

**Eleventh session**

The Hague, 14-22 November 2012

**Progress report of the Court on the implementation of  
International Public Sector Accounting Standards\*****I. Introduction**

1. At its eleventh session, the Committee on Budget and Finance (“the Committee”) recommended that the Assembly of States Parties (“the Assembly”) decide that the International Criminal Court (“the Court”) work towards implementation of International Public Sector Accounting Standards (IPSAS) in the medium term. The Committee further recommended that the Court report on a project plan and next steps towards implementing IPSAS and suggested that implementation in 2011 or 2012 might be targets for the Court.<sup>1</sup>

2. The Court first presented reports on the implementation of IPSAS at the thirteenth, fourteenth and fifteenth sessions of the Committee.<sup>2</sup> At its fifteenth session, noting that a revised cost had been presented, the Committee recommended that €32,600 be added to the 2011 proposed programme budget to allow for the commencement of IPSAS implementation.<sup>3</sup> The Assembly endorsed these recommendations at its ninth session.<sup>4</sup>

3. At its sixteenth session, the Committee welcomed the report of the Court on IPSAS<sup>5</sup> and observed that the Court had included a proposed implementation schedule along with its proposed budget.<sup>6</sup> The Committee also noted that implementation of IPSAS would have a profound effect on the financial management and budgeting procedures of the Court. The Committee therefore reiterated its request that the Court identify potential impacts for the SAP system and amendments that would be required to the Financial Regulations and Rules of the Court, for its April session.<sup>7</sup>

4. At its seventeenth session, the Committee was informed that the Court had already commenced IPSAS implementation with effect from 1 July 2011. The Committee recommended that implementation of the IPSAS project be rigorously monitored, and that a detailed project plan and a draft proposal of all required changes to the Financial Regulations and Rules be submitted to the Committee at its eighteenth session.<sup>8</sup>

5. In the present report, the Court outlines its efforts and initiatives taken to move forward the project according to the proposed implementation schedule.<sup>9</sup> It also outlines

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\* Previously issued as CBF/18/3.

<sup>1</sup> *Official Records of the Assembly of States Parties to the Rome Statute of the International Criminal Court, Ninth session, New York, 6-10 December 2010 (ICC-ASP/9/20)*, vol. I, part II, para 7.

<sup>2</sup> ICC-ASP/8/26, ICC-ASP/9/3 and ICC-ASP/9/18.

<sup>3</sup> *Official Records ... Ninth session ... 2010 (ICC-ASP/9/20)*, vol. I, part II, para 8.

<sup>4</sup> *Ibid.*, para. 9.

<sup>5</sup> ICC-ASP/10/3.

<sup>6</sup> *Official Records ... Tenth session ... 2011 (ICC-ASP/10/20)*, vol. II, part B.1. para 49.

<sup>7</sup> *Ibid.*, para. 50.

<sup>8</sup> *Ibid.*, part B.2. para 71.

<sup>9</sup> ICC-ASP/9/18.

certain adjustments to the implementation schedule, which do not have an impact on the overall aim of issuing IPSAS compliant financial statements for the year ending 2014. Proposed amendments to the Financial Regulations and Rules are presented in a separate document.

## **II. Recent developments**

### **A. UN system IPSAS implementation**

6. The Court is a member, with observer status, of the Task Force on Accounting Standards of the UN High Level Committee on Management. Representatives of the Court attended the meeting of the Task Force held in September 2011, where member organizations reported on their progress in IPSAS implementation, stressing major risks, challenges and lessons learned.

7. Eight organizations issued their first IPSAS compliant financial statements for the year ending 31 December 2010 and received an unqualified audit opinion while fourteen organizations are targeting years ranging from 2011 to 2014 as their first year of implementation. The Court is taking into consideration their experience as appropriate during project implementation.

8. The Joint Inspection Unit, in its report on Preparedness of United Nations System Organizations for the International Public Sector Accounting Standards, provided an overview of the transition process within each UN system organization, and identified 16 best practices and possible risks. This report represents a useful reference for the Court's implementation activities.

### **B. IPSAS implementation at the Court**

9. The Court commenced IPSAS implementation as of 1 July 2011, which allowed for a full consideration of the organizational impact and provided an opportunity to learn from the experience of early adopters.

10. The IPSAS Project Coordinator (P4) and Associate Finance Officer for IPSAS (P2) have been recruited and started work during 2011. Two support staff GS-OL will be recruited from the roster during 2012. Immediately on recruitment, the IPSAS Project Coordinator began work on a detailed project plan, which is annexed to this Report.

11. In line with the project plan and revised implementation plan, the Court performed the following activities during 2011: drafting accounting policies for major impact areas, where impact is assessed in both financial terms and resulting system adjustments; drafting changes to the Financial Regulations and Rules and obtaining external expert advice on proposed changes before submission to the Committee; and initiating business process remodelling as a prerequisite for developing blueprints for subsequent system customization.

12. The Court has formed a Project Coordination Committee, chaired by the Director of the Common Administrative Services Division, which meets regularly every month to review and guide progress on matters concerning IPSAS implementation.

13. In addition, a new SAP coordination working group has been set up to coordinate IPSAS-related information technology changes, so as to ensure that IPSAS customization effectively integrates with the Court's other system projects.

### **C. Draft changes to the Financial Regulations and Rules**

14. The Court has recognized the need to propose necessary amendments to the Financial Rules and Regulations early on, as these will also impact major implementation activities, such as system modifications, which could be time-consuming and expensive. The Court has decided to propose changes which would address the need for a budget preparation basis (modified accrual) different from that adopted for the preparation of

financial statements (full accrual). This is in line with the approach taken by UN system organizations that have completed transition to IPSAS so far.

15. The draft proposal for necessary changes to the Financial Regulations and Rules to allow for IPSAS adoption has been prepared by the Court and has been reviewed by an external expert with extensive IPSAS implementation experience. The draft proposal has been submitted to the Audit Committee and to the external auditors. Upon receiving their feedback, further action will be taken.

