

UPDATE ON THE INTRODUCTION OF
INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS (IPSAS)

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. This paper presents a status report on the implementation of IPSAS.

II. HIGH-LEVEL PLAN

2. In 2008, the project officially commenced. Governance mechanisms and working groups were established and a high-level plan and budget were prepared. In the first quarter of 2009, the working groups prepared detailed work plans. The plans are monitored regularly and they will be systematically reviewed and revised as necessary. The table below presents the "milestones" for the critical business areas that need to be completed by January 2010, according to the current plan.

Deliverable	Milestone
Design and analysis (policies, fit-gap and requirements definition)	end of June 2009
System development/configuration	mid June - end July 2009
Systems testing	August - September 2009
User acceptance testing	October 2009
Training materials development	August and September 2009
Training roll-out	November and December 2009
Go-live on critical business areas and functions	1 January 2010

3. The biennial plan and budget have been prepared assuming that the minimum activities required to record transactions in accordance with IPSAS are completed before January 2010. In the event that this cannot be achieved, the funds not used would have to be carried forward to fund, in future years, the IPSAS activities that are deferred.

4. Not all specific business areas need to be implemented before January 2010, either because transition provisions allow an extended implementation period or because the value of transactions is not material. All non-critical business areas and activities that do not need

to go live on 1 January have been planned for 2010 and 2011. The budget and plan for 2010, currently under consideration, allows for completion of the following implementing activities:

- post-implementation support for IPSAS functionality implemented 1 January 2010;
- development of policies and procedures for recording of publications; library; and the public information shop inventory and cost of goods sold, including a costing model;
- recognition of land and buildings, including valuation, and capital assets under lease or Donated Right to Use Agreements;
- implementation of the standard on Impairment of Cash-Generating Assets;
- definition and implementation of changes to donor reporting to reflect new budget structure and IPSAS (to be completed by end of first quarter 2010);
- amendments to the financial statements, schedules, annexes, and notes by end-2010, with draft statements for pre-audit purposes by mid-2010;
- amendments to the budget and management reports throughout 2010; and
- development of the Finance Manual and related training.

5. The budget and plan for 2011, also currently under consideration, include the following implementation activities:

- 3 months of post-implementation support for IPSAS functionality, going live on 1 January 2011, to create adjusting entries and cleanse data;
- implementation of policies, procedures and policies for in kind goods and services;
- collection and recording of data for in kind goods and services and intangible assets; and
- completion of the Finance Manual and related training.

III. STATUS OF KEY IMPLEMENTATION ACTIVITIES

6. The table in the annex presents the current status by main business area. Seven business areas have been categorized as critical (i.e. Financial Statements; Revenue from Contributions; Expenditure Recognition; Foreign Exchange; Financial Instruments; Inventory; and Budget Matters) and six for which implementation by 1 January 2010 is not considered critical. In summary, the current status is:

- a) policies have been developed, although not all have been approved, for all critical business areas except Expenditure Recognition and Budget Matters;
- b) a “fit-gap” analysis has been completed for three of the critical business areas, however, work on the four others has not yet started; and
- c) systems requirements have been completed for two of the critical business areas and in one area it is ongoing. However, work on four other areas has not yet started.

7. Given the current progress, the resources and skills available, it is considered feasible to implement the Revenue from Contributions area by 1 January 2010. The assignment of an additional full-time staff member as of June 2009 will ensure timely implementation in the areas of Foreign Exchange, Financial Instruments, and Employee Benefits. The processes related to these three business areas are supported by standard functionality in the system, and the impact on budgeting is expected to be relatively minor. Inventory and Property, Plant and

Equipment can be implemented, provided that the financial and budgetary impact on the processes can be determined and documented by the end of June 2009 as planned. Without additional involvement from qualified Finance and Budget staff, it is unlikely that the critical areas of Expenditure Recognition, Budget Matters and the Financial Statements can be implemented before 2010.

IV. ISSUES, RISKS AND IMPACTS

8. Risk analysis and mitigation are part of the ongoing project management activities. The main risks and their potential impact on delivery are summarized in paragraphs A and B. Although risk mitigation measures are being taken, these have not been entirely successful to date and it is probable that the minimum configuration required by 1 January 2010 will not be completed.

A. Change management issues

9. Preparation for change is dependent on identifying the changes that will take place. As indicated, so far only two business areas have made progress in identifying the business requirements, which are requisites for defining the change management approach and strategy.

