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Chair: Mr. Berger. . . . . (Germany)

Chairman of the Advisory Committee on Administrative and Budgetary Questions: Mr. Kelapile

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12-59425 (E)

The meeting was called to order at 10.20 a.m.

Statement by the President of the General Assembly

1. **Mr. Jeremić** (President of the General Assembly) said that, while recognizing that the quantity and complexity of the Committee's agenda often led to lengthy deliberations, he wished to urge its members to strive for consensus and conclude the programme of work as scheduled. He recalled that rule 153 of the rules of procedure of the General Assembly established that proposals with programme budget implications should not be brought to a plenary meeting of that body without prior review by the Fifth Committee, and fully supported the Committee's role in that regard.

2. Human resources management initiatives should seek to increase the efficiency of the Organization without sacrificing the quality of its work. The Committee's past decisions had resulted in the implementation of a new contractual framework, better conditions of service in the field and more effective staff recruitment. With regard to the Secretary-General's proposal on mobility, he hoped that the Committee would make decisions on the basis of the key objectives of the human resources reform process. While the austere economic climate demanded carefully balanced budget allocations, he encouraged the Committee to ensure that human-resources-related initiatives, including those connected with oversight functions, would be adequately funded.

3. He sympathized with the Member States' concerns regarding the financial aspects of the capital master plan and affirmed the importance of completing the remaining stages of the project as scheduled and within the allocated budget. With regard to deliberations on the scale of assessments, he urged Member States to take into account the Organization's needs while remaining conscious of different States' capacity to meet their financial obligations in a timely way.

4. Being from a region in which United Nations peacekeepers had maintained an important presence for some time, he remained convinced of the essential role of peacekeeping operations in maintaining peace and security in the world and expressed his gratitude to troop-contributing countries as well as peacekeepers working on the ground. He urged Member States to work in the spirit of compromise during the deliberations on the scale of assessments for peacekeeping operations and the modalities for reimbursement to troop-contributing countries, which would take place during the resumed part of the sixty-seventh session of the General Assembly in May 2013.

5. In connection with the process of revitalizing the General Assembly, it was critical that the Office of its President should be allocated sufficient resources, as, under current practice, the Government of President's country of nationality bore most of the burden of funding the Office, discouraging many small and developing States from putting forward candidates. He urged the Committee to consider increasing the budget allocation for the Office, beginning with the sixty-eighth session of the General Assembly, to enable Member States with smaller national budgets to participate.

6. **The Chair** recalled that the unexpected closure of United Nations Headquarters following Hurricane Sandy had delayed the Committee's work and said that the Committee would strive to make progress in its deliberations in the coming weeks.

Agenda item 130: Programme budget for the biennium 2012-2013 (*continued*)

Enterprise resource planning (A/67/164, 360 and 565)

International Public Sector Accounting Standards (A/67/168, 344, 345 and 564)

7. **Mr. Takasu** (Under-Secretary-General for Management), introducing the fourth progress report of the Secretary-General on the enterprise resource planning project (A/67/360), said that the project, known as Umoja, was at the centre of initiatives aimed at improving management, led by the Secretary-General and endorsed by the General Assembly. However, the General Assembly, after expressing concerns regarding project governance and implementation delays at its sixty-sixth session, had asked the Board of Auditors for a comprehensive audit. The Secretariat has accepted all of the Board's recommendations and was taking action in response. Both the Board and the Advisory Committee had noted that the Board's findings and recommendations covered the period from April 2011 to April 2012, and that significant remedial measures had been taken since that time.

8. The report had been prepared following a transparent reassessment of the project's scope, status, cost estimates, timetable and benefits. The Administration had been guided by the belief that the success of Umoja was vital to achieving a unified and global Organization and had taken into account the financial constraints being faced by Member States with the goal of delivering the maximum return on their investment.

9. With regard to the project's governance, upon assuming his functions as Under-Secretary-General for Management in May 2012, he had taken on the roles of Chair of the Umoja steering committee and project owner. In addition, by a decision of the General Assembly effective 1 July 2012, the post of Project Director had been upgraded to the level of Assistant Secretary-General; Mr. Ernesto Baca had been appointed to the post on 1 September 2012. The terms of reference of the five process owners had been clarified to better define their accountability and roles.

10. In terms of project deployment, an entity-by-entity approach to the project had been adopted and its timetable had been adjusted. The functional scope of Umoja would henceforth be divided into three parts: Foundation, Extension 1 and Extension 2. Umoja Foundation and Extension 1, which included transactional processes related to the International Public Sector Accounting Standards (IPSAS), would be introduced in mid-2013 and deployed across the Secretariat by the end of 2015. The design blueprint and baseline of Extension 2, which included more strategic functions like planning and programming, would be finalized and validated by the end of 2015; the related processes would be built and deployed by 2018. The Secretary-General was committed to implementing the full scope of the Umoja project and agreed with the Advisory Committee that full implementation was paramount to gaining the full benefits of the new business model.

