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Fifth progress report on the adoption of the International Public Sector Accounting Standards by the United Nations and proposed revisions to the Financial Regulations

Report of the Advisory Committee on Administrative and Budgetary Questions

I. Introduction

1. The Advisory Committee on Administrative and Budgetary Questions has considered the fifth progress report of the Secretary-General on the adoption of the International Public Sector Accounting Standards (IPSAS) by the United Nations (A/67/344) and the proposed revisions to the Financial Regulations of the United Nations to support compliance with the adoption of the International Public Sector Accounting Standards (A/67/345). The Committee also had before it the report of the Board of Auditors on progress in the implementation of IPSAS (see A/67/168). During its consideration of the reports, the Committee met separately with representatives of the Secretary-General who provided additional information and clarification.

II. Progress in the implementation of the International Public Sector Accounting Standards

2. The Advisory Committee recalls that the General Assembly, in its resolution 60/283, approved the adoption by the United Nations of IPSAS to replace the United Nations system accounting standards. The Committee also recalls that the Secretary-General has submitted progress reports on the adoption of IPSAS to the General Assembly in 2008 (A/62/806), 2009 (A/64/355), 2010 (A/65/308) and 2011 (A/66/379). In his fifth progress report, the Secretary-General reviews the activities related to the implementation of IPSAS at the United Nations and other relevant organizations in the United Nations system during the reporting period, from 1 September 2011 to 31 August 2012. The report covers the activities being undertaken to implement IPSAS in the United Nations Secretariat as well as

activities of the system-wide IPSAS project team and progress made by the organizations of the United Nations system. Background information on the project is provided in paragraphs 1 to 4 of the report.

A. United Nations Secretariat

3. Information on the implementation of IPSAS in the United Nations Secretariat is contained in paragraphs 5 to 76 of the report. The Secretary-General indicates that during the reporting period, the focus of the IPSAS project shifted from policy and central planning to implementation by local IPSAS teams at offices away from Headquarters, regional commissions, field missions and other offices. He further indicates that significant work has been done to identify, mitigate and monitor risks at individual locations that could affect the successful implementation of IPSAS and that the project team has been monitoring progress in the following areas: determining opening balances of assets; recording assets completely and accurately; mobilizing and training staff to embrace IPSAS-triggered changes; addressing the complexity of accounting transactions under IPSAS; and the timely implementation of the enterprise resource planning system (Umoja).

Realization of benefits

4. The Advisory Committee recalls that the General Assembly, in its resolution 66/246, had requested the Secretary-General to ensure the full realization of the benefits associated with the implementation of IPSAS. In paragraphs 20 to 23 of his report, the Secretary-General discusses the five key benefits associated with the implementation of IPSAS, which are: (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. It is indicated in paragraph 21 of the report that the Board of Auditors had recommended that all entities involved in IPSAS implementation define and plan for the benefits expected from the Standards and establish accountability for their delivery. In paragraphs 22 and 23, the Secretary-General indicates that the IPSAS Steering Committee had approved a detailed structure for the benefits-realization plan in March 2012 and that the plan would be developed during the third and fourth quarters of 2012. He also indicates that because of the linkages of many IPSAS benefits with the enabling capabilities of Umoja, the plan would be developed in collaboration with the Umoja project. A detailed outline of the benefits-realization plan is provided in annex I to the report of the Secretary-General. **The Advisory Committee recognizes that the immediate focus of the project, as outlined in the progress report, is to ensure that systems capable of generating the accounting data required to produce IPSAS-compliant financial statements are in place by 1 July 2013 for peacekeeping and 1 January 2014 for all other operations. The Committee maintains, however, that beyond IPSAS-compliant financial statements, equal attention should be given to planning for the delivery of all of the intended benefits of IPSAS.**

Pre-implementation phase

5. In paragraphs 35 to 56 of the report, the Secretary-General describes the pre-implementation activities being undertaken to build the foundation to support the successful implementation of IPSAS. The activities include amending the

Financial Regulations and Rules (see paras. 24-32 below), reviewing the policy framework, cleansing data and preparing accurate opening balances and training staff. Upon enquiry, the Advisory Committee was informed that a major milestone in the pre-implementation phase was the completion of the set-up of the local implementation teams. The Committee was informed that the teams were critical for monitoring and supporting the numerous activities that had to be completed on schedule in order to ensure the successful implementation of IPSAS. It was indicated that the teams had been created within a framework that included: (a) a consistent team structure across locations; (b) tasks to guide local implementation efforts; (c) tools to support implementation; (d) terms of reference to clearly define roles and responsibilities (see annex I); (e) training; and (f) timelines.

6. It was indicated that the teams were guided in their efforts by a five-tier implementation plan structure and were provided with a collaboration tool that offered a platform for sharing information between teams and a project management tool that included a customized task log used by local teams to perform implementation activities and report regularly to the United Nations IPSAS team. According to the representatives of the Secretary-General, the monthly reporting process had started in April 2012 and was expected to continue until the completion of the project under the close monitoring of the IPSAS project management office.