#### **D. SAP gap analysis**

16. The Court has selected a successful bidder (PricewaterhouseCoopers Advisory NV), and commenced SAP gap analysis in respect of IPSAS implementation in the latter part of 2011. The aim of the analysis is to produce redesigned business processes, business blueprints for the necessary SAP modifications and a detailed implementation plan for SAP changes by the end of April 2012.

17. At the end of February 2012, a document was produced setting out the case for IPSAS conversion, and detailing the business process scope of conversion, as well as its impact on the current application landscape and the main IPSAS-related SAP configuration, and analysing the relationship with other system-related initiatives at the Court.

#### **E. Communication and training**

18. IPSAS introductory training for finance professionals and general service staff across the organs and sections of the Court was held in July 2011. The training was devised to raise IPSAS awareness and to stimulate brainstorming on the operational implications of IPSAS adoption.

19. Orientation sessions for Certifying Officers of the Court were held in December 2011. The orientation addressed the implications of IPSAS adoption for the Court and included an overview of the financial impact on UN organizations which have completed transition and issued IPSAS compliant financial statements, as well as considering the impact on the roles and responsibilities of Certifying Officers.

20. These training and orientation sessions were provided by a highly regarded international accounting expert specialising in IPSAS, who has extensive experience with IPSAS implementation projects among various governments and international organizations and has been a permanent IPSAS Board member.

21. The Court is aware that transition to IPSAS is a major undertaking. Therefore, there is a need to carefully coordinate changes in regulations, policies and system support with changes in organizational culture. This can only be achieved through effective communication and training activities. These activities should be directed both to staff members participating in compiling transactions for financial statement preparation and to the users of information in the financial statements.

### **III. Implementation strategy and schedule**

22. The Court has decided to make certain adjustments to the implementation schedule presented in the last report to the Committee,<sup>10</sup> but without any change to the overall timeframe for IPSAS adoption.

23. Taking into account the fact that a significant component of IPSAS adoption is represented by modification of the ERP system, the Court has adjusted its initial adoption strategy and decided to implement IPSAS requirements in a single step, rather than using a phased approach.

24. In an integrated ERP system such as SAP, changes to one area cannot be implemented without an impact on the overall system, especially when operational and financial reporting requirements are considered. Implementing changes as a comprehensive

<sup>10</sup> ICC-ASP/9/18.

one-off exercise is more time- and cost-effective. The decision takes account of the fact that the Court largely relies on external SAP consultants for larger scale system modification and that it remains compliant with the IPSAS adoption budget proposed earlier.

25. For the reasons presented above, the activities relating to changes to the Financial Regulation and Rules have been brought forward, while implementation of the new accounting policies in the system (i.e. go-live of the modified system) has been postponed to the beginning of the year in which IPSAS compliant financial statements are to be issued.

26. The table below shows the minor revisions to the overall implementation schedule.

**Table 1. Proposed IPSAS implementation schedule**

<i>Task</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>2015</i>
SAP-IPSAS consultants in cooperation with procurement, IT and accounting staff customize fixed assets, inventory and general ledger modules.						
Financial consultants review accounting for employee benefits to ensure IPSAS compliance.						
SAP-IPSAS consultants in cooperation with procurement, IT and accounting customize existing procurement and accounting modules to incorporate full accrual accounting.						
Prepare capital assets and inventory detailed implementation plan.						
Attend meetings of UN implementing bodies to keep abreast of lessons learned.						
Consultations with auditors on various applications of IPSAS standards to financial policies and procedures.						
Address budget effects to include capital budget, operating budget issues and reconcile and explain the variances between budget and financial statements.						
Finalize FRR changes required and submit to CBF for approval.					←	
Begin implementation in a phased approach by starting full accrual accounting in the procurement of goods and services.						→
Complete development, testing and evaluation of new processes, policies, manuals and other procedural guidance.						
Implementation of new accounting policies and procedures to include fixed assets, depreciation, inventory, vacation accruals and after-service benefits to the financial statements.						→
Implement new procedures determined in 2012-2013.						
Go live in all aspects of IPSAS from 1 January 2014.						
Produce IPSAS-compliant financial statements for 2014 financial year.						
Audit of opening balances as of 1 January 2014.						

27. Notwithstanding the fact that, under the current IPSAS implementation plan, the system modifications are not expected to be operational before 1 January 2014, the Court will use existing data and system reports to determine adjustments to opening balances arising from changes in accounting policies as soon as practicable, and will produce mock financial statements. Restated financial statements for the year ending 31 December 2013 will be presented to the external auditors for their comment, so as to reduce the risks and resolve issues before the year-end closing for 2014.

## IV. Major challenges

28. The major challenges and risks in the IPSAS implementation process identified by the UN Task Force on Accounting Standards following review of IPSAS implementation progress in 23 organizations were:

- (a) Achieving project objectives within allocated resources, i.e. ensuring that efforts and resources required are not underestimated;
- (b) Ensuring adequate training and communication across the organization; and
- (c) Challenges relating to replacement or upgrade of ERP system and implementation of necessary customization in a timely manner.

29. The Court considers that all the above risks have been sufficiently addressed in the initial IPSAS implementation plan and budget proposal. Other risks have been analysed in the risk analysis section of the project plan annexed to this report.

30. The Court has started awareness training programmes, and is conscious of the value of effective and timely communication to major stakeholders. Communication and training strategy has been finalized, while a detailed operational training schedule will be developed at a later stage.

31. In addition, several organizations have stressed the fact that a change in external auditors can present a challenge, due to the fact that IPSAS is principles-based and requires use of estimates and judgments, which can result in differing interpretations of standards requirements. Therefore, the on-going change of auditors from the National Audit Office to the *Cour des Comptes* may lead to differences of opinion and delay the audit process.

