform Proposals and revised programme of work and budget. Further development of PIRES should focus on the requirements of decentralized structures, the streamlining of administrative and financial processes, and the delegation of authority. The outcome of Governing Body deliberations on further Reform Proposals and the recommendations of the IEE could have additional unforeseen impacts on the development and use of PIRES in the future.

III. ORACLE HUMAN RESOURCES MANAGEMENT SYSTEM (HRMS)

Progress between February 2005 and January 2006

14. As reported in the September 2005 report, a major new study linked to the Human Resource Management System (HRMS) implementation was started in 2005. The study proposed a more efficient and less costly Human Resources Management Model (HRMM) together with a comprehensive coverage of HR functionality for the management of the HR system. One aspect of the HRMM is the establishment of a Shared Services Centre (SSC), fully utilizing the functionality provided by the HRMS to deliver HR transactional processes. This approach was incorporated in the Director-General's Reform Proposals of August 2005, and the Conference supported the streamlining of administrative and financial processes including for enhanced human resources policy and management, and authorized the establishment of the SSC.

15. The HRMS project is proceeding according to plan. The Gap Analysis Phase was completed and all the major gaps identified will be resolved at no major project or ongoing cost. The Conference Room Pilot took place between May and October to confirm user requirements, system configuration and design. The sessions were very well received by involved staff in all areas, increasing confidence in the ability of the Oracle ERP to meet FAO requirements. The project started its Design and Development phase in the second half of 2005.

16. In 2005 the project was subject to a Quality Assurance review by an international management consulting company and a review by External Audit. The key project issues that both reviews identified are the following:

- a) Funding for the project should be ensured so that quality is not compromised and the project is driven by stated goals rather than just by the need to reduce costs.
- b) Rates offered by the Organization to consultants need to be reviewed to attract and retain the best possible talent.
- c) The Organization should take decisions, on a priority basis, on all recommendations and proposals that impact the design of HRMS so that the risk of the project missing its implementation deadline or not achieving its objectives is minimised.

The funding issues identified by the Quality Assurance have been adequately addressed, and the remaining issues are constantly monitored to control the related project risks.

Plans for February 2006-January 2007

17. Following its endorsement as part of the reform, the Human Resource Management Model has moved to an implementation phase, including the design of new processes and organizational roles, and the definition of a deployment strategy. The work on the HRMM will be supportive of the HRMS project in the conduct of change management processes and the development of a User Training programme.

18. No change to the original HRMS project schedule is foreseen. The HRMS project will continue its Design and Development phase and go through the Test phase. The HRMS implementation date is confirmed as end of 2006.

19. Work on the Human Resource Management Model and Human Resource Management System are now closely linked and are managed under a common governance arrangement.

Benefits

20. **New HR service delivery model:** This is one of the key elements of the HR Management Model proposal, and the process has already started in 2006 with the creation of the Shared Service Centre and abolition of some organizationally dispersed service units, increased focus on HR policy advice and greater delegation to line managers. The timeframe for full implementation is over 2 biennia. Savings are expected to be incurred in two areas:

- reduction in direct costs of HR staff. A successful and timely implementation of the HRMM and HRMS by the end of 2006 will realise staff savings in future biennia and as such the staffing implications are not quantified in this document; and,
- reduction of time taken by departmental staff in supporting manual HR processes. There will be savings in the time currently spent by departments in supporting HR processes which will free up time for substantive technical activities.

21. **Extension in the coverage of HR functionality:** The HRMM will support the introduction of a range of HR functionality which is either not covered or is inadequately covered by the current HR system. This includes performance management, HR planning, competency based approaches to recruitment, staff development and career development.

22. **Process streamlining:** whilst the focus of the new HR Management Model is on improved coverage and management of HR service delivery, the HRMS project has concentrated on business process improvements. Most of the proposed changes have been endorsed, and other ongoing initiatives linked to the reform have been based on the proposed HRMS process design. The field offices will particularly benefit from the introduction of an electronic workflow since this will reduce the number of emails and phone calls that are necessary to follow up and complete a transaction request, and will reduce difficulties due to time-zone differences.

23. Availability of worldwide management information will improve the control environment and increase transparency. Such a system is particularly important for the success of decentralization and for increased delegation of authority.

24. Many of the benefits brought about by the HRMS implementation cannot be quantified in monetary savings, but need to be fully appreciated: improved management information; ability to respond faster to internal and external service requirement; and more efficient interaction between Headquarters and Decentralised offices. HR service delivery will be measurable; service level agreements will make the delivery mechanism and timing more transparent; and accountability of managers and staff at all levels will be improved. Finally, there will be improved security and integration with financial and programme data.

