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Report of the Secretary-General

Part III: Administrative and statutory matters

(a) Financial report of the Organization for 2016

Addendum 1: IPSAS post-implementation phase progress report

I. Introduction

1. The present document updates the Executive Council (EC) on the progress made in the implementation of the International Public Sector Accounting Standards (IPSAS) work plan in UNWTO and is a follow-up to the reports submitted in 2007 (CBF/48/2), 2009 (CBF/50/1), 2010 (CE/88/5(a)), 2011 (CE/90/5(a) add.1), 2012 (CE/93/5(b) Add.1), 2013 (CE/95/3(II)(a) Add.1) 2014 (CE/98/3(II)(b) Add.1, CE/99/5(c)) and 2015 (CE/100/5(a) Add.1 and A/21/8(II)(b) Add.1).

2. The UNWTO project for IPSAS implementation comprises three distinct phases: pre, main and post phase (CE/88/5(a)).

(a) The pre-phase of the project (2009-2010) involved the introduction of a new financial model at UNWTO establishing a separation of financial administration roles;

(b) The main phase of the project (2011 - early 2015) covered the preparatory work required to achieve IPSAS-compliant Financial Statements and comprised accounting policy and procedures, rules and regulations, new and upgraded financial management information technology (IT) systems implementation, training and awareness activities as well as the preparation of the Financial Statements under IPSAS for the year ended 2014; and

(c) The post-phase (from end of 2014 onwards) includes a range of activities aimed at sustaining IPSAS-compliance and maximizing the benefits of IPSAS as well as at enhancing the UNWTO financial management IT system.

3. This report describes the UNWTO's progress towards the post-implementation since the reports in 2015 (CE/100/5(a) Add.1 and A/21/8(II)(b) Add.1) and outlines the main activities for 2016.



II. IPSAS post-implementation phase

4. The main challenge of this phase will be continuing consolidating IPSAS requirements within the Organization and developing new IT modules for Athena, UNWTO's automated financial system. To comply with these rather stringent requirements, additional resources, particularly under the area of Budget and Finance, are required for successful mainstreaming of tasks. At UNWTO, these major business transformation projects are very demanding on the limited resources of Budget and Finance.

A. Sustaining IPSAS compliance and maximizing IPSAS benefits

1. Sustaining IPSAS compliance

5. In 2015, all twenty-four organizations of the UN (United Nations) system had completed their IPSAS implementation successfully. Aiming to sustain IPSAS-compliant financial statements, UN organizations, including UNWTO, are engaged in addressing a range of post-implementation challenges including: (a) long outstanding receivables, (b) the accounting treatment of the advances to implementing partners, (c) assumptions utilized to determine the discount rates for post-employment benefits, (d) revenue from multi-year agreements, (e) commutation of annual leave, (f) allowance for doubtful debts, (g) separation of active and retired staff members for the purpose of calculating the ASHI (after-service health insurance) liability, (h) disclosure of the estimates of contributions in kind, (i) systems for the collection of the costs of assets under construction, and the recording of inventory and weaknesses in cut-off on receipt accruals.

6. UNWTO, together with other UN organizations, is addressing these challenges with the support of the UN Task Force on Accounting Standards (UNTFAS). The UNTFAS, under the authority of the Finance and Budget Network (UNFBN) of the Chief Executives Board (CEB), continues to be an essential forum where UN organizations share their experiences in dealing with such challenges and leverage their mutual experiences including the optimization of the use of ERP systems. The objective of the UNTFAS, of which UNWTO is an active member, is to ensure that UN system organizations are IPSAS-compliant with a consistent interpretation and application of IPSAS amongst UN system organizations.

7. UNTFAS continues to address four strategic orientations and activities: (a) facilitation and communication, (b) IPSAS Board monitoring, (c) coordination of accounting diversity, and (d) guidance and support. UNTFAS has focused on: (a) post implementation challenges, (b) technical guidance on selected topics of common interest, (c) the comparability of financial statements across the UN system, and (d) working with the Technical Group of the Panel of External Auditors of the United Nations, the Specialized Agencies, and the International Atomic Energy Agency on addressing common and recurring financial reporting and audit issues faced by UN organizations.

