United Nations Nations Unies

BOARD OF AUDITORS
NEW YORK
FAX: (212) 963.3684

OPENING STATEMENT TO THE FIFTH COMMITTEE OF THE GENERAL ASSEMBLY ON THE REPORT OF THE BOARD OF AUDITORS ON PROGRESS IN THE IMPLEMENTATION OF THE INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS AS AT 30 JUNE 2011

THURSDAY, 10 NOVEMBER 2011

Mr. Chairman, Distinguished Delegates,

On behalf of the members of the Board, Mr. Liu Jiayi of China, Mr. Terence Nombembe of South Africa and Mr. Amyas Morse of the United Kingdom, I have the honour to introduce the report of the Board of Auditors on the progress in the implementation of the International Public Sector Accounting Standards (IPSAS) as at 30 June 2011.

Background

In November 2005, the High-Level Committee on Management (HLCM) made the landmark recommendation that United Nations system organizations move from the internally developed accounting standards and adopt the International Public Sector Accounting Standards (IPSAS) for the presentation of the organizations' financial statements.

The purpose of adopting IPSAS is to provide stakeholders with greater insights into entities' performance and financial position; and to facilitate management with better information to maintain control, drive cost-effective decision making, and secure long term financial sustainability.

In line with the Fifth Committee and ACABQ's requirements, the Board, building on its previous work, examined progress by the United Nations (including Peacekeeping operations) and by a range of other funds and programmes within its portfolio. This first IPSAS progress report by the Board sets out the findings and conclusions from that work.

Overall conclusion of the Board

There are a number of critical risks to achieving IPSAS implementation on time and to realising the benefits envisaged by the General Assembly. Unless urgent and effective action is taken to address these risks, it is unlikely that IPSAS will be successfully implemented on target within the UN, its Peacekeeping operations.

In the Board's view, implementation on target (by 2012) is possible for all of the remaining entities, but there are significant and pressing risks to be managed in the period leading up to 1 January 2012.

The achievement of unmodified audit opinions alone will not signal successful IPSAS implementation. It is the benefits to improved decision making and more cost-effective delivery that are important. Securing these benefits will require engagement across all operational areas and significant cultural change. The delivery of such benefits will not be immediately achieved but will come from careful management over time. The Board therefore emphasises the importance of adequate plans to realise these benefits, and noted that in nearly all entities, appropriate change management arrangements were not yet in place to achieve the necessary transformations. There was little evidence that operational areas understood the new information that will be available to them through IPSAS, or are considering and preparing for how they will use it to improve the cost-effectiveness of their operations.

Key findings on the United Nations and its Peacekeeping operations

Inter-dependency with Umoja

The IPSAS adoption strategy by the United Nations and its Peacekeeping operations is dependent on the successful implementation of a new Enterprise Resource Planning system (Umoja). Delays with the Umoja project mean that it will now not be completed in time to support IPSAS as envisaged. The Board is yet to see any firm plans on how the Umoja project will be reprioritised to support IPSAS implementation. Should such reprioritisation prove impossible, or only partially possible, there was no firm contingency plan in place. The UN and Peacekeeping operations were aware of this and were beginning to address the associated risk.

Risks to implementation

Until a decision has been made on Umoja, and a clear overarching implementation plan is made, it is not possible for the Board to provide any firm assurance that the UN is on track to deliver IPSAS adoption by 2014. The Board also noted:

- No formal risk management framework for IPSAS adoption, though the Administration subsequently informed the Board that a risk register had since been put in place;

- Inadequate preparations to gather data, to value assets and arrive at meaningful opening balances;

- No confidence about the resources for the United Nations IPSAS Implementation Team to prepare 'dry run' financial statements with real accounting data; and

- Insufficient time for operational areas to implement the policies and associated processes correctly and consistently, especially for the Peacekeeping operations to achieve compliant financial statements in the first year of implementation.

Benefits and change management

There was little evidence of the deployment of the change management resources, and methodologies needed to support IPSAS implementation and tackle the cultural changes needed to embed accruals based concepts.

There was also no evidence of a communication strategy and vision of what needs to be achieved, and how to do it, in particular, with the improved information, how to support improved accountability and more cost effective delivery of working and to enhance the decision-making;

Key findings on the United Nations funds and programmes

Despite the imminent 2012 deadline, most organisations had not yet finalised all accounting policies, and significant work remained to adequately collect, cleanse and migrate data for IPSAS implementation. Delays in the completion of accounting policies may result in staff in field offices not being trained and familiar with the new policies and procedures necessary for IPSAS implementation.

Fully resourced and expert implementation teams were not in place in some entities. In particular, UNRWA lacked a specific project leader or dedicated implementation team while UNHCR was over reliant on external consultants. Similarly, UNFPA was still in the process of recruiting for some key positions in its implementation team while UNJSPF still needed to obtain approval of its Pension Board to continue applying the Financial Regulations and Rules "mutatis mutandis" to its accounting and financial reporting process in a manner that allows it to be IPSAS compliant by 2012.

For several entities, even if IPSAS compliant financial statements are delivered by 2012, it is highly unlikely that the intended benefits of IPSAS adoption will be realised without a significant further delay due to the absence of appropriate benefits realisation strategies and change management processes at most entities.

Mr. Chairman, Distinguished Delegates, this concludes my presentation. The Audit Operations Committee will be more than happy to response any questions at the informal session.

Liu YU

Chairman of the Audit Operations Committee

10 November 2011