



INTERNATIONAL TELECOMMUNICATION UNION

**MANAGEMENT AND BUDGET GROUP
OF THE COUNCIL (MBG)**

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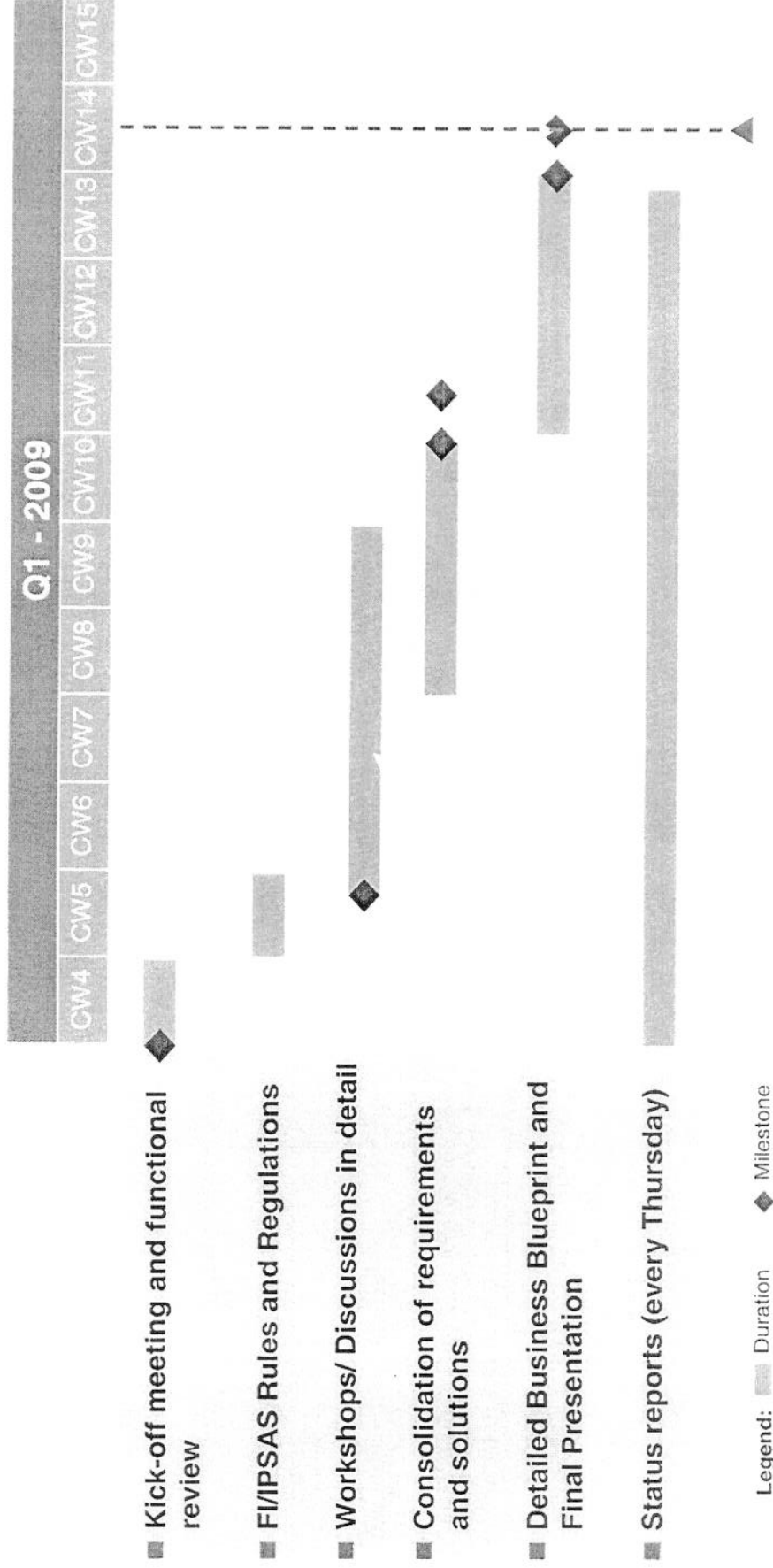
GENEVA — THIRD MEETING — 12 JUNE 2009

STATUS REPORT ON IPSAS IMPLEMENTATION

Attached is a status report on IPSAS implementation.