7. **The Advisory Committee welcomes the reported progress in the IPSAS pre-implementation phase. The Committee recommends that further updates, including on the effectiveness of the activities undertaken by the local IPSAS implementation teams, be provided in future progress reports on the adoption of IPSAS.**

Data cleansing and preparation of accurate opening balances

8. In paragraph 48 of his report, the Secretary-General identifies the preparation of accurate opening balances of assets and liabilities as one of the biggest challenges in the implementation of IPSAS across the United Nations system. He indicates that because of the volume and high monetary value of the Organization’s assets, the tolerance for error in its asset balances is very low, meaning that even a low percentage error in the opening balances would be of significance to the financial statements. He further indicates that the challenge is compounded by the lack of uniform or integrated management policies and systems across the United Nations operations and, in order to address it, the Office of Central Support Services is reviewing the Organization’s property management policies and practices.

9. Upon enquiry, the Advisory Committee was informed that the Office of Central Support Services had engaged the expert assistance of a leading accounting firm to study the requirements of the property management framework that the Secretariat would need to put in place in order to prepare accurate and sustainable opening asset balances. The Committee was further informed that the work involved a comprehensive study of property management policies, procedures, systems and resources in the light of previous audit comments. The Committee was also informed that the study had benchmarked the Secretariat against industry standards while recommending a course of action that would lay out a road map for the implementation of a property management policy. It was indicated that the study had been undertaken in two phases, the first, completed in November 2011, focusing on United Nations Headquarters, and the second, completed in August 2012, focusing

on field operations and offices away from Headquarters, including the United Nations Office at Geneva, the United Nations Logistics Base at Brindisi, Italy, and the United Nations Stabilization Mission in Haiti.

10. The Advisory Committee was also informed that the experts had made a number of recommendations based on industry best practices. The main recommendations were: the creation of a central property management unit; that property recognition be systematized at an earlier stage of procurement rather than at physical receipt, which is currently the case; the centralization of the creation of asset records; and the implementation of a life cycle perspective of property, including the integration of procurement into asset planning. It was further indicated that other recommendations had included targeted and more frequent physical checks, compliance monitoring and performance tracking using key performance indicators. In order to achieve IPSAS compliance, the Committee was informed that property management processes would need to be modified and many new ones created. It was also indicated that adjustments would need to be made with respect to the delegation of authority for property management and the property management policy as promulgated in administrative instruction ST/AI/2003/5, as well as through the creation of a single property management manual. Some of the recommendations, however, could be implemented only after the roll-out of Umoja.

11. **The Advisory Committee recalls that under the United Nations system accounting standards and other existing field-based systems, property management, particularly the verification of assets, has remained an issue of concern. The Committee notes the information provided on the challenges as well as the measures undertaken by the Secretary-General to ensure the preparation of accurate IPSAS-compliant opening balances for property, plant and equipment. The Committee underscores the importance of doing everything possible to ensure correct opening balances in the preparation of IPSAS-compliant financial statements.**

Synergies with the Umoja project

12. Upon enquiry, the Advisory Committee was informed that the recently finalized deployment strategy for Umoja and the ongoing consolidation of the implementation plans for the Umoja and IPSAS projects had created opportunities for both projects to leverage each other's progress in areas where work being planned in one project was already being carried out in the other. The Committee was also informed that IPSAS trainers were being considered by the Umoja change management team to support its training programme, leveraging the experience they had gained in IPSAS, and that more than 45 local implementation teams set up by the IPSAS project (see paras. 5-7 above) were being considered to support the implementation of Umoja. In addition to other common solutions, the Committee was informed that the IPSAS collaboration space that supported the work of the local implementation teams was being considered by the Umoja change management team as a potential tool for sharing information to support the Umoja plans.

13. **The Advisory Committee remains concerned that the prolonged delays in the implementation of Umoja pose a significant risk to the timely realization of IPSAS benefits. The Committee therefore strongly urges increased collaboration**

between the two teams to jointly address issues of common concern (see also para. 16 below).

Implementation phase

14. Paragraphs 57 to 68 of the report describe the progress made in the implementation of the IPSAS project. It is indicated in paragraph 57 that the General Assembly, in its resolution 66/246, had requested the Secretary-General to ensure that IPSAS implementation would be completed no later than 2014. In the same resolution, the Assembly reaffirmed that the enterprise resource planning system would serve as the backbone for the implementation of IPSAS. In order to deal with delay in the deployment of Umoja, the Secretary-General indicates, in paragraph 58, that the Umoja Steering Committee had invoked contingency plans in February 2012 and had directed the Umoja and IPSAS projects to work collaboratively to ensure the on-time implementation of IPSAS. In paragraphs 15 to 17 of its previous report on the subject (A/66/536), the Advisory Committee outlined the contingency plans as explained by the representatives of the Secretary-General, which included a combination of Umoja Foundation, existing systems such as Sun Accounts and the Integrated Management Information System (IMIS) and workarounds, and expressed its concern about the use of workarounds and the associated risks. While the Board of Auditors considered this revised approach to be feasible, it cautioned that its implementation would require a very well-designed and well-executed strategy. The Board also expressed concern that, with relatively little time left to complete remaining IPSAS work, the viability of the IMIS solution had not yet been fully tested or confirmed (A/67/168, para. 56).