## V. IPSAS budget performance

32. The budget for 2011 has been fully committed. The approved budget for 2012 is in line with the budget proposed in the Report of the Court on its proposed schedule and budget for the implementation of IPSAS.<sup>11</sup> Certain redeployments within the project budget lines are possible in the future, so as to redeploy funds between certain outputs (especially towards SAP customization costs) based on the experience gained so far.

## VI. Conclusion

33. The Court has commenced the IPSAS implementation project as planned as of 1 July 2011. Project organization and staffing have been finalized, and a detailed project plan has been prepared, which is annexed to this report. Regular progress reports are being submitted to the Court's management and major stakeholders.

34. Certain revisions to the previously presented implementation schedule have been made. Drafting of proposed changes to the Financial Regulations and Rules has been brought forward. The proposed draft changes are being submitted as a separate document. In addition, the Court has decided to apply IPSAS in a one-off exercise instead of using a phased approach, as this is considered to be a more cost-efficient approach to system modifications. It is also the approach adopted by most other organizations, where experience has shown that it is easier to manage a single comprehensive change, rather than a consecutive series of smaller-scale changes.

35. The project is progressing well and has met the original schedule and milestones so far. The SAP consultants are already on board. Several training and communication activities have been undertaken, so that most of the Court's staff members involved are sufficiently familiar with the change management process, which is well underway.

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<sup>11</sup> ICC-ASP/10/3.

## Annex

### Project plan: IPSAS implementation<sup>1</sup>

#### A. Background

##### 1. Decision to adopt IPSAS

1. Following the recommendation of the External Auditor that the International Criminal Court (hereinafter “the Court”) should decide to adopt International Public Sector Accounting Standards (IPSAS), in view of the fact that other international governmental organizations were doing likewise, at its fifteenth session, the Committee concurred with the External Auditor that IPSAS implementation was inevitable and that the Court should commence its IPSAS implementation strategy. The Committee recommended an addition to the 2011 proposed programme budget to allow for the commencement of IPSAS implementation. The Assembly endorsed these recommendations at its ninth session.<sup>2</sup>

##### 2. UN system developments

2. The decision to adopt IPSAS at the Court followed on from the decision to adopt IPSAS taken by the UN General Assembly in 2006.<sup>3</sup> Since 2006, UN system organizations have made progress in aligning themselves with IPSAS. Several organizations already issue IPSAS-compliant financial statements. The project for IPSAS implementation at the Court plans to take advantage of relevant UN system organizations’ experience through the use of material developed by the UN Task Force on Accounting Standards, participation in its meetings and review of IPSAS- related material on the UN CEB network, as well as other publicly available material. In addition, contact will be established with other organizations which have had to address similar IT system development issues.

3. The following UN organizations issued IPSAS-compliant Financial Statements for the year ended 31 December 2010: ICAO, IMO, PAHO, UNESCO, UNIDO, WFP, WIPO and WMO. At the meeting of the UN Task Force on Accounting Standards held in September 2011, these organizations, as well as others who are still in the implementation process, reported on the status, progress, challenges and benefits of implementation.

##### 3. Timeline

4. The project start date was set at 1 July 2011 and the planned completion date is 30 June 2015.

##### 4. Project goal

5. Perform necessary process and system changes, as well as changes to rules and regulations, guidelines and operating procedures in order to issue first set of IPSAS compliant financial statements for the year ending 31 December 2014.

##### 5. Budget

6. The Court submitted its proposed revised implementation schedule, along with a budget proposal, in addressing the request of the Committee at its fifteenth session. The budget presented for 2011 (and subsequently approved by the Assembly), as well as anticipated expenditure in future years, is presented below:

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<sup>1</sup> Note: This is the plan as finalized in autumn 2011. It should thus be read as representing the situation at that date. Progress achieved on planned activities is described in the foregoing report.

<sup>2</sup> *Official Records ... Ninth session ... 2010* (ICC-ASP/9/20), vol. I, part II.D, paras. 7-9.

<sup>3</sup> General Assembly resolution 60/283 of 17 August 2006, part IV.



8. The project will be carried out mainly by the Budget and Finance Section, where the core project team is formed, consisting of Project Coordinator, Associate Officer and two general service staff. Project management and reporting will largely fall within the Court's regular governance structures.

9. The Project team will be supported by working groups consisting of professional-grade staff from all relevant functional areas, tasked with providing technical expertise based on their section or unit's specific business activities. Working groups are formed for areas which require cross-functional effort, and consist mainly of the representatives of sections and units within the Common Administrative Services Division (CASD). In addition, representatives of the Permanent Premises Project and Trust Fund for Victims are included in the asset accounting and revenue recognition areas, respectively. Finance and administrative staff from other organs of the Court will be included on an 'as-needed' basis.

10. The Integration Unit deals with all the implementation aspects that do not require separate working groups, and consists of IPSAS Project Coordinator, Chief of Budget and Finance Section, Management Accounting Supervisor and Accounts Officer.

11. The IT Coordinator is responsible for system development issues, including selection of external consultants, communication with external consultants and provision of information on current system configuration. Additionally, the IT Coordinator will ensure harmonization with other on-going projects which involve system modifications.

12. External consultants are required for two areas: resolution of finance and accounting issues and SAP enhancement and implementation. External consultants on finance and accounting issues will be involved to a limited extent and will advise the Project Coordinator and Chief of Budget and Finance on the resolution of complex accounting issues. SAP consultants will be involved to a greater extent and will work with the IT Coordinator and with representatives of the Information Communication and Technology Section on customizing the SAP system to support new accounting and reporting requirements.

13. The IPSAS Project Coordinator is responsible for coordinating all implementation activities and reports on progress to the Chief of Budget and Finance Section and to the Coordination Committee (see paras. 17-22 below).

14. The Committee on Budget and Finance and the Audit Committee have an oversight and advisory role. Both committees will receive progress reports and major project deliverables for comment prior to submission to the Assembly of States Parties for approval.

