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Summary record of the 6th meeting
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Chair: Mr. Taalas . . . . (Finland)
Chair of the Advisory Committee on Administrative and Budgetary Questions: Mr. Ruiz Massieu

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13-50976 (E)

The meeting was called to order at 10.05 a.m.

Agenda item 131: Financial reports and audited financial statements, and reports of the Board of Auditors (A/68/5/Add.1-3, Add.5, Add.7, Add.10 and Add.10/Corr.1, Add.13 and Add.13/Corr.1 and Add.14 and Add.14/Corr.1, A/68/163, A/68/350 and A/68/381)

1. **Mr. Morse** (Chair of the United Nations Board of Auditors) said that the Board's role was to provide the General Assembly with independent assurance on the use of Member States' funds while actively promoting improved efficiency, better governance and sound financial and operational management. The benefits of modern management approaches and programmes were now within sight, and transformations such as the International Public Sector Accounting Standards (IPSAS) were essential as the Organization faced pressure to improve efficiency and cost-effectiveness while responding to mounting public and political expectations and broadening mandates.

2. The reports of the Board were designed to ensure better management of the Organization's finite resources and free up as much of those resources as possible for front-line work on every continent. Unfortunately, swathes of the United Nations system were antiquated, with too much of its constrained resources devoted to administration and long-entrenched methods of operating and inflexible structures. Modern business systems could improve efficiency and expand the discretionary portion of the Organization's budget, so that resources could be reallocated to the purposes most valued by Member States. The Organization was trying to transform itself and had taken positive steps to modernize its ways of operating. However, it must try harder, since its processes continued to be outdated, parochial and inconsistent. There was much waste and duplication of effort, as well as delays and uncertainty, and the effects were felt by those in the field who relied on the United Nations to deliver direction, services and leadership.

3. In a climate of public spending constraints and changes in public services, the United Nations was not immune and needed both to economize and to implement technological innovations, streamlining and benchmarking. Recognizing the need to change, the Fifth Committee had taken the lead in mandating several major business transformation programmes, including IPSAS, a new enterprise resource planning system (Umoja), and a new system to support field operations (GFSS). It had also called for improved accountability, information technology, risk management and human resources across United Nations programmes and funds. Taken together, implementing those challenges was an enormous undertaking, especially when project delivery needed consensus support in a highly federated, sometimes disunited Organization. However, there had been positive responses to previous recommendations and some real progress had been made in certain areas, including implementation of IPSAS in nine entities in 2012. The challenge now was to convince staff to adopt new ways of working and address unintended consequences, especially those relating to the Organization's most significant transformation project, Umoja.

4. From his personal perspective as external auditor, he had identified a pattern whereby major United Nations transformation projects had been set up with good intentions but started badly and then required rescue by skilled emergency response teams brought in specifically to fix them. While those troubleshooters provided benefits and mitigated further consequences, far too little consideration was given to how the need for them could have been avoided in the first place. After all, prevention was always better and cheaper than cure. There should also be more realism in budget planning and closer scrutiny of projects early on, in order to avoid cost overruns and to minimize upward revisions of budgets. In addition, learning from the experience of project teams was vital. At present, every United Nations project seemed to reinvent its own framework for delivery instead of working within a common framework that had been centrally agreed and was monitored and improved regularly. Above all, the Organization needed to be clearer about the destination that projects were expected to reach, and establish a shared vision of the Secretariat that would drive change and test the merits of individual projects. With a shared vision for improved management, the Secretariat would find it easier to act collectively and managers could be held to account more readily.

5. It was impossible to manage effectively while in a permanent crisis mode, which meant that strategic attention to detail was crucial. Unnecessary bureaucracy needed to be eliminated in order to gather additional resources for use at the front line, and the Organization must be able to identify waste and take bold steps to eradicate it.

