



UNHCR
48th Meeting of the Standing Committee

Agenda Item 6(b)

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

(as reported in document EC/61/SC/CRP.18)

Presentation by Ms. Claire Ouerghi
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23 June 2010

Mr. Chair, Distinguished Delegates, Ladies and Gentlemen,

As presented in the Biennial Budget of 2008-2009, UNHCR initially intended to publish IPSAS compliant financial statements as at 31 December 2010. The status report presented in June 2009 informed the Standing Committee of delays.

Conference Room Paper EC/61/SC/CRP.18, presented at this meeting, reflects the status of the IPSAS implementation as of mid-April 2010, and explains the reasons for revising the target date for full IPSAS compliance to 2012.

A copy of the presentation is available at the back of the room, and can also be found on the UNHCR website (www.unhcr.org/excom).

Change in Strategy



- From gradual or phased implementation over 2 years to full implementation for statements of year 2012
- Revised Financial Rules, based on the United Nations Harmonized Financial Regulations and Rules, will only be available in time to implement IPSAS as from 1 January 2012

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As reported in the June 2009 update, it was initially UNHCR's intention to adopt IPSAS standards over two years in a gradual, phased implementation. UNHCR has decided to change the implementation strategy and timeframe because:

(1) The Board of Auditors had informed the ACABQ that UNHCR was not in a position to become IPSAS compliant until it moved to full accrual accounting. Accordingly, UNHCR will implement IPSAS when full accrual accounting is in place. This is expected in 2012.

(2) Full compliance with IPSAS requires updated and relevant Financial Rules to be in place prior to full implementation. The current UNHCR Financial Rules (Revision 9) incorporate only those changes that were essential to the introduction of the new budget framework. The ACABQ advised that UNHCR could benefit from the efforts currently underway to update and harmonize the United Nations Financial Regulations and Rules in preparation for IPSAS implementation. As these are expected to be approved by the first of the participating agencies in mid 2011, they would only be available to UNHCR in time to implement IPSAS as from 1 January 2012.

As a result, we will not be submitting a proposed revision to the Financial Rules as originally scheduled for the September 2010 meeting of the Standing Committee. Informal consultations on the subject will be scheduled once the draft Harmonized UN Financial Regulations and Rules have been made available.

Other Factors Affecting IPSAS Implementation



- Scarce staff due to conflicting priorities
- Lack of sufficient skilled resources
- Change of External Auditors for the audit of UNHCR's accounts in the course of 2010

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There are several other factors which continue to impact the IPSAS implementation:

(1) New processes, procedures and reporting requirements for the implementation of results-based budgeting and accounting continue to put pressure on a small pool of knowledgeable internal staff. They are called upon to contribute their expertise to competing initiatives such as IPSAS, the new budget structure, supporting the planning software FOCUS and its interface with the ERP (Peoplesoft), and further enhancement of the accountability framework.

(2) To provide sufficient levels of staff and expertise, additional full-time team members are being recruited and resources are being obtained through consultancy arrangements.

Three additional team members began work in May 2010. At the time the CRP was written, key positions of Project Manager, and the team members for Budget, Finance and Donor Relations had not yet been identified. A Project Manager has now been identified and recruiting is in progress. Selection is underway for team members for Budget and Donor Relations.

(3) The Board of Auditors is in the process of handing over to a new audit team for the audit of UNHCR's accounts as of July 2010. Therefore, neither the outgoing nor the incoming auditors have participated in reviewing the policies, procedures or systems developed to date. The United Nations IPSAS team strongly recommends extensive involvement in the project from External Auditors, as insufficient audit participation could expose organizations to a risk of qualification of the accounts due to IPSAS conversion.

The delay in implementation 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 have been revised to reflect the need to maintain resources full-time until project completion.

Status – By Business Area



- *PPE & Inventory* under UNSAS in 2010
- *Revenue and Expenditure Recognition* have not progressed much - dependent on budgetary implications
- Fit-gap analysis on *Financial Instruments* had to be redone due to release of new standards in early 2010
- *Employee Benefits* progressing well
- Work to commence on budget implications, donor reports, management reports

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The status of each business area at mid-April is reported in the Annex to the CRP.

Significant progress is being made under the existing United Nations System Accounting Standards (UNSAS) to record Inventory and Property Plant and Equipment (referred to as PPE); both are expected to go live during 2010. By mid-June, systems integration testing for both areas was 50% completed.

Revenue and expenditure recognition have not progressed much, because they are heavily dependent on budget processes and the project lacks a team member for the Budget area.

The policy on Financial Instruments was near completion, but a recent release of new standards by IPSAS meant that all the work in this area had to be revisited.

Employee benefits is progressing well, with the fit-gap analysis at 95% completion.

Status (cont.)



- Overall Change Management Strategy prepared and ready for dissemination
- Change Management plan for PPE and Inventory is complete
- Communication Strategy and Plan and related materials are in progress
- Training Strategy is defined for PPE and Inventory - all other areas in progress

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The overall Change Management Strategy has been prepared and is ready for dissemination.

The Change Management Plan has been completed for Inventory and PPE.

Preparation of the Communication Strategy and Plan and related materials is in progress.

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. Some course material is under development to address UNHCR-specific needs.

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.

In conclusion, Mr. Chair, UNHCR is fully committed to ensuring implementation for the year 2012.

Thank you.