### **1. Committee on Budget and Finance**

15. In its report to the Assembly of State Parties,<sup>4</sup> the Committee on Budget and Finance recommended that implementation of the IPSAS project be rigorously monitored, and that a detailed project plan and a draft proposal of all required changes to Financial Regulations and Rules be submitted to the Committee at its eighteenth session.

### **2. Audit Committee**

16. In its report to the Committee on Budget and Finance,<sup>5</sup> the Audit Committee stated that it had reviewed the Court's plans for the introduction of International Public Sector Accounting Standards (IPSAS) at its February-March 2011 meeting. The Audit Committee recommended that the Court separate surplus funds held for the Permanent Premises Project from ordinary activities and disclose this in the notes to the accounts prior to the introduction of IPSAS. It noted that relevant assets and liabilities would be brought into the accounts at the introduction of IPSAS through a combination/consolidation exercise. It decided to continue to rigorously review progress towards the implementation of IPSAS.

### **3. Terms of Reference – Coordination Committee**

17. The function of the Coordination Committee is to serve as a mechanism for communication and consultation among the divisions and sections which are most directly involved in the process of IPSAS implementation.

<sup>4</sup> *Official Records ... Tenth session ... 2011* (ICC-ASP/10/20), vol. II, part B.2.

<sup>5</sup> CBF/17/11.

18. The Coordination Committee will consist of: the Director of CASD (Chairperson), Chief of Budget and Finance Section, Chief of Information Communication and Technology Section, Chief of General Services Section and Internal Audit nominee. The Secretary of the Committee will be the IPSAS Project Coordinator.

19. The Coordination Committee will continually monitor IPSAS implementation progress and actively participate in the resolution of any issues which might arise during implementation, especially in relation to the activities of working groups.

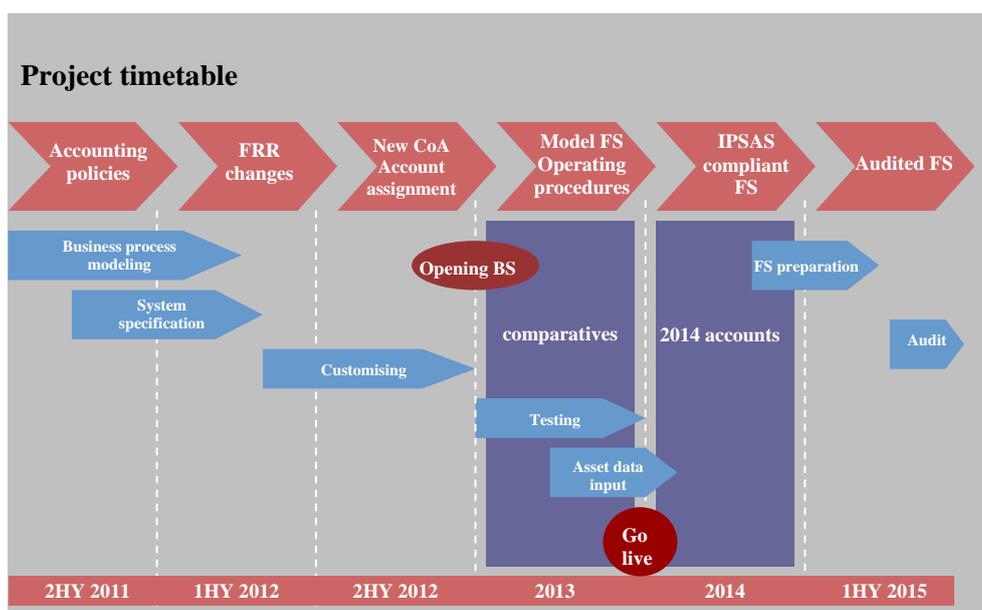
20. Members of the Coordination Committee will ensure that the activities of the sections which they represent are effectively coordinated.

21. The Committee will review project deliverables to be presented to the Coordination Council in order to resolve any possible differences of opinion and reach consensus on matters affecting the functional area of Committee members. The Committee will prioritize project issues and maintain oversight of the impacts of project on IT systems.

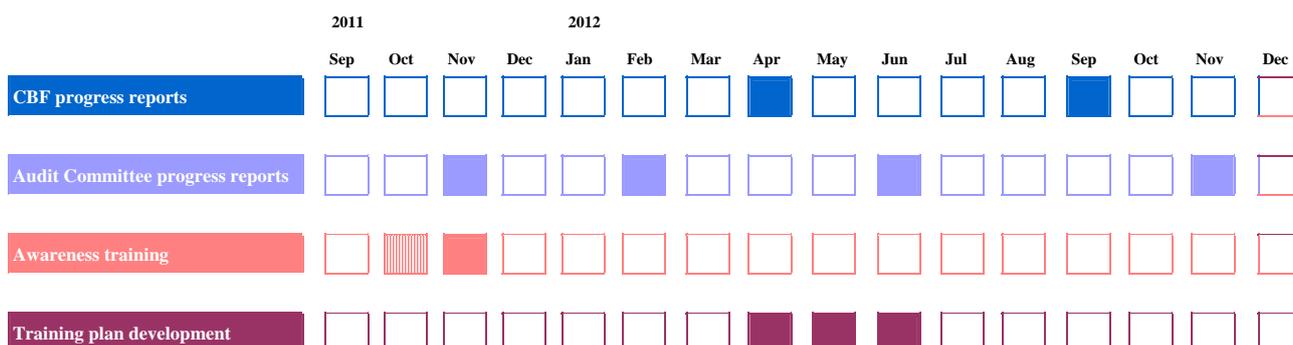
22. Meetings of the Coordination Committee will be held monthly. The agenda for meetings will be prepared by the Project Coordinator. At each meeting, the progress and status of activities will be presented. Members of the Committee will be requested to attend meetings at which the issues relating to their functional area are to be discussed. Minutes of meetings will be prepared.