B. Staff limitations

10. Until March 2009, only one person was assigned full time to the project, and all other staff contributed occasionally in addition to their normal functions. In March, two additional people were assigned full time to the project and a third colleague is expected to join in June 2009. The main reasons why the project lacked full-time skilled resources are as follows:

a) There is a lack of IPSAS expertise in-house, compounded by the fact that the UN-developed IPSAS training material has not been available to upgrade the knowledge of staff. Although attempts are continuing to identify external resources, it has proven difficult to obtain consultancy services with the necessary background and experience, partly because there is intense competition within the United Nations for such expertise. It should be noted that a successful implementation requires that IPSAS skills be complemented by knowledge of existing UNHCR processes and procedures.

b) There is also competition for skilled internal resources, with staff involved in competing reform initiatives (e.g. Global Accountability Framework, Results-based Management and *Focus* roll-out) including the outposting of functions. As indicated in the summary of status (paragraph 7), there is a risk that the significant changes in the processes may have an impact on budget control and management. Work in these areas has not progressed due to lack of staff from Finance and Budget, who are assigned to other priority initiatives.

c) In particular, the implementation of results-based budgeting and accounting is a major change initiative. Its introduction for accounting purposes on 1 January 2010 will require configuring changes to the system and redeveloping all reports and queries in the system. Similarly, the implementation of IPSAS will require changes to configuration, changes to some of the reports and queries, and training of staff in the Field. Although efficiencies can be realized by combining the implementation of the

results-based budget structure and the IPSAS accounting framework simultaneously, there is an insufficient pool of skilled and knowledgeable staff available in Finance and Budget to work on both initiatives simultaneously.

V. CONCLUSION

11. . UNHCR is continuing its efforts to implement IPSAS by 1 January 2010. However, developments over the past eight months have resulted in an increased risk that the project could be delayed. The UN IPSAS training materials that could have been used to update the know-how of staff working on the UNHCR IPSAS implementation project, will only be released in mid-2009, almost a year behind schedule. Agreement on several UN-wide accounting policies and guidance, that was essential to inform UNHCR's own IPSAS policy formulation, was only reached in May 2009. Furthermore, competing high-profile organizational priorities that draw from a limited pool of resources, as well as departures of qualified staff, have compounded the risk.

12. The project activities will be closely monitored and mitigation actions will continue to be applied to the extent possible. The plan will be modified as necessary at each of the key planned "milestones". If unavoidable, business areas that cannot be implemented during the year as planned will be pushed forward to the following year, along with the related budget. Should IPSAS implementation go beyond 2010, the project will need to be implemented gradually, with full implementation realized by the year 2012.

Annex

STATUS OF IPSAS PROJECT IMPLEMENTATION BY BUSINESS AREA

Business area	Policies	Fit-Gap Analysis	Systems Requirements
a. <i>Financial Statements, notes to accounts and schedules</i>	Approved	85% complete on financial statements. Schedules not started. Dependency on budget.	85% on financial statements. Definition of schedules not started. Dependency on budget.
b. <i>Revenue – Contributions</i>	Approved	95% complete.	In process.
c. Revenue - In-kind	In draft	Not started	Not started – (Note 1)
d. Revenue- other	Not started	Not started	Not started – (Note 2)
e. <i>Expenditure recognition</i>	In progress	Not started. Dependency on budget.	Not started. Dependency on budget.
f. Employee Benefits	In draft	Initial analysis indicates that no gaps exist; however, fit-gap not started.	Not started – (Note 3)
g. <i>Foreign Exchange</i>	Approved	Initial analysis indicates that no gaps; however, fit-gap has yet to be documented.	Not started. Dependency on budget.
h. <i>Financial Instruments</i>	In draft	Not started	Not started. Dependency on budget.
i. Property, Plant & Equipment	Approved	Completed	95% complete. Dependency on budget. (Note 4)
j. <i>Inventory</i>	Approved	In process – 85% complete.	85% complete. Dependency on budget(Note 5)
k. <i>Budget Implications and Statement of Comparison to Actual</i>	Not started	Not started	Not started
l. Donor reports	Not started	Not started	Not started
m. Management reports	Not started	Not started	Not started

Critical areas are indicated in ***bold italics***.

Note 1: In kind contributions: IPSAS allows a three-year transition period for recording in kind contributions. UNHCR will utilize the transition provision and implement in kind contributions recording in 2010 and 2011.

Note 2: Revenue – other: The revenue from quasi-commercial activities is currently less than US\$5 million per annum. The revenue earned will continue to be recorded as presently done; the cost of sales and inventory can be determined by conducting a physical inventory count and valuation as part of the 2009 and 2010 year end exercise.

Note 3: Employee Benefits: The initial analysis indicates that it is unlikely that modifications to systems are needed.

Note 4: Property, Plant and Equipment (PPE): IPSAS allows for a five-year transition period for recording PPE. UNHCR will commence recording PPE on 1 January 2010, however, the intangible assets will not be recorded until 2010 or 2011. Adjustments to ensure correct valuation of PPE, land and intangibles will be conducted on ongoing basis throughout 2010 and 2011.

Note 5: Inventory of Publications and Library Materials: not a priority because the amounts held are not material. Implementation will be accomplished by conducting a physical inventory count and valuation as part of the year-end exercise.

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