

WIPO



WO/PBC/14/6

ORIGINAL: English

DATE: July 30, 2009

WORLD INTELLECTUAL PROPERTY ORGANIZATION
GENEVA

PROGRAM AND BUDGET COMMITTEE

Fourteenth Session

Geneva, September 14 to 16, 2009

PROGRESS REPORT ON THE IMPLEMENTATION OF IT MODULES TO ESTABLISH COMPLIANCE WITH THE NEW FINANCIAL REGULATIONS AND RULES AND IPSAS

prepared by the Secretariat

1. At the forty-third session of the Assemblies from September 24 to October 3, 2007, the Member States agreed in principle to the adoption by WIPO of International Public Sector Accounting Standards (IPSAS) by 2010 (A/43/5). This agreement formed part of a United Nations system-wide initiative endorsed by the General Assembly (A/RES/60/283 (IV) 1) to replace the existing United Nations System Accounting Standards (UNSAS) with IPSAS which are internationally recognized. The benefits of the change include improved internal controls and transparency, more comprehensive information about costs and income and improved consistency of financial statements over time and across different organizations.
2. At the thirteenth session of the Program and Budget Committee in December 2008 the Secretariat presented its *Proposal for the Implementation of IT Modules to Establish Compliance with the New Financial Regulations and Rules and IPSAS: Procurement, Asset Management and other System Requirements for IPSAS Compliance [WO/PBC/13/6(d)]*. The proposal included information on the status of IPSAS implementation, indicating that the project was at that time behind schedule and that efforts would continue in order to prepare

for IPSAS implementation in 2010. A budget contained within the proposal detailed the resources required to meet the goals of both IPSAS compliance and the implementation of the Financial Regulations and Rules (FRR). The PBC recommended approval of the proposal to the Assemblies along with an appropriation of 4,200,000 Swiss francs and the recommendations were approved at the Forty-sixth session of the Assemblies in December 2008 (A/46/6(d)). A detailed report of the progress made to date regarding the implementation of the proposal (known as the 'FRR-IPSAS project') is to be found later in this report.

3. In 2008, as part of the IPSAS preparatory work, an additional separate ledger was created within the WIPO Administrative Integrated Management System (AIMS) in order to enable Finance Services to provide accounting information in an IPSAS compliant format. Further, this ledger allows the provision of information in accordance with WIPO's Program and Budget which, unlike IPSAS, is not based upon full accrual accounting. Other work in 2008/early 2009 included modifications within AIMS enabling the production of three of the five financial statements required by IPSAS. The remaining statements are being developed as part of the FRR-IPSAS project requirements.

4. Due in large part to the appropriations made available by the Assemblies, the IPSAS implementation project is now on schedule as indicated in the work plan presented to the Audit Committee in 2009 (see Appendix I). The major IPSAS related IT requirement is the implementation of the PeopleSoft Fixed Asset module and this work is currently progressing as discussed below. In addition, the full detailed scope of the IPSAS requirements has been completed and policies and procedures developed for the IPSAS implementation. These policies and procedures have been submitted to the External Auditor for review.

I. WIPO Reserves under IPSAS

5. Finance Services has produced a draft balance sheet (referred to by IPSAS as the Statement of Financial Position) reflecting the status of WIPO's assets and liabilities, had IPSAS been implemented at the beginning of 2008. If WIPO's 2008 accounts had been prepared under IPSAS rather than UNSAS, there would have been a net reduction of WIPO's net equity (reserves plus working capital funds) of 21.1 million Swiss francs. This reduction is caused by differences between the IPSAS and WIPO budgetary treatment of various items:

Description of adjustment made to ensure IPSAS compliance	Net Impact in millions of Swiss francs
– Revenue from PCT and Trademark international applications treated as advance receipts until the entire processing is complete (at the time of publication).	(118.4)
– Recognition of the estimated value of PCT international applications received in national receiving offices during 2008 but not forwarded to the International Bureau until 2009.	15.1
– Recognition of the value of assets such as land and buildings. Under UNSAS the value of buildings is recognized only to the extent of WIPO's remaining liability to FIPOI for the repayment of construction loans, together with the value of work-in-progress on the new building. Under IPSAS, the full cost of all buildings (less depreciation based on a useful life of 50 years) is shown as an asset. The WIPO owned land, on which the new building is being constructed, is included at fair market value as determined by an independent appraiser.	124.8
– Recognition of the value of equipment at cost less accumulated depreciation.	6.3
– Recognition of the value of the stock of publications held for sale or free distribution.	2.9
– Recognition of a provision for doubtful debts covering the amount of assessed contributions receivable which are older than three years or frozen by action of the Assemblies.	(8.0)
– Recognition of the liability for education grants payable – the amount of advances to staff members that has been earned but for which claims are pending. This liability is created by the difference between WIPO's calendar year accounting and the September to June school year.	(1.8)
– Full recognition of liabilities for post-employment benefits such as after service health insurance, repatriation grants and travel and accumulated leave.	(42.1)
TOTAL Net Change from UNSAS to IPSAS	(21.1)

