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Held at Headquarters, New York, on Thursday, 9 October 2014, at 10 a.m.

Chair:	Ms. Rambukwella (Vice-Chair)	(Sri Lanka)
later:	Mr. Ružička (Chair)	(Slovakia)
	Chair of the Advisory Committee on Administrative and Budgetary Questions: Mr. Ruiz Massieu	

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In the absence of Mr. Ružička (Slovakia),

Ms. Rambukwella (Sri Lanka), Vice-Chair, took the Chair.

The meeting was called to order at 10.10 a.m.

Agenda item 134: Improving the financial situation of the United Nations

1. **Mr. Takasu** (Under-Secretary-General for Management), accompanying his statement with a digital slide presentation, said that he would focus on four main financial indicators: the level of assessed contributions, unpaid assessed contributions, available cash resources and outstanding payments to Member States. Overall, financial indicators for 2014 were generally positive, with the exception of the regular budget. The level of cash available for the regular budget was low and the situation was expected to tighten further towards year-end. The final outcome would largely depend on incoming contributions in the remaining months of the year.

2. Cash balances were projected to be positive for peacekeeping operations and the tribunals. Capital master plan cash would be exhausted in November: the Working Capital Fund and the Special Account would be used to bridge capital master plan cash flow needs. The Secretariat was making every effort to process payments for troop-contributing countries and contingent-owned equipment expeditiously, and as a result the level of outstanding payments to Member States was projected to decrease by year-end.

3. Both assessments and payments received were higher in 2014 than in 2013. In October 2014, unpaid assessed contributions had amounted to slightly over $1 billion, $92 million higher than the $945 million outstanding in October 2013. By the 2 October 2014 cut-off date, 125 Member States had paid their regular budget assessments in full, with two more having paid since. He urged the remaining Member States to pay their assessed contributions in full as soon as possible. Outstanding contributions were concentrated among a few Member States, whose actions in the months ahead would largely determine the final financial picture for 2014.

4. Cash resources for the regular budget comprised the General Fund, into which assessed contributions were paid, the Working Capital Fund, which had been approved at a level of $150 million by the General Assembly, and the Special Account. As a result of the $31 million shortfall in regular budget cash at the end of 2013, the balance in the Working Capital Fund had fallen to $119 million. As at 2 October 2014, regular budget cash had amounted to $35 million, excluding the Working Capital Fund and Special Account, with balances of $150 million and $234 million, respectively. The reduced level of the Special Account reflected the General Assembly’s decision to authorize the use of $26.6 million from the Special Account as a credit to the General Fund. Including the reserves, a total of $419 million cash was currently available.

5. By its resolution 68/247 B, the General Assembly had authorized the use of the Working Capital Fund and the Special Account on an exceptional basis as a bridging mechanism to address possible cash flow challenges in connection with the capital master plan, including associated costs, until a decision on financing associated costs was made at the sixty-ninth session. In addition, the recently approved commitment authority for the United Nations Mission for Ebola Emergency Response (UNMEER) would draw on regular budget cash.

6. Those requirements would add further pressure in terms of the overall cash position of the General Fund. While regular budget cash, including reserves, currently stood at $419 million, disbursements through the end of the year were projected at some $800 million. The Secretariat would continue to monitor the cash position closely and would keep the General Assembly informed. The final cash position at the end of 2014 would depend largely on the payments made by Member States in coming months.

7. The changing demand for peacekeeping activities made it hard to predict financial requirements. Peacekeeping also had a different financial period, from 1 July to 30 June rather than the calendar year. In addition, assessments were issued separately for each operation, and, since assessments could only be issued through the mandate period approved by the Security Council for each mission, they were issued for different periods throughout the year. All those factors complicated a comparison between peacekeeping operations and the regular budget.

8. As at 2 October 2014 the total amount outstanding for peacekeeping operations had been $2.6 billion. A total of $5.8 billion had been assessed for peacekeeping operations in 2014, including $1 billion in assessments

for the United Nations Interim Force in Lebanon (UNIFIL), the United Nations Mission in Liberia (UNMIL), and the African Union-United Nations Hybrid Operation in Darfur (UNAMID) issued in September 2014. Contributions received so far in 2014 amounted to $5.5 billion.

9. It was difficult for Member States to keep fully current with assessments owing to the unpredictable amounts and timing of peacekeeping assessments throughout the year and the differences in their financial years. He expressed his gratitude to the 33 Member States that had paid all peacekeeping assessments currently due and payable. As at 2 October 2014, approximately $4.25 billion had been available for peacekeeping: active missions with $3.8 billion, closed missions with $310 million, and the Peacekeeping Reserve Fund with $134 million.

