IPSAS BENEFITS REALIZATION PLAN FOR THE UNITED NATIONS

(Final version)

Towards modern financial management

Contents

Final version: December 2014 (after Management Committee approval)

I. Summary and objective

1. The adoption of International Public Sector Accounting Standards (IPSAS) by the United Nations was pursued to align the Organization with international accounting best practices for public sector and not-for-profit organizations. This management reform measure was also considered a vital component of the United Nations drive to excel as a modern, progressive Organization that attains and remains up to date with best management practices by improving the quality of United Nations system financial reporting— resulting in benefits for governance, accountability and transparency.

2. More concretely, the Secretary-General, since initially proposing the adoption of IPSAS, has identified five major benefit categories, namely (a) alignment with best practices, (b) improved stewardship of assets and liabilities, (c) availability of more comprehensive information on costs, (d) improved consistency and comparability, and (e) increased transparency and accountability. In response, the General Assembly requested the Secretary-General to ensure full realisation of benefits associated with the implementation of IPSAS.

3. As can be seen from the identified benefit categories, IPSAS adoption was not just perceived as a change in accounting standards but also as key to changing how the Organization is managed with potential for further improvements to efficiency, effectiveness and accountability. In this respect, IPSAS will make existing information clearer and more readily available; make costs more visible and make the presentation of the Organization's financial position and performance more comprehensive and transparent.

4. However, much will depend on how this information will be utilized for decision-making and for steering the Organization at various levels. Without a management reaction in this regard, there is significant risk that opportunities for full benefits realisation will not be seized.

5. Furthermore, benefits realisation depends on key enablers mainly related to generating information required to meet IPSAS such as a functioning Organization-wide ERP-system (Umoja) as well as on adequate processes and procedures in a variety of areas, particularly those related to asset and inventory management.

6. IPSAS undoubtedly will deliver benefits early in the transition from United Nations System Accounting Standards (UNSAS) and related to better stewardship of assets and liabilities, as the rigor and discipline required in complying with IPSAS will lead to a more conscious preparation and analysis of information, along with more conscious management decisions regarding utilization of resources.

7. Some other benefits will require a more long-term time horizon and a continued management effort regarding the deliberate use of the newly available and more comprehensive financial information with a view to steering the Organization.

8. The objective of this plan is therefore to define the envisaged individual benefit areas and desired outcomes, clarify related responsibilities for realisation, along with determining required actions, timelines and milestones. Quantification options for benefits have been incorporated to the extent possible.

9. The plan also allows for a continuous process of envisioning results, implementing related approaches to achieve these results and dynamically adjusting these approaches as IPSAS becomes engrained into day-do-day processes and procedures.

10. While defining how benefits are expected to be realized, it has become evident that, in order to realize the full potential of IPSAS, the role of financial management and of the finance function will need to change and be enhanced.

11. Strategic analysis and advice to managers will become a key ingredient in this respect and financial information will need to become a daily necessity for decision-making.

12. The implementation of IPSAS, as originally envisaged, will thus not just be a change in accounting standards but offers the possibility for longer-term change with the ultimate benefit of the United Nations to succeed in its drive to excel as a modern, progressive Organization that attains and remains up to date with best management practices.

II. IPSAS adoption and benefits

13. The adoption of IPSAS by the United Nations has a long history. The United Nations has always pursued ways of applying high-quality accounting standards, as these are essential for transparent financial reporting, strong accountability and good governance. With respect to the latter, the General Assembly[1] some ten years ago emphasized the importance of establishing real, effective and efficient mechanisms for responsibility and accountability. In his subsequent report on accountability measures, the then Secretary-General identified, inter alia, accounting standards as essential for achieving transparency in support of improved accountability.[2]

14. The credibility of United Nations financial statements depends on the quality of the accounting standards that regulate them. It is of highest importance to ensure the confidence of Member States, donors and the general public in the Organization and its myriad of important activities. IPSAS represents the desired high-quality accounting standards in support of achieving this goal.

[1] GA resolution 59/272 of 23 December 2004
[2] See A/60/312, para. 58.

15. As regards the associated benefits, the then Secretary-General, in his detailed report “Investing in the United Nations: for a stronger Organization worldwide”[3] proposed the adoption of IPSAS and outlined five major benefits:

(a) Improved internal control and transparency with respect to assets and liabilities generally;

(b) The alignment of United Nations accounting with best accounting practices through the application of credible, independent accounting standards on a full accruals basis;

(c) More comprehensive information about costs that will better support results-based management;

(d) The integration of non-expendable equipment into the accounting system, with resulting improvements in the accuracy and completeness of non-expendable equipment records;

(e) Improved consistency and comparability of financial statements as a result of the detailed requirements and guidance provided in each standard.

16. To provide for the widest possible realisation of associated benefits the Secretary-General, in his fifth progress report on the adoption of IPSAS by the United Nations[4] slightly rephrased the original five key benefits as follows:

A. Alignment with best practices;

B. Improved stewardship of assets and liabilities;

C. Availability of more comprehensive information on costs;

D. Improved consistency and comparability; and

E. Increased transparency and accountability.

17. The benefits realisation plan will use the above-mentioned categories when elaborating on the concrete benefits of IPSAS implementation for the United Nations.

18. As can be seen, the benefits are to a much lesser extent accounting-related but are more the product of IPSAS being a major organizational transformation endeavor which will bring with it cultural changes in the way business is conducted, by changing and adapting the Organization’s business processes in order to generate the information and data required for IPSAS compliance, changing and making a cultural shift in terms of using this data for ongoing decision-making, as well as reinforcing good financial management at all levels.