### C. Project milestones and timetable

23. The graphic below illustrates overall project milestones and timetable. These are further described below. Detailed project activities and deliverables until 31 December 2012 are set out in a separate section.



#### Communication and training schedule



## 1. Development of new accounting policies

24. The project team will develop a full set of accounting policies that are relevant to the current operation of the Court, or that could become relevant in the foreseeable future. Each IPSAS standard will be considered, in terms of its impact on the accounting and reporting activities of the Court, as well as on operating procedures and financial management.

25. For the overall presentation of financial statements it is particularly important to determine the boundaries of the Court as a reporting entity, potential consolidation needs and the need for segment reporting. Also, for purposes of disclosing related-party transactions, it should be established who meets the definition of key management personnel.

26. Under UNSAS, financial information was reported using fund accounting, whereby data were presented in columns showing which funds are at the disposal of member States and which are not. Fund accounting is not addressed under IPSAS; rather, the concept of reporting segments is used. Therefore, an appropriate reporting format needs to be agreed on by the Court and the external auditor.

27. In the first phase, accounting policies will be drafted to establish the most relevant changes to accounting and financial reporting required which could have an impact on budgeting practices as well as on the Financial Rules and Regulations. This activity is expected to be completed by year-end 2011.

28. Further revisions and detailed development of accounting policies, as well as their impact on operating guidelines and procedures, is expected to take place throughout 2012 and to be completed by 2012 year-end. In its work, the project team will take account of the guidance developed by the UN system-wide IPSAS project team.

29. Based on a preliminary assessment, the anticipated impact of accounting standards on the Court is as follows:

### (a) *Standards with greatest impact*

IPSAS 1	Presentation of Financial Statements
IPSAS 3	Net Surplus or Deficit for the Period – Fundamental Errors and Changes in Accounting Policies
IPSAS 17	Property, Plant and Equipment
IPSAS 19	Provisions, Contingent Liabilities, Contingent Assets
IPSAS 20	Related Party Disclosures
IPSAS 23	Revenue from Non-Exchange Transactions (Taxes and Transfers)
IPSAS 24	Presentation of Budget Information in Financial Statements
IPSAS 25	Employee Benefits
IPSAS 28	Financial Instruments: Presentation
IPSAS 30	Financial Instruments: Disclosures
IPSAS 31	Intangible Assets

### (b) *Standards with moderate impact:*

IPSAS 2	Cash Flow Statements
IPSAS 4	The Effects of changes in Foreign Exchange Rates
IPSAS 5	Borrowing Costs
IPSAS 6	Consolidated Financial Statements – Accounting for Controlled Entities
IPSAS 9	Revenue from Exchange Transactions
IPSAS 12	Inventories
IPSAS 13	Leases
IPSAS 14	Events after the Reporting Date
IPSAS 18	Segment Reporting

- IPSAS 21 Impairment of Non-cash-generating Assets  
 IPSAS 29 Financial Instruments: Recognition and Measurement

(c) *Standards with limited or no impact:*

- IPSAS 7 Accounting for Investments in Associates  
 IPSAS 8 Financial Reporting of Interests in Joint Ventures  
 IPSAS 10 Financial Reporting in Hyperinflationary Economies  
 IPSAS 11 Construction Contracts  
 IPSAS 15 Financial Instruments: Disclosure and Presentation (superseded by IPSAS 28 and 30)  
 IPSAS 16 Investment Property  
 IPSAS 22 Disclosure of Financial Information About the General Government Sector  
 IPSAS 26 Impairment of Cash-Generating Assets  
 IPSAS 27 Agriculture

## 2. Impact on budgeting practices

30. The current budgeting process at the Court is a combination of cash and accrual budgeting, or the so-called modified accrual budgeting.

31. In making a transition to full accrual accounting, three main options are available with regard to the budget:

(a) Fully apply the principle of accrual-based accounting to both the budget and general accounts. In this case, the budgetary balance will correspond to the difference between budgetary entitlements and expenses incurred in the course of the financial year, irrespective of the amounts that may have been disbursed or collected;

(b) Apply the accrual principle to the general accounts only, while budget implementation would be subject to the cash principle (in which case there will be a dual system, whereby a reconciliation has to be made on a yearly basis, published in notes to financial statements and certified by the auditor). In this case one of the main challenges of IPSAS adoption is matching financial statements information to budgets. The challenge is also how to encourage programme managers to analyze accrual-based data and make use of their findings, as well as how to present differences so as to be understandable to financial statement users; and

(c) Fully retain the current budgeting process on a modified accrual basis. In previous years, this approach has been characterized by inconsistency in the way it has been applied. Under current practice, some long-term employee benefit liabilities (such as repatriation grant, accumulated annual leave, pension for judges) have been funded, even though the practice has not been consistent over the years. Unliquidated obligations are charged to the budget on a basis which is not consistent with expenses recognition under IPSAS. The same problems as under item (b) apply, with the addition that the 'modified' approach is not sufficiently regulated, as evidenced by the changing practice in previous years. In addition, if long-term liabilities are being funded, the appropriateness of the Court's current investment strategy and practices will need to be reassessed.

32. At present, most international government organizations which have already moved to accrual-based accounting are finding it difficult to introduce accrual-based budgeting, mostly arguing that accrual-based budgeting would not be easily accepted by member States.

## 3. Amendments to the Financial Regulations and Rules

33. A number of changes to the Financial Rules and Regulations will be necessary. The proposed changes will take account of an impact analysis of changed accounting policies, as well as of budgeting implications. They are to be submitted to the next session of the Committee on Budget and Finance in April 2012.

34. For purposes of the proposed changes, a study will also be made of the approach to the issue adopted by other IGOs. Preliminary analysis has identified the following range of options applied by different organizations:

(a) make minimum modification by simply stating, under accounts section, that IPSAS compliant financial statements need to be produced annually;

(b) make additional adjustment regarding expenditure recognition and availability of appropriations to liquidate outstanding legal obligations of each financial period;

(c) require exiting member states to make additional contributions if, at the point of exit, the organization reports net liabilities; and

(d) make extensive amendments by including various elements of accounting policies (only two organizations have taken this approach).