2. Maximizing IPSAS benefits

8. Maximizing IPSAS benefits (in governance, operational and financial management and comparability with other UN system organizations) and sustaining IPSAS compliance require an investment of time and resources in all organizations of the UN system, irrespective of size. UNWTO, being the smallest agency in the UN system, has to make additional efforts and dedicate more resources to ensure that the full benefits of IPSAS flow to the Organization.

B. Enhancement of Athena

1. Background

9. At UNWTO, the further development of the financial management information technology (IT) system (in-house tailor-made type of a limited ERP (Enterprise Resource Planning) system, internally known as Athena) is planned as part of the IPSAS post-phase activities subsequent to IPSAS implementation as was reported in CE/88/5(a).

10. The introduction of new and enhanced IT systems which integrate part or most of the administrative and operational processes of an organization is not solely intended to support IPSAS financial and management reporting over the longer term. These systems offer organizations the opportunity to reduce manual intervention, adopt good practices, have the potential to enhance operational efficiency, accountability and organizational performance and increase internal controls affecting the Organization's processes, extending well beyond accounting and finance matters and affecting all operations.

11. It should be noted that the development and implementation or upgrade of a management IT system requires substantive resources for both the development and implementation including training and awareness.

12. In 2013, the Secretary-General, based on an internal analysis, concluded that the most suitable option to meet the future needs of UNWTO is to enhance Athena mainly due to the high costs of implementation and maintenance¹ of commercial ERPs, such as SAP or Oracle, which are not affordable for UNWTO. Tailor-made systems are less costly and make user acceptance of the system easier to achieve but imply heavy dependence on specialized internal knowledge.

2. Phased approach and methodology

13. IT management systems are composed of modules by functional area, such as finance and accounting, supply chain management, etc. that can be implemented in stages. The modular design also allows the implementation of selected functions as highlighted in CE/98/3(II)(b) Add.1. The enhancement of Athena is planned using a phased approach, i.e. module by module having regard to resource availability and UNWTO deployment capacity.

14. As reported in CE/100/5(a) Add.1 the first modules to be developed, the so-called Athena II plan, are: (a) purchase management, and (b) accounts payable. This plan also includes the enhancement and adaption of the following modules which are already in use: budget, reporting, assets, reference data and administration. Once Athena II goes live, the modules to develop under Athena III will comprise: (a) sales & distribution, (b) stock, and (c) accounts receivable which will also imply the adaptation of some modules in use.

15. A detailed work plan is prepared per module based on CMMI² methodology. In short, before a module goes live, the following phases have to be carried out: (a) requirements, (b) functional analysis, (c) acceptance, (d) programming, (e) testing, and (f) data uploading.

¹ According to the JIU/REP/2012/8, ERP implementation costs and annual maintenance costs are on the range of USD 1.3 million (M) to 315.8M and USD 0.6M to 17.4M respectively.

² Capability maturity model integration.

3. Planning and management, expected benefits and risks

16. Implementing or upgrading a management IT system is a journey that requires strong project planning and management including: adequate definition of functional requirements; realistic budget and schedule; flexibility in the project's scope; data conversion and business process engineering; dealing with users' resistance to change; and anticipating unforeseen customization costs.

17. Management of IT systems are major business transformation projects which imply a culture change in the way things are done in an organization. These systems are about business processes, so it is important that senior managers and users alike are involved in the project.

18. At UNWTO the Secretary-General and the Director of Administration and Finance carefully assess the appropriate planning and management of the project. Furthermore, in order to support the change management, an in-house user's group (UG) was created comprising officials of different areas of the Secretariat in 2015 (CE/100/5(a) Add.1). This UG has been involved in the functional analysis of specific modules and sub-modules within Athena II. During 2016, it is planned to increase the number of officials which form part of the UG to work on the testing and help also in the areas of training and communication.