6. A summary of UNSAS and IPSAS based balance sheets showing the changes is shown in Appendix II. Under IPSAS, WIPO's financial statements must include all funds under WIPO's control including not only the Program and Budget but also funds from voluntary contributions (FITS). The inclusion of FITS on the balance sheet does not affect WIPO's reserves as these funds are considered to be held on behalf of the donor until the services financed by the donors are provided.

II. WIPO Budget under IPSAS

7. WIPO's Program and Budget is not prepared on the basis of full accrual accounting. The costs of equipment are recorded as expenses in the year of purchase rather than being depreciated over the equipment's useful life. No provisions are made for contributions receivable, the receipt of which is considered to be doubtful and provisions are established for post-employment benefits only to the extent that they have been financed in the Budget. The full liability is not covered by such provisions. In addition, there are other differences relating to building construction, publications inventory and revenue recognition described in the table above.

8. The Finance and Budget Network, representing the chief financial officers of all UN agencies, has recommended that UN agencies not modify their current budgetary systems pending a study of the potential impact throughout the UN system. The WIPO Secretariat endorses this position and no changes are currently proposed in WIPO's budgeting system as defined in the Financial Regulations and Rules and the various treaties. WIPO will, therefore, be required to maintain separate accounting information to enable it to provide information on revenue and expense, both on the basis of the FRR and according to IPSAS. The accounting changes to AIMS necessary to provide information to meet both the IPSAS and FRR requirements have been completed and tested.

9. IPSAS requires the Financial Statements to include a comparison of actual revenue and expense to the final budget based on the accounting bases used in the Program and Budget. In addition, IPSAS requires that the notes to the financial statements include a reconciliation of revenue and expense based on WIPO's Program and Budget and revenue and expense according to IPSAS. Calculations based on the 2008 accounts indicate that once the initial adjustments described above have been recorded to the asset and liability accounts, the annual differences between revenue and expense under IPSAS and under the WIPO budgetary system will be relatively small. The development of reports to provide this information on an on-going basis is part of the FRR-IPSAS project and scheduled to be completed by the end of 2009.

III. Workplan for 2010

10. The Secretariat has discussed the proposed IPSAS implementation policies and procedures with the External Auditor. Current plans are to provide information to the External Auditor in May of 2010 on the adjustments necessary to the asset, liability and net assets/equity (reserves plus working capital fund) balances at December 31, 2009 to bring them to full IPSAS compliance as at January 1, 2010. In addition, Finance Services will prepare draft IPSAS conforming Financial Statements as of June 30, 2010. The External Auditor has agreed to review the adjusted balances and the draft June 30 Financial Statements and provide detailed comments to Finance Services, though not to issue a formal opinion. This will enable the Secretariat and the External Auditor to agree on the IPSAS implementation requirements before the formal 2010 statements are submitted for audit in accordance with the FRR. A similar procedure was utilized by the World Food Programme for its successful implementation of IPSAS for 2008.

IV. FRR-IPSAS Project-Background and Context

11. The proposal approved by the Assemblies in December 2008 (as referred to above) included the introduction of additional PeopleSoft modules and the modification of existing solutions to comply with FRR and IPSAS for the start of the 2010-2011 biennium.

12. Cedar Consulting, who worked with WIPO on the AIMS implementation and subsequent support, have been appointed as the implementation partner for WIPO.

13. WIPO aims to achieve the following through the project:

- Compliance with IPSAS through enhanced functionality
- Implementation of FRR based on an electronic automated solution
- Introduction of best practice procurement based on a more effective and simplified means of requisitioning and purchasing
- Integration between procurement and financials
- Improved budget monitoring and control
- Initiate staff development through the introduction of best practices based on an ERP solution

(a) Project Approach

The project lifecycle follows five main stages as outlined below. The first four stages are considered complete on sign-off of key deliverables.