[3] See paragraph 15 of A/60/846/Add.3
[4] See paragraph 20 of A/67/344 of 30 August 2012

19. IPSAS adoption should therefore not just be perceived as a compliance issue with a new set of standards but be accompanied by a concerted and focused management effort at all levels to ensure that expected benefits can and will actually be realized.

20. It has also become clearer that benefits will be realized to various extents during the course of implementation as the Organization better adjusts to and automates the annual process of financial statement preparation. Some benefits and their aspects will be more dominant in early phases of IPSAS adoption (i.e. improved property management given the availability of a complete asset register and up-to-date inventory records) while others will more visibly materialize over the medium to long-term horizon (i.e. strategic resource management and long-term risk management through use of consistent and comparable information produced on an annual basis).

21. In terms of visibility of information, much will depend on having a fully deployed and functioning ERP (Umoja) in order to generate information in a timely and user-friendly format that can be used at all management levels for subsequent decision-making.

III. Structure of the benefits realisation plan

22. The UN IPSAS Steering Committee in early 2012 decided on a structured approach for developing the IPSAS benefits realisation plan in order to guide the identification of benefit areas, assign responsible managers, define envisaged timelines, milestones, approaches and required changes to best realize each benefit as follows:

Overall: Each benefit area will be aligned with one of the five overall benefit categories as defined by the Secretary-General.

A. Benefit/Benefit area: A brief description of the specific benefit which is being considered for realization.

B. Benefit baseline: The current "as is" situation, stated in the context of achieving the benefit, with the possible baseline measure for the development of benefit metrics, if relevant.

C. Benefit outcome: The qualitative target state for the benefit, supported by intermediate benefit milestones where applicable. If the outcome is to be achieved over multiple periods, milestones during these periods are described.

D. Changes required: Captures changes in processes, systems, organizational structures, internal controls, etc. that support the benefit outcome.

E. Risk management: Capturing, measuring and managing risks to achieving the benefit, including mitigation measures.

F. Benefit outcome target dates: Presents interim milestones towards benefits realization and a timeline for achieving these.

G. Benefit accountable managers: Specific offices/senior managers charged with effecting the change to ensure the specific benefit is realized.

H. Benefit stakeholders: These are (a) the responsible groups required to work towards benefits realization under the Accountable Manager; and, b) the groups required to provide input into defining/realizing the benefits.

I. Beneficiaries: Groups impacted by the benefit, with information requirements regarding process and interim achievements towards realization.

J. Key Enablers: Other projects or initiatives within the Organization with the potential to support benefit realization for IPSAS and related interdependencies.

K. Approach and Method: Presents qualitative, quantitative where possible, indicators that will effectively track progress and include key performance indicators, wherever possible.

L. Reporting: Presents the form and frequency of reporting on progress to stakeholders, beneficiaries and the UN IPSAS Steering Committee.

M. Recent Progress: Highlights recent developments and will be updated regularly, highlighting any issues for consideration by the UN IPSAS Steering Committee/Controller.

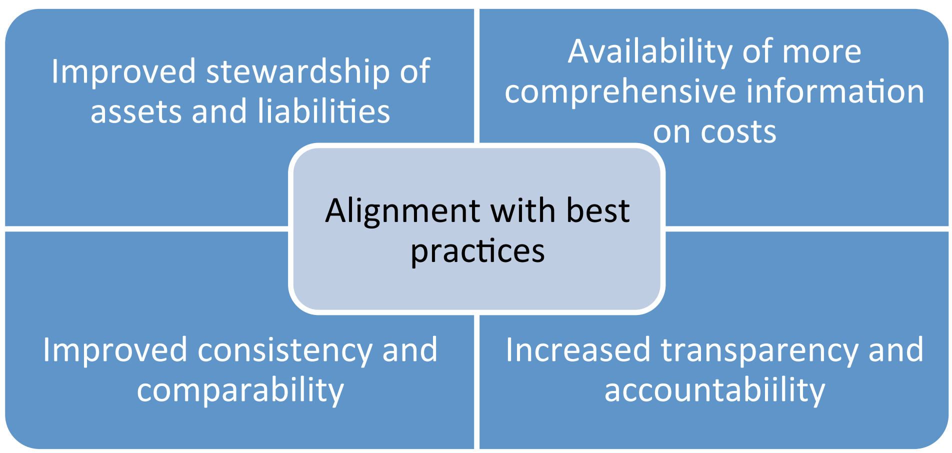
23. The current plan follows this approach and consists of an overall description of the main benefit areas per category, including overall goals and intended outcomes, key performance indicators (KPIs) as well as major expected changes and related responsibilities.

IV. The five benefit categories and related benefit areas

24. This section outlines the five major benefit categories and the concrete benefits envisaged per category, along with a short overview of intended outcomes, major expected changes and responsibilities for realisation.

25. While not highlighted as a separate benefit category, IPSAS will require and result in strengthened internal controls, particularly control activities[5] related to the stewardship of assets and liabilities. Such instances, when they occur, will be integrated into a fully-fledged internal control framework at a later stage, once the overall Enterprise Risk Management (ERM) framework for the United Nations has been set up.

Chart 1: The five major IPSAS benefit categories



[5] Actions established through policies and procedures that help ensure that management's directives to mitigate risks are carried out. Actions are either preventive or detective in nature and include a range of manual and automated activities such as authorizations and approvals, verifications, reconciliations, as well as performance reviews. Segregation of duties is inherent in control activities. Where segregation of duties is not practical, alternative control activities need to be developed (see Committee of Sponsoring Organizations of the Treadway Commission (COSO) definition of control activities).