10. The Secretariat continued to make every effort to minimize the level of outstanding payments to Member States. While some $1.3 billion had been outstanding as at 3 October 2014 — $585 million for troops and formed police units, and $602 million for contingent-owned equipment claims for active missions and $86 million for closed missions — the total outstanding was projected to go down to $501 million by the end of 2014, compared with $513 million at year-end 2013. The Secretary-General was committed to meeting obligations to Member States providing troops and equipment as expeditiously as the cash situation permitted. The Secretariat would monitor the peacekeeping cash flow situation constantly with a view to maximizing payments, but depended on Member States' meeting their financial obligations to the United Nations in full and on time, and also on the expeditious finalization of memorandums of understanding with troop contributors for the provision of equipment.

11. The financial position of the two international tribunals and the International Residual Mechanism for Criminal Tribunals, with unpaid assessments totalling $60 million, remained roughly the same as in October 2013, although two more Member States had paid their assessed contributions in full by October 2014. He expressed his appreciation to the 98 Member States that had met their obligations in full and urged other Member States to pay their contributions to the international tribunals in full and on time. The cash position was currently positive, and was expected to remain solid through year-end, although the final financial position of the tribunals would depend on Member States' continuing to honour their financial obligations over the remaining months of 2014.

12. A total of $1.87 billion had been assessed for the capital master plan under the Special Account. As at 2 October 2014, the bulk, 99.9 per cent, of the assessed contributions had been received, with $0.5 million still outstanding. Given that the remaining cash balance would be fully utilized in November, and that the arrangement whereby the use of the Working Capital Fund and Special Account had been authorized on an exceptional basis as a bridging mechanism to finance associated costs and the secondary data centre, amounting to $154.8 million, would soon exhaust the Working Capital Fund, the Secretariat looked forward to a definitive decision by the General Assembly as soon as possible at the main part of the current session in order to keep the regular budget solvent. He thanked the 176 Member States that had paid their capital master plan assessments in full, a reflection of the strong support for the project.

13. He paid tribute to the 28 Member States that had paid all assessments in full as at 9 October 2014, and noted that while there were increases in the number of Member States paying in full for the international tribunals and the capital master plan, there were decreases for the regular budget and peacekeeping.

14. He recalled that the General Assembly, in its resolution 68/306, had requested the Secretary-General to report on any impediments or obstacles with respect to the accounts opened by permanent missions or their staff in the City of New York, and the impact on the functioning of those offices or their staff, as well as on the financial relations of the Secretariat with banking institutions in the City of New York and alternative options regarding banking services, so as to enable permanent missions to adequately manage and maintain their accounts, assessed budgetary contributions, voluntary contributions, transfers and other financial responsibilities directly related to their membership in the United Nations.

15. The Secretary-General fully understood the serious financial and operational implications for those affected and the critical importance of supporting permanent missions and their staff. As an immediate solution, the Secretariat had facilitated the opening of bank accounts for permanent missions with the United Nations Federal Credit Union, and was in the process of concluding a request-for-proposal process for the

Secretariat's new banking facility. He would update Member States on the new banking arrangements in the near future.

16. *Mr. Ružička (Slovakia) took the Chair.*

Agenda item 142: Report on the activities of the Office of Internal Oversight Services (A/69/304, A/69/308 (Part I) and A/69/308 (Part I)/Add.1)

17. **Ms. Lapointe** (Under-Secretary-General for Internal Oversight Services), introducing the report of the Office of Internal Oversight Services (OIOS) on its activities for the period from 1 July 2013 to 30 June 2014 (A/69/308 (Part I) and A/69/308 (Part I)/Add.1), said that over the reporting period OIOS had issued reports on a number of areas of strategic interest to the Organization, including Umoja and the International Public Sector Accounting Standards (IPSAS), the proactive investigation of fraud against the Organization by external parties, and self-evaluation activities. The Office had made critical recommendations aimed at improving internal controls, accountability mechanisms and organizational efficiency and effectiveness. Audit recommendations had been categorized and presented using the five integrated components of internal control: control environment, risk assessment, control activities, information and communication, and monitoring. The bulk of the recommendations related to the control activities component.

18. Over the 20 years since its establishment by General Assembly resolution 48/218 B, notwithstanding minor adjustments to its mandate, the basic key objective of OIOS had remained to support the Secretary-General in his oversight responsibilities. A number of events to celebrate the twentieth anniversary and the difference OIOS had made had taken place, with more planned throughout the year, including a high-level panel discussion in October 2014.

19. During the reporting period, OIOS had implemented internal improvements in all divisions to help focus its work and improve accountability for its resources, including updating operating procedures and manuals, articulating programme impact pathways for each division, developing key performance indicators for managing activities, and assessing OIOS operational risks using enterprise risk management.

