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## RESOURCE, FINANCIAL AND BUDGETARY MATTERS

### **Report of the External Auditor on Preparedness for IPSAS and WINGS II and Response of the WFP Secretariat (2009/EB.1/9)**

1. In presenting the Report, the External Auditor stressed that the adoption of IPSAS was an important element in United Nations reform. WFP aimed to be the first United Nations entity to conform to these international standards. Compliance with the standards would lead to improved financial reporting, better financial management, increased transparency and better-informed decision-making. The timetable for implementation was tight, and the Secretariat was addressing issues that remained to be resolved. The “dry run” accounts for January to September 2008 were being used to develop WFP’s capacity to handle IPSAS. The External Auditor’s recommendations were to be seen as a constructive contribution towards ensuring that WFP could achieve full IPSAS compliance, managing the significant changes involved. An important element in transition towards IPSAS was the upgrade of WINGS II.

2. The implementation of WINGS II had been subject to delay and changes to scope of the project, increasing costs from US\$39 million to US\$56.5 million. The External Auditor’s view was that the patchwork of legacy systems had rendered reliable financial reporting in compliance with IPSAS a more fragile, problematic and cumbersome process than would be the case under a fully implemented WINGS II environment.

3. In relation to IPSAS, the Secretariat accepted all recommendations made by the External Auditor and informed the Board that actions had already been taken to begin addressing all recommendations. In relation to WINGS II, the Secretariat appreciated the need to have the system up and running as soon as possible, but it was also very important not to risk going live too early. If deployed too early without the full and final testing risks were higher than for a slightly later go-live date. The Secretariat accepted the recommendation to quantify the savings and benefits from the implementation of WINGS II. There was expected to be a productivity dip after go-live, but the Secretariat was fully confident that WINGS II would bring significant benefits within less than a year. A baseline assessment would be made prior to go-live and a further measurement taken in 2010.

4. The Board welcomed the document and appreciated the efforts made by the Secretariat in implementing IPSAS. Members of the Board appreciated the improved governance and oversight resulting from IPSAS adoption. The Secretariat addressed IPSAS-related inquiries related to implementation costs, timeline, readiness and cooperation with others in the United Nations System.

5. Some members asked about whether WFP considered changing software provider, how much the solutions were going to cost and whether contractors could be penalized for failing to deliver. Others expressed concern regarding the delays in deploying WINGS II, urging rapid incorporation of deferred functionalities. Board members asked for clarification of the management responsibilities for WINGS II introduction, a costed timetable of deferred functionalities and an assessment of the savings realized by the new system.

6. In response to the Board’s questions, the External Auditor noted the importance of specifying the basis for accounting and observed that the financial

regulations simply needed to specify that IPSAS was the framework used. He noted that in the processes under consideration there were inevitable costs, but that these were not expected to have an adverse effect on operations.

7. Concerning WINGS II, the Secretariat stressed that it would go live by mid-year and would be within the budget allocated by the Board. The Secretariat also stressed that the interim stock valuation solution was robust and much better than the manual solution; it could continue to be used indefinitely in some smaller offices that did not have good connectivity. SAP had stopped supporting the WFP-customized version of the software, but WINGS II would be based on a newer version which was fully supported and would be easier to upgrade in the future.