

**Executive Committee of the
High Commissioner's Programme**

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Update on the introduction of International Public Sector Accounting Standards (IPSAS)

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I. Introduction

1. During the Biennial Programme Budget 2008-2009 exercise (A/AC.96/1055), the Executive Committee was informed of UNHCR's intent to publish IPSAS-compliant financial statements as at 31 December 2010, and to put into place the necessary changes to processes, procedures and systems by 31 December 2009. The status report presented in June 2009 (EC/60/SC/CRP.15) informed the Standing Committee of delays, with a commitment to continue to implement these standards as soon as possible; it also noted that, should IPSAS adoption go beyond 2010, the project would need to be implemented by the year 2012. This report presents an update on the status of implementation of IPSAS as of mid-April 2010, explains why the original target date of 2010 for IPSAS compliance is no longer achievable.

II. Change in strategy

2. In the June 2009 update, UNHCR explained its intention to adopt IPSAS standards over two years in a gradual, phased implementation. Numerous factors have emerged in the course of the past months, which have required UNHCR to take an alternative approach and critically review the timelines proposed for IPSAS implementation. These are described in the following paragraphs.

3. The Advisory Committee on Administrative and Budgetary Questions (ACABQ) noted, in paragraph 29 of its report on UNHCR's Biennial Programme Budget 2010-2011 of October 2009 (A/AC.96/1068/Add.1), that the Board of Auditors had informed the Committee that UNHCR was not in a position to become IPSAS compliant until it moved to full accrual accounting. Accordingly, UNHCR will not implement IPSAS using a gradual phased approach, but will implement when full accrual accounting is in place, which is expected in 2012.

4. Full compliance with IPSAS requires updated and relevant Financial Rules to be in place prior to full implementation. The ACABQ report noted that it was not necessary for UNHCR to revise the Financial Rules until it was prepared to fully implement IPSAS. It also noted that UNHCR could benefit from the efforts currently under way to update and harmonize the United Nations Financial Regulations and Rules in preparation for IPSAS implementation. Therefore, Revision 9 (A/AC.96/503/Rev.9) currently in effect UNHCR to UNHCR's Financial Rules incorporates only those changes that were essential to the introduction of the new budget framework.

5. In line with what the ACABQ has noted in relation to IPSAS compliance, UNHCR is committed to revise its Financial Rules on the basis of the United Nations Harmonized Financial Regulations and Rules. These are expected to be approved by the first of the participating agencies in mid 2011, and would thus not be available to UNHCR in time to implement IPSAS as from 1 January 2011.

III. Other factors affecting IPSAS implementation

6. A summary of the current status of IPSAS implementation by business area is contained in the Annex. Shifted priorities, owing to the introduction of the new results-based budgetary framework, as well as a lack of sufficient skilled human resources, have

resulted in continued delays. Efforts to staff the project and to re-scope the other business areas to take into consideration the change in strategy are ongoing, but moving slowly.

7. The United Nations IPSAS team strongly recommends extensive involvement from the External Auditors to avoid the risk of qualification of the accounts due to IPSAS conversion. Because the Board of Auditors is in the process of handing over to a new audit team for the audit of UNHCR's accounts in the course of 2010, neither the outgoing nor the incoming auditors have participated in reviewing the policies, procedures or systems developed to date. Insufficient audit participation could expose UNHCR to a risk of audit qualification.

8. The delay will result in the retention of project staff throughout 2011, as well as for post-implementation support in the first quarter of 2012. The 2011 plan and budget, originally estimated at \$0.4 million, as the project was foreseen to be completed in the first quarter of 2011, will be revised to reflect the need to maintain resources full-time until project completion.

9. New processes, procedures and reporting requirements for the implementation of results-based budgeting and accounting continue to put pressure on an insufficient pool of skilled and knowledgeable staff. To mitigate the risk of competing priorities that occurred during 2009, full-time team members are being recruited or taken on through consultancy arrangements. Three additional team members began work in May 2010; however, the Office has not yet been able to find full-time expert resources to manage the project and to participate as Budget, Finance and Donor Relations Working Group members.

IV. Summary of status

10. The Annex provides an overview of the status for each business area. As noted above, there are many reasons why full IPSAS compliance is not considered achievable until the financial year 2012. Significant progress is nonetheless being made under the existing United Nations System Accounting Standards (UNSAS) standards, in particular putting into place all the necessary measures to record Inventory and Property Plant and Equipment (PPE) during 2010.

11. The Change Management Strategy has been prepared and is ready for dissemination. The Change Management Plan has been completed for Inventory/PPE only. Preparation of the Communication Strategy and Plan and related materials are in progress.

12. The Training Strategy has been defined for Inventory and Property, Plant and Equipment and is in progress for all other areas. The first modules of the United Nations training material have been made available to staff for completion by 30 June 2010, and some course material is under development to address UNHCR-specific needs. Preparation for regional 'road shows' is under way. The timing of the communications and training has been scheduled to start in the second and third quarter of 2010, in order not to coincide with work in the Field and Headquarters on completing the 2011 planning and budgeting exercise.

V. Conclusion

13. UNHCR continues its efforts to implement IPSAS as rapidly as possible. Necessary measures to record Inventory and Property Plant and Equipment will be implemented in the second half of 2010. In view of recent developments, however, UNHCR is compelled to delay full IPSAS implementation until the 2012 financial year.

Annex

Status of IPSAS project implementation

<i>Business area</i>	<i>Policies</i>	<i>Fit-Gap Analysis</i>	<i>Systems Requirements</i>	<i>Systems Development</i>	<i>Unit Testing</i>	<i>System Integration Testing</i>
a. Financial statements, notes to accounts and schedules	Approved	85% complete on financial statements. Schedules and notes to accounts not started	85% complete on financial statements. Schedules and notes to accounts not started	50% complete	Not started	Not started
b. Revenue – contributions	Approved	95% complete	In process	Not started	Not started	Not started
c. Revenue - in-kind	In draft	95% complete	Not started	Not started	Not started	Not started
d. Revenue- other	In draft	Not started	Not started	Not started	Not started	Not started
e. Expenditure recognition	In draft	50% complete - progress constrained due to dependency on budget	Not started due to dependency on budget	Not started	Not started	Not started
f. Employee benefits	In draft	95% complete	Primarily reporting - reports definition in process	Not started	Not started	Not started
g. Financial instruments	In draft	10% complete	Not started	Not started	Not started	Not started
h. Property plant & equipment	Approved	Completed	95% complete	95% complete	95% complete	20% complete
i. Inventory	Approved	Completed	95% complete	95% complete	95% complete	20% complete
j. Budget implications	Not started	Not started	Not started	Not started	Not started	Not started
k. Donor reports	Not started	Not started	Not started	Not started	Not started	Not started
l. Management reports	Not started	Not started	Not started	Not started	Not started	Not started

Note: the transactions impacted by foreign exchange have been identified and the accounting treatment is being addressed within each business area in which the transactions occur.