15. Upon enquiry, the Advisory Committee was informed that, except in the peacekeeping operations, the Organization had no automated enterprise system to support opening balances for inventory and the ongoing accounting and reporting for inventory prior to the deployment of Umoja. The Committee was further informed that this risk was compounded by the fact that IPSAS 12, which applies to inventories, contained no provision for a transitional period. In order to address the risk, the Committee was informed that an Excel-based template had been designed to support the capture and recording of inventory data for opening balances and for use during the period of transition to Umoja. In addition, the Committee was informed that what constituted inventory for the purposes of financial statements had been appropriately defined to reflect the business model of the Organization. It was also indicated that the Excel spreadsheet had been deployed in July 2012 and that additional options were being explored to strengthen the controls around the process that will be deployed in 2013 to support opening balances for the United Nations Secretariat as at 1 January 2014. The Committee was further informed that the remaining enhancements to IMIS were progressing on schedule and that the supporting instructions for their use were being prepared. The Committee was assured that the enhancements would also be discussed with the Board of Auditors to ensure that the Board is satisfied with the controls around those processes.

16. **The Advisory Committee acknowledges the measures being undertaken as part of the Secretary-General’s contingency plans for the implementation of IPSAS in the light of the slippage in the deployment of Umoja. In the absence of a common system and format for the recording of financial data across the disparate and various locations of the Secretariat, however, the Committee remains concerned at the use of manual workarounds and temporary**

adaptations to existing systems and the ability of such solutions to deliver complete, accurate and consistent data by 1 July 2013 for peacekeeping and 1 January 2014 for all other operations (see also A/67/565, para. 64).

Project budget and expenditures

17. In paragraphs 72 and 73 of his report, the Secretary-General indicates that the indicative budget for the IPSAS project approved by the General Assembly in its resolution 60/283 is $23 million, but that the budget is approved separately for each fiscal cycle under the regular budget and the support account for peacekeeping operations. Furthermore, the Board of Auditors has observed that the budget may not be adequate because it does not include the adjustments to the current functional systems and other transitional arrangements. The statement of expenditure for the project as at 24 August 2012 is shown in the table following paragraph 75 of the report. It indicates a cumulative expenditure from 2006-2007 to 2010-2011 of $6.6 million ($4.9 million from the regular budget and $1.7 million from the support account) and a total appropriation for the biennium 2012-2013 of $10.4 million ($2.3 million from the regular budget and $8.1 million from the support account), of which $1.5 million had been spent as at 30 June 2012. Upon enquiry, the Advisory Committee was informed that current estimates placed the projected overall expenditures for the IPSAS project at approximately $27 million to the end of 2015. It was indicated that the estimate included an amount of $12.8 million from the support account, $10 million from the regular budget and $4.2 million from extrabudgetary resources. The Committee was informed that the anticipated excess of $4 million over the indicative budget of $23 million would be financed by programme support cost income generated from extrabudgetary funds and not from assessed contributions. **The Committee is satisfied with the information provided. Nonetheless, should any request be made for additional resources, the Committee expects that serious efforts will be made to contain project costs and to absorb additional costs within approved resources.**

Impact of the International Public Sector Accounting Standards on financial reporting and auditing of financial statements

18. The Advisory Committee recalls the comments and observations of the Board of Auditors regarding the impact of the change from biennial reporting to annual reporting as a result of the adoption of IPSAS (A/66/151, paras. 31-33, and A/67/168, paras. 44-46). In its comments, the Board indicated that the change would lead to the production of an increased number of financial statements and that there was a need to deal with the implications of annual accounts and reporting for the work of the Advisory Committee and the Fifth Committee. Upon enquiry, the Advisory Committee was informed that for the 10 Secretariat entities, namely the United Nations Secretariat (other than peacekeeping, which already has an annual cycle), the International Trade Centre, the United Nations University, the United Nations Institute for Training and Research, the United Nations Environment Programme, the United Nations Human Settlements Programme, the United Nations Office on Drugs and Crime, the International Criminal Tribunal for Rwanda, the International Tribunal for the Former Yugoslavia and the United Nations Compensation Commission, the number of reports would double.

19. In addition, the Advisory Committee was informed that many of the agencies, funds and programmes audited by the Board of Auditors would change from

biennial to annual financial statements, which would have to be considered by the Committee. The Committee was also informed that, whereas currently the Board produced 28 reports in a biennial reporting year and 9 reports in a non-biennial reporting year, 8 additional reports would be submitted in 2013 because of the adoption of IPSAS by a number of entities and from 2014 onward, 28 reports would be submitted annually. In addition, the quantity of information and the time required by the Committee and the intergovernmental bodies to review the reports would increase. In this connection, the Secretary-General, in his report on the proposed revisions to the Financial Regulations of the United Nations, noted that the approval of annual audits would have a widespread impact, including on the work programmes of the Advisory Committee, the Fifth Committee and the General Assembly (A/67/345, para. 17). Furthermore, it was indicated that, in addition to the increase in volume, there would be a peak workload caused by the fact that all of the financial statements would most likely have to be prepared within three to four months after the end of the calendar year and the respective audit reports submitted by mid-year. For the funds and programmes, their respective governing bodies would probably need the reports of the Committee before considering the audited financial statements.