20. In addition, in an effort to improve its ability to focus on strategic risks, OIOS was revising its risk-based planning process to leverage the results of the Organization-wide risk registers recently developed under the leadership of the Department of Management and the Management Committee in the context of implementing enterprise risk management.

21. **Mr. Mihm** (Chair of the Independent Audit Advisory Committee), introducing the report of the Independent Audit Advisory Committee (IAAC) on its activities for the period from 1 August 2013 to 31 July 2014 (A/69/304), said that the quality of the recommendations oversight bodies made and management’s progress in addressing them were critical elements of an effective internal control system. Although there was room for improvement, management continued to make progress in the implementation of recommendations by oversight bodies. Management had also shown interest in implementing enterprise risk management. However, given the scope and complexity of the Organization, the Secretary-General must ensure that there was sufficient capacity to effectively implement and sustain enterprise risk management.

22. As OIOS did not have a long-term strategic plan beyond one- or two-year workplans, IAAC recommended that the Office should establish a long-term strategic plan that would address, inter alia: strategic goals aligned with key United Nations risks and the latest transformational initiatives of the Secretariat; major challenges, such as procurement fraud; and annual goals for each division consistent with the strategic plan. IAAC deliberations on the operational and budgetary independence of OIOS had focused on funding arrangements and the possible need for a legal adviser. Both those issues were under consideration by management and OIOS. Any specific proposals that emerged from those discussions would be closely reviewed by IAAC. Details of other issues that affected the efficiency and effectiveness of OIOS, including vacant posts, resource disparities, and the strength of the investigation function, were set out in the report.

23. With regard to the public release of OIOS internal audit reports, the presumption should be in favour of public disclosure and transparency. As long as there were no compelling reasons to the contrary, Member States, key internal and external stakeholders, and the public should have access to the work of OIOS, with appropriate safeguards in place to prevent the inappropriate disclosure of private and sensitive information. Transparency fostered greater accountability, helped to ensure that audit findings and recommendations received the attention that they

deserved, and provided stakeholders and the public with the information that they needed to inform their judgements. Since the pilot project for the public disclosure of internal audit reports had been launched, over 140 reports had been publicly released, and there had been over 2,000 visits to the OIOS website and over 500 downloads of reports.

24. OIOS had informed IAAC that the pilot had gone smoothly, and that to date there had been no negative or unintended consequences as a result of public disclosure. IAAC had also obtained the views of oversight bodies on the public disclosure of internal audit reports. The Joint Inspection Unit had indicated that the publication of its reports was the norm, with no adverse effects. Moreover, the costs associated with public disclosure had been minimal. Accordingly, IAAC endorsed the continued publication of internal audit reports. As a next step, consideration should be given to publishing OIOS evaluation reports.

25. Lastly, with regard to the matter of financial reporting, the report contained details of the findings, observations, views and recommendations of IAAC on the progress made in implementing and the benefits realization of the International Public Sector Accounting Standards and the Umoja enterprise resource planning system, and on end-of-service liabilities.

26. **Ms. Rios Requena** (Plurinational State of Bolivia), speaking on behalf of the Group of 77 and China, said that OIOS had a crucial role to play in improving internal controls, accountability mechanisms, and organizational efficiency and effectiveness. Recalling the provisions of General Assembly resolution 48/218 B, she said that while OIOS exercised operational independence under the authority of the Secretary-General in the conduct of its duties and had the authority to initiate, carry out and report on any action which it considered necessary to fulfil its responsibilities, its remit was limited to evaluations of the efficiency and effectiveness of the implementation of the programmes and legislative mandates of the Organization, which should be carried out in line with the relevant mandates of intergovernmental bodies, in particular the Committee for Programme and Coordination.

27. In that connection, the Group reaffirmed the role of the General Assembly, in accordance with its resolution 54/244, as the principal oversight organ of the Organization, and emphasized that the approval, change and discontinuation of legislative mandates were the exclusive prerogatives of intergovernmental legislative bodies. The Group also reaffirmed the separate and distinct roles of internal and external oversight mechanisms, and underlined the importance of the ongoing coordination between OIOS and other United Nations oversight bodies, including the Board of Auditors and Joint Inspection Unit, without prejudice to their respective mandates, working methods and prerogatives.

28. OIOS needed to establish an integrated long-term strategic plan addressing strategic objectives aligned with critical United Nations risks and Secretariat initiatives, including mobility, IPSAS, Umoja and the capital master plan. The strategic plan should also focus on other challenges, such as procurement fraud.

29. The persistently high vacancy rate in the Investigations Division of OIOS, especially in the field, jeopardized the Office’s ability to fulfil its mandate. Efforts should be made to significantly reduce the vacancy rate, in conformity with the relevant General Assembly resolutions and, in particular, the principles of gender balance and equitable geographical distribution. The Group was also concerned about the resource disparities in the Inspection and Evaluation Division. OIOS should review the matter further, especially in the context of key risks to the Organization and the necessity of ensuring proper oversight coverage of those key risks.

