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

**Standing Committee
51ˢᵗ meeting**

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

Contents

I. Introduction

1.   As presented in an update (EC/61/SC/CRP.18) to the Standing Committee at its 48th meeting in June 2010, 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 as of May 2011, including an explanation of factors that will be key to ensuring a successful transition to IPSAS on 1 January 2012.

2.   UNHCR is working in close collaboration with the United Nations IPSAS Task Force and other United Nations organizations, enabling it to take into consideration "lessons learnt" from examples of successful implementation elsewhere in the United Nations system.

3.   Putting in place the necessary expert resources for the implementation of the IPSAS Project continues to be a challenge in view of the competition for limited expertise; however, UNHCR did manage to engage some additional resources in the second half of 2010.

II. IPSAS implementation to date

4.   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 has been made since then.

5.   Full compliance with IPSAS requires UNHCR to update, and have in place, relevant Financial Rules. The Office is therefore reviewing its Financial Rules to ensure that they are in compliance with IPSAS standards. A decision on proposed amendments to the Financial Rules will be presented to the Executive Committee for adoption at its sixty-second plenary session in October 2011.

6.   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 this Project Strategy and Plan is currently on target. However, there have been some delays in policy review and change management, owing to a lack of resources and the scope of work involved following preparatory phases to analyse and define needs (i.e. fit/gap analysis and business requirements definition). This situation is being addressed through the allocation of additional human resources, further efforts to step up the pace of change management initiatives during the second half of 2011 and into 2012, and the use of specialized consulting services to provide advice on the soundness of UNHCR's IPSAS-related policies.

A. Project governance

7.   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. The Business Owners Committee (BOC), representing the business units impacted by IPSAS, monitors working groups and endorses changes to policies and business requirements. The Steering Committee, consisting of Directors of Divisions and Regional Bureaux, approves the policy changes and business requirements and 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.

8.   This governance structure ensures that IPSAS is being put in place through a participatory process, including regular 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

9.   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) be extensively involved in reviewing all policies before their presentation to the Steering Committee. 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 June 2011, when UNHCR expects to hold regular consultations with the Board to define objectives and milestones for reviewing the policies and financial statements and receive the Board's formal feedback.

10.   To allow project implementation to proceed, pending review by the Board of Auditors, the Deloitte accounting firm was engaged to review UNHCR's policies, fit/gap analyses and business requirements to ensure compliance. Deloitte's review indicates that the policies, fit/gap analyses and business requirements developed by UNHCR were very close to IPSAS requirements. All comments have been 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 endorsement.

C.   Information technology

11.   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.

12.   Of the 20 IPSAS standards applicable to UNHCR, business and systems solutions have been developed for four in 2010: IPSAS 12: Inventories; IPSAS 17: Property, Plant and Equipment; IPSAS 20: Related Party Disclosures; and IPSAS 23: Revenue from Non-Exchange Transactions (in-kind goods).

13.   Business and systems solutions for the remaining 16 standards are being developed in 2011, and are at various stages of testing (ranging from system testing to user acceptance testing).

D.   Change management and training

14.   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.

15.   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.

16.   To ensure proper monitoring of both risks related to project implementation and organizational risks, 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, as well as for any adjustments required. Operational performance indicators are being monitored to ensure that the required changes within operations are indeed responding to change management initiatives. Additional indicators being developed will also be monitored during 2012 to ensure compliance.

E.   Preparedness

17.   In order to ensure a clean 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 includes Inventory, Property, Plant and Equipment (PPE) and In-kind Contributions.

18.   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 activities.

III.   Key success factors

19.   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.

IV.   Conclusion

20.   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 transition to IPSAS by 1 January 2012.