25. Project benefits will start to materialise in 2007 while savings will be marginal in the first biennium and start to accrue in 2008, in light of learning curves and transition costs that may erode savings in the first year of implementation.

Resource Utilization

26. Numerous measures of cost reduction have been successfully implemented by the HRMS project: re-use of the ILO Oracle HRMS and Payroll solution, estimated at US\$700 000; use of low-cost system development resources in the recently established AFI Bangkok Offshore System Development and Support Centre (realising a saving of approximately US\$750 000); reduction of project posts for a total of US\$300 000; and, the reduction of some project activities to the essential minimum needed to achieve the required deliverables.

27. The project has been funded primarily by arrears. In 2006-2007 the arrears balance was transferred to the Capital Expenditure Facility under Chapter 8. In addition, the User Training programme of the project will be funded by divisional Staff Development funds under the Regular Programme. The overall resource utilization is summarised below:

	Actual			Estimate		
Year	2002-03	2004	2005	2006	Sub-total	Total
FUNDING						\$ 19 480K
RP allotment	\$1 157K		\$2 001K	\$1 232K	\$4 390K	
Arrears funding	\$286K	\$3 660K	\$4 924K		\$8 870K	
Capital Budgeting				\$6 220K*	\$6 220K	
COST ESTIMATES						\$ 19 480K
Project costs	\$1 443K	\$3 660K	\$5 720K	\$7 452K	\$18 275K	
Oracle upgrade			\$1 205K		\$1 205K	

* of which US\$5 109 000 derive from arrears' carry forward.

28. The total project cost is slightly less than estimated in September 2005, and the project is now fully funded.

29. The integration of the new HRMS system with existing systems as well as the implementation of the Human Resource Management Model are funded under the Capital Expenditure Facility. In addition, one-off post-implementation costs during the first year of

implementation (2007), that were indicated as US\$1 500 000 in the FC report in September 2005 (FC 110/27), is now estimated as US\$1 100 000 and funded at this level under the Capital Expenditure Facility.

Issues and Comments

30. The project is still facing new risks due to the challenging environment in which it operates. An additional project risk is related to the ability of divisions to support the test and pre-implementation phases, due to the substantially reduced Regular Programme allocations in the 2006-2007 biennium. Key individuals in fact may be difficult to replace in their regular programme jobs, given the reduced level of resources in the division and the highly specialised nature of the activities to be performed.

31. The FAO reform represents a major shift in the Organisation's ways of working, aiming at a substantial streamlining of administrative processes. This may impact on the workflow of the HRMS system and the project will consider applying the required modifications, possibly phasing the changes over the 2006-2007 entire biennium.

32. We are pleased to report that the Organization fully supports the successful and timely implementation of the HRMS system.

IV. Supporting Information and Communications Technology Infrastructure

33. In order to enable the effective use of information systems, the underlying information and communications technology (ICT) infrastructure needs to be kept up-to-date. As the FAO reform towards further decentralization and towards greater use of systems-based knowledge progresses, Decentralized offices must be able to access information systems and exchange information regardless of geographic locations. A number of ICT projects are foreseen to support these new administrative information systems.

34. **Wide Area Network (WAN) expansion and universal email.** FAO's Decentralized offices are currently linked by a Wide Area telecommunications Network (WAN), which was originally designed to meet the applications' needs of 2001. In order to enable staff in Decentralized offices to effectively access the internal knowledge and information systems of the Organization, both to perform the necessary administrative actions and to harness the technical and operational knowledge necessary for effective delivery of FAO services to Member Nations, it will be necessary to expand the WAN connections to new FAOR offices and to strengthen the existing WAN connections. In addition, full roll-out of email to every desk is a prerequisite for effective collaboration among teams in different locations. These projects were endorsed by the Information Management and Technology Committee in late 2005 and implementation will commence in 2006.

35. **Information Risk Assessment.** The Information Risk Assessment (IRA) project, funded from arrears in 2004-5, seeks to define in relative terms the vulnerabilities and requirements for information availability. There is an increased emphasis on cyber-security due to increased levels of threat of viruses, site defacement, and other forms of cyber-attack which could imperil the reputation of FAO and negatively impact the Organization's daily operations and ability to discharge its mandate. The final deliverable from the IRA is an Information Security Policy, which is expected to be available according to schedule in the second half of 2006.

36. **IS/ICT infrastructure for application support.** The Capital Expenditure Facility in 2006-7 will provide funds to deal with updating of the obsolete server equipment for application support that is reaching the end of its life cycle.