19. The main expected benefits from this system are the creation of an integrated organization-wide system, standardization business processes, the replacement of obsolete/fragmented legacy systems, and the improvement of quality and timeliness of information, productivity and transparency and cost reduction.

20. On the other hand the main risk factors for the management of IT system implementation are: change management issues, inadequate project design and management, delay in go-live, lack of governance and accountability inappropriate staff resources, lack of training, IT infrastructure problems and data migration problems. The UNWTO is addressing these risks as part of its approach to Athena development.

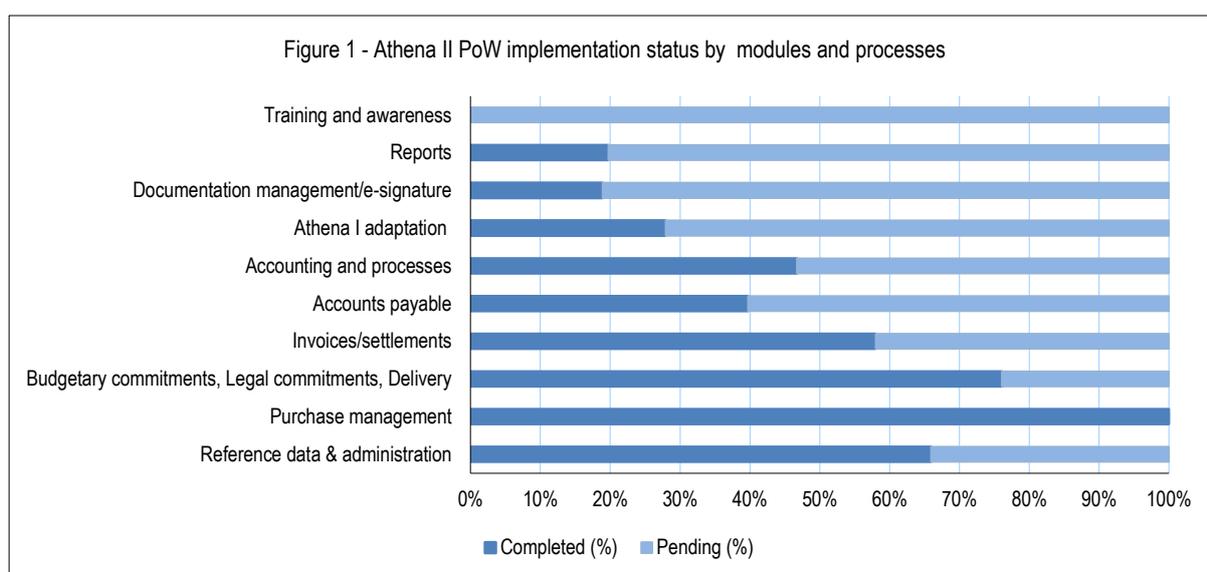
4. Implementation status

21. The enhancement of Athena started in the last quarter of 2014 and will continue progressively in the implementation of functionalities (CE/98/3(II)(b) Add.1).

22. The Athena II plan started in November 2014. The implementation status at March 2016 shows the following conclusions: (a) some 50 percent of the work has already been completed, and (b) pending tasks mainly refer to programming, testing and training. In order to reinforce the programming, testing and training tasks, another programmer will be incorporated to the implementers' team from April 2016 and the UG will be enlarged in the second semester of 2016.

23. As explained above and in previous progress reports, this project is very much dependent on internal resources and puts pressure particularly on the staff of Budget and Finance. In order to mitigate risks and based on current staffing constraints, it is now considered more realistic to plan the go-live date for the first semester of 2017.

24. The figure of below illustrates the implementation status by modules and processes:



III. Actions to be taken by the Executive Council

25. The Executive Council is invited:

- (a) To take note of the advances made in the IPSAS post-implementation phase project and the pressure that major business projects put on the Secretariat;
- (b) To encourage the Secretary-General to continue to advance in the IPSAS post-implementation phase project and to continue reporting its progress to the EC; and
- (c) To take note that the go-live of the Athena II plan is planned within the first semester of 2017.