20. **The Advisory Committee believes that the implications of the adoption of IPSAS for the work of the Advisory Committee, the Fifth Committee and the General Assembly require urgent and immediate consideration, given that a number of United Nations entities will be adopting the Standards in 2013. While in the interim the Committee will reflect on the impact of IPSAS reports on its work, it also recommends that the Assembly address this issue as a matter of priority no later than during the main part of its sixty-seventh session (see also A/67/381, para. 16).**

B. United Nations system

21. The information on IPSAS implementation across the United Nations system is contained in paragraphs 77 to 92 of the report of the Secretary-General (A/67/344). He indicates, in paragraphs 77 and 78, that in 2011, two organizations — the International Atomic Energy Agency and the Universal Postal Union — had joined nine earlier successful IPSAS implementers, obtaining unqualified audit opinions on their first IPSAS-compliant financial statements. Furthermore, the nine earlier implementers had continued to obtain unqualified audit opinions on their subsequent financial statements. The Secretary-General also states that, by January 2012, 10 more organizations had commenced their IPSAS implementation on schedule and were on track for successful completion. The Advisory Committee notes that one organization, the Food and Agriculture Organization of the United Nations, had decided to postpone its implementation from 2013 to 2014 after determining that it was not sufficiently prepared, while the remaining two organizations, the United Nations Secretariat and the World Tourism Organization, were on schedule for implementation in 2014. A list of the 24 United Nations system organizations and their IPSAS implementation schedules is contained in annex II to the report.

22. In paragraph 85, the Secretary-General indicates that with more organizations developing a deeper understanding of IPSAS implementation, their focus had shifted to the practical implications. The IPSAS Task Force had established working focus groups to provide a forum where organizations could share issues and

experiences in order to leverage the expertise across the United Nations system and secure a common position to the extent feasible. He indicates that the working focus groups were on: (a) managing the (financial accounts) closure process, focusing on best practices to adopt during implementation; (b) budget reporting and reconciliation; and (c) the audit and oversight process. The Secretary-General further indicates, in paragraph 91, that the system-wide project had established a new web-based platform, including discussion forums, to facilitate the sharing of information and experiences among United Nations system organizations. He also indicates that the project maintains a repository of IPSAS training courses, including a selection of training aids and a course in Spanish and French.

23. **The Advisory Committee welcomes the progress made by several organizations of the United Nations system towards the implementation of IPSAS. The Committee encourages the continued sharing of information and experiences among United Nations system organizations for the collective benefit of the implementation plans of all organizations, especially those that have yet to make the transition to IPSAS.**

III. Proposed revisions to the Financial Regulations of the United Nations

24. The report of the Secretary-General (A/67/345) contains the revisions to the Financial Regulations of the United Nations proposed to support compliance with the requirements of IPSAS. The new Financial Rules are also provided for information. In paragraphs 1 to 5, the Secretary-General provides background regarding the adoption of IPSAS and indicates that the revisions to the Financial Regulations and Rules are necessitated by the adoption of IPSAS and the need to produce IPSAS-compliant financial statements, which are to be prepared on the basis of full-accrual accounting. He further indicates that the proposed changes were reviewed by the Office of Legal Affairs and the Office of Internal Oversight Services and were presented to the Board of Auditors for comment. **The Advisory Committee commends the Secretary-General for pursuing wide consultations with the relevant entities throughout this process and trusts that their comments and observations have been reflected in the proposed revisions.**

25. The Secretary-General indicates that the proposed amendments fall into 12 main categories, which are explained in paragraphs 7 to 19 of his report. He further indicates, in paragraph 20, that once the Financial Regulations are approved by the General Assembly, he will promulgate the revised Financial Regulations and Rules in time for the adoption of IPSAS. The Advisory Committee notes that the main revisions reflect the adoption of IPSAS terminology and IPSAS-compliant practices to replace those pertaining to the United Nations system accounting standards. It is indicated, for example, that all references to the United Nations system accounting standards would be replaced by IPSAS: "income" in the financial statements would be replaced by "revenue"; "expenditure" by "expense"; "obligation" by "commitment"; and "non-expendable property" by "property, plant and equipment", "inventory" and "intangible assets". Similarly, the Committee notes the changes in the names, content and periodicity (biennial to annual) of financial statements resulting from the adoption of IPSAS and the corresponding

change from biennial audits of financial statements to annual audits (see paras. 18-20 above).

26. The Advisory Committee notes the proposed amendment to regulation 4.16 to replace existing regulations 4.16 and 4.17, which stipulated the need for the Secretary-General to consult with the Advisory Committee in making short-term investments and the Investments Committee in making long-term investments, with regard to moneys not needed for immediate requirements. Upon enquiry, the Committee was informed that regulations 4.16 and 4.17 had been combined in the proposed amendment and references to the Advisory Committee and the Investments Committee removed because the requirement for the Secretary-General to consult with the two entities dated back to a period when the United Nations Joint Staff Pension Fund (UNJSPF) investments were managed by the United Nations Treasury, which was no longer the case. The Committee was further informed that the accountability of the Secretary-General with regard to the investment of UNJSPF assets was currently being implemented through the Regulations, Rules and Pension Adjustment System of UNJSPF, which stipulate the roles of the Advisory Committee and the Investments Committee vis-à-vis the Fund’s investments. It was further indicated that there had been no change in the Fund’s practice of reporting its investments to the Advisory Committee.

