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Report on changing the Court's financial year*

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I. Introduction

1. The financial year of the International Criminal Court (“the Court”) currently corresponds to the calendar year, i.e. financial and related budget closure, with creation of yearly balances, data consolidation and opening of new periods, takes place in December. Year-end results reporting and financial statements are delivered before April in the following year. The financial, budget and controlling procedures and transactions are set up in accordance with the reporting requirements of the active financial year. As requested by the Assembly of State Parties (ICC-ASP/4/Res.4 paragraph 39), the present report is analysing the implications of changing the current financial year.

II. Impact on the Organization

2. The change to the financial-year period will cost the Member States approximately €546,515. The changes will have a significant administrative impact on the Organization and its related services, and will mean that reporting will have to reflect the changed dates in two financial periods. According to Financial Regulation 4.5, obligations are valid until 12 months following the end of the financial period to which they relate. This means that the obligations validity will be different (either 6 months or 18 months) for the first financial period after the change. This will have an impact on the SAP processes for obligations, as they are tied to the financial period. Further impact issues are addressed below.

3. **Impact on contributions:** changing the financial period will conflict with some States Parties’ budget cycles, which could lead to major delays in the receipt of contributions, owing to the fact that the States Parties will not be able to include the Court’s approved budget in their own budgets. The increase in the performance rate of the Court also means an increase in average expenditure. Delays in receiving contributions will have a detrimental effect on cash flow and therefore a negative impact on operations.

4. **Impact on the Financial Regulations:** several Financial Rules and Regulations would have to be changed to reflect the change in financial period, including the calculation of arrears of States Parties, calculation of cash surplus, and submission of the financial statements to the External Auditor.

5. **Impact on the Financial Statements and External Audit:** the financial statements for the new financial period will not be comparable with the prior financial period for three consecutive financial periods. This could have a negative impact on the audit opinions for three consecutive financial statements.

6. **Practical impact:** a change in financial period to July-June would mean that the closing of accounts and the preparation of the financial statements would have to take place during the staff summer holidays. This means that, during one of the most important and busiest cycles of the Finance Section, key staff will be away from the office.

7. **Impact on the procurement process:** Many key vendors reduce to a skeleton staff during the summer holiday period. A large percentage of Court procurements are for maintenance contracts that coincide with the financial year. This would mean that key contracts might suffer delays owing to reduced staff levels on the part of both the Court and the vendor.

8. SAP deals with various set-ups for the financial (fiscal) year in the public and private sector. Because of organizational dynamism, especially in the private sector, often caused by business reorganizations, mergers, etc., SAP developed a set of year-end restructuring system procedures called the “short year”, which allow (business) organizations to switch their financial-year processing in a dynamic manner. The “short end” process is applicable as a

standardized set of procedures/configuration activities that are utilized to perform these functions.

Requirements

The requirements for applying the “short year” procedure are as follows:

- Impact analysis on business processes:
 - Master data in related administrative areas (finance, budget, controlling, asset, etc.). The ledgers (General Ledgers and sub-analytical ledgers) need to be restructured owing to the relation of the configuration to the end period/year
 - The scope of changes in the transactional data categories;
 - The scope of changes in the area of functional processes – part of business process mapping in the areas concerned needs to be re-engineered;
- Consolidated financial data in the financial year where changes are to be deployed;
- System configuration activities, performed by consultants;
- Changes in financial-year reporting, performed by consultants;
- Training for the new set-up;
- Testing activities up to transport into the production environment;
- Transitional period: parallel run of two financial reporting structures.

Cost breakdown

Activity	Consultancy days - (Finance/Budget and Control,)	Total amount €
Analysis and system configuration activities (standardized)	120	150 000.00
Financial-year reporting changes	30	37 500.00
Knowledge transfer	30	37 500.00
Documentation (business process mapping, system, end-user)	15	18 750.00
Total	195	243 750.00

The average consultant/day cost is €1 250.00.

9. Besides these direct costs, it is necessary to add on the internal costs of engaging financial and budget staff members to execute this change, since the availability of internal resources is a critical success factor. Since the Court’s internal staff will not be able to free up resources for this task, we would have to outsource it. We estimate 50% of the above resources will be required for less highly qualified consultants to test the system to production and supplement the Court’s workload in the post-production period.

Outsourced support (€)	243 750.00 / 2	121 875.00
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10. After an internal review of the Common Administrative Services Division sections affected by this change, it became clear that they would require additional extended support to deal with the results of the changes described above, both during and following the consultants’ contracts.

Section	Additional support	Total amount €
Finance	12 months GS-OL ¹	60 300
Human resources	12 months GS-OL	60 300
Travel management	3 months GS-OL	15 070
Budget and control	6 months GS-OL	30 150
Procurement	3 months GS-OL	15 070
Total		180 890

Possible delivery window schedule

The duration of the year-end change activities is estimated on the basis of SAP best practices, as follows:

- Preparation, system configuration, knowledge transfer and test activities: 3 months
 - Revising the financial-year reports, test and utilization: 1 month
- Total: 4 months**

Total cost estimate

€546 515

11. The above analysis does not include management time or any possible interference with ongoing operations.

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¹ GS-OL General Service – Other Level