30. Noting the financial implications of the 936 recommendations made in the 326 OIOS oversight reports during the reporting period, the Group encouraged OIOS to continue to focus on improving the quality of its recommendations. The Group had taken note of the oversight activities relating to the capital master plan, the United Nations Compensation Commission, and the construction of additional office facilities at the Economic Commission for Africa (ECA), in Addis Ababa, and the United Nations Office at Nairobi, and looked forward to discussing those matters in detail.

31. With regard to the forthcoming mandate review of OIOS, the Group reaffirmed that the Office was an integral part of the Secretariat with responsibilities in the key areas of monitoring, investigation, internal audit, inspection and evaluation, as outlined in General Assembly resolution 48/218 B. The Group looked

forward to discussion of how to improve the efficiency and effectiveness of OIOS in those areas.

32. **Ms. Power** (Observer for the European Union), speaking also on behalf of the candidate countries Albania, Montenegro, Serbia, the former Yugoslav Republic of Macedonia and Turkey; the stabilization and association process country Bosnia and Herzegovina; and, in addition, Armenia, Georgia, the Republic of Moldova and Ukraine, thanked OIOS for its work over the past 20 years to make the United Nations stronger, more efficient and more effective. Welcoming the clear, detailed reporting of OIOS, its continuous efforts to improve the quality of its own performance and its efforts to work together with other United Nations oversight entities, the European Union urged OIOS to identify how it could expand and intensify its collaboration with other oversight entities in order to avoid duplication and overlap.

33. Welcoming the views of IAAC on the results of the pilot project on the public disclosure of OIOS internal audit reports, the European Union aligned itself with the IAAC recommendation that those reports should continue to be published to ensure transparency and accountability in the work of OIOS.

34. **Ms. Schweizer** (Switzerland), speaking also on behalf of Liechtenstein, said that OIOS provided a robust oversight function that had helped the Organization become more accountable, transparent, efficient and effective. The twentieth anniversary of the Office, in conjunction with the quinquennial mandate review, was an excellent opportunity to take stock of its achievements and to identify areas that might require further strengthening.

35. Operational independence was a vital precondition for any oversight function, whether internal or external. The internal oversight function must be able to perform its mandated activities in an unbiased and objective manner if it was to be of real value to management. While no impediments to operational independence had been reported, the highly fragmented funding structure of OIOS could have a negative impact on the Office's operational independence. The two delegations looked forward to hearing more about possible solutions to those challenges.

36. The main focus of oversight activity should be key risks. OIOS had made much progress in adopting risk-based workplans, and she welcomed the IAAC recommendation that OIOS should establish a long-term strategic plan aligned with key United Nations risks. Similarly, she was pleased to note that enterprise risk management was finally being given the necessary attention by management, and trusted that the process would eventually lead to a situation where risks were managed effectively, rather than ignored.

37. With regard to investigations, it should be clarified which matters should be handled by OIOS and which should be investigated by trained investigators in other units. Cases involving a higher level of risk to the Organization should probably be dealt with by OIOS, while less sensitive cases could be referred to other units.

38. Adequate coordination with other oversight bodies and trust-based cooperation with management were key requirements for OIOS to perform its functions effectively. Each of the three oversight bodies had its own terms of reference, and could bring its own valuable perspective to any given issue. There was therefore merit in the IAAC recommendation to bring together the collective good work of the oversight bodies in one place, as that would greatly enhance oversight by Member States.

39. Lastly, while the efforts of OIOS to measure the impact of its work on its clients were welcome, the Office should redouble its efforts to strengthen its effectiveness. Commending the Under-Secretary-General's role in the Management Committee, the two delegations encouraged her to press senior managers to address past due recommendations as a matter of priority and to hold them accountable. Management should support the work of OIOS by facilitating access to any information and to any third parties deemed necessary for the effective discharge of the Office's mandate.

40. **Mr. Cabactulan** (Philippines) reaffirmed the importance of maintaining a separation between internal and external oversight bodies in order to ensure their effectiveness. Oversight bodies should, however, sustain their cooperative relations while maintaining their distinct roles.

41. His delegation was pleased with the progress that had been made in strengthening the functioning of OIOS, in particular by means of periodic external quality reviews. Such reviews enabled Member States to take more informed decisions regarding requests and proposals made by the Office.

42. The efforts of OIOS to prioritize its audit recommendations based on risks and highlight the most critical recommendations were welcome. His delegation, however, was concerned at the 25 past due critical recommendations, addressing issues such as procurement and the delegation of authority.

43. He trusted that the Office would heed the observations that IAAC had made on how it could improve its effectiveness, including by producing a fully integrated long-term strategic plan, addressing strategic goals aligned with risks and the latest transformational initiatives of the Secretariat, and conducting client surveys.