6. **Mr. O'Farrell** (Chair of the Audit Operations Committee of the United Nations Board of Auditors), introducing the Board of Auditors' reports to the General Assembly at its sixty-eighth session, said that, in 2012, all eight entities audited had for the first time produced IPSAS-compliant financial statements, with each achieving an unqualified audit opinion. The United Nations Joint Staff Pension Fund (UNJSPF) had also obtained a clear audit opinion in its first year of IPSAS implementation. That significant achievement was a positive step towards modernizing United Nations entities' business administration. The report on the United Nations Children's Fund (UNICEF) included an emphasis of matter that drew attention to enhanced disclosures of the Fund's accounting treatment for revenue received from National Committees. The entity-specific findings included the need for UNICEF to strengthen its oversight of National Committees. Despite the action taken by UNICEF on the Board's previous recommendations, high levels of fund retention and accumulated reserves by National Committees pointed to the ongoing need for strengthened monitoring by the Fund.

7. Inventory control was a significant common weakness across the entities, but that would be addressed by introduction of IPSAS, which had revealed the full extent of inventory management problems at many country offices of the Office of the United Nations High Commissioner for Refugees (UNHCR) and had given management a better understanding of ways to rectify the situation. Action was urgently required in view of the nature and importance of the Office's work and the need for a highly cost-effective supply management function.

8. Other common themes included continued deficiencies in control and oversight of implementation partners, which indicated ongoing weaknesses in the level of assurance available to management about whether funds had been used for their intended purpose and exposed entities to higher fraud risk. The Board had launched an in-depth investigation of those issues to be reported in 2014. The Board had also noted the need for enhanced corporate oversight, accountability and governance over field operations. The right balance must be struck between providing sufficient flexibility, responsiveness and delegated authority to the field and ensuring monitoring, intervention and oversight from headquarters offices. The Administration needed to more systematically document the internal control and accountability frameworks of field operations, assess their fitness for purpose and determine whether they were operating consistently and as intended. Continued deficiencies in procurement, human resources management and finance, while not systemic, pointed to the need for skilled managers to be empowered so that they could add value to activities rather than simply focusing on the processing of large volumes of transactions. Deficiencies in the operation of controls in information technology systems had also been noted in many entities.

9. With regard to the recommendations made by the Board in its reports for the biennium 2010-2011, implementation in the nine entities on which the Board still reported on a biennial basis was broadly comparable to previous bienniums, with 41 per cent of the 139 recommendations for 2010-2011 fully implemented, compared to 46 per cent for 2008-2009. A further 55 per cent of recommendations were under implementation, compared to 48 per cent in 2008-2009, leaving 4 per cent on which management had made no progress or which had been overtaken by events. In addition, the entities had engaged substantively with the Board's recommendations and were tackling the issues raised appropriately. Although the overall proportion of partially implemented recommendations was high, over one third of them related to the implementation of multi-year transformation projects, such as IPSAS. In addition, 82 per cent of recommendations made for the biennium 2008-2009 had been fully implemented by March 2013.

10. From 2014, the adoption of full annual reporting would remove the need for interim reports on the status of implementation. The Board therefore recommended that the current report on the status of implementation of recommendations should be the last and that it should instead prepare an annual concise summary of principal findings and conclusions that would comment on rates of implementation and other trends relating to the Board's recommendations.

11. **Mr. Ramanathan** (Officer-in-Charge, Office of Programme Planning, Budget and Accounts), introducing the report of the Secretary-General on the implementation of the recommendations of the Board of Auditors contained in its reports on the United Nations funds and programmes for the financial period ended 31 December 2012 (A/68/350), said that the report included the responses of the executive heads of

eight United Nations entities, all of which had successfully produced IPSAS-compliant financial statements in 2012 and received unqualified audit opinions from the Board of Auditors. That was a major achievement that reflected the commitment of those organizations both in terms of adopting the new accounting standards and of implementing changes in business processes and systems.

12. Every effort had been made to ensure compliance with the General Assembly's request concerning implementation of oversight recommendations, which included prioritizing and setting time frames for implementing the Board's recommendations, as well as identifying the departments or offices responsible for implementation and providing explanations for delays in the implementation of recommendations from prior periods. The report indicated the specific reasons for those recommendations that had not been implemented by July 2013. While all accepted recommendations of the Board would be implemented in a timely manner, the main recommendations would be given the highest priority. Lastly, the organizations concerned were committed to fully implementing the Board's recommendations in a timely manner and were aware that doing so would contribute to the improved management of resources and efficiency of United Nations funds and programmes.