11. The estimated cost of complete deployment and stabilization of Umoja Foundation, Extension 1 and the design blueprint and baseline of Extension 2, up to 2015, on the basis of the revised deployment timetable, was $348.1 million, $32.3 million over the approved amount of $315.8 million; the building and deployment phases of Extension 2 would require additional funds. As recommended by the Advisory Committee, the Secretariat would explore all options for accelerating the delivery of the project, including Extension 2, and would provide estimates of the resources required to implement the full scope of the project and future costs for operating, maintaining and upgrading the system.

12. Starting in January 2013, Umoja would start using NOVA, a system to track core budget expenditures and the corresponding deliverables. A working group led by the Controller would review and validate the indirect costs of associated processes, such as data cleansing, user testing and training. The Secretariat would strive to complete such tasks through redeployment within existing resources.

13. Based on the revised deployment timetable, the estimated potential benefits of Umoja, effective 2017, were between $80 million and $150 million per year. After the deployment and stabilization of Extension 2, a further $60 million to $80 million per year could be saved, resulting in a combined benefit of between $140 million and $220 million in 2019. Potential benefits should not be viewed as budget savings until Umoja had been fully deployed, however.

14. The Organization's activities were diverse and dispersed around the world, and involved different working models and practices, presenting great challenges to the implementation of an enterprise resource planning system. As a result, the most serious risk factor affecting implementation of the project was organizational readiness, given that the Secretariat was migrating to Umoja from multiple business models and its various component entities were at varying stages of readiness to adopt it. There was no precedent for such a major transformation of methods at the United Nations. However, the project leadership staff were fully committed to its successful completion, with the understanding and support of Member States. The General Assembly was being requested to approve the revised deployment strategy and timetable and to note the revised resource requirements for 2012 and the proposed requirements for 2013. No additional appropriation for the current biennium was being requested.

15. **Ms. Casar** (Controller), introducing the fifth progress report of the Secretary- General on the adoption of International Public Sector Accounting Standards (IPSAS) (A/67/344), said that the report described progress in implementation across the United Nations system during the period from 1 September 2012 to 31 August 2012, including a detailed outline of implementation within the Secretariat. The report also

described the Secretariat's response to the key concerns set out in the second progress report of the Board of Auditors on the implementation of IPSAS (A/67/168).

16. At the level of the United Nations system, external auditors had given the IPSAS-compliant financial statements for 2011 of 11 organizations an unqualified audit opinion. The ten organizations implementing IPSAS in 2012 had all reported that their implementation was well under way. At the Secretariat, the first objective was to apply IPSAS to peacekeeping operations from 1 July 2013, with a view to delivering IPSAS-compliant financial statements for 2013/14 by 30 September 2014. For all other Secretariat operations, IPSAS-compliant operations would begin on 1 January 2014, leading to the preparation of financial statements for 2014 by 31 March 2015. The report addressed the challenges in meeting those deadlines as well as the concerns expressed by the Board of Auditors, the Advisory Committee and the General Assembly.

17. Preparation for IPSAS implementation had focused on project management, risk management and change management. The Management Committee monitored the project, including its linkages to the Umoja project, while the IPSAS Steering Committee continued to use a risk-management approach to steering the project. Project management tools had been deployed to enable over 45 teams throughout the Secretariat to monitor their local efforts and report back to the central project management at the Office of Programme Planning, Budget and Accounts which, in turn, reported to the IPSAS Steering Committee and the Management Committee.

18. IPSAS implementation strategies and plans had been continually adapted over the previous seven months as the deployment strategy and plans for the Umoja project had evolved. The Board of Auditors had determined that the IPSAS approach was sensible and feasible, stressing the need for a very well-designed and executed strategy. Because the Umoja and IPSAS projects were critical, and because of the risks attached to their implementation, a joint, external validation of the IPSAS transition plans had been undertaken as part of both projects. With a more concrete Umoja deployment plan in place, the implementation plans for the two projects were being progressively combined so as to ease users' adaptation.

19. Introducing the report of the Secretary-General on the proposed revisions to the Financial Regulations of the United Nations to support the adoption of IPSAS (A/67/345), she noted that the proposed revisions, which were accompanied by explanations of the proposed changes, had already been submitted to the General Assembly for its approval. The new Financial Regulations would be promulgated by the Secretary-General following the General Assembly's approval of the changes. The proposed changes were the result of collaboration led by the IPSAS team and had been reviewed by, among others, the Office of Legal Affairs, the Office of Internal Oversight Services and the Board of Auditors. The proposed revisions to the Financial Regulations were organized into twelve broad categories, summarized in paragraphs 6 to 20 of the report.