35. Since the FRR are a key Court financial governance document, the draft amendments will be submitted to an external expert consultant for consideration and advice, as well as to the Audit Committee for comment.

#### **4. Chart of Accounts implementation and booking schemes**

36. In order to be able to produce IPSAS compliant financial statements, as a first step an IPSAS compliant Chart of Accounts (CoA) needs to be in use. This will require significant changes to the existing CoA, as well as to the account assignment or booking schemes used in the SAP system. However, once the IPSAS compliant CoA is in place, the mapping of the accounts should enable efficient and largely automated generation of main financial statements, as well as notes to the financial statements.

37. Changes to the CoA will be effected in parallel with accounting policies. A new CoA for the test system will be created before the start of system testing, which is scheduled for January 2013.

38. The new CoA will be implemented in FI/CO at the beginning of 2013, as the overall go-live for all system modifications is scheduled for 1 January 2014.

#### **5. Business process analysis and amendments to operating procedures and guidelines**

39. For a successful transition to IPSAS, it is critical to undertake gap analysis of business processes and operating procedures and guidelines, as well as of the financial and operating reports developed under UNSAS and those required by IPSAS.

40. Each transaction giving rise to accounting entries, from initiation to reporting phase, should be analysed. This will require coordinated effort by working groups, especially relating to several major processes including procurement, human resources management, asset management and budgeting practices. The process descriptions should also take into account field operations, even though, from the accounting perspective, the Court's operations are largely centralized.

41. The aim of the analysis is to produce a process description and the amendments required, which will translate into an IT system specification and customization requirements.

42. Additionally, standard operating procedures and guidelines currently in use will have to be amended to support the new requirements.

43. Analysis of business processes should be completed by the end of first quarter 2012. Amendments to operating procedures and guidelines should be in effect as of 1 January 2013, in line with the modified system go-live date.

#### **6. Enterprise Resource Planning**

44. Currently, all of the Court's data and processes are integrated under its SAP system. The system is customized to a level required to support the Court's operations; its main components in use are:

- (a) FI/CO (financial accounting and controlling), including accounts payable (AP), accounts receivable (AR), bank accounting (BL) and travel management (TV);
- (b) Public sector management; including funds (FM) and grants management (GM);
- (c) Human resources management (HR);
- (d) Materials management (MM); and
- (e) Project system (PS).

45. Preliminary analysis shows that an Asset Accounting (AA) module will need to be introduced. Except for the necessary customization and integration work, existing asset data will have to be migrated within the system.

46. Additionally, changes to the MM module will be required as a result of integration with the AA module, and given the fact that the goods receipt and service entry sheets will become triggers for accounting entries in the general ledger under IPSAS.

47. As budgeting and budget realization reporting is likely to remain on a different basis from that used for financial statements preparation, two parallel ledgers, or at least two sets of reports, will need to be maintained. This will result in modification to the FM module, i.e. modification of its integration with FI/CO.

48. Changes in the area of employee benefits transaction recording are not likely to produce extensive system modifications. Calculating and reporting on long-term employee benefits do not necessarily have to be fully automated, depending on the frequency with which financial reports are generated. It is important to ensure data availability, while calculations of provisions and booking of the movements in provisions could be done manually in the general ledger. However, some system modifications might be required to ensure data availability, and as a result of integration activities.

49. Depending on the findings relating to the issue of segment reporting and fund accounting, a need for further modifications to controlling objects in the CO module could become evident.

50. The Court does not have sufficient in-house resources and expertise, and external SAP consultants will need to be engaged. However, it is essential that staff from the IT unit be included in the working groups for the areas of asset management, procurement, budgeting and employee benefits, so as to ensure better coordination and communication with external consultants. Previous and recent experience with system modifications show that this is a process which entails significant risks and could adversely impact budgetary and time constraints.

51. As a result of analysis of business processes and identification of changes resulting from the application of new accounting policies, details of the necessary system customization will crystallize. System requirements should be determined by the end of the second quarter of 2012, at which time customization activities could commence. Testing of the system is planned to be conducted during 2013, and the anticipated go-live date is 1 January 2014. This schedule should be sufficiently flexible to absorb the above-mentioned risks.

52. The project team will also contact other UN organizations which have an IPSAS compliant SAP system currently in production in order to ascertain whether there are benefits that could be obtained from their experience with system development.

## **7. Preparation of IPSAS compliant financial statements**

53. In the first IPSAS compliant financial statements, the Court will attempt to present comparative figures. Along with financial information for 2014, data from the 2013 financial period will also be presented. That means that the opening balances of assets and liabilities will need to be established as early as 1 January 2013. Presentation of comparative financial information in the first set of IPSAS compliant financial statements is not obligatory. Therefore, if the task of determining opening balances on 1 January 2013 proves to be more difficult than anticipated the comparatives will not be presented.

54. As the system go-live is set for 1 January 2014, for comparative purposes 2013 financial statements will need to be restated. This can be done 'out of system', i.e. in Excel, using supporting data generated from SAP. The restated 2013 financial statements will be used as trial financial statements and will be submitted to external auditors for review.

55. At 1 January 2014, the new system should be in production, including the new Chart of Accounts and asset accounting module (including migrated asset data). By this date comprehensive data cleansing should have been conducted, in order to bring forward correct asset and liabilities balances.

56. Model financial statements should be prepared during 2013, in order to establish a general presentation layout, as well as to meet all presentation and disclosure requirements of IPSAS. IPSAS require full compliance, and financial statements cannot be claimed to be IPSAS compliant if all the requirements are not fulfilled.

57. The model financial statements will be finalized by second quarter of 2013, and presented to external auditors for their comments before the year-end 2014.

