



Agenda item 134

Proposed programme budget for the biennium 2012-2013

International Public Sector Accounting Standards

FIFTH COMMITTEE

Statement by

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Mr. Chairman,
Distinguished Delegates,

1. The Committee has before it the fourth progress report of the Secretary-General on the adoption of International Public Sector Accounting Standards (IPSAS), A/66/379, the report of the Board of Auditors, A/66/151, on the first annual audit of IPSAS implementation, and the report of the Advisory Committee on Administrative and Budgetary Questions (A/66/536) on both these reports.
2. Like earlier progress reports, the Secretary-General's fourth progress report on the adoption of IPSAS, has two main sections. The first section outlines the progress towards IPSAS implementation across the United Nations system, including lessons learned so far from nine successful implementations. The second section deals with the progress by the United Nations Secretariat for the thirteen-month period ended 31 August 2011. The report also discusses the key concerns expressed by the Board of Auditors in its report regarding the first audit of IPSAS implementation which concluded in July 2011.
3. At the UN system-wide level, nine organizations have now successfully implemented IPSAS. WFP had first implemented IPSAS in 2008. Eight more UN organizations - ICAO, IMO, ITU, PAHO, UNESCO, UNIDO, WIPO and WMO - issued their first IPSAS-compliant financial statements as at 31 December 2010 and obtained a 'clean' audit opinion, representing an

important first step in the adoption of IPSAS. Fourteen more organizations, listed in Annex I of the Secretary-General's report, are actively pursuing their preparations for IPSAS implementation. Though not without challenges, these organizations have reported to be on target for their adoption dates ranging from 2011 to 2014. All the organizations are actively exchanging experiences, aided by the HLCM's Task Force on Accounting Standards and the system-wide IPSAS project team, in an effort to anticipate and deal with potential challenges to timely implementation.

4. Let me turn now to the UN Secretariat's preparations for its implementation. For the UN Secretariat, the first target is to deliver IPSAS-compliant financial statements for peacekeeping operations as at 30 June 2014 by 30 September 2014. For all other UN Secretariat operations, the first set of IPSAS-compliant financial statements as at 31 December 2014 have to be ready by 31 March 2015. The Secretary-General's report outlines the challenges in meeting these two deadlines and how the challenges are being addressed, taking into consideration the recommendations of the Board of Auditors in its report A/66/151 on the first annual audit of IPSAS implementation.
5. Over the last year, significant progress was made towards finalizing the framework of IPSAS-compliant accounting policies, which was also necessary to support the Umoja design phase. Concurrently, with the policy framework nearing completion, the IPSAS Project's focus turned to implementation planning. This is best evidenced by the IPSAS Steering Committee's shift from policy development to a risk-based management of implementation, and by the pre-implementation activities that are now underway in several offices.
6. The Board of Auditors, while welcoming the increased focus on IPSAS implementation activities, expressed concern that IPSAS adoption at the United Nations presents a particularly high risk owing to uncertainties over Umoja implementation as well as the number and complexity of the entities involved. However, the Board also noted that the Secretariat is aware of, and beginning to address, these risks. The Secretary-General's report outlines several steps that have been taken to progressively mitigate the high level of risks associated with the project.
7. The Secretary-General has implemented a risk management framework to identify and manage risks at both the OAH and mission level as well as the IPSAS Project as a whole. This risk management framework drives the Steering Committee's review of implementation planning and execution.

8. Subsequent to the Board's report, the Umoja Project had articulated a plan to deploy Umoja in two phases. This deployment strategy is expected to mitigate the risks to the implementation of IPSAS. The IPSAS implementation plan is also being adapted in the light of this new deployment strategy and timeline.
9. Nevertheless, in recognition of the significant challenges inherent in any major ERP deployment project like Umoja, the IPSAS Project is also building contingency plans and workaround solutions, in close consultation with the Umoja Project, to mitigate risks from potential slippages in the deployment. These plans involve using a combination of manual and semi-automated processes from existing systems and whilst they would support IPSAS compliance for a limited period of time to deal with potential delays in the deployment of Umoja, they are not sustainable beyond initial implementation. The ACABQ's report has some important observations and recommendations in this regard.
10. The IPSAS Project continues to rely on centrally coordinated change management and project management at this stage. However, local IPSAS support teams in OAHs and field missions are beginning to take shape and ownership of their own implementation activities, with DFS providing a coordinated approach to the implementation in field missions. Pre-implementation activities have been launched in UNIFIL, ESCWA, UNOG and UNON through coordinated field validation exercises between August and October, and more are planned in the coming months. These have triggered the detailed implementation work required at the individual office level to ensure readiness for IPSAS.
11. In his report A/60/846 Addendum 3, the Secretary-General had articulated five benefits of IPSAS adoption. As recommended by the Board of Auditors and the ACABQ, a benefits realization plan has to be developed to ensure that the Organization achieves these benefits. While some work has already been done in this area, including identifying the potential challenges to the realization of some of the benefits, the Secretary-General is aware of the need to synergize the efforts of the IPSAS and Umoja initiatives to ensure that all the promised benefits can be realized. The Secretary-General is also working closely with the Board of Auditors and with other UN system organizations to leverage their experiences for better benefits realization.
12. Recognizing both the challenges and the opportunities that the IPSAS initiative presents, the Secretary-General has strengthened the project's governance. The Management Committee has intensified its oversight of the IPSAS Project with quarterly review of progress. Due to

the strong interdependency of IPSAS and Umoja, the Management Committee now considers the reports on project progress jointly for IPSAS and Umoja.

13. While cognizant of the significant risks, the Secretary-General remains resolute in his commitment to implement IPSAS by 2014.

14. Thank you, Mr. Chairman.