26. Within the five benefit categories as defined by the Secretary-General, the following benefits are expected to be realized:

A. Alignment with best practices

1. Compliance with independently developed, high-quality public sector accounting standards

B. Improved stewardship of assets and liabilities

1. More focused resource utilization
2. Improved visibility for capital expenditure requirements
3. Improved management of long-outstanding contributions
4. Closing the funding gap for employee liabilities, in particular for After-Service Health Insurance (ASHI) related to extra-budgetary resources
5. Improved property and inventory management
6. Better revenue management related to extra-budgetary contributions
7. Better management of provisions

C. Availability of more comprehensive information on costs

1. Improved financial decision-making
2. Improved financial management
3. Improved cost recovery

D. Improved consistency and comparability

1. Increased number of UN system-wide financial initiatives
2. Improved longer-term financial risk management

E. Increased transparency and accountability

1. More comprehensive and frequent availability and use of financial information
2. Better assignment and enforcement of accountability for financial performance

27. Intended outcomes, major changes expected and responsibilities per benefit are as follows:

A. Alignment with best practices

1. Compliance with independently developed, high-quality public sector accounting standards

What is the intended outcome?

28. Compliance with IPSAS and the receipt of clean audit opinions will lend increased credibility and reliability to financial information as well as increase donor confidence in the United Nations.

29. Compliance with accrual-based IPSAS is facilitated through transitional provisions set for certain standards. Where transitional provisions exist, they may allow for additional time to meet the full requirements of a specific IPSAS standard or provide relief from certain requirements when initially applying a given standard.[6] In this respect, compliance for the United Nations will mean invoking as few transitional provisions as possible.

30. The discipline and rigor required by IPSAS will also lead to further professionalization of staff at managerial and operational levels, in particular for the areas of financial, asset and project management.

What are the major expected changes?

31. Compliance at the organizational level will require meeting IPSAS requirements as well as continually adjusting internal accounting policies to meet the evolving standards. Compliance will also require appropriate training of staff at various levels and the availability of specialized skills at the departmental, office, and mission level.

32. At the organizational level, compliance will further require the establishment of processes that help ensure timely account closings and timely delivery of financial data of high quality.

33. A major change is also expected regarding the strengthening of internal controls so as to ensure the correct capturing of financial information and data.

Who will be responsible for its realisation?

34. All heads of departments, offices and missions will have to ensure IPSAS compliance at all times given the significant adverse implications for the whole Organization in the event of negative audit observations.

35. Given the Controller's responsibility for the finances of the Organization, including certification of the financial statements, the Controller will also have to ensure

[6] see e.g. Handbook of international public sector accounting pronouncements Volume 1, 2014 Edition, IPSAS Board (para. 17)

compliance by guiding managers throughout implementation and by enforcing accountability regarding compliance issues in this respect.

36. Special attention will also be required by the Assistant Secretaries-General (ASGs) of the Department of Management given their key roles for areas where the Under-Secretary-General for Management has entrusted them with delegated authority.

37. Operationally, all “delegatees” of the Department of Management (i.e. heads of administration, directors/chiefs of mission support (DMS/CMS) will have to work towards ensuring IPSAS compliance at all times.

B. Improved stewardship of assets and liabilities

38. Under the improved stewardship of assets and liabilities category, the following benefits are envisaged to be realized: (a) More focused resource utilization; (b) improved visibility for capital expenditure requirements; (c) improved management of long-outstanding contributions; (d) closing the funding gap for employee liabilities, in particular for After-Service Health Insurance (ASHI) related to extra-budgetary resources; (e) improved property and inventory management; (f) better revenue management for extra-budgetary contributions; as well as (g) better management of provisions.

1. More focused resource utilization

What is the intended outcome?

39. The Management Committee’s (MC) focus to improve resource management will be enhanced by regular use of financial information and related analysis with a view to making an increased number of well-informed and focused decisions (i.e. are resources used at the right place? How aged is the asset base? Does it need replacements? etc.).

What are the major expected changes?

40. The MC will regularly be provided with key financial information regarding assets and liabilities in order to enable informed financial decision-making on resource utilization.

41. It is envisaged to center this information on overall asset and inventory holdings for segments (peacekeeping, regular budget and extra-budgetary funds) and business areas (individual departments/offices and missions), and to provide some overall ratios on depreciation levels, age and composition of assets while also outlining major liabilities per segment and business area.

42. Subsequent resource decisions by the MC will be communicated to relevant stakeholders, along with the ensuing tracking of the impact of such decisions.

Who will be responsible for its realisation?

43. Members of the MC will need to make informed strategic decisions on resource utilization and risk management that may stem from suboptimal utilization of resources.

44. The Controller/OPPBA will need to provide financial information and appropriate analysis to the Committee in order to enable decision-making.

2. Improved visibility for capital expenditure requirements

What is the intended outcome?

45. The availability of information on recognition, impairments, residual values, depreciation and the useful life of non-expendable property will provide better visibility and will support the justification of budgetary requirements.

What are the major expected changes?

46. The availability of better information on non-expendable property is expected to lead to its consideration when planning for capital expenditure requirements under Section 33, Capital expenditures, of the regular budget, under the support account for peacekeeping operations and in individual budgets of field missions.

Who will be responsible for its realisation?

47. The respective line managers in OCSS, OICT, DFS, heads of administration[7] and Directors/Chiefs of Mission Support will have to work towards realizing this benefit in terms of using IPSAS-based information when assessing capital expenditure requirements and needs. OPPBA will analyze and monitor the use of justification for budgetary requirements based on accruals related to capital expenditures.

3. Improved management of long-outstanding contributions

What is the intended outcome?

48. The discipline required by IPSAS in assessing the validity of financial assets and liabilities will result in better visibility of future cash inflows and outflows.

[7] Heads of Administration refers to senior manager in charge of Administration in OAHs, regional commissions and other Secretariat or UN entities, as well as Executive Officers and similar functions as applicable;

49. The introduction of IPSAS and the establishment of allowances based on aging of receivables will eventually impact payment decisions by Member States.