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Realization - Project plan

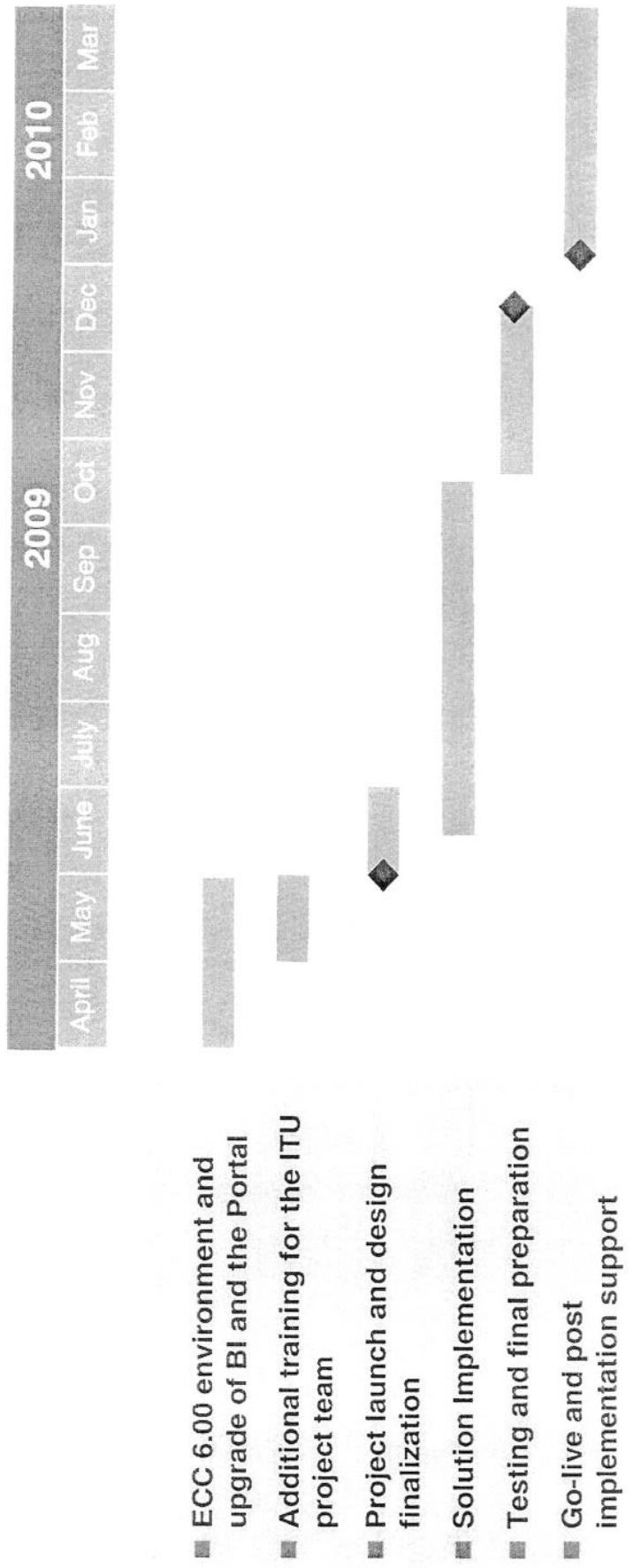


⊕ = According to plan and no open issue

⊖ = Uncritical deviation from plan or open issue

⊗ = Critical deviation from plan or urgent decision need by ITU

International Telecommunication Union, ITU Implementation Project Plan



Legend: ■ Duration ◆ Milestone



IPSAS compliance review

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IPSAS compliance review (1)



ITU Processes	Description	IPSAS Compliance	Functional Changes
Unliquidated Obligations	Service Order No. 07/29 indicates, that a signed order can't be settled before closing date of 31st December 2007. Transfer to the Account of unliquidated obligations.	IPSAS expenditure accruals based on the delivery principle.	Goods receipt and service delivery
Consolidation of CHF and USD funds (issue with exchange rates)	Expense and income accruals must be done annually for the annual accounts.	IPSAS does not have a distinction to the establishment of unliquidated obligations based upon funding type. That means, annual expenditure accruals would apply to the Regular Budget, Telecom and UNDP AND to other special funds and voluntary contributions.	Goods receipt and service delivery
Reserve	Transactions between companies are handled through intermediate accounts. The financial statements for each company (fund) are produced only in the currency of the fund - not overall consolidated.	IPSAS requires the consolidation of all financial accounts controlled by an organization into a single income and Expenditure statement (State of Financial Performance), single Balance Sheet (State of Financial Positions), Cash Flow statement and statement of Net changes in Assets/Equity. Conversion from USD to CHF - using the rate effect on the date of the transaction.	Fund Accounting with one company code and multiple parallel currencies
Reserve	Reserve for debtor accounts: ITU has funded a reserve that partially offsets its receivables from assessed contributions and publications though not other debtors including cost recovery costs.	Procedure is for a provision (liability) for doubtful debts to be established equal to the estimated account of the arrears that will not be recovered. The provision is generally based upon experience with the individual debtors or classes of debtors.	No influence regarding the implementation.