20. She drew the Committee's attention to paragraphs 17 and 18 of the report, which dealt with the effect of the annual audit of financial statements on the programme of work of the Fifth Committee, the Advisory Committee and the General Assembly, and also on the Secretariat and the Board of Auditors. Work remained to be done to prepare for the effects of an annual audit.

21. The complexity and size of United Nations operations, combined with the information technology systems environment and the delayed roll-out of Umoja, made the implementation of IPSAS very challenging. The Administration was determined to synergize implementation of Umoja and IPSAS and ensure the necessary support from senior management for the projects in order to guarantee their timely implementation. As noted by the Board of Auditors, any further delays in implementation would lead to greater cost and damage to the Organization's reputation. While acknowledging the high risks attached to the project, the Secretary-General remained resolutely committed to implementing IPSAS by 2014.

22. **Mr. O'Farrell** (Director of External Audit, Audit Operations Committee, United Nations Board of Auditors), introducing the second progress report of the Board of Auditors on the implementation of IPSAS (A/67/168), said that the system-wide adoption of the IPSAS accruals-based accounting system would provide Member States with a better overview of the financial position of United Nations entities and better information to ensure cost-effective decision-making and long-term financial sustainability.

23. The ultimate measure of the success of IPSAS implementation was delivery of the intended benefits. In its first report on the subject (A/66/151), the Board had recommended that all United Nations entities should establish clear plans for the achievement of such benefits. There had been limited progress in that area. The delivery of benefits must be actively managed alongside technical delivery.

24. The United Nations IPSAS implementation team had worked closely with the Board to achieve the near completion of the IPSAS accounting policy framework, which would serve as a practical guide for staff. Much had also been done to develop a detailed implementation strategy, as the Board had recommended in its previous report. Despite the progress made, the Board considered that the degree of risk attached to successful implementation of IPSAS within United Nations peacekeeping operations by mid-July 2013 and within the United Nations by January 2014 continued to be high. Significant tasks, such as data collection and cleansing, were not yet completed.

25. The shape of the IPSAS implementation strategy to be adopted had been uncertain for a period. Initially, there had been plans to abandon Umoja as the basis for implementation at the United Nations and substitute a hybrid approach, combining partly developed Umoja systems and existing systems, including the Integrated Management Information System (IMIS), the Organization's existing core financial system. Then, during the period covered by the report, it had been decided to transition away from IMIS and towards Umoja at different times: October 2013 for peacekeeping operations and January 2014 for the United Nations in general. The risks and feasibility of the latest proposed approach had not been fully evaluated. Noting that the Board had previously strongly recommended the finalization of a detailed IPSAS implementation strategy, he noted that such a plan must also be fully updated to reflect the Administration's recent decisions.

26. There was a risk that the difficulty of gathering timely, accurate, complete and reliable IPSAS-compliant accounting data from locations around the world would lead to implementation deadlines being missed. Another risk was that the ability to introduce non-IMIS accounting data using manual methods would increase human error and therefore affect the completeness and accuracy of the large volumes of data, particularly given that generating new data to ensure compliance with the more demanding IPSAS standards presented challenges. Lastly, the Board had noted a lack of clarity concerning the provision of funding and resources for IPSAS implementation outside Headquarters, concluding that there was a significant risk that progress would be affected if local implementation teams lacked appropriate resources.

27. The seven United Nations funds and programmes were on schedule to implement IPSAS in 2012 and to produce IPSAS-compliant financial statements in early 2013. That had been achieved thanks to the involvement and support of senior management, the availability of suitable enterprise resource planning systems and the timely preparation of accurate basic accounting data. Nevertheless, many entities still needed to complete collection and cleansing for all key accounting data; conduct tests using real accounting data, and establish benefit realization plans. The Board recognized that the appropriate management staff were aware of, and were addressing, outstanding issues. Successful IPSAS implementation was at greater risk at the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women), because of the particular challenges with basic systems faced in its first year of operations. However, the situation could be remedied with the engagement of senior managers.

28. Introducing the first annual progress report of the Board on the implementation of the United Nations enterprise resource planning system (A/67/164), he recalled that the objective of the Umoja project was to simplify a wide range of administrative practices and provide the United Nations with accurate data that would facilitate quicker decision making, better service delivery, improved programme planning and measurement of results. The project was a very complex and challenging transformation exercise, encompassing many entities beyond the Secretariat itself. The Board was concerned that the existing plans covering the scope, budget and timetable for the project were highly optimistic and imprecise; it was therefore unable to provide any assurance that the project could be delivered on time and within budget. Many of the problems encountered were avoidable and were a sign of weak project governance and management, as well as a more profound weakness in the Organization's ability to affect meaningful business transformation.