50. Based on the approach being used under IPSAS, for aging and after full implementation of Umoja, information would include more detail on the aging of contributions, which should enable decisions by Member States to clear up the oldest contributions.

51. As regards extra-budgetary contributions, better information and better reporting will become available which should enable more frequent and structured dialogue and follow-up with donors.

What are the major expected changes?

52. The Treasury and the Contributions Service of OPPBA will tightly monitor outstanding receivables related to assessments and follow-up with Member States, as required.

53. OPPBA will also monitor outstanding receivables related to extra-budgetary funding under the responsibility of senior managers including requests for follow-ups with donors.

54. The Accounts Division of OPPBA will regularly inform the Controller of the relationship between average monthly expenditures under the regular budget and peacekeeping operations and of available cash to cover related monthly expenses.

55. At the same time, information will be provided on total outstanding contributions/outstanding receivables along with scenarios on the impact of having more contributions received in-house. The Management Committee will subsequently determine the relevant actions for increasing the receipt of funds, if required.

Who will be responsible for its realisation?

56. The Controller/OPPBA and all heads of departments/offices receiving voluntary contributions as well as the Director of the Accounts Division and all heads of administration, DMS/CMS with delegated authority to receive contributions locally will have to work towards reducing outstanding contributions to the extent possible.

4. Closing the funding gap for employee liabilities, in particular for After-Service Health Insurance (ASHI) related to extra-budgetary resources

What is the intended outcome?

57. With full visibility based on the annual actuarial valuation of employee benefits, in particular related to After-Service Health Insurance (ASHI), funding strategies have to

emerge to urgently address the funding shortfall with the intension of closing the funding gap for ASHI liabilities for extra-budgetary resources.

What are the major expected changes?

58. The liability will be closely monitored and valued annually. The Controller will set annual funding targets. Heads of Administration as well as Directors and Chiefs of Mission Support will report quarterly to the Controller on how much funding, in absolute terms, has actually been set aside for ASHI related to extra-budgetary contributions.

59. The Controller/OPPBA will quarterly assess how much income has been generated to fund ASHI liabilities for extra-budgetary funds globally in order to determine trends and the likelihood to reach full funding and then to revise target amounts accordingly.

Who will be responsible for its realisation?

60. The Controller/OPPBA and all heads of departments, offices and missions will have to ensure that funding is set aside. Operationally, this will be performed by the Director of the Accounts Division and heads of administration and DMS/CMS who have a key role in setting aside funding from all incoming extra-budgetary contributions and to work towards a longer-term funding approach in this area.

5. Improved property and inventory management

What is the intended outcome?

61. IPSAS, given its recognition requirements of assets, will significantly increase the comprehensiveness of the asset register for the Organization. Senior managers and individual line managers will therefore be better able to make decisions on how assets should be used, useful life, potential replacements and maintenance requirements. Furthermore, budgetary requirements will better reflect needs based on the underlying condition of assets (see also “Improved visibility for capital expenditure requirements” above).

62. There should be a complete asset register in place at all times as well as a 100 per cent match of physical inventory with IMIS/Galileo/Umoja records on a semi-annual basis.

63. Aside from completeness, stronger and tighter internal controls are envisaged, along with better managed requirements due to the availability of better information.

What are the major expected changes?

64. Processes will be established at the level of the ASG of OCSS and USG of DFS to review global assets held on a regular basis. A comprehensive asset register and better information on the composition of property, and its age and depreciation will allow for better timing and magnitude of replacements.

65. At the ASG/OICT level, intangible assets will be identified, recognized, comprehensively monitored and tracked in order to determine needs and to reduce duplication and costs.

66. Heads of administration, DMS/CMS as well as project managers will ensure proper recording and tracking of assets, improved inventory turnover and adjusted/lower inventory holdings to match actual and projected needs.

67. It is also expected that best practices will be increasingly introduced and adopted for asset and inventory management in order to establish required processes and procedures.

68. The ASG of OCSS, the ASG of OICT, heads of administration, USG of DFS, and DMS/CMS of peacekeeping operations will be requested to commit to an annual percentage reduction/adjustment target related to the costs for assets and inventories based on management improvements and better availability of information with a view to bringing holdings in line with actual needs.

Who will be responsible for its realisation?

69. The Controller through the Accounts Division will perform periodic checks of the accuracy of asset registers and inventory records.

70. The ASG of OCSS, USG of DFS as well as the ASG of OICT will be accountable for having property and inventory records that are complete and accurate while heads of administration, DMS/CMS as well as project managers will operationally ensure accuracy of records and ultimately identify efficiencies to reduce requirements. Regular reporting to the Controller/OPPBA will be required.

6. Better revenue management related to extra-budgetary contributions

What is the intended outcome?

71. IPSAS will provide for more accurate recognition of revenue and will facilitate the monitoring and reporting of revenue, cash receipts and outstanding contributions. Revenue can be recognized earlier and under certain conditions, which has the potential to improve the financial position and financial performance of the Organization. Careful management of contributions and donor agreements will be necessary so as to fulfill the conditions for recognition, in particular the control aspect defined by IPSAS.

72. Programme/project managers will have to make more conscious efforts in receiving contributions as early as possible and to review and negotiate donor agreements more carefully.

What are the major expected changes?

73. Programme/project managers will need training on relevant IPSAS policies so as to be aware of the impact of legal provisions in agreements on the Organization's financial statements, in particular on aspects of revenue recognition.

74. The Controller will need to provide guidance and determine the overall goal in terms of revenue receipt (i.e. maximize receipt of unconditional contributions, with no "subject to" clauses in agreements to the extent possible, etc.) that programme/project managers will have to follow.

75. A centralized database may be required for storing and managing donor agreements, which form the basis for recognized revenue in financial statements

Who will be responsible for its realisation?