44. Echoing the IAAC recommendation that the Management Committee should determine the causes of the growth in the number of past due recommendations and ensure that programme managers adhered to target dates, he said that IAAC should continue to review closely the efforts of OIOS and management to establish holistic enterprise risk management processes.

45. Lastly, his delegation shared the view of IAAC that the oversight bodies should consider developing specific fact sheets bringing together in one place synopses by each of the oversight bodies, particularly where the oversight bodies had legitimately examined similar topics.

46. **Ms. Norman Chalet** (United States of America) said that her delegation welcomed the valuable insights afforded by IAAC and encouraged it to continue to provide Member States with candid assessments of OIOS performance. There was merit in the IAAC recommendation that the oversight bodies should explore undertaking collaborative reviews of a single topic or organization, as it would provide Member States with a complete picture of the issues under consideration and assist them in performing their oversight duties.

47. The work of OIOS was vital to the continued sustainability and effectiveness of the United Nations: its focus on the responsible use of resources and attention to waste and management promoted overall transparency and accountability within the Organization. Her delegation commended OIOS for vigorously pursuing cases of fraud; initiating risk management systems across the Office; launching the pilot project to publish internal audit reports; and filling vacancies, although that continued to be a vexing problem.

48. Public disclosure of internal audit reports had a positive impact on both the quality of the reports and management action plans. Given the success of the pilot project for the public disclosure of internal audit reports, her delegation urged the General Assembly to make their publication permanent. It also commended the initiatives undertaken by OIOS to enhance the quality of its reports by clearly and succinctly identifying key risks, which had resulted in improved effectiveness.

49. Despite those reforms, challenges remained in ensuring that OIOS realized its full potential as an internal oversight body that was operationally independent and answerable to the General Assembly. Greater authority over its budget would allow OIOS to perform its oversight functions free of influence from the organizations and officials that it oversaw. Her delegation therefore looked forward to the review by OIOS of its funding arrangements, including the impact on operational independence.

50. While tremendous work had been done in recent years to enhance the Office’s investigative capacity, it continued to face challenges, such as efforts to transfer all investigations to OIOS. The Office should focus its attention on proactively pursuing serious cases of fraud, mismanagement of resources, corruption, and sexual exploitation and abuse. Overcoming those challenges was of paramount importance in improving the credibility and effectiveness of the Office’s oversight function.

51. Lastly, she commended OIOS for having taken the issue of past due critical recommendations seriously and engaging the Management Committee and senior managers on the matter, which had led to a significant increase in the overall implementation rate of such recommendations. OIOS should continue its vigorous pursuit of the timely implementation of all recommendations.

52. **Mr. Alemu** (Ethiopia), referring to paragraph 36 of the report of OIOS (A/69/308 (Part 1)), said that while his delegation did not disagree with the evaluation of the work of the Economic Commission for Africa, the comments on the extent of the influence ECA research and analysis had on national policy formulation could be misinterpreted. National governments were at liberty to choose whether or not

to base policies on that research and analysis. The Commission was a critically important institution, thanks to the efforts of the Executive Secretary of ECA, and its work was much appreciated by his Government and other regional bodies, including the African Union.

53. **Ms. Lapointe** (Under-Secretary-General for Internal Oversight Services) said that the Office was working to address the recommendations of IAAC and the concerns raised by Member States in order to strengthen internal oversight within the Organization. Responding to the comments made by the representative of Ethiopia, she said that OIOS recognized the leadership of the Executive Secretary of ECA. She apologized if the wording of the paragraph suggested that the work of ECA was not going in the right direction, as that was certainly not the case. However, ECA would exert more influence in the region if it had a systematic framework in place to track its influence on policy formulation. It was not that ECA did not have any influence on the countries it was seeking to assist, but, rather, that it could not demonstrate the extent of that influence. The Commission had agreed with that recommendation and was in the process of putting a system in place to gauge its influence.

54. **Mr. Mihm** (Chair of the Independent Audit Advisory Committee) said that IAAC was in the process of drawing up a list of topics and organizations that could be the subject of the proposed fact sheets. That list would be shared with Member States once it was finalized.

Agenda item 132: Programme budget for the biennium 2014-2015 (*continued*)

International Public Sector Accounting Standards (A/69/155, A/69/367 and A/69/414)

55. **Mr. Guazo** (Director, Accounts Division), introducing the seventh progress report of the Secretary-General on the adoption of the International Public Sector Accounting Standards (A/69/367), said that the report reviewed the progress of IPSAS implementation throughout the United Nations system during the period from 1 September 2013 to 31 August 2014. In total, 21 of the 24 organizations within the United Nations system had successfully migrated to IPSAS. All 21 organizations had also produced IPSAS-compliant financial statements for 2013. Those organizations were now engaged in a range of post-implementation activities that were crucial for sustaining IPSAS compliance and ensuring the realization of the full benefits of IPSAS.