29. The Administration had not been approaching the implementation of Umoja as a business transformation project and had not devised any plans or strategies to manage change and embed more efficient working practices across the Organization. In order to achieve the intended benefits of Umoja, the Organization must introduce new working methods and adapt staff working practices, roles and responsibilities. Moreover, no efforts had been made to determine the scale and cost of the retraining programme required to reorient staff time activities with greater value-added benefit.

30. The insufficiently detailed monitoring and analysis of project costs against clear budgets and deliverables indicated that the Administration was unable to manage project resources effectively. It had been unable to determine what the expenditure of $123 million since the project's inception should have achieved, and could not say whether the project was under or over budget. There was no detailed plan to establish the tasks needed to achieve the project goals. As a result, delays had accumulated unnoticed or had been accepted in the belief that they could be absorbed within the overall project timetable.

31. The Administration's implementation timetable was unlikely to be achievable and its reported anticipated final cost was not reliable. Umoja was likely to be delayed further because the design of the system had not been completed on schedule. The revised timetable had no contingency to absorb delays and made no allowance for further delays owing to complications that were likely to occur during implementation.

32. The Administration had not been able to provide the Board with robust supporting evidence for the project's anticipated final cost of $315.8 million, as first estimated in October 2009 and unchanged since that time despite the two-year extension of its implementation timetable. The Administration's cost forecast had also failed to reflect the impact of significant delays and changes to the project implementation approach.

33. The project's governance arrangements also lacked clear lines of accountability and were not conducive to transparent and effective decision-making. The Board considered that the Steering Committee had provided insufficient critical input on the feasibility of cost and progress reporting, and of proposed actions. In addition, the project had not had a senior responsible owner until April 2012.

34. Given the challenging scope of the Umoja project, the Board considered that the implementation timetable had been too ambitious from the outset, in particular the goal of simultaneous implementation in all locations and entities. The Board believed that the Administration had formulated the strategy without undertaking a proper assessment of the existing business structure and had not taken due account of the wider inter-dependencies with other transformation projects, such as the implementation of IPSAS.

35. It should be noted that the report covered the period between April 2011 and April 2012; since that time, the Board had been reassured by the acceptance of all of its recommendations and by the earnest acceptance of its concerns by the Management Committee and the new project director. In its report, the Board acknowledged the actions being taken by the Administration, while at the same time stressing the need for decisive action to restore the project schedule.

36. **Mr. Kelapile** (Chairman of the Advisory Committee on Administrative and Budgetary Questions), introducing the report of the Advisory Committee on the enterprise resource planning project (A/67/565), said that, when considering the Secretary-General's progress report on Umoja (A/67/565), the Advisory Committee had also had before it the related report of the Board of Auditors (A/67/164). The Advisory Committee was satisfied with the scope and depth of the Board's audit, which provided the General Assembly with an independent assessment of the implementation of the Umoja project and clarified the key issues of concern in managing major business transformation projects.

37. While welcoming the actions taken to address the governance and leadership issues faced by the project — including the assumption by the Under-Secretary-General for Management of his role as Chair of the Steering Committee and project owner and the recent appointment of an Assistant Secretary-General/Umoja project director — the Advisory Committee stressed that much remained to be done to instill across the Secretariat a sense of ownership and proper accountability for the success of the project. The Advisory Committee also urged the Secretary-General to establish a detailed project plan and to introduce, without delay, robust project management tools and

methods for measuring progress achieved against the project plan and actual utilization of resources against budget estimates.

38. Concerning the revised deployment strategy and timetable proposed in the Secretary-General's report, the Advisory Committee drew attention to the planned division of Umoja Extension into two stages: Extension 1, which, together with Umoja Foundation, would include transactional and IPSAS-related processes, and Extension 2, which would cover more strategic functions, including planning and programming, supply chain management and budget formulation. The Advisory Committee strongly believed that it was in the best interest of the Organization that the full scope of the Umoja project be delivered, as approved by the General Assembly in its resolution 63/262, given that the poor coverage under existing systems of the strategic functions now relegated to Extension 2 had been a major factor in the decision to shift to an enterprise resource planning system. The Advisory Committee cautioned against any approach that would essentially only achieve a costly replacement of IMIS and perpetuate the weaknesses of the current outmoded and stand-alone information and communications technology systems. The full implementation of the project was paramount to averting such a risk, realizing the intended benefits of the project and protecting the investment already made by Member States.

39. The Advisory Committee questioned the rationale behind the Secretary-General's proposal to replace the Umoja project team with a "Umoja centre of excellence" in 2016, after deployment of Extension 1 but before the project had been fully implemented. The authority and leadership of the project's governance and management structures was necessary to delivering the complex business transformation. The Advisory Committee was therefore concerned that the premature dismantling of the project team presented risks that Extension 2 would not be implemented effectively. The project team should be maintained until completion of Extension 2, without precluding necessary adjustments to the size and composition of the team and to provide most of the required expertise from within the Organization.