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IPSAS compliance review (2)



ITU Processes	Description	IPSAS Compliance	Functional Changes
Reserve	Special Arrears Accounts: Most organizations intend to consider their entire accounts receivable as current amounts. An exception will be made for special arrears for which a multi-year payment period has been negotiated.	IPSAS requires assets and liabilities to be separated into current and non-current amounts.	No influence regarding the implementation.
Reserve for staff installation and repatriation	In most UN organizations, the cost of installation is financed from current appropriations or directly from voluntary contributions.	IPSAS says, that staff installation is a current expense, while repatriation is both a current expense and a long-term liability.	No influence regarding the implementation.
Telecom exhibit revenue and expense	Revenue and expense are recorded in the amounts and presented in the Financial Operating Report on a cash basis reflecting in the financial period in which revenue is invoiced and expenses are disbursed. No unliquidated obligations are established for Telecom expenses.	IPSAS requires full accrual accounting.	No influence regarding the implementation except the goods receipt and service delivery.
Segment values	Utilize funding source as the basis for the segments (Regular budget, Trust funds, Telecom, Voluntary contribution, etc.)	The standard requires that organizations provide either a note disclosure or exhibit, presenting revenue and expense, along with certain assets and liabilities that reflect distinguished activities for which it is appropriate to report separately.	Funds and Grants

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IPSAS compliance review (3)



ITU Processes	Description	IPSAS Compliance	Functional Changes
Budgetary policy (accrual, cash or modified accrual)	No reconciliation between income and expenditure in the form of revenue and expense.	Reconciliation showing income and expenditure, including depreciation of fixed assets, establishment of provisions, etc..	One ledger by Accounting (Financial, Budgetary, Cost and Extra-budgetary)
Voluntary contributions	No exhibit showing the original budget, final budget, actual income and expenditure based upon the budgetary policy and the net difference with the final budget. ITU receives contributions toward technical cooperation projects from UNDP, from Member States and other donors. Income is recorded when the funds are received.	IPSAS requires the mentioned aspects in the box to the left. Voluntary contributions represent non-exchange transactions and revenue recognition is based upon full accrual and is recorded in the accounts when the agreement is signed with the donor, not when the cash has been received.	Budgetary and Extra-budgetary Accountings Grants Management for Grantee
Financial Statements and external audit	ITU preparing a report for the first year of the biennium, which is not audited and does not include consolidated statements. Budgetary comparison is to the biennial budget. Budget representing not the difference between the first year budget and the biennial budget. Only the biennial statements are subject of external audit.	Annual IPSAS based financial statement and financial performance (each period has to be presented). IPSAS conforming financial statements for the second year of the biennium, including a comparison between the first year budget and the biennial budget. External audit of annual financial reports.	Reporting tools Reporting tools No influence regarding the implementation.

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IPSAS compliance review (4)



ITU Processes	Description	IPSAS Compliance	Functional Changes
Cost Recovery	Not covered at the moment.	Under IPSAS fees charged for services provided are considered exchange transactions. The user of the service pays a fee in exchange for receiving the service.	No influence regarding the implementation.
Satellite Registration Cost Recovery	All fees are invoiced upon receipt of the application.	Revenue from fees are exchange transactions recognized in accordance with IPSAS 9. Revenue is recognized either upon full rendering of the service being purchased or based upon the stage of completion assuming information is available on both the cost by stage and the status of each service.	No influence regarding the implementation.
Buildings	ITU includes on its balance sheet as assets of buildings only an amount equal to the outstanding balance of the Building Foundation for International Organizations (FIPOI) loans. Buildings with no outstanding loans are valued at CHF 1.00.	All buildings are valued at either historical cost less depreciation or current fair value as determined by an independent appraisal.	Asset Accounting
Land	Surface rights from the Canton of Geneva for land, on which buildings are located. In some cases these rights were leased to the Organization for an annual fee.	A "right" is usually treated as an intangible asset and only included as an asset if its value can reliably be determined.	Asset Accounting

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IPSAS compliance review (5)



ITU Processes	Description	IPSAS Compliance	Functional Changes
Inventory	Inventory at the end of each biennium - consolidation and calculation of an amount, but in the balance sheet only the amount of CHF 1.00 is reflected.	IPSAS requires to reflect the current value of equipment on a balance sheet.	Asset Accounting
Staff Superannuation and Benevolent Funds	No pension fund in terms of IPSAS compliance.	IPSAS requires that the financial liabilities of the Pension (Reserve and Complement), Provident and Assistance funds be determined based on an actuarial review.	Fund accounting with a fund SHIF