13. **Mr. Ruiz Massieu** (Chair of the Advisory Committee on Administrative and Budgetary Questions), introducing the related report of the Advisory Committee (A/68/381), said that, for the year ended 31 December 2012, the Board had issued unqualified audit opinions for all nine United Nations entities audited and that only UNICEF had received an emphasis of matter. That was an improvement compared with the reports issued by the Board for the biennium ended 31 December 2011.

14. The financial year ended 31 December 2012 had marked a transition for the Board's reports, since not all United Nations entities had completed IPSAS implementation. The Advisory Committee agreed with the Board's proposal that from 2014 it should combine the concise summary of principal findings and conclusions of its current audits with a statistical and summarized qualitative analysis on the status of implementation of prior-period recommendations, on the understanding that the quality and quantity of information provided would remain the same.

15. The high acceptance rate of the Board's recommendations by the Administration reflected the productive collaboration between the two sides. The Advisory Committee wished to highlight four specific issues addressed in the Board's reports. First, the Board had identified three cross-cutting issues that were considered to be significant risk areas. They related to the need for enhanced control and monitoring over implementing partners working on behalf of United Nations entities; strengthened core business functions through enhanced staff skills; and enhanced oversight, accountability and governance for globally dispersed operations and achieving an optimal balance between decentralized delegated authority and the appropriate level of monitoring and control by the respective headquarters offices. The Advisory Committee stressed the importance of addressing those issues.

16. Second, the financial ratios provided by the Board as it evaluated the impact of IPSAS implementation by the nine entities were very useful and constituted a new basis for assessing the financial positions of those entities. While the preparation of IPSAS-compliant financial statements was a significant achievement, strong internal processes were needed and the Advisory Committee expected concerted efforts to sustain IPSAS would continue to be made by all entities. Third, the Board had raised concerns relating to the increasing unfunded portion of end-of-service liability, including after-service health insurance, given that the introduction of IPSAS had led to a fuller reflection of those liabilities.

17. Fourth, the Board's entity-specific observations included existing weaknesses in areas such as disputed inter-fund balances, procurement and project implementation. The Advisory Committee had made comments on entity-specific issues, including procedural lapses in ex post facto procurements at the United Nations Population Fund (UNFPA); the long-standing dispute between the United Nations Office for Project Services (UNOPS) and the United Nations Development Programme (UNDP) over an inter-fund balance; and the slow delivery rate of projects by UN-Women. It had also made comments relating to cooperation agreements between UNICEF and the National Committees. Lastly, the Board provided valuable analysis in the context of IPSAS implementation, which would prove useful in assessing the financial health of the audited entities and recording future trends in that regard.

18. **Mr. Daunivalu** (Fiji), speaking on behalf of the Group of 77 and China, said that the work of United Nations oversight bodies was crucial to ensuring that entities adhered to proper procedures and practices and fully disclosed their financial statements, and the Board's recommendations should be fully implemented in a timely manner. The Board had identified three cross-cutting risk areas and had issued recommendations to the Administration designed to enhance control and monitoring; strengthen procurement, contract and financial management, and other core business functions; and enhance oversight, accountability and governance for globally dispersed operations. Those issues should be addressed by all nine audited entities without delay.

19. The Group welcomed the Board's new approach to reporting, including the change from biennial to annual reporting and the introduction of a concise summary of the principal findings and conclusions contained in its reports. It noted the overall implementation rate for recommendations relating to the biennium 2010-2011 for the entities that continued to be audited biennially, and urged entity managers to continue their efforts in that regard. It would welcome detailed information about why the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) and UN-Women had rejected recommendations made by the Board on inventory policy, end-of-service liabilities and the power to write-off. It also hoped to receive detailed information on issues related to fundraising and retention of funds by National Committees for UNICEF and updates concerning the United Nations Office for Project Services (UNOPS).

