



**REQUEST FOR USE OF FUNDS FROM THE GOVERNING COUNCIL SPECIAL FUND:
E. SUPPORT TO IPSAS IMPLEMENTATION**

1. As part of a United Nations System wide effort, IARC took a progressive approach for implementation of the International Public Sector Accounting Standards (IPSAS) which has now been fully adopted with effect from 1 January 2012.
2. The adoption of IPSAS has required changes to be made to accounting policies which lead to changes required in business processes and IT systems, and a need to strengthen the oversight of financial management of the Agency.
3. The External Auditors who conducted the 2012 audit noted several inefficiencies of the current SAP system, recommending that Management: (a) pursue enhancement of SAP to meet the new reporting requirements and to improve the existing computing processes; (b) ensure that complex front and back office systems are integrated to create a seamless experience for end-users after considering the reporting requirements of each of the module users; and (c) provide sufficient financial resources for the suggested enhancements in the Enterprise Resource Planning (ERP) and make the project a top priority for the Agency.
4. As further noted by the External Auditors, while the Agency successfully implemented IPSAS on time within the existing resources and capacity more work is required to enhance process efficiency, effectiveness of financial oversight, and sound risk management. This is particularly the case in the areas of (i) reporting, (ii) asset management, and (iii) human resource management related to employee benefits.
5. This request for funds from the Governing Council Special Fund is intended to address these concerns through enhancing the current ERP system (i.e. SAP) and implementation of effective IT solutions.
6. **(i) Reporting.** Adoption of IPSAS resulted in changes in the presentation of financial statements (statutory reporting), adjustments to some donor reporting, and a need for additional management reports for effective oversight and financial management, such as account receivables aging reports, grants/contribution management report, provision for bad debt management report, report for monitoring goods/services received that have not been paid, etc. These reports are currently only available through manual manipulation of data. **Automating preparation of these reports will increase efficiency and, importantly, ensure accuracy and consistency of the information presented.**

7. **(ii) Asset Management.** IPSAS prescribes the accounting treatment for property, plant, and equipment (commonly referred to as 'fixed assets'), and requires the recognition of these on the financial statements. As IPSAS requires the financial statements to be prepared on a yearly basis, the physical inventory check of assets now has to be carried out annually instead of biennially as per previous practice. The Agency strengthened this physical inventory check process during the past year; however it is still purely a manual process and requires significant amounts of staff time, including within scientific Sections. The Agency does not have a full asset management system within the current SAP configuration, only the ability to capitalize and depreciate. In addition, the inventory list is being managed by combining data from SAP and previous asset databases, diminishing the quality of control and oversight. **Effective management of assets through implementation of a full asset management system, inclusive of barcode for tracking of assets, a robust database with reporting capability and asset information that reconciles with financial data will minimize financial and operational risks and increase efficiency for the Agency.**

8. **(iii) Human resource management related to employee benefits.** IPSAS requires the recognition of liabilities related to employee benefits. The valuation of short-term employee benefits which include the valuation of accrued annual leave is currently done manually by the Agency. Presently, the annual leave information is managed manually using leave cards which are audited once a year at year-end. This information is a basis for the valuation of accrued annual leave. **Implementation of a leave management system with workflow automation will enhance efficiency of leave approval and management process and enable automated valuation of accrued annual leave.**

9. **Other SAP enhancements/implementation.** The current SAP should be reviewed and possibly enhanced to integrate the use of second and third currency for effective support to: grants/contributions received in non-euro currencies; support project-based management; support result-based management; and implement the HR Position Management module for better management of budget and internal control. These are essential functionalities for the Agency in view of current and expected reporting requirements.

10. The Secretariat is requesting the Governing Council to consider the investment to support IPSAS implementation and other SAP enhancements/implementation for the maximum estimated amount of €400 000. An initial budget of €200 000 is requested in 2013 to enable the Agency to initiate the procurement processes through which the actual costs will be confirmed. The Agency will provide a project update and confirm the required funding at the 56th session of the Governing Council.

11. The Secretariat notes that in 2006 the Governing Council approved US\$ 500 000 from the Governing Council Special Fund for the replacement of the IARC Administration and Finance Information System (Resolution GC/48/R7), which was used to implement SAP. As a reference on the investments of other UN Agencies in such projects, Annex 1 provides the ERP implementation costs reported by UN Organizations (provided by 2012 JIU Report).

Annex 1

ERP implementation costs reported by United Nations Organizations (in US dollars)

Organization	ERP System	Implementation Costs (USD)
Oracle System		
FAO	Oracle	38 500 000
IAEA	Oracle	27 979 717
ILO	Oracle	40 000 000
UNDP	Oracle	67 800 000
UNFPA	Oracle	8 900 000
UPU	Oracle	1 299 735
WHO	Oracle	59 600 000
WIPO	Oracle	2 061 010
WMO	Oracle	1 515 608
SAP System		
IMO	SAP	3 650 937
ITU	SAP	4 000 000
UN	SAP	315 800 000
UNESCO	SAP	20 000 000
UNICEF	SAP	47 000 000
UNIDO	SAP	12 007 962
WFP	SAP	54 800 000
Other System		
ICAO	Agresso	7 100 000

Source: Draft Report on Review of Enterprise Resource Planning (ERP) Systems in United Nations Organizations, 2012, by the Joint Inspection Unit (JIU) of the United Nations System