58. External auditors and Audit Committee have an important role in reviewing accounting policy developments, especially during transition from one accounting standard to another. In mid-2012 there will be a change in the Court's external auditor as a result of rotation. The Audit Committee noted at its last meeting that it will continue to rigorously review progress towards IPSAS implementation.

59. In the project structure, internal audit, external audit and Audit Committee have an oversight role and will be invited to comment on all significant project deliverables, such as changes to Financial Regulations and Rules, accounting policies, Chart of Accounts, opening balances and model financial statements. Any important issues that could lead to qualified audit opinion should be identified and resolved in a timely manner. The project team will accordingly prepare a restatement of 2013 financial information in IPSAS compliant format, including model financial statements, for early consideration by the external auditor.

60. External auditors will have to independently decide whether to give a qualified or unqualified opinion on financial statements for the year ended 31 December 2014 prepared under the IPSAS accounting framework.

## **8. Communication and training**

61. Awareness of the change process needs to be developed through communication and training. At the time of project plan preparation, initial awareness training for budget and finance staff across the organs and sections of the Court had already been conducted. The magnitude of the IPSAS implementation project implies expanding awareness of senior managers. Orientation sessions for senior managers will be organized before year-end 2011.

62. Progress of the project towards IPSAS implementation will be communicated to target recipients by various means:

(a) Progress reports will be issued semi-annually to the Committee on Budget and Finance and to the Audit Committee;

(b) Progress of the project will be discussed at monthly Coordination Committee meetings, and any outstanding issues resolved. Presentation will be prepared for this purpose on a monthly basis; and

(c) Bulletins for finance and administration staff and field-office staff will be prepared on an as needed basis.

63. Communication with internal and external auditors will be continuous, as they will have an oversight role in the project.

64. The project team will regularly monitor and consider the experience of other international organizations, their progress towards full IPSAS adoption and results achieved. The project team will take part in the meetings of the Task Force on Accounting Standards of the UN and take into account the guidance so far issued by the Task Force.

Experience of other organizations in the area of system developments will also be considered to the extent possible.

65. As part of the overall IPSAS implementation project, specific training needs will have to be identified, training plans prepared and training material developed.

66. Awareness training sessions have already been conducted at an early stage of the project. Subsequently specialist training sessions will be held.

67. Training needs will include identification of prospective trainees, as well as training content. Training will be conducted in two main areas: accounting and operating policies and SAP training programmes. Training will be synchronized with implementation. Detailed training plans and schedules will be produced by the second quarter of 2012. SAP training programmes will be scheduled for the last quarter of 2013.

68. As IPSAS implementation projects have been in progress in other IGOs for some time, a significant amount of training material has been prepared by the Task Force and is available.

69. A tender will be organized for an external consultant to provide general accounting level training sessions. The selected consultant should be an IPSAS specialist who has been involved in many IPSAS implementation projects, and be capable of conducting training sessions at short notice and have training material readily available.

70. Training sessions related to changes in operational policies will be developed and conducted by the project team.

## **D. Project activities planned for the period 1 July 2011 to 31 December 2012**

71. Activities in the period ending 31 December 2012 are detailed below.

### **1. Accounting policies**

72. Drafting accounting policies for the major impact area either in terms of accounting or resulting system changes, including:

(a) Asset accounting in respect of property and equipment accounting (taking into account the Permanent Premises Project), intangible assets, inventories and leases;

(b) Revenue and expenses recognition. In particular, analysing characteristics of donor agreements in respect of conditions for recognition of voluntary revenue contribution. Determining timing of liabilities and expenses recognition and establishing cut-off procedures;

(c) Employee benefits. Identifying gaps in current policies for recognition of expenses and liabilities, especially long-term liabilities;

(d) Determining reporting entity, consolidation needs and segment reporting needs;

(e) Foreign currency differences accounting; and

(f) Financial instruments accounting

73. The accounting policies draft will be available by year-end 2011 and should enable comprehensive identification of necessary operating procedures changes and system changes. A final set of accounting policies and manuals will be developed by year-end 2012.

### **2. Financial Regulations and Rules**

74. Provide input into considerations and impact of IPSAS adoption on budgeting practices, donor reporting and other management practices. The analyses of effect on budgetary practices should be reflected both in the necessary changes to the Financial Regulations and Rules, as well as in IT system changes. The reconciliation process for budgetary and financial statements data and the relevant reports will need to be established. This activity should be completed by end November 2011.

75. Proposed changes to the Financial Regulations and Rules will be prepared, for submission to the Committee on Budget and Finance at its April 2012 meeting. The project team will conduct an analysis of the approach taken by other IGOs and propose changes appropriate to the Court. The external expert will also be consulted on the proposed changes. A draft will be provided for consideration by the Audit Committee.

### **3. Chart of Accounts**

76. The project team will start drafting an IPSAS compliant Chart of Accounts. The new Chart of Accounts should be available by the scheduled start of testing activities in the SAP test system, at latest by year-end 2012.

### **4. Process and SAP gap analysis**

77. As described in paragraph 9 above, the project team will form working groups, consisting of professionals from all the relevant functional areas, tasked with providing technical expertise based on their section or unit's specific business activities. There will be five major groups, dealing with: asset recognition and measurement, employee benefits, revenue recognition, expenses recognition and budgeting. Each group will perform the following activities:

(a) Describe current processes from transaction initiation to accounting entries and reporting;

(b) Review policies, guidelines and standard operating procedures, and propose necessary changes;

(c) Perform gap analysis and identify necessary changes to processes and systems;

(d) Cooperation with external SAP consultant on preparation of blueprints for system customization;

(e) Identification of reporting and reconciliation needs; and

(f) Develop test cases and testing activities once the customized system is available.

78. The activities of business process analysis and blueprint preparation should be finalized by the end of first quarter 2012. Testing is planned to commence in January 2013, after completion of customization.