76. All heads of departments/offices and peacekeeping missions receiving voluntary contributions need to ensure that proper revenue management is in place with support provided to individual programme/project managers by heads of administration, DMS/CMS locally and by OPPBA at UNHQ.

77. The Controller will provide the aforementioned guidance and targets to managers so as to best realize this benefit.

7. Better management of provisions

What is the intended outcome?

78. The rigor of IPSAS will require a full register of provisions and their recognition in case there is a present obligation (as a result of past events) with a reliably estimated outflow of resources.

79. Further, provisions will need to be reviewed regularly at the reporting date and adjusted or eliminated if the conditions so warrant.

80. The aforementioned will lead to the ongoing management of provisions and their underlying causes with the result of: (a) having a complete register; and (b) the planned consequence of reducing both the number of provisions and their related amounts.

What are the major expected changes?

81. The Controller will need to articulate the overall target as to managing provisions (i.e. completeness, elimination of major amounts, reducing the overall number).

82. OLA and legal capacity available in field missions/operations will need to be more frequently involved in order to regularly analyze the underlying legal situation of provisions. Where required, the outcome will determine the number and related amounts of provisions reported in the context of closing processes.

Who will be responsible for its realisation?

83. The Controller will set a target related to the management of provisions. All programme/project managers in collaboration with OLA and legal capacity available locally, together with support from heads of administration, directors and chiefs of mission support will be responsible for regularly reviewing provisions and for reducing the amount to be set aside for provisions.

C. Availability of more comprehensive information on costs

84. Under the availability of more comprehensive information on cost benefit category, the following benefits are envisaged to be realized: (a) Improved financial decision-making; (b) improved financial management; as well as (c) improved cost recovery.

1. Improved financial decision-making

What is the intended outcome?

85. Member States will be presented with more accurate, comprehensive and tighter budgets since the full cost will be more visible. Since financial statements will also be more comprehensive, interest by Member States will increase and lead to enhanced decision-making at the governance level.

86. Senior management will equally be in a better position to make strategic decisions as to delivery on mandates and on how to maximize results.

87. Operational managers will be able to better implement activities and budgets as adherence to the delivery principle and as recording of expenses as and when goods and services are received will result in expenditures being more closely aligned with approved budgets.

What are the major expected changes?

88. The Management Committee (MC) will receive quarterly/semi-annual financial statements and analysis with a view to having an informed understanding of the financial health of the Organization and will assess some Organization-wide financial parameters in this respect, such as the ratio on: total assets:total liabilities (how solvent is the UN?); current assets:current liabilities (Ability to meet short-term obligations?); and cash:total assets (how healthy is the financial position?).

89. Heads of departments, offices and missions are expected to use financial information for decisions related to individual mandate implementation.

90. The Controller and heads of administration will use the availability of better cost information and apply it to budget proposals, both assessed and extra-budgetary, and will assess the potential to define relevant comprehensive standard costs. Better cost information will also be used to assess existing and future ways of service delivery.

Who will be responsible for its realisation?

91. The MC and senior managers will increasingly have to take into account objective financial data for decision-making as regards the means for mandate delivery.

92. Improving cost standards based on IPSAS information and integrating accrual-based information into budget planning and implementation will be the responsibility of all process stakeholders from the Controller to implementing offices, represented by budget and finance offices in OAHs, field missions as well as regional commissions.

2. Improved financial management

What is the intended outcome?

93. The Controller will be in a better position to define strategies to manage major cost categories. The existence of such strategies, combined with increased awareness by operational managers of costs and cost components will enable focus on efficient service delivery in the context of implementing budgets.

What are the major expected changes?

94. The Controller/OPPBA will analyse financial/cost information emanating from IPSAS and define possible cost management strategies. This analysis includes cost comparisons between Secretariat entities in order to identify differences in the cost of service provision.

95. Heads of administration will report to the Controller on identified efficiencies to service delivery and on implemented best practices based on better cost information.

Who will be responsible for its realisation?

96. The Controller/OPPBA will decide on cost management strategies using the information generated by IPSAS, with all senior managers increasing their focus on efficient service delivery (see also para 95 above).

3. Improved cost recovery

What is the intended outcome?

97. The availability of accrual-based cost information will allow the UN to more accurately charge for support and services provided and will enable the Organization to reach the goal of full cost recovery.

What are the major expected changes?

98. Heads of administration will locally assess the impact of better cost information on existing and potentially future recovery rates for services provided and will report to the Controller on status and required changes.

99. The Controller will (a) assess for UNHQ whether adjustments are required, and (b) after having received input from heads of administration, Directors/Chiefs of Mission Support decide as to whether recovery policies and rates need to be adjusted globally or tailored to local necessities.

Who will be responsible for its realisation?

100. Full cost recovery is a key responsibility for the finance personnel of the UN and is governed by the Financial Regulations and Rules, thus successful benefits realisation will depend on the Controller and all heads of administration as well as directors and chiefs of mission support.

D. Improved consistency and comparability

101. Under the improved consistency and comparability benefit category, major benefits envisaged are: (a) an increased number of UN-system wide financial initiatives; as well as, (b) improved longer-term financial risk management, given the availability of financial/cost trends over time.

1. Increased number of UN system-wide financial initiatives

What is the intended outcome?

102. IPSAS will allow for a better comparison between components and ratios of the financial statements of different UN entities, which will lead to analysis and engagement by the Secretariat as to over- or underperformance against other UN entities.

103. This analysis will lead to the identification of best practices for financial management, which the Secretariat can adopt or propose for adoption in the Chief Executives Board in order to increase the efficiency and effectiveness of the UN-system as a whole.

What are the major expected changes?

104. A process is needed to annually compare financial statements, in order to identify reasons for differences and assess trends.