(b) Stage 1: Initiation Stage

The primary output from this stage where a Project Initiation Document, which captures all of the information to define the scope of the project, and a detailed project plan for the design stage.

(c) Stage 2: Design Stage

During this stage the end solution is designed based around the standard best practice functionality available in PeopleSoft and the FRR / IPSAS requirements. The future processes will be designed and agreed making full use of the functionality and incorporating as many of the requirements as possible. The non-standard reports, interfaces, conversions, extensions, or changes needed to existing systems, will be identified, documented and specified. Once the solution is designed and agreed a detailed project plan for the build and deployment stages, with resource requirements, will be developed.

(d) Stage 3: Build Stage

Once the design has been approved then the solution needs to be built and tested. The build stage is used to build the non-standard components identified in the design stage, a test environment is configured, sample data is collected and loaded, users are trained and a series of tests are performed which results in the users and the business accepting the solution.

(e) Stage 4: Deployment Stage

Once accepted the solution is ready to be deployed which involves going live over a period of time. The solution is gradually introduced into the live environment in a controlled, structured and supportable manner, introducing needed business changes, updating legacy systems, training a wider user base and converting live data from legacy systems into the new environment.

(f) Stage 5: Post Go-Live Support, Maintenance and Enhancement

As the various parts of the solution are deployed they will need to be supported, maintained and possibly enhanced, as the organization’s knowledge of the complete solution matures. This stage ensures the solution becomes part of the existing AIMS support activities and continues to be enhanced thereafter.

V. Overview Project Plan

14. The five project stages and their expected timings are shown in the following diagram, please note support is an ongoing activity which will continue beyond March:

Stage	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Initiation	■													
Design		■	■	■	■	■								
Build							■	■	■	■	■			
Deployment											■	■	■	
Support											■	■	■	■

VI. Project Structure

15. The project is being managed on a day-to-day basis by a WIPO Project Lead, who reports to the Project Board. The Project Board manages by exception to ensure minimum demands on members’ time while enabling them to fulfil their responsibilities to the project. The Project Board supervises and provides guidance to the Project Lead, overseeing the project internally and taking responsibility for the implementation of the project as approved by the Member States.

16. The project has four main streams of work, as follows:

- Procurement
- Asset Management
- IPSAS
- Technical

17. Each of the streams has a lead and a project team consisting of functional, technical and key business resources. Because of the integrated nature of ERP implementations a cross functional team has been formed, consisting of members from each of the four main streams of work, who regularly meet to provide a wider organizational view of the project and help to resolve cross functional issues that arise.

VII. Project Controls

18. The project was broken down into a number of stages, as defined earlier, and a number of governance processes have been implemented to help control and track the progress of the project. The governance processes control the activities around the project, identifying deviations away from the plan, budget or time (based on previously agreed tolerances for time and cost) and escalating these to the attention of management when needed, through weekly progress reports and monthly project board meetings.

19. The governance processes cover the following aspects:

- Change management: Requests for change to the scope of the project, which can affect the timeline and cost of the project;
- Risk management: Identifying the risks that may affect the successful completion of the project and ensuring they are owned, monitored and mitigated against;
- Issue management: Raising, tracking and escalating issues which may subsequently become risks;
- Quality management: Ensuring the solution and the deliverables are of a satisfactory quality.

VIII. Budget Status

20. At its December 2008 session, the Assemblies approved a total appropriation of 4.2 million Swiss francs for the changes to AIMS required for the implementation of IPSAS and the Financial Regulations and Rules. Following is a detailed summary of the status of the project funding:

FRR-IPSAS Project Cost Tracking in Swiss francs (as at 26/6/09)

Cost Element	Project Budget	Actuals to Date (Note 1)	Current Balance (Note 2)	Forecast Balance (Note 3)
Application Hosting	0	0	0	0
Software Acquisition	280,879	267,450	13,429	13,429
Project Personnel	888,000	122,702	765,298	181,298
User back-filling Resources	606,000	67,045	538,955	22,955
External Implementing Partner (Note 5-7)	2,036,100	721,901	1,314,199	91,568
Training (Note 4)	190,000	72,467	117,533	21,892
Communications and other	50,000	4,960	45,040	45,040
Scope Contingency	150,000	0	150,000	150,000
Total	4,200,979	1,256,525	2,944,454	526,182