56. Regarding the Secretariat's implementation of IPSAS, following the launch of IPSAS-compliant accounting in peacekeeping operations on 1 July 2013, the first IPSAS-compliant financial statements for peacekeeping operations had been completed by 30 September 2014 and submitted to the Board of Auditors and the Advisory Committee. The reporting period had seen the achievement of key IPSAS project milestones, in particular for peacekeeping operations, including the finalization of IPSAS opening balances, and their review by the Board of Auditors, as well as the preparation of IPSAS dry run financial statements as at 31 December 2013.

57. With respect to the concerns raised by the Advisory Committee at the previous session regarding the absence of a common system for recording financial data and the risks associated with temporary adaptations of existing systems, the dry run financial statements had validated the use of the transitional arrangements, including the new IPSAS parallel ledger in the Integrated Management Information System (IMIS).

58. A major issue that had developed in the first quarter of 2014 was the backlog of bank reconciliation, payroll and accounts payable open items in Umoja, which posed a threat to the control environment of IPSAS. The issue had been addressed by realigning resources at field missions as well as deploying expert staff from Headquarters to select field missions; in addition, technical enhancements had been made in Umoja and hands-on training in Umoja had been intensified in field missions. Progress was being monitored closely, and the backlog had now been reduced to levels considered non-material for the financial statements.

59. For the other operations of the United Nations, opening balances, as at 1 January 2014, had been submitted by offices and were currently being vetted and consolidated; in addition, the process of preparing dry run financial statements as at 30 June 2014 was in progress. Arrangements had been made with the Board of Auditors to review the IPSAS opening balances and status of the dry run for the volume I financial statements in October 2014. Staff at Headquarters continued to work collaboratively with teams

supporting IPSAS in offices away from Headquarters; all reporting entities would produce IPSAS-compliant financial statements by 31 March 2015.

60. The progress made was attributable to strong project, risk and change management. IPSAS implementation tasks were communicated to individual offices and missions, and progress closely tracked via a monthly reporting tool. The IPSAS Steering Committee had continued to exercise oversight of the project during the reporting period, and had focused on managing key risks and issues, including linkages to the deployment of Umoja and the enhancement of legacy systems. Both the Management Committee and IAAC continued to review and closely monitor the project. With regard to change management, the IPSAS and Umoja teams had conducted joint financial statement preparation workshops for field mission staff to ensure field missions were able to support IPSAS-compliant reporting at the mission level.

61. As Umoja had not been fully deployed to support IPSAS, in the first year IPSAS-compliant financial statements for both peacekeeping and non-peacekeeping operations would be produced from IMIS using the IPSAS parallel ledger as the book of record. Owing to the delay in the replacement of IMIS at United Nations Headquarters by Umoja, the strategy had been modified to include production of the second year of IPSAS-compliant financial statements from IMIS. As the deployment of Umoja continued, the IPSAS and Umoja teams would work to ensure that Umoja served as the backbone for IPSAS-compliant accounting and reporting.

62. The General Assembly was requested to take note of the present report, including the status of the IPSAS benefits realization plan and the proposed framework for IPSAS sustainability. The five major benefit categories had been detailed further and presented in a benefits realization plan endorsed by the IPSAS Steering Committee. The objectives of the plan were to define the individual benefit areas and associated key performance indicators, and to clarify related responsibilities for key performance indicators, actions and milestones. The plan would be submitted to the Management Committee for approval and training would be given to senior managers before it was launched.

63. The post-implementation phase of the project would include development of an IPSAS sustainability strategy based on lessons learned during the implementation phase and the experience of other United Nations system organizations. One major sustainability activity already identified was the issuance of a statement of internal controls, as recommended by the Board of Auditors. Additional sustainability activities would include maintenance of the regulatory framework and the systems and processes supporting IPSAS. Those activities, while forming the framework of the IPSAS sustainability plan to be developed in 2015 and deployed in 2016, would continue to place heavy demands on the IPSAS team well beyond the implementation of IPSAS in 2014-2015.

64. The three organizations with an IPSAS adoption date of 2014 — the United Nations, the Food and Agriculture Organization of the United Nations (FAO) and the World Tourism Organization (UNWTO) — were on schedule for the production of their first IPSAS-compliant financial statements, and had achieved several critical milestones, including the successful establishment of IPSAS opening balances and the completion of IPSAS dry run exercises.

65. The United Nations system organizations continued to work collaboratively through the United Nations System Task Force on Accounting Standards to share lessons learned from IPSAS implementation and sustainability processes. In that connection, the Task Force had set up a working focus group on assets to address post-implementation challenges relating to inventories and property, plants and equipment.