105. OPPBA should own this process and annually present findings to the Management Committee for discussion and decision as to what constitutes best financial management practices and which ones will be adopted, as well as which practices will be proposed for adoption by the High Level Committee on Management or the CEB.

Who will be responsible for its realisation?

106. The Controller/OPPBA will present findings of the aforementioned analysis to the Management Committee for decision on the adoption of best practices for the UN and for proposal as system-wide practices.

107. The Under-Secretary-General for Management and the Controller as members of the High Level Committee for Management will be responsible for introducing and advocating the adoption of best practices for the UN-system.

2. Improved longer-term financial risk management

What is the intended outcome?

108. IPSAS will allow for consistent development of all financial statements components over time, thus creating reliability in terms of amounts presented on the same basis over several financial periods.

109. Consequently, trends will emerge on assets and liabilities, revenues and expenses and their related amounts to provide a clear picture of historic developments as well as to allow for a reliable estimation of potential future amounts. Inherently, this picture will also include clarity as to major risks and will lead to the development of risk mitigation measures.

What are the major expected changes?

110. A specific process will be required to annually review financial statements, assess trends and identify long-term risks.

111. This process is best located in the OPPBA with major financial risks being assessed by the Controller. If the Controller deems it necessary that addressing certain risks requires decisions by the Management Committee, information will be presented to the Committee for discussion and decision. The process will be fed by local risk assessments from heads of administration and Directors/Chiefs of Mission Support.

112. The identified risks will also need to be integrated into the UN Enterprise Risk Management (ERM) framework.

Who will be responsible for its realisation?

113. The Controller and the Management Committee will be key in realizing this benefit based on its long-term timeline, inter alia, based on the local risk assessments as described above (para. 111 refers.).

E. Increased transparency and accountability

114. Major benefits envisaged consist of (a) more comprehensive and frequent availability and use of financial information as well as (b) the ability to better assign and enforce accountability for financial performance.

1. More comprehensive and more frequent availability and use of financial information

What is the intended outcome?

115. IPSAS will require the presentation of comprehensive annual financial statements for all funding sources, thus requiring higher quality and more timely financial information of greater depth and breadth than under UNSAS.

116. This information will make the financial situation and performance of the UN more transparent, improve visibility, and allow for a better overall steering, better governance and better decision-making.

117. This information will also allow for a closer and more complete match of costs with mandates, objectives and results—thus enhancing the link between financial and programmatic accountability.

What are the major expected changes?

118. Member States and governing bodies will need to set aside sufficient time each year to review financial statements, which may require changes to the meeting calendar for the ACABQ and the Fifth Committee.

119. The presentation of financial statements will also require extensive discussion and analysis to make financial information more usable for senior management in terms of steering the Organization as a whole as well as departments, offices and missions.

120. Operationally, regular use of financial information will need to be integrated into the day-to-day management for programmes, departments, offices and missions. IPSAS-based financial information should become part of and lead to the development of management-accounting information.

Who will be responsible for its realisation?

121. Heads of departments, offices and missions will be responsible for integrating IPSAS-based financial information into their day-to-day management of programmes and operations.

122. The Controller/OPPBA will make Organization-wide financial information available to senior management on a timely basis. Quarterly, semiannual reporting of

such information will depend on establishing appropriate processes to generate information and on IT systems with the production capability to process and present consistent information on a frequent basis. Umoja will be a key enabler in this respect, for both, organization-wide and local management purpose.

123. Heads of administration and DMS/CMS will be required to support and guide the aforementioned integration of financial information for management purposes in order to steer programmes and Secretariat entities at the local level.

2. Better assignment and enforcement of accountability for financial performance

What is the intended outcome?

124. IPSAS will provide much more comprehensive information on the financial position and performance of the Organization which will allow Member States to assign accountability.

125. Similarly, the Management Committee and/or Management Performance Board can better assess the performance of senior managers while heads of departments/offices/missions can better evaluate the financial management performance of their direct reports.

126. IPSAS-based information will also allow for conscious tracking of financial management decisions at all organizational levels and result in an increased capability to monitor the use of delegated authority.

What are the major expected changes?

127. Key achievements in terms of improved accountability for better financial management will be reported regularly to the General Assembly and donors.

128. The Controller will decide on initial focus areas for monitoring of financial management related actions. Subsequently, the frequency of and appropriate reporting information to the Management Committee/Performance Board will need to be defined once adequate information has been developed.

Who will be responsible for its realisation?

129. The Management Committee/Performance Board will enforce accountability for financial performance at the most senior management level.

130. The Controller will perform such function for her/his delegatees while heads of administration, DMS/CMS will perform this task for all staff to whom they have further delegated responsibilities for financial matters.

V. Individual benefits and their measurement

131. The following table provides an overview of Key Performance Indicators (KPIs) used for tracking and measuring benefits as well as a preliminary outlook on possible quantification. In the context of developing a tracking/reporting mechanism for benefits realization, efforts will be made to start structured tracking and reporting in the first quarter of 2015 for peacekeeping and in mid-2015 for non-peacekeeping entities.