27. In paragraph 15 of his report, the Secretary-General indicates that revisions are also being proposed to reflect the stricter IPSAS requirements in relation to the classification of miscellaneous income, especially when such amounts are important to the understanding of the financial statements. The Secretary-General explains that under the United Nations system accounting standards, there are several categories of income that are collectively classified as miscellaneous income and are used to offset Member States’ assessments. In accordance with IPSAS, proposed regulation 3.3 reclassifies miscellaneous income into six new categories of revenue.

28. In paragraph 18, the Secretary-General proposes a new regulation 4.19 for the treatment of interest on voluntary contributions, which harmonizes United Nations practice with that of other United Nations system organizations. Upon enquiry, the Advisory Committee was informed that, with the proposed regulation, interest earned on voluntary contributions would not be paid to the donor. Instead, the Committee was informed that all interest credited to a trust fund or special account would be retained as part of the unearmarked fund balance of the trust fund or special account and reprogrammed for similar projects and activities by the fund administrator in accordance with the legislative mandate of the substantive office and the terms of reference of the trust fund or special account.

29. It was further explained by the representatives of the Secretary-General that the retention of interest would reduce the administrative burden and the related cost of determining an equitable basis on which to distribute the interest and would eliminate the burden of actually calculating and distributing the interest earnings to the various donors. The Advisory Committee was also informed that in the view of the Secretary-General, the regulation represented a significantly more efficient approach to the treatment of interest earnings and was consistent with similar ones applicable to other United Nations system organizations, such as United Nations Children’s Fund financial regulation 11.4, United Nations Development Programme financial rule 126.07 and United Nations Population Fund financial regulation 4.15.

The Committee is not in a position to endorse proposed regulation 4.19 at this stage. It is of the view that the proposal would benefit from further analysis.

30. The Advisory Committee notes the amendment to financial rule 105.14 (d) to include electronic data interchange as a possible means of transmitting information in the solicitation of vendors. Upon enquiry, the Committee was informed that existing financial rule 105.18 (b) already contained the following provision: "The requirement for written procurement contracts shall not be interpreted to restrict the use of any electronic means of data interchange." The Committee was further informed that the amendment of financial rule 105.14 allowed for the expansion of the use of electronic means of data interchange within the procurement process to increase effective international competition. It was indicated that conducting solicitation in procurement by electronic data interchange allowed the Organization to access a global pool of vendors, which would enhance competition and translate to savings. **The Committee welcomes the amendment of the Financial Rules to allow the use of electronic data interchange as a means of expanding the global reach of United Nations procurement, which could increase participation in competitive bidding and result in cost savings for the Organization. The Committee understands, from the explanation provided, that the use of electronic means of data interchange would supplement, and not replace, the submission of bids and proposals in hard copy.**

31. During its consideration of the report, the representatives of the Secretary-General provided the Advisory Committee with information reflecting further revisions to the Financial Regulations proposed by the Board of Auditors. The proposed revisions relate to the annex to the Regulations, which pertains to the activities of the Board (see annex II). The Board has made a number of changes to align the wording of the annex with that of International Standard on Auditing 700, "Forming an opinion and reporting on financial statements". **The Committee has no objection to the revisions suggested by the Board of Auditors and recommends that the General Assembly favourably consider them in conjunction with the report of the Secretary-General.**

32. The Advisory Committee notes that the IPSAS Board continues to revise existing standards and to issue new standards to meet emerging needs. It can therefore be expected that additions and amendments will be an ongoing feature of the IPSAS environment. **The Committee trusts that the Secretary-General will establish the mechanisms necessary to ensure that the Financial Regulations and Rules remain in compliance with IPSAS and that every effort is made, where appropriate, to keep them harmonized with those of other United Nations system organizations. The Committee further expects that the lessons learned will be documented and shared with other organizations.**

IV. Conclusions

33. **Subject to the views and recommendations expressed in the present report, the Advisory Committee recommends that the General Assembly take note of the progress made since the issuance of the fourth progress report and that it request the Secretary-General to continue to report on the status of IPSAS implementation projects in the Secretariat and across the United Nations system. In addition, the Committee has no objection to the Assembly's**

approval of the proposed Financial Regulations of the United Nations with effect from 1 July 2013, subject to its comments in paragraphs 29 and 30 above and taking into account the transitional provisions indicated in the report of the Secretary-General (A/67/345, para. 21). The Committee also recommends that the Assembly take note of the revised Financial Rules of the United Nations as set out in the report of the Secretary-General.

Annex I

Terms of reference of the local International Public Sector Accounting Standards implementation teams

1. The local IPSAS team is responsible for implementing IPSAS at a specific location, specifically, to:

(a) Coordinate, monitor and execute IPSAS implementation activities;

(b) Formulate and implement local change-management and training activities;

(c) Manage office-specific risks and identify, monitor, report, design and implement actions to mitigate risks;

(d) Update locally maintained manuals and standard operating procedures;

(e) Report to and seek advice from the IPSAS team at Headquarters;

(f) Address IPSAS-related audit issues in consultation with Headquarters;

(g) Ensure synergy of effort between the IPSAS and Umoja projects;

(h) Design office-specific workaround solutions that would ensure the implementation of IPSAS by 2014 if Umoja not fully deployed;

(i) Appropriately balance the work required to implement IPSAS so as not to overburden staff;

(j) Deploy the financial statement transition plan for local reporting entities;

(k) Ensure that locally developed systems will provide IPSAS-compliant information.