Training and Communication



Communication and training

- Communication strategy mainly focused on stakeholders directly involved (i.e. governing bodies, staff, auditors) - further efforts needed to enlarge communication to all affected stakeholders
- Training needs and strategy identified at UN system level
 - (3 levels/audiences; systems/conceptual training)
- The Task Force staff provided an updated report on the status of the development of training materials. A contract has now been awarded to International Business and Technical Consultants, Inc. for the development of the materials. The time table for the development of the first three courses including the basic orientation materials has been delayed to July 2009, with the final completion of the remaining courses now scheduled for October 2009. These courses are designed to be a basic overview of the IPSAS standards and the general requirements for IPSAS implementation. It is not clear how useful these materials will be to ITU, due to the general nature and the fact that ITU operates many unique programs and has methods of financing that differ from those in other UN system entities.
- It is also not clear the extent of each organization's ability to modify the course materials, particularly those designed for computer based training. ITU will have to carefully review the materials as they become available to determine what modifications will be required to make them useful to ITU staff. A review of ITU's training requirements will be undertaken as soon as additional information becomes available from the Task Force.
- For the phase 2 of IPSAS implementation, it was decided to organize training courses for all staff of the financial divisions, Procurement Division, and concerned staff of IS Department, as well as all the Financial Controllers. These courses are scheduled to take place before the end of June or in early July.



Conclusion

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Why a re-implementation ?



The re-implementation is the better solution to make a clear distinction between the UNAS and the IPSAS

If we start from the existing system, the historical data will not be available as the work will be too high to migrate all the documents (only one currency, merging of company codes, activation of the parallel currencies, activation of the new G/L)

This project must also streamline the processes and therefore a re-implementation give the best opportunity to start with new processes and with updated master data after a clear cleaning of them.

The changes in the chart of account as in the number of company codes, coupled with the fund accounting activation (dimension fund and grant must be present in all the documents) doesn't allow doing an automatic closing between the UNAS and IPSAS. Therefore, even if we are not doing a re-implementation, all the open documents till 2009 must be closed and re-entered in 2010 with the new standards and accounts. The only big difference between the re-implementation and the migration is the re-entry of all the cleaned master data (vendors, customers, ...) but it changes nothing concerning the open items and historical data problematic.

In conclusion, the idea is to re-implement the complete solution on a new system but also maintaining the former one in a display mode to guarantee a tracking between the UNAS and IPSAS systems.

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Why a re-implementation ?



Concerning more specifically some functional domain:

in HCM, it's vital to migrate all the data from the existing solution to the new one as the retroactivity calculation must be maintained.

in SD, in the actual system, the publication department doesn't use directly SAP to produce statistics. If it will be the case in the future, the historical data can be extracted in Business Intelligence in the former system, combined with the extraction in the new system. Even without a re-implementation, the effort will be the same as we can not take directly all the open items to the year 2010.

in SRM/MM, SRM will be upgraded to simplify the budget control processes and add new functionalities which are available. But the open purchase orders will be manually migrated in the new MM system. These purchase orders will only be present in MM but SRM can be used for the next steps (Good receipt/service delivery, invoice, ...). Here again, even without re-implementation, the effort to "migrate" these open purchase orders will be the same. The new purchase orders will be entered in the upgraded SRM.

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Advantages of the proposed solution



- This solution is based on the international public sector best practices
- ITU comes back to standard, securing all the futures upgrades
- More transparent, more flexible, the up-to-date solution will use the new functionalities available with the technical upgrade (no more consolidation, better tool for decision making, parallel currencies)
- In addition to be IPSAS compliant, the implementation of the solution is feasible in the time frame (1st of January 2010) if the project begins at the latest early June
- This solution allows a better follow-up of the funding and integrates the extra budgetary accounting in the system, including the BDT and UNDP financial problematic
- The proposed solution gives the opportunity for the implementation of new extensions like the collaborative projects module (BDT)
- Clear separation between the UNAS and IPSAS for the management, auditors and users

The implementation of the IPSAS Budget



Situation as at 31 May 2009

	Budget	Expenditure	Balance
Consultants	120'000.00	21'909.00	98'091.00
Missions	50'000.00	14'172.00	35'828.00
Training	130'000.00	2'800.00	127'200.00
Phase 1 Blueprint	300'000.00	223'716.00	76'284.00
Phase 2 implementation	1'900'000.00	0.00	1'900'000.00
Total	2'500'000.00	262'597.00	2'237'403.00