### **5. Opening balances**

79. The project team will attempt to identify opening balances at 1 January 2013. This exercise will include restating balances out of the SAP system (i.e. in Excel). For this purpose, the asset list will need to be compiled and verified, including data on the Permanent Premises Project. The unliquidated obligations list from the system will be analysed in detail for expenses cut-off. Provisional valuation of employee liabilities will be performed, with support from an external actuarial consultant. The project team will maintain supporting evidence for restated opening balances. If these are accepted by the external auditor as sufficient audit evidence, the restated balances will be used for presenting comparative financial information in financial statements for the year ended 2014.

### **6. Communication and training**

80. Communication and training. Progress reports for the Committee on Budget and Finance and Audit Committee will be prepared semi-annually. Presentations will be prepared for the Project Board on a monthly basis. Bulletins for finance and administration staff and field-office staff will be prepared on as-needed basis.

81. Awareness training activities will be completed by year-end 2011. A training plan will be developed in 2012, and further training activities will be conducted in 2013.

Activity	Responsible	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12		
<b>Accounting policies</b>																			
Draft accounting policies	Project team	[Activity]				◆													
Review by external consultant	Ext. consultant				[Activity]														
Comments by Internal and External Audit	Auditors						[Activity]												
Submission to Audit Committee									[Activity]										
Finalise accounting policies	Project team														[Activity]			◆	
<b>Financial Regulations and Rules</b>																			
Impact analysis on budgetary practices	Project team	[Activity]																	
Review of approach taken by other IGOs	Project team	[Activity]																	
Draft changes to FRR	Project team		[Activity]		◆														
Review by external consultant	Ext. consultant			[Activity]															
Submission to CoCo							[Activity]												
Submission to Audit Committee and CBF								[Activity]											
Final FRR change proposal	Project team								[Activity]			◆							
<b>Chart of accounts</b>																			
Draft chart of accounts	Project team						[Activity]			◆									
Comments by Internal and External Audit	Auditors										[Activity]								
Finalise chart of accounts	Project team														[Activity]			◆	
<b>Process and SAP Gap analysis</b>																			
Procurement process for SAP consultant	ICTsection/proj.t.	[Activity]																	
Formation of working groups	CASD	[Activity]																	
Process and SAP Gap analysis	Working gr./SAP consultant			[Activity]															
Model of adjusted processes	Working gr./SAP consultant							[Activity]		◆									
Report on enhancements required and cost-benefit analysis	SAP consultant							[Activity]		◆									
Decision on system changes	CASD/CoCo								[Activity]										
Implementation plan	SAP consultant										[Activity]		◆						
SAP test configuration	SAP consultant										[Activity]						◆		
<b>Opening balances</b>																			
Compilation of asset register	Project team	[Activity]								◆									
Compilation of data on PPP	Project team														[Activity]			◆	
Provisional valuation of employee liabilities	Project team															[Activity]			◆
Analysis of expenses cut-off (unliquidated obl.)	Project team															[Activity]			◆
Revenue recognition cut-off	Project team															[Activity]			◆
<b>Communication and training</b>																			
Progress report to CBF and Audit Committee	Project coord.																		
Presentation to Coordination Committee	Project coord	◇	◇	◇	◇	◇	◇	◇	◇	◇	◇	◇	◇	◇	◇	◇	◇	◇	
Procurement process for awareness training	Project team	[Activity]																	
Awareness training for managers	Ext. consultant		[Activity]																
Detailed training plan	Project team								[Activity]			◆							
Operational trainings material development	Project team														[Activity]				

activity [ ] deliverable ◆ report ◇

## E. Risk analysis

82. The table below presents risk analysis. Risks that could effect overall achievement of the project goal are listed, along with measures taken to mitigate risks.

<i>Risk</i>	<i>Probability of occurrence</i>	<i>Magnitude of impact</i>	<i>Measures</i>
1. The resources allocated to the project will be insufficient to complete project tasks in time	Moderate	High	Regular monitoring of budget realization. Engaging at least two full-time staff to work on the project at any one time. Strict monitoring of work schedules and deliverables of external consultants.
2. Lack of understanding of IPSAS impact on financial reporting and budgeting practices and consequential lack of support by key management personnel	Moderate	Moderate	Comprehensive communication and training which engages management personnel early in the project. Rigorous monitoring by CBF and AC of project progress.
3. Lack of consensus among internal stakeholders on matters requiring management judgment and decision making	Moderate	High	Consideration of practices established by UN system organization through consultation with UN Task Force and individual organizations. Establishing best practices for the Court to help reach consensus. Engaging external consultants with high credibility on key issues such as changes to FRR and accounting policies. Regular progress reporting to CBF and AC.
4. Insufficient internal and external resources where necessary for ERP upgrade, customizations or configurations to support IPSAS standards	High	High	A robust assessment of the processes in many functional areas, including assets, intangibles, procurement and employee benefits must be completed to determine what resources and changes are required. Thorough selection process for external SAP consultants. Consultation with UN agencies with IPSAS compliant SAP in production.
5. Inability to compile opening balances – ensure completeness, existence and accuracy of asset register	Low	High	Effort to reconcile and verify various asset data bases and to resolve any discrepancies will be made early in the project (starting from September 2011).
6. Inability to provide efficient reconciliation between budget amounts and financial statements	High	High	Determine changes to FRR at an early stage, in order to have budgeting practice well defined before further system development. Keep the issue under close review during system design and specification in order to automate reconciliation reports.
7. Lack of appropriate staff skills	Moderate	Moderate	Development of training plan for accounting policies application and SAP. IPSAS project team, in conjunction with working groups, to identify the changes required to update policy and procedures, guidelines, manuals, in order to support IPSAS standards.
8. IPSAS compliant financial statements do not present fairly financial position, financial performance and cash flow of the Court	Moderate	High	Prepare model financial statements by mid-2013. Prepare restated financial statements for 2013 and present it to External Auditors for early comments.