40. The Advisory Committee noted the prospect that the timetable for the deployment of the entire system would be lengthened by a further three years, to 2018, and the costs of the project would escalate from the $315.8 million approved for the project to some $348.2 million for implementing only the first two phases of the system. In view of the frequent revisions made to the project implementation strategy, timetable and costs, the Advisory Committee urged the Secretary-General to ensure that a realistic and workable plan that could be followed through to successful completion was in place. The Advisory Committee expected that the Secretary-General would take all steps necessary to ensure that the project did not suffer further delays and that project resources were utilized efficiently and effectively. It further recommended that the Secretary-General should be requested to seek all options for accelerating the delivery of the project, including Extension 2, at a lower cost.

41. Noting the Secretary-General's view that organizational readiness was the most significant determinant of whether Umoja could be completed on schedule and within budget and the views of the Board of Auditors on the complex nature of Umoja as a business transformation initiative, the Advisory Committee recognized the challenges and risks posed by the scale and scope of the project, as well by the disparity in the business models. Successful implementation would depend largely on the quality and thoroughness of preparatory work and the state of readiness for deployment of the system of the various United Nations entities. The Advisory Committee encouraged the Secretary-General to continue to develop a common methodology and systematic approach for identifying and planning preparatory activities.

42. While the Secretary-General had indicated that the project budget covered the direct costs of Umoja's design, development and implementation, indirect costs for activities required prior to deployment, such as data cleansing and end-user training, were, in principle, part of the direct operational responsibilities of the implementing entities. Having been informed of the establishment in July 2012 of a working group to identify all preparatory activities and indirect costs, the Advisory Committee supported the approach proposed by the Secretary-General to identify which costs were to be borne by the implementing entities and which were to be attributed to the Umoja project budget. The Advisory Committee's conclusions and recommendations on the Secretary-General's proposals for the Umoja project were contained in paragraph 95 of its report.

43. Introducing the fifth report of the Advisory Committee on the adoption of IPSAS by the United Nations and proposed revisions to the Financial Regulations (A/67/564), he cautioned that, while the immediate focus should be on establishing systems capable of generating the accounting data required to produce IPSAS-compliant financial statements within the established timeframe, equal attention should be given to planning for the delivery of all of the intended benefits of IPSAS.

44. All necessary measures must be taken to ensure correct opening balances in the preparation of IPSAS-compliant financial statements. In that connection, the Advisory Committee expressed concern about the way in which existing field-based systems handled property management, particularly the verification of assets. Expressing renewed concern at the risks to the timely realization of IPSAS benefits posed by the prolonged delays in Umoja implementation, the Advisory Committee acknowledged the contingency measures being put in place by the Secretariat in the form of temporary adaptations of existing systems and the use of alternative manual methods, but doubted the ability of such solutions to deliver complete, accurate and consistent data.

45. Noting the information provided regarding the projected cost overrun of the IPSAS project budget, the Advisory Committee expected efforts to absorb additional costs within approved resources to be made before the submission of any request for additional funds. It had again pointed out the likelihood of an increased workload for the Advisory Committee, the Fifth Committee and the General Assembly as a result of the extra volume of information generated following the implementation of IPSAS implementation, and repeated its recommendation that the General Assembly should consider those implications as a matter of priority.

46. With regard to the proposed revisions to the Financial Regulations of the United Nations in preparation for the adoption of IPSAS, the Advisory Committee commended the Secretary-General for consulting with the relevant entities throughout the process. However, it took the view that the proposed regulation 4.19, pertaining to the treatment of interest on voluntary contributions, should be further analyzed. The Advisory Committee welcomed the amendment of the Financial Rules to allow the use of electronic data interchange as a means of expanding the reach of the procurement process, on the understanding that the method would supplement, and not replace, the submission of bids and proposals in hard copy. Lastly, the Advisory Committee trusted that the Secretary-General would ensure that the Financial Regulations and Rules would remain in compliance with IPSAS and, where appropriate, would remain harmonized with those of other United Nations system organizations.

47. **Mr. Mihoubi** (Algeria), speaking on behalf of the Group of 77 and China, said that the Group had always supported management reforms aimed at improving the Organization’s efficiency, effectiveness, transparency and accountability, including through better financial reporting on assets, liabilities, revenue and expenses, and through improved controls and processes. Recalling the adoption by the General Assembly in July 2006 of resolution 60/283, in which it had endorsed the Secretary-General’s proposals for the introduction of an enterprise resource planning system and the adoption of IPSAS, he said that the Group had noted with deep concern the conclusions of the Board of Auditors regarding the lack of a comprehensive assessment of the capacity to deliver multiple transformation programmes, the required sequence of actions or the interdependence with other major projects including the capital master plan and the Global Field Support Strategy. It requested the Secretariat to provide more information on those issues, in order to avoid a recurrence of such problems. However, it welcomed the acceptance of and follow-up to the Board’s recommendations.

