



## UPDATE ON THE INTRODUCTION OF IPSAS

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(as reported in document EC/62/SC/CRP.21)

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Standing Committee, 51<sup>st</sup> meeting, 23 June 2011

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Mr. Chair, Distinguished Delegates, Ladies and Gentlemen,

UNHCR is committed to fully implement International Public Sector Accounting Standards (IPSAS) as of 1 January 2012, with the aim of publishing IPSAS-compliant financial statements as of 31 December 2012.

This report presents an update on the status of implementation of IPSAS as of May 2011, including an explanation of factors that will be key to ensuring a successful transition to IPSAS on 1 January 2012.

A copy of the presentation will be made available on UNHCR's website at <http://www.unhcr.org/excom>.

## IPSAS implementation to date

- Close collaboration with United Nations IPSAS Task Force and other UN agencies, benefitting from “lessons learnt”
- Recruitment of experienced project manager in second half of 2010
- Challenge to identify necessary expert resources, due to competition for limited expertise
- Requirement to amend UNHCR's Financial Rules to make them IPSAS-compliant by January 2012

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UNHCR is working closely with the United Nations IPSAS Task Force and other United Nations organizations. As a result, we have been able to benefit from “lessons learnt” from examples of successful implementation elsewhere in the United Nations system.

During the second half of 2010, UNHCR recruited an experienced project manager and was able to dedicate other resources to the IPSAS Project. This has been a decisive factor in helping the Office move forward with the IPSAS implementation plan and has resulted in considerable progress being made since then. However, putting in place the necessary expert resources continues to be a challenge, in view of the competition for limited expertise.

In order to prepare for IPSAS implementation as of January 2012, UNHCR is required to make amendments to its Financial Rules. The Office is therefore reviewing the Rules, and a consultative process on proposed amendments has been started.

## Project Plan and Strategy

- A. Project governance
- B. Financial policy and transition
- C. Information technology
- D. Change management and training
- E. Preparedness

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A comprehensive Project Strategy and Plan has been developed, based around five work areas:

- A. Project governance;
- B. Financial policy and transition;
- C. Information technology;
- D. Change management and training; and
- E. Preparedness.

Overall, the implementation of the Project Strategy and Plan is currently on target, and I will elaborate on each of the work areas in the following slides.

## A. Project Governance

- Project governance at various operational levels:
  - Deputy High Commissioner: leading the implementation initiative
  - Steering Committee: consisting of Directors of Divisions and Bureaux
  - Business Owners Committee: representing business units impacted by IPSAS
- Participatory process
- Regular briefings between DHC and senior management
- Regular meetings of Steering Committee and Business Owners Committee

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Project governance is carried out at various operational levels. The Project's "Executive Sponsor" is the Deputy High Commissioner (DHC), who is leading the IPSAS implementation initiative. He advocates at the executive level on behalf of IPSAS project, and facilitates implementation with senior managers and directors.

The Steering Committee, consisting of Directors of Divisions and Regional Bureaux, approves the policy changes and business requirements and regularly monitors the resources needed for the implementation of the Project. In addition, the Steering Committee facilitates the resolution of issues arising from the various business units and working groups.

The Business Owners Committee (BOC), representing the business units impacted by IPSAS, monitors working groups and endorses changes to policies and business requirements.

This governance structure ensures that IPSAS is being put in place through a participatory process, including briefings between the Deputy High Commissioner and senior management, and regular meetings of the Steering Committee and the Business Owners Committee.

## B. Financial Policy and Transition

- Policies, fit/gap analyses and a definition of requirements for all business areas have been prepared
- United Nations Board of Auditors have not yet been able to accommodate review of UNHCR's IPSAS policies in their schedule → expected as of July 2011
- Pending BoA review, Deloitte was engaged to review UNHCR's policies, fit/gap analyses and business requirements to ensure compliance → conclusion: meet IPSAS requirements
- Following BoA review, policies will be presented to Steering Committee for approval

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Policies, fit/gap analyses and a definition of requirements for all business areas have been prepared. The United Nations IPSAS Task Force had strongly recommended (EC/61/SC/CRP.18, para.7) that the external auditors (United Nations Board of Auditors, BoA) be extensively involved in reviewing all policies. In 2010, the Board assigned a new audit team to UNHCR, and the incoming auditors have yet to accommodate a review of UNHCR's IPSAS policies in their schedule. However, it is anticipated that they will commence in July 2011, when UNHCR expects to hold consultations with the Board to define objectives and milestones for reviewing the policies and financial statements, and receive the Board's formal feedback.

