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Agenda item 134

Proposed Programme Budget for the biennium 2014-2015

Sixth progress report on the adoption of the International Public Sector Accounting Standards by the United Nations

FIFTH COMMITTEE

Statement by

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11 October 2013

Mr. Chairman,
Distinguished delegates,

The Committee has before it the sixth progress report of the Secretary-General on the adoption of International Public Sector Accounting Standards (IPSAS), A/68/351, the report of the Board of Auditors on the third annual audit of IPSAS implementation A/68/161, and the report of the Advisory Committee on Administrative and Budgetary Questions, on both reports.

The Secretary-General's report presents the progress of IPSAS implementation at the United Nations as well as through out the United Nations system during the period from September 2012 to August 2013.

I am happy to report that 10 United Nations system organizations issued their first IPSAS-compliant financial statements for 2012, adding to the 11 organizations that had already implemented IPSAS between 2008 and 2011. All 21 organizations have obtained 'unqualified' audit opinions on their 2012 financial statements, representing a significant achievement of the UN system in both implementing IPSAS and sustaining IPSAS-compliance. The remaining

three organizations – FAO, UNWTO and the UN Secretariat - are also on schedule for their respective implementations in 2014.

Mr Chairman, turning now to the UN Secretariat's implementation, I am happy to report that, despite the high risks faced, the project remains on track. IPSAS-compliant operations commenced in Peacekeeping Operations as planned on 1 July 2013 and all other Secretariat operations are gearing up for January 2014 as scheduled. As shown in Figure 1 in the report, the project's timelines, main phases and major milestones have remained unchanged, as a result of the effectiveness of the risk mitigation activities.

A lot has happened during the last year to ensure a successful implementation. The IPSAS Steering Committee was reconstituted in February 2013 to strengthen business support; an independent project assurance function was created to ensure unbiased progress reporting to the Steering Committee; and the Chef de Cabinet exhorted heads of departments and offices to 'drive' the implementation through their personal support and the cooperation of their Departments/Offices. The Management Committee and the Independent Audit Advisory Committee have also continued to review progress regularly.

One of the biggest challenges for the project has been the lack of an ERP system to provide IPSAS-compliant functionality for dealing with the complexity of the Secretariat's operations, especially in asset accounting. As the deployment of Umoja Foundation and Extension 1 spans nearly two years, the IPSAS implementation has to rely on a combination of Umoja, where available, and existing systems such as IMIS, Galileo and Progen. As the Board of Auditors and the ACABQ had expressed concern about the ability of the Secretariat to deal with this transition, I am happy to report that the necessary system changes have been designed, developed and implemented, keeping in mind the recommendation of the ACABQ that was endorsed by the General Assembly, to minimize the enhancements to current systems. The Board of Auditors has reviewed the systems architecture that supports the transitional measures and is currently conducting a more detailed review. Of course, the IPSAS implementation strategy remains vulnerable to delays in the roll out of Umoja; therefore, the Umoja and IPSAS projects collaborate heavily to address mutual dependencies carefully and quickly, to mitigate the impact of any potential delays.

One residual risk that will hopefully be mitigated shortly relates to the United Nations' accounting policy for inventory. The Administration has defined this carefully to make the accurate valuation of inventory in peacekeeping operations possible and manageable not only for the first-time opening balances but for the foreseeable future. The Board of Auditors has

not yet signed off on this policy and is currently reviewing information provided by the Administration to support the proposed policy.

During the last 12 months, the preparation of accurate opening balances for assets and liabilities has been a key focus. Field missions have collected, cleansed, enriched and maintained extensive amounts of data for different types of assets. These have been guided by detailed instructions from Headquarters, supplemented by regional workshops held jointly with Umoja, and aided by the enhancements to Galileo. Non-peacekeeping locations are also similarly preparing for their opening balances as of 1 Jan 2014.

The amended Financial Regulations and Rules for IPSAS compliance were promulgated on 1 July 2013 (ST/SGB/2013/14). The IPSAS policy framework issued in August 2012 was adapted further, based on feedback from more stakeholders and the Board of Auditors, and reissued in August 2013. As the high level policy framework was supplemented by very detailed corporate guidance in 19 major areas, the impact of IPSAS became more evident to a larger population of the Secretariat, especially when field missions and offices started adapting their standard operating procedures to deal with IPSAS and Umoja. Therefore, change management has also seen a surge of activities aimed at preparing the organization to embrace the changes triggered by IPSAS.

One area that has not moved as fast as we would have liked, is the finalization of the benefits realization plan. As you may recall, a detailed framework of the plan was presented in the Secretary-General's fifth progress report and the Board of Auditors had stated that the proposed structure and coverage of the plan was broadly in line with best practice to reliably measure benefits. The completion of the plan, targeted for end of 2012, has been delayed due to difficulties in securing external assistance as well as due to the inability to devote adequate time without compromising the preparations for the opening balances and the design and testing of Umoja. However, we are making progress and expect to complete the plan by the end of 2013.

The introduction of IPSAS and the annual audit of financial statements will impact the workload of several stakeholders. Some of these impacts were presented in a conference room paper in April 2013. The ACABQ will have to review 32 additional reports during the fall session of the budget year, impacting the workload of each step in the process - hearings, executives and drafts. This Committee will also have to spend 2.5 to 3 additional 3-hour sessions for its review during the budget year. The Secretariat as well as the Funds and

Programmes and the Board of Auditors, will also be under pressure due to the introduction of IPSAS. Some of these are highlighted in the report.

Mr. Chairman,
Distinguished delegates,

I would like to emphasize that sustaining IPSAS-compliance for the Secretariat would remain a major challenge until the full deployment of Umoja in 2016 or early 2017, due to the dynamic landscape of periodic system changes. This prolonged implementation has constrained us to conserve the IPSAS budget to support the transitional arrangements until all legacy systems are replaced by Umoja.

I would like to conclude by emphasizing that the Administration remains firmly committed to the IPSAS implementation targets despite the risks arising from the complexity and size of its operations, and the concurrent pressures of rolling out Umoja and transitioning to IPSAS.

Thank you, Mr. Chairman.