20. The fact that United Nations entities might not be able to fully meet their obligations when end-of-service liabilities fell would put retired or nearly retired United Nations staff at risk after long years of dedicated service. The Group would appreciate detailed information on results-based budgeting and results-based management, as well as an update on internal oversight arrangements at UNHCR. Lastly, the Group encouraged entities to continue their efforts to address underlying challenges related to IPSAS and to share the lessons learned relating to their adoption of those standards.

21. **Ms. Power** (Observer for the European Union) said that the Board of Auditors should be commended for the continued high quality of its reports, which contained information that was extremely important in guiding the work of the Committee. The agenda was a very heavy one with detailed audited financial statements on several organizations as well as the Board's recommendations on several entities, and her delegation would engage constructively in the discussions ahead.

22. **Mr. Jaitley** (India) said that the high-quality reports of the Board continued to guide the work of the General Assembly, and its observations and recommendations played an important role in the Organization's financial and administrative management. Major management reform initiatives were under way in areas such as information technology, accounting, human resources and field support. His delegation was pleased that implementation of IPSAS was on course and that the preliminary phases of Umoja had begun, and looked forward to receiving further information on the end-stage vision and the road map for implementation.

23. There was a need for better and faster follow-up action on the Board's recommendations, as well as greater synergy between various oversight bodies in the United Nations system. The success of the various initiatives would depend not only on their timely implementation, but also on their sound financial management and the delivery of all intended benefits. The case for sound oversight had never been more pertinent.

24. The Fifth Committee was facing a substantial session with deliberations on the programme budget for the biennium 2014-2015, the second performance report, special political missions and the mobility framework, in addition to ongoing management reform projects. Most important, the Committee would decide on the revised appropriations for the biennium 2012-2013. Most of the recent budgets had been characterized by low initial appropriations that were supplemented at the revised appropriation stage. However, there was a fundamental disconnect between the creation of mandates and aspirations to freeze budget levels well ahead of time. The reality was that predicting budgets was as difficult, if not more difficult, than predicting crises.

25. **Ms. Norman** (United States of America) said that oversight was an important component of accountability and her delegation greatly valued the tremendous effort that went into producing annual

financial statements, as well as the work of the Board in reviewing the statements and preparing its reports. It also welcomed the collaboration between Member States, auditors and the Secretariat, which ensured meaningful follow-up of recommendations designed to improve internal controls and related management practices.

26. The eight United Nations entities should be commended for receiving unqualified opinions from the Board. The increase in the number of recommendations that had been fully implemented was another positive step, but the United Nations organizations were urged to address the partially and unimplemented recommendations expeditiously. Continued improvements in oversight were important, not least because United Nations entities were operating in an increasingly global environment which entailed managing relationships with a range of stakeholders and implementing partners.

27. Her delegation commended the progress that had been made by the funds and programmes in producing IPSAS-compliant financial statements for 2012. It acknowledged the risk that the United Nations would be unable to complete implementation by 2014 and urged agencies to complete the work still required to produce IPSAS-compliant statements in order to increase transparency, provide insight into the cost of operations and drive cost-effective decision-making. Her delegation continued to have concerns about the management of expendable and non-expendable property, high cash and investment balances maintained by United Nations entities, and procurement and contract management deficiencies. It would continue to monitor those issues and urged United Nations organizations to implement the Board's recommendations as a matter of priority.

28. **Mr. De Vega** (Philippines) said that the funds and programmes had made commendable progress in adopting IPSAS and achieving an unqualified audit opinion from the Board of Auditors, and his delegation encouraged them to continue adopting those standards and best practices, improve systems, strengthen internal controls and improve decision-making processes and financial management. One of the benefits of IPSAS had already been seen with bodies now preparing annual financial statements. That practice allowed audit issues to be raised and corrective action taken by management in a timelier manner, which provided the Committee with a better basis upon which to make informed decisions. That was particularly important in the current year, as budget proposals for the forthcoming biennium would be under review. His delegation therefore looked forward to receiving the views of the Board of Auditors on comparisons of budgets and actual utilization. It would also welcome further information on how the United Nations funds and programmes were addressing issues raised by the Board relating to implementation of risk management, inventory management, and property, plant and equipment.