66. **Mr. O'Farrell** (Chair of the Audit Operations Committee of the Board of Auditors), introducing the fourth progress report of the Board of Auditors on the implementation of IPSAS (A/69/155), said that by the end of 2014 all United Nations system entities would have implemented IPSAS. The level of progress reflected the commitment and energy of the entities concerned and represented a major step towards modernization of the United Nations system. All the entities that had gone live in 2012 had received a second unqualified audit opinion, and the remaining entities that would go live in 2014 had made significant progress. The real test would, however, be whether the entities could translate the new information into measurable improvements in operations and the cost-effective delivery of mandates. That was where more progress was needed and where the Board would focus its future audits at the entity level.

67. With regard to benefits realization at the entities that had implemented IPSAS in 2012 and at the United Nations, he noted that they had all made further progress in developing and implementing benefits realization plans. While the results were not yet ready for reporting, the Board was encouraging the capture of both quantitative and qualitative benefits. There was clear evidence that IPSAS had led to improved financial management processes, as the Board was seeing improvements in monthly and year-end financial closure processes, and improved monitoring of key processes and controls.

68. To varying degrees, all entities had used the new information under IPSAS to enhance the frequency and quality of the financial information provided to management, including key performance indicators, financial ratios and the tracking of key account balances — such as accounts payable and receivable — to better manage funding pledges from donors. The next step would be for all entities to use that new information to enhance decision-making and managerial oversight of operations; the Board would be looking for clear evidence of that in its future audits.

69. There was less evidence that the new financial information was, as yet, being used outside of finance units to drive improvements in business functions, operations and the more cost-effective delivery of mandates. One positive example, however, was the United Nations strategic capital review, which was using new information on assets produced under IPSAS to propose a more cost-effective way of planning and prioritizing capital maintenance projects on a comparable basis.

70. There had been uneven progress in transforming the role of the finance functions across United Nations entities, but there was a growing need for finance functions to lead the drive towards improved financial management across business as a whole, to help managers to understand costs and to facilitate more cost-effective delivery of mandates. That would require investment in developing enhanced financial management skills across the entire Organization, which some entities had recognized and were acting on.

71. Management at local, headquarters and senior levels was committed to the implementation of IPSAS at the United Nations and in its peacekeeping operations; however, the inherent complexities and transitional implementation arrangements, involving the use of multiple enhanced legacy systems and the parallel implementation of Umoja, were challenging, and increased the risk of error being introduced through one of the systems.

72. While significant progress had been made in preparing materially correct opening balances for peacekeeping missions, the opening balances had been finalized four months later than planned. The Board, however, was not able to provide assurances that in-year transactions and balances were being appropriately processed, accounted for and reported. The Board also noted additional pressures arising from the late completion of dry run financial statements and the delay in agreeing a methodology for estimating the value of inventory holdings for peacekeeping operations. The Administration was aware of those issues and was working to resolve them.

73. Major, as yet unresolved, issues with financial transactions had emerged following the implementation of Umoja in United Nations peacekeeping operations. During the 2013/14 peacekeeping financial year, there had been high volumes of open and unreconciled transactions in respect of bank reconciliations, accounts payable and payroll, potentially affecting the integrity of peacekeeping accounting and financial records, which might also indicate that key internal controls might have been inoperable throughout or for part of the financial year. The Board would conclude its consideration of that matter as part of its next audit of peacekeeping operations for the year ended 30 June 2014.

74. The Board could not, as yet, provide assurance over the control environment for the full consolidation process across the complex system architecture for the production of IPSAS financial statements for the United Nations, since that work had, as yet, neither been completed nor tested. It was critical for the control environment to be completed and tested by the third quarter of 2014.

75. Considerable progress had been made by the 12 entities going live in 2014 in addressing the Board’s previous concerns expressed in its second progress report (A/67/168). While there could be no guarantee, the entities had good reason to expect the successful production of first-time IPSAS-compliant financial statements for the financial period ended 31 December 2014.

76. The fourth progress report would be the final one by the Board on the implementation of IPSAS. As all

United Nations entities would have implemented IPSAS by the end of 2014, the debate should, in the Board's view, shift to the more cost-effective delivery of mandates by entities using IPSAS as one of a number of management tools. Should any major issues arise with the remaining implementations, they would be fully reported in the Board's report on the relevant entity. That proposal would be cost-neutral as the Board had not requested any fee for the production of its IPSAS progress reports. The Board would continue to support management in its primary duty to drive, deliver and report benefits from the implementation of IPSAS.