48. The Group had also noted the conclusions of the Advisory Committee and wished to point out that the current revision of the Umoja implementation arrangements, the third in four years, would cause delays and cost escalation. It would request additional scheduling and financial information in order to ensure that the project was implemented on time and without additional costs. Mindful of the lessons to be learned from the handling of tropical storm Sandy’s effects, the Group would seek from the Secretariat further information on the business continuity and organizational resilience components of Umoja, to see how they could be improved to forestall future problems and disruption of the Organization’s global activities. Finally, it wished to stress the importance of all staff being trained to use IPSAS prior to introduction, and to maintain Umoja on its completion.

49. **Mr. Dettling** (Switzerland), speaking also on behalf of Liechtenstein, said that the Umoja project, which one year previously had seemed destined to fail, had been given renewed impetus by the Secretary-General's prompt and effective response to the concerns of the Member States. Given the challenges still ahead, the Secretary-General should persevere in those efforts.

50. The success of technology-intensive large business transformation projects depended first and foremost on users' acceptance of the new systems and processes involved. Users should therefore be involved at an early stage and strategies should be developed to mitigate any resistance. The two delegations wished to learn more about how the Secretariat planned to support what was a major cultural change in its business practices. The success of such projects also depended on a clear definition of desired outcomes and the associated organizational changes. It was unfortunate that such matters had not been adequately considered from the outset of the project. Without the blueprint for change that the Board of Auditors had so pertinently indicated was absent, the Organization might miss out on potential benefits from Umoja. The technical delivery of a business transformation project was less important than the full realization of its intended benefits, so clear benefits realization plans were needed for Umoja and IPSAS, and the latter's effect on the workload of the Advisory Committee and the General Assembly should not be ignored. The two delegations would like more information in that regard.

51. Although they were well aware that the subject of information and communication technology was not on the Committee's agenda for the current session, Switzerland and Liechtenstein recalled the decision of the General Assembly in 2011 that no major information and communication technology projects should be considered until Umoja was implemented, which, according to the revised timetable, would not be until 2018. Consequently, they would welcome an informal briefing at the current session on the activities of the Office of Information and Communication Technology, given its role in modernizing the Organization and improving its efficiency.

52. **Mr. van den Akker** (Observer for the European Union), speaking also on behalf of the acceding country Croatia, the candidate country the former Yugoslav Republic of Macedonia, and the Stabilization and Association Process countries Albania and Bosnia and Herzegovina, said that the member States of the European Union had always staunchly supported Umoja and its potential for business transformation in the United Nations system, and continued to believe that, if fully implemented in accordance with the decisions made by the General Assembly in its resolution 63/262, it would enable high quality and cost-effective delivery of services.

53. Noting the concerns of the Advisory Committee and the Board of Auditors, they believed that strong leadership was essential to restore confidence in the Secretariat's ability to manage and deliver Umoja successfully. They welcomed the fact that the Under-Secretary-General for Management had become the project owner and was fully accountable for implementation of the project and achievement of its benefits. However, they intended to consider carefully Umoja's new timetable, funding requests and indirect costs, which they believed should be absorbed by the departments concerned. The Organization's senior management should monitor the progress of the project continuously, to ensure the implementation of all Advisory Committee and Board of Auditors recommendations. Delays in the Umoja timetable not only risked delaying the achievement of the project's expected benefits, but also had an impact on other initiatives carrying financial and operational implications for the Organization.

54. The progress made with the introduction of IPSAS in the United Nations system was welcome. As the Secretary-General had indicated, determining accurate opening balances was a substantial challenge for the organizations concerned. Producing IPSAS-compliant financial statements from the legacy systems, including IMIS, would require workaround solutions entailing some cost. The new emphasis on local implementation rather than policy and central planning was a positive step.

55. The aim for the longer term should be to build a truly global Secretariat with standardized, location-independent service delivery, facilitated by a harmonization of processes and a shared information technology platform. That in turn would provide opportunities for greater transparency and oversight, and more cost-effective ways of working. Both Umoja and IPSAS were critically important to the achievement of that future model.

56. **Mr. Genest** (Canada), speaking also on behalf of Australia and New Zealand, said that the delegations of Australia, Canada and New Zealand, believing that Umoja was the key instrument for transformation and modernization in the Organization through more efficient and effective management of human, financial and physical resources, appreciated the candor of the overviews of its progress provided by the Secretariat at the current meeting and the informal meeting of the Committee held on 8th October 2012. It was positive that the Under-Secretary-General for Management had been assigned ownership of the project.

57. Recalling that the General Assembly, in its resolution 66/246, had called for immediate action to address the governance crisis and cost overruns affecting Umoja, the three delegations welcomed the effective response of Umoja managers to Member State requests for clear lines of authority and accountability, and their willingness to increase transparency and improve communication with the Member States. That would help to restore the Member States' trust in the project and its ability to deliver demonstrable and quantifiable results and benefits, and therefore their readiness to lend it their continued support.