29. **Mr. Safronov** (Russian Federation) said that the high-quality reports of the Board of Auditors were invaluable sources of information on the activities of United Nations programmes and funds. The Board's recommendations on systemic problems were especially useful and it was hoped that the managers of the programmes and funds would pay particular attention to those recommendations. His delegation welcomed the fact that all programmes and funds audited had received unqualified audit opinions, which was critical in the context of the implementation of IPSAS. Implementation of the Board's recommendations would help to enhance the effectiveness and transparency of the Organization's work.

Agenda item 134: Proposed programme budget for the biennium 2014-2015

International Public Sector Accounting Standards (A/68/161, A/68/351 and A/68/508)

30. **Mr. Ramanathan** (Officer-in-Charge, Office of Programme Planning, Budget and Accounts), introducing the sixth progress report of the Secretary-General on the adoption of the International Public Sector Accounting Standards (IPSAS) (A/68/351), said that the report reviewed the progress of IPSAS implementation throughout the United Nations system during the period from 1 September 2012 to 31 August 2013. In total, 10 United Nations system organizations had issued their first IPSAS-compliant financial statements for 2012, in addition to the 11 organizations that had already implemented the standards between 2008 and 2011. All 21 organizations had received unqualified audit opinions on their 2012 statements, representing a significant achievement of the United Nations system in adopting IPSAS and sustaining compliance. The remaining three organizations were on schedule for implementation in 2014.

31. Regarding the Secretariat's implementation, IPSAS-compliant operations had commenced in peacekeeping operations on 1 July 2013, and all other Secretariat operations were on target to migrate in January 2014. To ensure successful implementation, the IPSAS Steering Committee had been reconstituted in 2013 to strengthen business support; an independent project assurance function had been created to ensure impartial progress reporting to that Committee; and the Chef de Cabinet had urged heads of departments and offices to drive implementation through personal support and cooperation. The Management Committee and the Independent Audit Advisory Committee had also continued to review progress regularly.

32. A major challenge had been the lack of an enterprise resource planning system to provide IPSAS-compliant functionality for dealing with asset accounting. However, the necessary system changes had been made as the Organization transitioned to Umoja from existing systems such as the Integrated Management Information System (IMIS), Galileo and the Progen payroll system, taking into account the Advisory Committee's recommendation to minimize enhancements to current systems. The Board of Auditors would conduct a detailed review of the systems architecture that would support IPSAS compliance until the full roll-out of Umoja. Although the IPSAS implementation strategy remained vulnerable to delays in the roll-out of Umoja, teams from the two projects were collaborating intensively to address mutual dependencies and mitigate the impact of any delays.

33. It was to be hoped that the residual risk related to United Nations accounting policy for inventory would soon be mitigated. The Administration had defined the policy carefully to make the accurate valuation of inventory in peacekeeping operations possible for the foreseeable future, but the Board of Auditors had yet to approve the policy. Over the previous year, the preparation of accurate opening balances of assets and liabilities had been a key challenge, with field missions collecting, cleansing, codifying and maintaining extensive asset inventories, and non-peacekeeping locations preparing for their opening balances from 1 January 2014.

34. The amended Financial Regulations and Rules had been promulgated on 1 July 2013, and the IPSAS policy framework had been adapted and reissued in August 2013. The high-level policy framework had been supplemented by more detailed operational guidance in 19 corporate guidance documents, which had resulted in a surge of change management activities designed to prepare the Organization to embrace the changes arising from IPSAS.

35. The benefits realization plan had been expected to be completed by the end of 2012, but had been delayed until the end of 2013 owing to difficulties in securing external professional assistance and the inability to devote adequate time to that activity without compromising preparations for opening balances and supporting the design and testing of Umoja.