77. **Mr. Ruiz Massieu** (Chair of the Advisory Committee on Administrative and Budgetary Questions), introducing the related report of the Advisory Committee (A/69/414), said that the Advisory Committee welcomed the progress made in the implementation of IPSAS across the United Nations system as a whole and, in particular, in the United Nations Secretariat, despite the delays that had hampered the progress of the project in its earlier stages. In that regard, it also welcomed the attainment of important milestones for peacekeeping operations, culminating in the production of the first IPSAS-compliant financial statements for peacekeeping on 30 September 2014. As for the other operations of the United Nations, the Advisory Committee was confident that they were on track to deliver IPSAS-compliant financial statements for 2014 by 31 March 2015. Moreover, project expenditures had remained within the indicative budget of $27 million.

78. With regard to risk management, the Advisory Committee was concerned about the continued delay in the implementation of Umoja and the risk that posed to the realization of the full benefits of IPSAS. The Advisory Committee expected that the benefits realization plan would be finalized for implementation as soon as possible and recommended that the Secretary-General should be requested to track and report on the realization of IPSAS benefits throughout the Secretariat.

79. Lastly, the Advisory Committee was pleased to note that 21 of the 24 United Nations system organizations had successfully adopted IPSAS and that they had all received unqualified audit opinions from the Board of Auditors on their 2013 financial statements. The Advisory Committee expected that the system-wide collaboration between those entities on the post-implementation activities to sustain IPSAS compliance would be continued.

80. **Ms. Rios Requena** (Plurinational State of Bolivia), speaking on behalf of the Group of 77 and China, said that the Group welcomed the fact that 21 out of 24 entities had now successfully implemented IPSAS, and looked forward to receiving updates on the progress made by the remaining entities, namely the Secretariat, FAO and UNWTO. There was clear evidence that IPSAS had led to improved financial management processes across the entities and the Group looked forward to further improvements.

81. As the delay in the deployment of Umoja had affected the implementation of IPSAS, Umoja and IPSAS teams should continue to work together to guarantee the realization of the expected benefits of IPSAS. Umoja and IPSAS teams should also continue to cooperate with the Board of Auditors; the Group looked forward to updates in that connection.

82. The Group welcomed the issuance of the IPSAS accounting policy framework, which provided a more detailed guide to the application of the Standards to the Secretariat. The Group trusted that the document would be kept up to date and concurred with the Advisory Committee that the Secretary-General should ensure that the accounting manual was completed and made available as soon as possible.

83. The IPSAS training and seminars for key stakeholders, including staff, Member States and the Advisory Committee, were welcome. In that connection, the Group called for best practices and lessons learned to be transmitted to end-users of Umoja through training courses.

84. Lastly, the Group stressed that the project expenditures and benefits should continue to be tracked and recorded throughout the implementation of IPSAS, and looked forward to further updates in that regard.

85. **Ms. Power** (Observer for the European Union), speaking also on behalf of the candidate countries Albania, Montenegro, Serbia, the former Yugoslav Republic of Macedonia and Turkey; the stabilization and association process country Bosnia and Herzegovina; and, in addition, Armenia, Georgia and Ukraine, welcomed the progress made in implementing IPSAS as a major step towards the modernization of the United Nations system. The implementation of IPSAS was not, however, a goal in itself. Its

implementation should lead to new and more accurate financial information. The European Union was concerned that the new financial information was not, as yet, being used sufficiently outside of finance units to drive improvements in business functions, operations and, crucially, the more cost-effective delivery of mandates. The challenge was therefore for entities across the United Nations system to use the newly available financial information to deliver improved accountability, transparency, control and financial sustainability, as well as more cost-effective decision-making and delivery of vital services. That was even more important given the fiscal and economic constraints and increased financial risks that United Nations entities faced.

86. Welcoming the increased collaboration between IPSAS and Umoja teams, including the aligning of their respective risk logs and holding of joint workshops, the European Union looked forward to hearing about the positive impact those business transformation initiatives had had on working methods. However, it remained concerned about the potential effects of the delays in the implementation of Umoja, which could mean that the Umoja deployment timetable did not align with the IPSAS reporting timetable.

87. The European Union commended the systematic approach to training that had been taken by the IPSAS project team, on the basis of a detailed training needs analysis, and welcomed the efforts to extend the training to as wide an audience as possible throughout the Organization, through computer-based and instructor-led courses.

88. While the promulgation of the IPSAS accounting policy framework, established to permit the consistent application of the Standards and to support the realization of IPSAS benefits, was welcome, it was important for all the relevant documents to be completed as soon as possible and kept up to date. The European Union concurred with the Board of Auditors that all entities implementing IPSAS must, building on the benefits plans and other improvements already under way, consider how the new information from the accounting framework could be used to drive improved longer-term and more strategic planning. Lastly, IPSAS implementation should take place within existing resources at Headquarters and in field offices.

The meeting rose at 12.05 p.m.