58. While the managers who had simply presented a careful and reasoned analysis of how to place the project back on its intended course did not deserve blame for the current situation, the further delays introduced by earlier setbacks, and the consequent need for reorganization and additional resources, were a matter of concern to the three delegations. Although they appreciated the caution contained in the fourth Umoja progress report (A/67/360) that the project's potential benefits should not be considered in the formulation of budgets until after its full deployment, and that the assumptions underlying implementation must be validated over time, they reminded the Secretariat that the potential benefits had been the prime motivation behind the Member States' support of the project since its inception. They therefore expected timely, clear and detailed statements of results and benefits, including cost savings, as implementation progressed.

59. As suggested in the fourth Umoja progress report, the three delegations believed that indirect costs should be absorbed by the beneficiaries of the greater efficiency made possible by the project. Such an approach would promote greater commitment and responsibility on the part of the end-users of Umoja and could prevent a recurrence of the type of problems already experienced with the associated costs of the capital master plan.

60. **Mr. Ono** (Japan) said that his delegation was encouraged by the improvements made to the governance structure of the Umoja project, which, in its view, should be delivered in full. The revised deployment strategy and timetable were practical under the current circumstances. Costs should be closely monitored, so that each phase could be completed as intended. The success of a business transformation project of Umoja's scale also depended on organizational readiness across the entire Secretariat, on strong leadership by the Secretary-General and on the appropriate authority being given to the project owner, project director and process owners.

61. As a result of their own serious financial difficulties, the Member States were examining carefully the budget outline for the 2014-2015 biennium. Japan would like further details of the Umoja resource requirements for the years concerned, in order to enable the General Assembly to judge whether or not they were appropriate. It supported the initiative of the Secretary-General to ask all user departments to absorb Umoja's indirect costs within their existing budgets. It would like further details of the benefits of Umoja in terms of staff costs, including benefits expected from the decommissioning of existing systems, and urged the Secretariat to reflect expected savings from the project expeditiously in the budget.

62. While it attached great importance to the timely delivery of the full scope of the Umoja project, Japan believed that the size and composition of the project team should be aligned with the requirements of each phase of implementation. It was in that light that it would examine the Secretary-General's proposal for an "Umoja centre of excellence".

63. With regard to IPSAS, Japan stressed the importance of full preparation, including making sure that opening balances in IPSAS-compliant financial statements were correct. There should be close cooperation between the IPSAS and Umoja teams. While the expected increase in the number of audit reports would strengthen transparency and accountability in the Organization, the impact of that increase on the work of the Committee should be examined.

64. **Mr. Al Hajeri** (Kuwait) said that, as managing risk was particularly important in the work of the Organization, the Umoja risk management framework must operate properly, the managers of the project must be suitably qualified, so that the project could be delivered on time and within budget, and transparency, continuity and clarity must be considered vital. Umoja Foundation must be implemented properly.

65. Reaffirming his country's commitment to paying its contributions in full and on time, he urged other countries to do likewise. With regard to the contribution of the peacekeeping support account to the cost of implementing Umoja, referred to in the annexes to the fourth progress report (A/67/360), he recalled earlier statements made on behalf of the Group of 77 and China and of the Gulf Cooperation Council, and Kuwait's own firm position, against removing Member States from level C in the scale of peacekeeping assessments. Kuwait was investing heavily in modernization, and saw its reclassification as unacceptable.

66. **Mr. Kim** Seo Jung (Republic of Korea) said that the Umoja project, which his delegation strongly supported, would make the Organization more efficient, transparent and accountable. His delegation welcomed the strengthened governance arrangements for Umoja, as strong and accountable leadership would promote its success. However, it remained concerned at the delay in implementation and potential cost escalation resulting from the revised deployment strategy. Every effort should be made to ensure efficient and effective use of resources, and no further delays. Given the project's financial situation, it was critical that the Secretary-General ensure translation into action of his initiative to have individual departments absorb the indirect costs of implementing Umoja within their existing budgets.

67. **Mr. Lieberman** (United States of America) said that his delegation was encouraged by the signs that the Secretary-General and his senior management team were making concerted efforts to return the Umoja project to its intended course and ensure that its completion was aligned as closely as possible with its original timescale and budget. However, while it appreciated the technical progress made, it was concerned that the Organization itself was not ready to adopt Umoja, a consideration already identified by managers as the greatest risk of the project. The Secretary-General should continue his efforts not only to implement the technical aspects of Umoja, but also to ensure that all parts of the Organization understood that it was not simply an information technology project, but rather a business transformation project.