36. The introduction of IPSAS and the annual audit of financial statements would increase the workload of the Advisory Committee, the Fifth Committee, the Secretariat, the funds and programmes, and the Board of Auditors. In addition, sustaining IPSAS compliance for the Secretariat would remain a major challenge until Umoja was fully deployed in 2016 or 2017. That prolonged implementation had forced the Committee to conserve the IPSAS budget to support the transitional arrangements until all legacy systems had been replaced by Umoja. The Administration remained firmly committed to the IPSAS implementation targets despite the risks arising from the complexity and size of its operations.

37. **Mr. O'Farrell** (Chair of the Audit Operations Committee of the United Nations Board of Auditors), introducing the third progress report of the Board of Auditors on the implementation of IPSAS (A/68/161), said that all nine entities within the Board's portfolio had produced their first IPSAS-compliant financial statements in 2012, with each achieving an unqualified audit opinion. That was a significant achievement and a positive step towards modernizing their business administration. For many of the entities, IPSAS implementation had been a largely technical exercise, but there was some evidence of more fundamental changes in underlying business processes. Those improvements needed to be embedded and processes for producing financial data streamlined to further improve the timeliness and quality of financial reporting.

38. IPSAS generated new information, but that information had to be used in a manner that realized potential benefits. Despite the Board's previous recommendations, only one entity had completed and

implemented its IPSAS benefits realization plan, and work was needed to realize the benefits of IPSAS adoption. In particular, there had been limited progress on the production of new management accounting data and in improving financial reporting for management so that it had regular and ongoing in-year information on financial performance to aid timely decision-making.

39. The new financial statements provided new insights into entities' financial health and operational and financial performance, and the Board's limited ratio analysis in most of the entity reports had indicated that those entities were in a healthy financial position. The statements had also provided more complete and accurate assessments of entities' running costs, information on the costs of delivering programmes, more complete information on the net worth of each entity and better information on significant future liabilities. Over time, the value of the new statements would become increasingly apparent, but management needed to do more to draw out insights. Entities should use the financial information provided by IPSAS to improve accountability, control and financial sustainability, as well as more cost-effective decision-making and delivery of vital services. IPSAS adoption could also enhance the role and profile of financial management in general and finance functions in particular.

40. Implementation of IPSAS in the United Nations and its peacekeeping operations was inherently complex and high risk because of the scale and fragmented nature of the Organization and absence of a functional enterprise resource planning system. Overall, implementation using legacy systems rather than Umoja was now based on a pragmatic, practical plan, which represented good progress. However, the Administration needed to commit to and hit important milestones, and undertake more work to test and validate data from the field. Good progress had been made in enhancing and testing the functionality of IMIS and legacy systems, and in clarifying the transitional arrangements up to full Umoja implementation, but the transitional strategy still entailed increased risks relating to data completeness and accuracy. Guidance and training had been provided in the field, but concerns remained that staff may have had insufficient time to familiarize themselves with new instructions and processes. The Board had highlighted continuing risks to implementation, including concerns relating to asset data cleansing, the readiness of accounting guidance and systems, and the lack of dedicated local resources. Governance of the project had improved through the strengthening of the Steering Committee and the appointment of a Project Assurance Officer, but deficiencies identified by the latter needed to be addressed urgently.

41. **Mr. Ruiz Massieu** (Chair of the Advisory Committee on Administrative and Budgetary Questions), introducing the related report of the Advisory Committee (A/68/508), said that it was an achievement that 10 United Nations system organizations had issued their first IPSAS-compliant financial statements and that all had received an unqualified audit opinion from the Board of Auditors. The Advisory Committee encouraged continued collaboration among the organizations in order to address their respective challenges. With regard to the Secretariat, it welcomed the successful launch of IPSAS accounting for peacekeeping operations, as well as the progress made towards implementing IPSAS for all non-peacekeeping operations as from 1 January 2014. It was also pleased that measures had been taken to strengthen governance of the IPSAS project through the Steering Committee and the creation of an independent project assurance function to provide an impartial assessment of its health.