Table 1: Detailed IPSAS benefits, key performance indicators, and quantification

Benefit	Key performance indicators (KPIs)	Quantification
A. Alignment with best practices		
1. Compliance with independently developed, high-quality public sector accounting standards	1. A clean annual audit opinion; 2. Application of as few transitional provisions as possible; 3. Number of new or updated accounting policies implemented for the UN based on decisions of the IPSAS Board; 4. Fewer audit corrections;	Not quantifiable yet
B. Improved stewardship of assets and liabilities		
1. More focused resource utilization	1. Increased number of strategic resource management decisions taken by the Management Committee (MC)	Subject to ability to quantify decisions taken by the MC
2. Improved visibility for capital expenditure requirements	1. Number of instances where the justification of capital expenditure requirements under Section 33, Capital expenditures, the support account for peacekeeping operations as well as individual mission budgets is based on and/or includes accrual-based information	Not quantifiable
3. Improved management of outstanding contributions	1. Increased number of follow-up actions with donors regarding outstanding extra-budgetary contributions; 2. Increased number of follow-up actions regarding assessed contributions based on aging data of receivables;	Reduction in long-outstanding contributions compared to the previous period

Benefit	Key performance indicators (KPIs)	Quantification
4. Closing the funding gap for employee liabilities, in particular for After-Service Health Insurance (ASHI) related to extra-budgetary resources	1. Reduced amount of unfunded ASHI liability for extra-budgetary resources compared to previous period	Amount of annual reduction in unfunded liability
5. Improved property and inventory management at all levels	1. 100 per cent complete and accurate asset register (tangible and intangible assets); 2. Recognition of all donated right-to-use assets; 3. Semi-annual match of physical inventory records with ERP records (IMIS/Galileo until full deployment of Umoja) 4. Percentage reduction in asset/inventory[8] requirements compared to the previous period	Percentage reduction in asset/inventory requirements committed by ASG of OCSS, USG of DFS, ASG of OICT and heads of administration, DMS/CMS
6. Better revenue management related to extra-budgetary contributions	1. Number of programme/project managers trained in IPSAS revenue recognition aspects; 2. Changes in revenue amounts and contingent assets related to extra-budgetary contributions; 3. Reduced level of write-offs for doubtful accounts	Reduction in write-offs for doubtful accounts compared to the previous financial period
7. Better management of provisions	1. 100 per cent complete and accurate (amount and number of) provisions; 2. Reduction in the number and total amount of provisions and contingent liabilities compared to the previous period	Amount of actually reduced provisions compared to the previous period

[8] Measurement related to inventories only until full deployment of Umoja

Benefit	Key performance indicators (KPIs)	Quantification
C. Availability of more comprehensive information on costs		
1. Improved financial decision-making	1. Number of recommendations and observations by ACABQ and the Fifth Committee related to managing of cost categories 2. Number of MC decisions regarding mandate/service delivery based on cost information 3. Lower level of variances between budgeted and expensed amounts/performance experience (lower amounts requested in the context of performance reports, higher ratio of disbursements compared to budgets)	To be quantified at a later stage, subject to GA and MC decisions and to analysis of variances during budget implementation for PK and the regular budget
2. Improved financial management	1. Implementation of cost management strategies defined by the Controller; 2. Number of identified measures for more efficient service delivery; 3. Number of financial management best practices implemented by heads of Administration, DMS/CMS	To be quantified at a later stage once impact of decisions on cost management and service delivery have been assessed
3. Improved cost recovery	1. Variance in recovered amounts/income	Variance in income from service provision compared to the previous period
D. Improved consistency and comparability		
1. Increased number of UN-system wide financial initiatives	1. Number of best financial management practices adopted by the UN-system, emanating from the adoption of IPSAS	To be assessed when UN system-wide decisions are taken

Benefit	Key performance indicators (KPIs)	Quantification
2. Improved longer-term financial risk management	1. Number of identified financial risks with defined mitigation measures	To be quantified when defining mitigation measures
E. Increased transparency and accountability		
1. More comprehensive and more frequent availability and use of financial information	1. Number of meetings held by the Fifth Committee and the ACABQ considering financial statements and Board of Auditors (BoA) reports; 2. Number of senior managers trained in the interpretation of financial information contained in financial statements; 3. Number of instances reported where financial information is used and integrated into management of programmes and day-to-day operations	Qualitative focus first, with quantification to be decided at a later stage
2. Better assignment and enforcement of accountability for financial performance	1. Number of instances where managerial accountability for financial performance is established by the MC/MPB, the Controller and heads of administration, D/CMS	Qualitative benefit

VI. Benefits already realized in the context of preparing opening balances

132. The first positive effects of IPSAS adoption were shown during preparation of opening balances in 2014, particularly related to property and inventory management in all areas. IPSAS implementation has produced more accurate and complete asset registers and inventory records as well as strengthened internal controls for asset and inventory recording.

133. For non-PK (Volume 1) entities acquisitions of non-expendable property fell by $29.4 million in 2012-2013 as compared to the previous biennium as entities reviewed holdings of non-expendable property for capitalization as IPSAS equipment.