2. The local IPSAS team will consist of IPSAS subject-matter experts, lead subject-matter experts, the IPSAS project manager, the IPSAS coordinator and the executive sponsor.

Subject-matter experts

3. The IPSAS subject-matter experts will be the primary persons responsible for the actual execution of IPSAS implementation activities and will lead the effort for the relevant area of the office. The subject-matter experts will also be responsible for identifying any remaining areas that require IPSAS-compliant solutions and the updates of local standard operating procedures. The IPSAS subject-matter experts will receive instructions regarding IPSAS implementation activities from the lead subject-matter experts and will report to them on the status of the activities.

4. The IPSAS subject-matter experts should:

(a) Lead the IPSAS implementation effort for the relevant area;

(b) Have a solid understanding of the business processes of their areas;

(c) Have at least a basic understanding of accrual-based accounting;

(d) Be committed to being actively involved in pursuing IPSAS project deliverables.

Lead subject-matter experts

5. This group will comprise the most knowledgeable subject-matter experts in the area of finance at the duty station with expertise in business processes and IPSAS and should have some exposure to the ongoing work of Umoja. The lead subject-matter experts will support the consistent implementation of IPSAS activities across all areas. This will be a small group consisting of two or three persons and will be responsible for:

(a) Providing advice to the subject-matter experts regarding IPSAS and Umoja;

(b) Supporting and monitoring IPSAS implementation activities being executed by the subject-matter experts;

(c) Escalating issues to the IPSAS team at Headquarters and to the IPSAS project manager;

(d) Reporting to the IPSAS project manager on the progress of activities;

(e) Supporting the maintenance of the project management tool.

Project manager

6. The IPSAS project manager is the link between the IPSAS Coordinator and the lead subject-matter experts; the project manager should have at least a broad understanding of IPSAS standards and issues and the approach being adopted. The project manager should:

(a) Capture and monitor the risks associated with the IPSAS project in the local office and propose proactive management/mitigation activities to the coordinator;

(b) Validate the IPSAS implementation activities provided by the IPSAS team and add to that list, ensuring, in conjunction with the United Nations IPSAS team that the list of IPSAS implementation activities is comprehensive to support IPSAS implementation for the local office/reporting entity;

(c) Provide to the lead subject-matter experts implementation activities and actions to support IPSAS implementation for the local office/reporting entity;

(d) Receive feedback on the status of implementation activities from the lead subject-matter experts;

(e) Report on the status of implementation activities for the local office/reporting entity to the IPSAS coordinator;

(f) Maintain the project management tool for reporting to the IPSAS team at Headquarters on the progress of the implementation project in the local office/reporting entity;

(g) Monitor the work of the IPSAS lead subject-matter experts;

(h) Support synergy of efforts between the IPSAS and Umoja projects;

(i) Design office-specific workaround solutions that would ensure the implementation of IPSAS by 2014 if Umoja not fully deployed;

(j) Appropriately balance the work required to implement IPSAS so as not to overburden staff.

IPSAS coordinator

7. The IPSAS coordinator will have adequate authority to ensure effective engagement, coordination and cooperation in all areas affected by the implementation of IPSAS in the local office/entity.

8. The coordinator should:

(a) Appreciate the significance of the project for the entity/office and represent its interests;

(b) Receive from the project manager implementation activities and actions to support IPSAS implementation at the local office/reporting entity;

(c) Monitor adherence to the timeline for implementation activities for the entity/office, including any field offices;

(d) Report on the status of implementation activities for the entity/office, including field offices as relevant, to the IPSAS sponsor;

(e) Receive regular updates from the project manager on the progress of the IPSAS implementation project in the local office; review and approve related proposals;

(f) Keep the local IPSAS team up to date on the work of the Secretariat-wide IPSAS Steering Committee and communicate suggestions/proposals, ensuring that the priorities of the Secretariat-wide project reflect the local realities facing the local IPSAS team;

(g) Consider and provide input to training and communication plans and events;

(h) Identify and address IPSAS-related issues that have major implications for the project in the local office;

(i) Report to the executive sponsor providing advice and updates on the direction and progress of the local IPSAS implementation project.

Executive sponsor

9. The executive sponsor has overall responsibly for implementing IPSAS at the Secretariat entities and offices in the local office. The executive sponsor functions as an advocate for the benefits that IPSAS will bring to the Organization.

