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Update on implementation of the International Public Sector Accounting Standards

Summary

In its resolution 60/283 of 17 August 2006, the General Assembly approved the adoption by the United Nations of the International Public Sector Accounting Standards (IPSAS). The present report informs the Executive Board of progress made in the implementation of IPSAS by UNICEF, in accordance with Executive Board decisions 2007/3 and 2009/7.

* E/ICEF/2010/1.



I. Background

1. Since 2006, when the General Assembly approved the adoption of IPSAS by the United Nations, the Executive Board has received regular updates from UNICEF on its implementation of IPSAS. UNICEF presented formal reports to the Executive Board at the second regular sessions of 2007 (E/ICEF/2007/AB/L.12) and 2008 (E/ICEF/2008/AB/L.10), and verbal updates at the first regular session of 2009 and the annual session of 2009. UNICEF also collaborated with the United Nations Development Programme, the United Nations Population Fund and the United Nations Office for Project Services in preparing a joint introductory briefing for Executive Board members in September 2009 on some of the key impacts IPSAS will have on the United Nations system. Through informal consultations and at the annual session of 2009, UNICEF informed the Executive Board of the deferment of full implementation of IPSAS to 1 January 2012.

II. Governance

2. In decisions 2007/3 and 2009/7, the Executive Board requested regular updates on the implementation of IPSAS. UNICEF will continue to provide the Executive Board with reports on the status of implementation. Decision 2009/7 requested UNICEF to ensure implementation of IPSAS no later than 2012 and to post the IPSAS implementation plan on the UNICEF website. Section III provides an update on implementation activities that are part of the plan, which is posted on the UNICEF Executive Board website.

3. The United Nations system follows the “two-level” approach, which consists of implementation of IPSAS activities across the United Nations system and within individual United Nations organizations. System-wide activities of the United Nations system to adopt IPSAS are coordinated by a project team, which reports to the United Nations Task Force on Accounting Standards. These activities are overseen by a system-wide Steering Committee that includes representatives of the Task Force. UNICEF participates actively in the United Nations Task Force on Accounting Standards and is represented on the Steering Committee.

4. The IPSAS Implementation Project of UNICEF is overseen by a Project Board, which is composed of directors of headquarters divisions and field representatives and is chaired by the Deputy Executive Director.

III. Implementation activities to date

5. In 2008, UNICEF completed a “fit/gap analysis” to determine the policy, process and system-configuration changes that will be required for the adoption of IPSAS. The high-level approach to IPSAS adoption by UNICEF is based on four areas of transition: (a) policy development, (b) change management, (c) systems adaptation, and (d) report preparation, as described in the following paragraphs.

6. **Policy development.** The development of a robust set of IPSAS policies is fundamental to the transition to IPSAS and requires an understanding of the 26 technical accounting standards of IPSAS. Equally important, the process requires

the interpretation and application of these standards to the business models adopted by individual United Nations organizations to achieve their respective mandates.

7. In 2009, in the first phase of the two-level approach, the United Nations system-wide IPSAS project team developed a platform of policy guidance for United Nations organizations. This platform encompasses a preliminary understanding of IPSAS standards in the general context of the United Nations system.

8. In the second phase of the two-level approach, UNICEF has invested a significant amount of time and resources to ensure the appropriate interpretation and application of IPSAS to the UNICEF business model. These efforts have drawn on the policy guidance provided by the United Nations system-wide project team. As part of the second phase, the IPSAS team of UNICEF has facilitated policy decisions of “business process owners” within UNICEF on the key IPSAS topics covered, in consultation with field office representatives, and is engaging in discussions with external auditors on the conclusions reached.

9. UNICEF has identified 16 key topics requiring significant policy development to ensure that the organization will make the transition from the United Nations system accounting standards to IPSAS. To date, the UNICEF IPSAS team has completed policy positions for 12 of the 16 key topics. The remaining four policy papers are expected to be completed by the end of 2009.

10. **Change management.** Following the initial phase of establishing a robust policy framework, the second transition phase consists of a series of pre-implementation and implementation activities, which will enable UNICEF to mainstream any necessary changes to management practices and reporting processes. This challenging area of work has begun with an implementation planning process to identify reinforcements needed to existing operational processes; decide which activities can be phased earlier than 2012; and identify which technical skills and expertise of staff need to be developed through training activities. Initial pre-implementation transition activities began once policy positions were completed.

11. Communication is critical to the change management process. In 2009, presentations on IPSAS implementation were made at events at the global, regional and country levels. An IPSAS newsletter was launched to provide information to UNICEF staff on critical project-related developments.

12. The first UNICEF IPSAS training event, in November 2009, will bring together staff from field offices and headquarters as a step towards developing a network of finance professionals proficient in the technical requirements of IPSAS standards. In October 2009, the United Nations system-wide IPSAS project team completed a package of generic IPSAS training modules. UNICEF will use these resources to develop training courses on applying generic IPSAS principles to the specific circumstances of UNICEF.

13. **Systems adaptation.** The high-level changes resulting from IPSAS adoption identified in the fit/gap analysis were incorporated into the blueprint of the new VISION-One ERP (Enterprise Resource Planning) system of UNICEF, which was finalized in July 2009. The UNICEF IPSAS implementation and VISION-One ERP project teams continue to coordinate their activities to enable UNICEF to realize the benefits of IPSAS by ensuring systems solutions for changes where required.

14. **Report preparation.** With the adoption of IPSAS, UNICEF will no longer have interim and biennial financial statements but rather annual financial statements. The changes resulting from IPSAS adoption will be reported through new IPSAS-compliant financial statements. These statements will commence with the IPSAS-compliant financial statements for the year 2012, to be presented at the 2013 second regular session of the Executive Board, as requested in Executive Board decision 2009/7. Draft IPSAS-compliant financial statements have been developed and will be further revised as policy development activities are concluded and as pre-implementation and implementation activities progress.