VII. Major stakeholders in the benefits realisation process

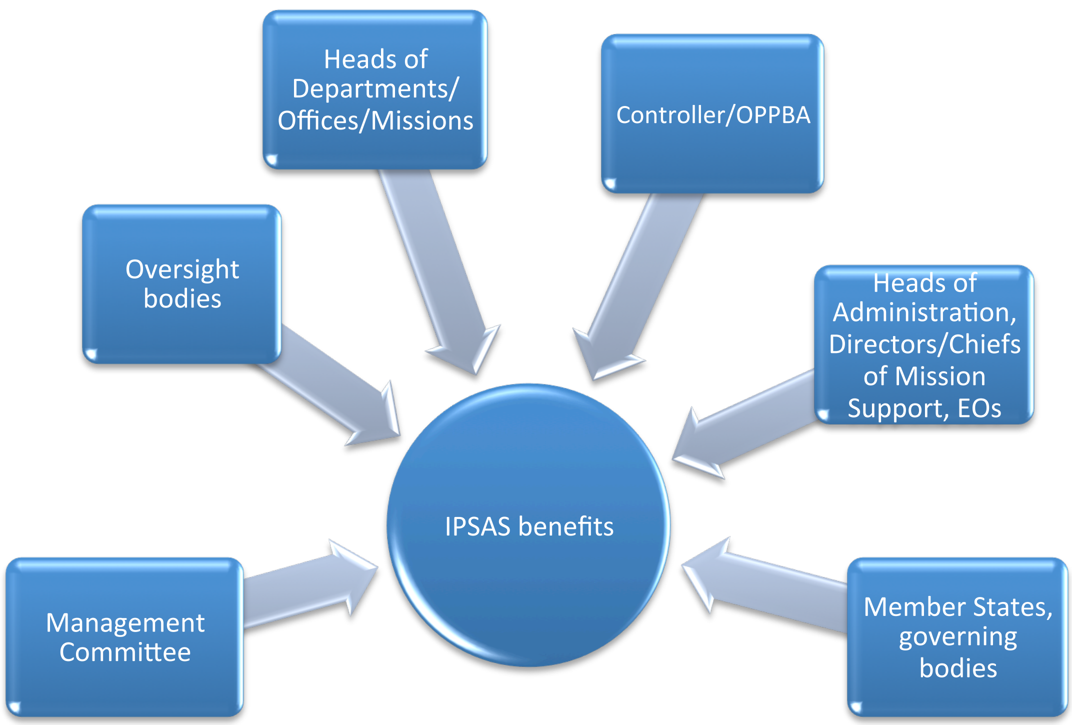
134. The UN Secretariat is a large and complex Organization because of its global footprint and its numerous different reporting entities.

135. IPSAS adoption is not just a mere change of accounting standards but a far-reaching change management initiative affecting and to be implemented by numerous stakeholders throughout the Organization.

136. Successful implementation depends on contributions made by a large number of people and inputs from many stakeholders. This fact applies equally to the benefits realisation plan, which provides a framework to realize benefits, along with related responsibilities and tracking of progress.

137. The stakeholders will contribute to benefits realisation as follows:

Chart 2: Major stakeholders in the benefits realisation process



A. Member States, governing bodies

138. Member States effectively fulfilling their governance role will be crucial when reviewing yearly financial statements and assessing the comprehensive information provided by IPSAS. This review will require setting aside sufficient time for legislative consideration and possibly for determining financial strategies and objectives.

139. Without funding the complete lifecycle of the IPSAS Implementation Project, realisation of longer-term benefits will be impossible as underlying needs will change from a more technical implementation to longer-term change management aspects.

B. Oversight bodies

140. The dialogue with oversight bodies and its recommendations and observations related to benefits realisation will be an invaluable contributing factor to tailoring benefits realisation to the organization's needs and to ensuring its success.

C. The Management Committee (MC)

141. The Management Committee (MC) will receive more and increasingly elaborate financial information, allowing for better Organization-wide strategic decision-making and governance. Aside from this crucial role, a key responsibility for the Management Committee will be to use opportunities for change in connection with IPSAS benefits realisation and ensure their Organization-wide implementation.

D. Heads of departments, offices, missions

142. Heads of departments, offices and missions will be crucial in ensuring IPSAS compliance and benefits realisation and in communicating that IPSAS implementation is not just a change in accounting standards but also an important change management effort. This delivery requires active engagement in making benefits realisation possible, constant interaction with direct reports and ensuring that appropriate staffing capacity exists to understand and adapt to the needs of IPSAS. It also requires that the increased discipline and rigor required by IPSAS is properly understood and embedded into day-to-day processes and procedures.

E. The Controller/OPPBA

143. The Controller/OPPBA has direct responsibilities for benefits realisation, in particular for ensuring compliance with IPSAS when certifying and submitting the financial statements to the BoA. The Controller also has direct responsibility for developing and establishing policies, processes and procedures in support of benefits realisation and when addressing accountability issues in financial matters given the existing system of delegated authority. The Controller also supports the Management Committee as well as heads of departments, offices and missions by providing appropriate information and analysis for decision-making—a key aspect to successfully realizing benefits of a strategic, organization-wide and longer-term nature.

F. Heads of Administration, Directors/Chiefs of Mission Support, Programme and Project Managers, Executive Officers

144. Heads of Administration, Directors/Chiefs of Mission Support, programme and project managers and Executive Officers (as applicable) have immediate operational responsibility for the realisation of benefits. Regarding IPSAS compliance, they will review and assess the validity of existing processes and procedures, initiate required changes and perform timely and accurate reporting to the Controller on requirements for successful IPSAS implementation and benefits realisation.

VIII. Way forward

145. Some benefits may be realized almost immediately upon presentation of the first set of IPSAS-compliant financial statements. Others will be of a longer-term nature as the successive presentation of financial statements and experience gained by the Organization will lead to emerging trends, exposed financial risks, clearer impacts of financial management actions and tighter processes and procedures.

146. This plan provides a framework for attaining envisaged benefits. As IPSAS implementation evolves, benefits may emerge, change or be fully realized at a certain point in time with new ones to emerge, as IPSAS becomes part of the day-to-day workflows. The current plan and its implementation should allow for adapting to such developments.

147. The plan further establishes clear accountability for benefits delivery and provides mechanisms to track benefits delivery and to keep senior management and governing bodies apprised of progress towards benefits realisation.

148. Most of the benefits depend on the use of information, which can take various forms, but will all be captured by a functioning and fully deployed ERP system (UMOJA). Umoja is therefore the key enabler for IPSAS benefits realisation as it will generate required information in a timely and user-friendly format which can be used for subsequent decision-making.

149. Finally, it needs to be reiterated that IPSAS implementation is not just a change in accounting standards but a far reaching change management initiative with the ultimate benefit of the United Nations to succeed in its drive to excel as a modern, progressive Organization that attains and remains up-to-date with best management practices – a goal that all managers need to strive towards and incorporate into day-to-day operations.

Final version: December 2014 (after Management Committee approval)