Annex II

Further revisions proposed by the Board of Auditors to the annex to the United Nations Financial Regulations and Rules

(Deletions indicated by strikeout and additions by underlining)

Proposed financial regulation	*Existing financial regulation*
Annex	**Annex**
Additional terms of reference governing the audit of the United Nations	**Additional terms of reference governing the audit of the United Nations**
1. The Board of Auditors shall perform jointly and severally such audit of the accounts of the United Nations, including all trust funds and special accounts, as it deems necessary in order to satisfy itself:	1. The Board of Auditors shall perform jointly and severally such audit of the accounts of the United Nations, including all trust funds and special accounts, as it deems necessary in order to satisfy itself:
(a) That the financial statements are in accord with the books and records of the Organization;	(a) That the financial statements are in accord with the books and records of the Organization;
(b) That ~~the financial transactions reflected in the statements have been in accordance with the Regulations and Rules, the budgetary provisions and other applicable directives;~~, in all material respects, the transactions recorded in the financial statements conform to the authorities that govern them;	(b) That the financial transactions reflected in the statements have been in accordance with the Rules and Regulations, the budgetary provisions and other applicable directives;
(c) That the internal controls, including the internal audit, are adequate in the light of the extent of reliance placed thereupon;	(c) That the securities and moneys on deposit and on hand have been verified by certificate received direct from the Organization's depositaries or by actual count;
(d) That ~~procedures satisfactory to the Board of Auditors have been applied to the recording of all assets, liabilities, surpluses and deficits.~~ The accounting policies selected and applied are consistent with the International Pubic Sector Accounting Standards, and are appropriate in the circumstances, and that accounting estimates are reasonable.	(d) That the internal controls, including the internal audit, are adequate in the light of the extent of reliance placed thereupon;
	(e) That procedures satisfactory to the Board of Auditors have been applied to the recording of all assets, liabilities, surpluses and deficits.

Proposed financial regulation	*Existing financial regulation*
2. The Board of Auditors shall be the sole judge as to the acceptance in whole or in part of certifications and representations by the Secretary-General and may proceed to such detailed examination and verification as it chooses of all financial records, including those relating to inventories and property, plant and equipment.	2. The Board of Auditors shall be the sole judge as to the acceptance in whole or in part of certifications and representations by the Secretary-General and may proceed to such detailed examination and verification as it chooses of all financial records, including those relating to supplies and equipment.
3. The Board of Auditors and its staff shall have free access at all convenient times to all books, records and other documentation which are, in the opinion of the Board, necessary for the performance of the audit. Information which is classified as privileged and which the Secretary-General (or his or her designated senior official) agrees is required by the Board for the purposes of the audit and information classified as confidential shall be made available on application. The Board of Auditors and its staff shall respect the privileged and confidential nature of any information so classified which has been made available and shall not make use of it except in direct connection with the performance of the audit. The Board may draw the attention of the General Assembly to any denial of information classified as privileged which, in its opinion, was required for the purpose of the audit.	3. The Board of Auditors and its staff shall have free access at all convenient times to all books, records and other documentation which are, in the opinion of the Board, necessary for the performance of the audit. Information which is classified as privileged and which the Secretary-General (or his or her designated senior official) agrees is required by the Board for the purposes of the audit and information classified as confidential shall be made available on application. The Board of Auditors and its staff shall respect the privileged and confidential nature of any information so classified which has been made available and shall not make use of it except in direct connection with the performance of the audit. The Board may draw the attention of the General Assembly to any denial of information classified as privileged which, in its opinion, was required for the purpose of the audit.
4. The Board of Auditors shall have no power to adjust the financial statements but shall draw to the attention of the Secretary-General, for appropriate action, any transaction concerning which it entertains doubt as to legality or propriety. Audit objections to these or any other transactions arising during the examination of the accounts shall be communicated immediately to the Secretary-General.	4. The Board of Auditors shall have no power to disallow items in the accounts but shall draw to the attention of the Secretary-General, for appropriate action, any transaction concerning which it entertains doubt as to legality or propriety. Audit objections to these or any other transactions arising during the examination of the accounts shall be communicated immediately to the Secretary-General.
5. The Board of Auditors (or such of its officers as it may designate) shall express and sign an opinion on the financial statements of the United Nations. The opinion shall include the following basic elements:	5. The Board of Auditors (or such of its officers as it may designate) shall express and sign an opinion on the financial statements of the United Nations. The opinion shall include the following basic elements:
(a) The identification of the financial statements audited;	(a) The identification of the financial statements audited;
(b) A reference to the responsibility of the Secretary-General and the responsibility of the Board of Auditors;	(b) A reference to the responsibility of the Secretary-General and the responsibility of the Board of Auditors;
(c) A reference to the audit standards followed;	(c) A reference to the audit standards followed;