68. While full implementation of Umoja was in the interest of the Organization, the deployment strategy carried with it a further delay and a need for additional resources. Umoja Foundation must remain within its budget; once the final costs of Extension 1 and Extension 2 were known, his delegation would consider them carefully, with the goal of maintaining the envelope of resources already approved for the project. It looked forward to further details about the proposed handling of the preparatory activities and related costs connected with Umoja. The Secretariat should continue to implement the recommendations of the Board of Auditors in order to sustain the improvements in the management of the project, and the Member States should remain engaged and maintain their oversight of its implementation.

69. Umoja had implications not just for the Organization's business practices, but also for other important initiatives, including the adoption of IPSAS, a step critical to ensuring quality, comparability, credibility and transparency of financial reporting across the United Nations system. Noting that the Board of Auditors had identified risks associated with the introduction of IPSAS, his delegation wished to learn more about the transition to that new system in the context of the gradual implementation of Umoja.

70. **Mr. Safronov** (Russian Federation) said that his delegation welcomed the introduction of IPSAS and the goals of improving quality, comparability, reliability and accountability in the accounts of the United Nations system, believing that the process would bring improved management and give the Secretariat and Member States a fuller picture of the Organization's financial situation. However, as the introduction of IPSAS was a substantial project affecting the whole Organization, its implementation should be complete and on time.

71. His delegation was preoccupied that, in the absence of Umoja, the source of input for IPSAS-compliant financial statements would be the legacy systems, calling into question the ability of the Secretariat and the Member States to profit fully from the new system. Clearly also, IPSAS would put to the test the completeness and accuracy of the

Organization's current system of accounts. Having referred frequently to the observations of the Board of Auditors regarding the recording of the Organization's assets, his delegation took the view that the Secretariat should complete improvements to the current system of accounts so as to avoid the transfer of any erroneous information to the new system.

72. The effect of the introduction of IPSAS on the work of the Fifth Committee, the Advisory Committee and the Secretariat departments should be carefully examined, given that IPSAS seemed to require the keeping of more detailed and regular accounts. Reports previously presented every two years would henceforth be presented annually and grow in volume, placing greater demands on the Secretariat and absorbing more of the time of the Fifth Committee and Advisory Committee than had been allocated in their existing programmes of work. His delegation would like more information from the Secretariat on such consequences.

73. As in the case of the introduction of IPSAS, the Organization, when implementing Umoja, must assess all risks, remain within the project's approved budget, and inform the Member States in a full and timely fashion of the project's progress. His delegation awaited further details of the revised deployment strategy, but was concerned at the prospect of having only the intermediate steps of the project complete by 2015, and at the cost overruns involved. It appeared that major risks attached to the project had not been considered, raising the prospect of greater costs to the Member States. Those failures of analysis were systemic, having been pointed out in connection with other major projects.

74. As the implementation of the project progressed, plans must be thoroughly considered, risks determined, and budgetary discipline improved. In order to avoid unpleasant surprises, there must be an effective arrangement for cooperation between the Secretariat and the Member States. In that connection, the reports of the Board of Auditors played an important role, and the Secretariat should take action to implement the Board's recommendations. He hoped that the Secretariat would use the lessons learned from the implementation of Umoja to avoid difficulties with major projects in the future.

75. **Mr. Soomro** (Pakistan) said that his delegation recognized the need for a sound information and communication technology infrastructure and supported the objectives of the Umoja project. However, it was aware of the concerns, highlighted by the Board of Auditors, regarding its history of setbacks and governance and leadership issues. It had noted the clarification from the Under-Secretary-General for Management that the Secretariat had accepted all of the Board's recommendations and taken remedial action. His delegation would like more precise details of that action, and of the outcome of the fundamental reassessment of Umoja's implementation.

76. His delegation would like assurances that the Secretariat would take full responsibility for, and ownership of, Umoja. In addition to resolving governance problems, the Secretariat must put in place credible implementation mechanisms. His delegation had noted the estimate of the financial value of Umoja's benefits, but would like to know on what basis they had been calculated. It would also like to know the estimated level of the indirect costs of the project. As the project carried a high level of risk, his delegation wished to know how that risk, and the Organization's operational readiness, would be affected by the revised deployment timetable.

77. **Mr. Takasu** (Under-Secretary-General for Management) thanked the Member States for their positive comments regarding Umoja, a core project for the Organization, and reiterated his full confidence in the new management team. He wished to clarify once again that the information in the report of the Board of Auditors related to the period up to April 2012, and that substantial action had been taken since then, as indicated in Annex I to the report of the Advisory Committee. With regard to organizational readiness, the Secretary-General had made a personal commitment to ensuring that all of the management staff involved in the implementation of the project were fully engaged. It should be remembered that senior managers had compacts with him. With regard to the specific questions posed by the delegations, including those relating to the quantification of the project's benefits, further information would be provided during informal consultations

The meeting rose at 12.35 p.m.