To allow project implementation to proceed, and pending review by the Board of Auditors, an international accounting firm was engaged to review UNHCR's project plan, policies, fit/gap analyses and business requirements to ensure compliance. Thus far, the results of the review indicate that the policies, fit/gap analyses and business requirements developed by UNHCR meet IPSAS requirements. Their comments are currently being addressed by the various working groups for the different business areas.

Following review by the United Nations Board of Auditors, the policies will be presented to the Steering Committee for final endorsement.

## C. Information Technology

- Development of systems and user procedures in parallel to the policy development and review
- Business and system solutions developed for 4 IPSAS standards (out of 20 applicable to UNHCR) in 2010:
  - IPSAS 12: Inventories;
  - IPSAS 17: Property, Plant and Equipment;
  - IPSAS 20: Related Party Disclosures; and
  - IPSAS 23: Revenue from Non-Exchange Transactions
- Remaining 16 standards being developed in 2011; at various stages of development and testing

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The development of systems and user procedures has been proceeding in parallel to the policy development and review. The required work has been organized into five groups (“waves”) in order to maintain the current momentum, optimize the use of existing IPSAS resources and ensure organizational readiness in the most systematic, efficient, and cost effective manner.

Of the 20 IPSAS standards applicable to UNHCR, business and systems solutions have been developed for four in 2010. Business and systems solutions for the remaining 16 standards are being developed in 2011, and are at various stages of development and testing (ranging from system testing to user acceptance testing).

## D. Change Management and Training

- Impact and risk-based change management approach
- Organization-wide cultural change is needed
- Educational and awareness-raising activities and communications
- Action-oriented workshops with Divisions and Regional Bureaux
- Training on IPSAS implementation
- Comprehensive risk register

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The impact and risk-based change management approach is designed to help staff understand the impact of IPSAS on policy and practice and to support an organization wide cultural change in the way work is done. Change management efforts include educational and awareness-raising activities, communications (such as newsletters), and action-oriented workshops with Divisions and Regional Bureaux.

A Training Strategy and Plan, being rolled out during the second half of 2011, includes the use of online and other tools (through webcasts, video recordings, etc.). Activities and resources relating to change management and training on IPSAS implementation are currently being reinforced, particularly in the Field.

To ensure proper monitoring of risks related to the project, a comprehensive risk register has been developed. Risks are evaluated and validated with concerned business units on a monthly basis, providing input for change management and training activities. Operational performance indicators are being monitored to ensure that the required changes to operations are indeed responding to change management initiatives. Additional indicators being developed will also be monitored during 2012 to ensure compliance.

## E. Preparedness

- Clean transition of data from UNSAS to IPSAS
- Effort to reconcile and validate data in MSRP
- Additional accounting services have been engaged to assist
- Training of field staff
- Deployment of field missions where appropriate

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In order to ensure a proper transition of data from the United Nations System Accounting Standards (UNSAS) to IPSAS, opening balances need to be defined as of 1 January 2012. To achieve this, Divisions and Regional Bureaux have been engaged in an exercise to reconcile and validate the data available in the current MSRP system. This data includes Inventory and Property, Plant and Equipment (PPE).

Several task forces have been put into place to train field staff and to disseminate knowledge on how to perform these critical activities. This includes the involvement of additional accountants, as well as the deployment of field missions to assist with data reconciliation and validation.

## **Key Factors for Successful Implementation**

- Continued support at the executive level from the Project Executive Sponsor (DHC) and from Directors of Divisions and Regional Bureaux;
- Additional resources to carry out the Change Management Plan;
- Extensive involvement by the United Nations Board of Auditors; and
- Increased and prioritized efforts across Divisions and Regional Bureaux to reconcile and validate data.

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In order to ensure that IPSAS is implemented successfully on 1 January 2012, the following key factors have been identified:

- Continued support at the executive level from the Project Executive Sponsor (DHC) and from Directors of Divisions and Regional Bureaux;
- Additional resources to carry out the Change Management Plan;
- Extensive involvement by the United Nations Board of Auditors; and
- Increased and prioritized efforts across Divisions and Regional Bureaux to reconcile and validate data.

In conclusion, UNHCR has made considerable progress over the past year in preparing for the adoption of IPSAS. Having identified a number of factors that will be necessary for successful implementation, and using the current momentum, the Office is steadily pursuing its goal of transition to IPSAS by 1 January 2012.

Thank you.