Proposed financial regulation	*Existing financial regulation*
(d) A description of the ~~work performed~~ <u>scope of the audit</u>;	(d) A description of the work performed;
(e) An expression of opinion on the financial statements as to whether:	(e) An expression of opinion on the financial statements as to whether:
i. The financial statements present fairly<u>, in all material respects,</u> the financial position <u>of the Organization</u> as at the end of the period and the results <u>and cash flows</u> ~~of the operations~~ for the <u>year then ended</u> ~~period~~; and	i. The financial statements present fairly the financial position as at the end of the period and the results of the operations for the period;
ii. The financial statements ~~were~~ <u>have been properly</u> prepared in accordance with ~~the stated accounting standards and policies~~ <u>International Public Sector Accounting Standards and the United Nations Financial Regulations and Rules</u>;	ii. The financial statements were prepared in accordance with the stated accounting policies; and
	iii. The accounting policies were applied on a basis consistent with that of the preceding financial period;
(f) An expression of opinion on the compliance of transactions with the Financial Regulations and legislative authority;	(f) An expression of opinion on the compliance of transactions with the Financial Regulations and legislative authority;
(g) The date of the opinion;	(g) The date of the opinion;
(h) The names and positions of the members of the Board of Auditors;	(h) The names and positions of the members of the Board of Auditors;
(i) Should it be necessary, a reference to the report of the Board of Auditors on the financial statements.	(i) Should it be necessary, a reference to the report of the Board of Auditors on the financial statements.
6. The report of the Board of Auditors to the General Assembly ~~on the financial operations of the period~~ should ~~mention:~~ <u>refer to</u>:	6. The report of the Board of Auditors to the General Assembly on the financial operations of the period should mention:
(a) The type and scope of its examination;	(a) The type and scope of its examination;
(b) Matters affecting the completeness or accuracy of the financial statements, including where appropriate:	(b) Matters affecting the completeness or accuracy of the accounts, including where appropriate:
i. Information necessary to the correct interpretation of the financial statements;	i. Information necessary to the correct interpretation of the accounts;
ii. Any amounts which ought to have been ~~received~~ <u>accrued</u> but which have not been brought to account;	ii. Any amounts which ought to have been received but which have not been brought to account;

Proposed financial regulation	*Existing financial regulation*
iii. Contingencies which have not been properly disclosed in the financial statements;	iii. Any amounts for which a legal or contingent obligation exists and which have not been recorded or reflected in the financial statements;
iv. Expenditures not properly substantiated;	iv. Expenditures not properly substantiated;
v. Whether proper books of accounts have been kept — where in the presentation of statements there are deviations of a material nature from the stated accounting standards and policies these should be disclosed;	v. Whether proper books of accounts have been kept, where in the presentation of statements there are deviations of a material nature from the generally accepted accounting principles applied on a consistent basis, these should be disclosed;
(c) Other matters which should be brought to the notice of the General Assembly, such as:	(c) Other matters which should be brought to the notice of the General Assembly, such as:
i. Cases of fraud or presumptive fraud;	i. Cases of fraud or presumptive fraud;
ii. Wasteful or improper expenditure of the Organization's money or other assets (notwithstanding that the accounting for the transaction may be correct);	ii. Wasteful or improper expenditure of the Organization's money or other assets (notwithstanding that the accounting for the transaction may be correct);
iii. Expenditure likely to commit the Organization to further outlay on a large scale;	iii. Expenditure likely to commit the Organization to further outlay on a large scale;
iv. Any defect in the general system or controls governing receipts and disbursements, or assets, including inventories and property, plant and equipment;	iv. Any defect in the general system or detailed regulations governing the control of receipts and disbursements or of supplies and equipment;
v. Expenditure not in accordance with the intention of the General Assembly after making allowance for duly authorized transfers within the budget;	v. Expenditure not in accordance with the intention of the General Assembly after making allowance for duly authorized transfers within the budget;
vi. Expenditure in excess of appropriations as amended by duly authorized transfers within the budget;	vi. Expenditure in excess of appropriations as amended by duly authorized transfers within the budget;
vii. Expenditure not in conformity with the authority which governs it;	vii. Expenditure not in conformity with the authority which governs it;
(d) The accuracy or otherwise of inventories and property, plant and equipment records as determined by stock-taking and examination of the records;	(d) The accuracy or otherwise of the supplies and equipment records as determined by stock-taking and examination of the records;
(e) If appropriate, transactions accounted for in a previous financial period concerning which further information has been obtained or transactions in a later financial period concerning which it seems desirable that the General Assembly should have early knowledge.	(e) If appropriate, transactions accounted for in a previous period concerning which further information has been obtained or transactions in a later period concerning which it seems desirable that the General Assembly should have early knowledge.

Proposed financial regulation	*Existing financial regulation*
7. The Board of Auditors may make such observations with respect to its findings resulting from the audit and such comments on the Secretary-General’s financial report as it deems appropriate to the General Assembly or to the Secretary-General.	7. The Board of Auditors may make such observations with respect to its findings resulting from the audit and such comments on the Secretary-General’s financial report as it deems appropriate to the General Assembly or to the Secretary-General.
8. Whenever the scope of audit of the Board of Auditors is restricted, or whenever the Board is unable to obtain sufficient evidence, it shall refer to the matter in its opinion and report, making clear in its report the reasons for its comments and the effect on the financial position and the financial transactions as recorded.	8. Whenever the scope of audit of the Board of Auditors is restricted, or whenever the Board is unable to obtain sufficient evidence, it shall refer to the matter in its opinion and report, making clear in its report the reasons for its comments and the effect on the financial position and the financial transactions as recorded.
9. In no case shall the Board of Auditors include criticism in its report without first affording the Secretary-General an adequate opportunity of explanation on the matter under observation.	9. In no case shall the Board of Auditors include criticism in its report without first affording the Secretary-General an adequate opportunity of explanation on the matter under observation.
10. The Board is not required to mention any matter referred to in the foregoing that, in its opinion, is insignificant in all respects.	10. The Board is not required to mention any matter referred to in the foregoing that, in its opinion, is insignificant in all respects.