42. The Advisory Committee had noted the progress reported regarding transitional arrangements to address the delay in the implementation of Umoja, but it remained concerned about the risk associated with the use of multiple systems to deliver accurate and consistent data for IPSAS-compliant financial statements. With regard to the accounting policy for inventory, the Advisory Committee trusted that the discussions between the IPSAS project team and the Board of Auditors would enhance efficient management of the Organization's inventory. It also underscored the importance of preparing accurate opening balances for assets and liabilities, and agreed with the Board of Auditors that the testing and validation of the underlying financial data should be undertaken within the agreed period and that opening balances should be submitted to the Board for its review within the deadlines agreed.

43. Regarding the realization of benefits, the Advisory Committee recommended that the General Assembly should request the IPSAS project team to identify additional benefits, and stressed the

responsibility of managers to lead efforts to deliver those benefits. Lastly, the Advisory Committee reiterated that serious efforts should be made to contain the IPSAS project costs.

44. **Mr. Daunivalu** (Fiji), speaking on behalf of the Group of 77 and China, said that the Group welcomed the progress made in implementing IPSAS and the measures taken to strengthen IPSAS governance through the Steering Committee and the creation of an independent project assurance function. Those measures should help to keep the project implementation strategy on track and ensure that implementation risks were monitored and addressed in a timely manner. However, the Group remained concerned about aspects of implementation, particularly the absence of a common system and format for recording financial data and the risk associated with the ability of temporary adaptations to the existing system to deliver accurate data for IPSAS-compliant financial statements. It also looked forward to hearing what progress had been made in implementing the Board of Auditors' recommendation that testing and validation of reliable transactional data should be undertaken by the end of September 2013 in order to establish opening balances for assets and liabilities as early as possible.

45. The Group noted the concerns expressed by the Advisory Committee and the observations of the Board of Auditors relating to weaknesses in asset management and the processes underlying the preparation of IPSAS-compliant financial statements, and it looked forward to hearing how project managers were addressing those concerns. Lastly, as Chair of the Chief Executives Board for Coordination, the Secretary-General should continue to coordinate the transition from the United Nations system accounting standards to IPSAS, and should continue to gather, analyse and disseminate information on the challenges faced, lessons learned, best practices drawn upon and benefits realized by the organizations that had implemented IPSAS, in order to further refine the implementation plans and strategies of the organizations that had yet to undertake migration.

46. **Mr. Van Den Akker** (Observer for the European Union), speaking also on behalf of the candidate countries Iceland, Montenegro, Serbia, the former Yugoslav Republic of Macedonia and Turkey; the stabilization and association process countries Albania and Bosnia and Herzegovina; and, in addition, Armenia, Georgia and Ukraine, welcomed the progress made in implementing IPSAS, as well as the significant work undertaken to prepare opening balances for all offices, especially for peacekeeping operations, which had been an issue of concern to members of the European Union in the past. Nonetheless, implementation was not an end in itself, and the adoption of IPSAS should provide more accurate financial information that could improve accountability, transparency, control and financial sustainability, as well as ensuring more cost-effective decision-making and delivery of vital services. That was particularly important in view of the fiscal and economic constraints and increased financial risks facing United Nations entities.

47. Overall, the Secretariat had made good progress but needed to be more proactive in reducing possible risks. The European Union shared the Advisory Committee's concern with regard to the absence of a common system and format for recording financial data and the risk associated with the ability of temporary adaptations to existing systems to deliver accurate data for IPSAS-compliant financial statements. It urged the Secretary-General to ensure that accurate opening balances for assets and liabilities were established.

48. The European Union called on all entities implementing IPSAS to prepare benefits realization plans by the end of 2013 in order to improve management in all relevant areas, and stressed that managers had a crucial role to play in leading efforts not only to implement IPSAS but also to deliver its intended benefits. Lessons could be learned from other organizations that had already implemented IPSAS and further benefits could be identified. The creation of an independent project assurance function had strengthened the governance of the IPSAS project and that initiative should therefore be extended to other major United Nations projects. Lastly, IPSAS implementation should take place within existing resources at Headquarters and in field offices. As a result, serious efforts should be made to contain project costs and to absorb additional costs within approved resources.

The meeting rose at 11 a.m.