Note 1 – Actual column is expenditures in AIMS

Note 2 – Current Balance is budget less actual

Note 3 – Forecast Balance is what the expected balance will be at the end of the project, based on actual to date

Note 4 – Training actual expected to reduce, awaiting credit from Oracle

Note 5 – External Implementing Partner budget includes contingency to provide services where WIPO may have insufficient resources

Note 6 – External Implementing Partner actual covers fixed price design phase only (to end of July 2009)

Note 7 – External Implementing Partner forecast balance assumes Cedar will provide all contingency services

As noted in the table, the project is currently operating within the original budget.

21. In addition to the funding decided upon by the Assemblies, a total of 144,217 Swiss francs was expended from the Program and Budget during the period November 2007 to June 2009. This amount covered the cost of the consultant assisting with the development of IPSAS policies and procedures and the implementation of various modifications in AIMS required to provide the specialized reporting mandated by IPSAS.

IX. Project Status

22. At the time of preparing this report (early July 2009), the project is nearing completion of the design phase, which ends on 3rd August. Overall, the project is tracking according to the major milestones and is within the original budget. The deliverables produced by the project are also achieving the quality standards defined in the quality plan.

23. However, during the design stage the number of gaps, where the standard software does not meet WIPO requirements, have been more significant than originally estimated. This raises the risk that the number of customizations that will be required will be greater than originally estimated, potentially affecting both the project budget and the timeframe. This area is being closely monitored and managed and mitigation strategies have been implemented for this risk.

24. The Program and Budget Committee is invited to recommend to the Assemblies of the Member States of WIPO and of the Unions, each as far as it is concerned, to take note of the contents of the present document.

[Appendices follow]

APPENDIX I WIPO IPSAS IMPLEMENTATION WORK PLAN 2009

TASK	IPSAS	RESPONSIBLE UNIT(S)	JAN-09	FEB-09	MAR-09	APR-09	MAY-09	JUN-09	JUL-09	AUG-09	SEP-09	OCT-09	NOV-09	DEC-09
TASKS REQUIRING ERP SYSTEM MODIFICATIONS														
Implementation of Fixed Asset System including conversion of data from existing Finance database to PeopleSoft format	17	FRR-IPSAS Project												
Implementation of Procurement System elements related to accounting for expense accruals	1	FRR-IPSAS Project												
Implementation of BibAdmin/AIMS interface changes to record deferral of PCT revenue and establishment of receivable from national RO	9	PCT IT and AIMS												
Identification and implementation of any changes required for exchange rate reporting related to adjustments after beginning of month	4	AIMS												
OTHER TASKS														
Finalization of Changes to Financial Regulations and Rules	ALL	Chief Financial Officer and Budget												
Development of procedures for collection of information on in-kind contributions received particularly related to contribution of space for seminars and workshops	23	Finance Services and Academy												
Finalization of procedures for collection of information on publications in stock on reporting date including information required for annual write-off and valuation	12	Finance Services and Outreach Services Section + Budget												
Identification of journals required for TC Project revenue recognition - transfer from deferred revenue to revenue	23	Finance Services												
Finalization of format of draft financial statements including discussions with External Auditor	1 and 2	Finance Services + Budget (for budget statements)												
Preparation of draft financial statements based on 2008 Test Closure	1 and 2	Finance Services + Budget												
Finalization of procedures for segment reporting (by Unions) including agreement with External Auditor	18	Finance Services and Budget												
Finalization of procedures for FITSW annual expense accruals	1 and 3	Finance Services + Budget												
Preparation of materials, including revisions to Task Force materials for use in staff training and orientation for members of Audit Committee	ALL	Finance Services + Budget												
Finalization of procedures for accounting for fixed assets and intangibles including depreciation and asset balance	17 and IAS 38	Special Project and Finance Services												
Development of procedures for Budget to IPSAS Financial Statement Reconciliation	24	Finance Services and Budget												
Finalization of information required for recognition of TC Project Deferred Revenue based on signed contracts	23	Finance Services and Budget												
Finalization of notes to financial statements including review with External Auditor	ALL	Finance Services and Budget												
Finalization of procedures for valuation of lands and land surface rights	17 and 23	Chief Financial Officer												
Finalization of procedures for related party disclosures	20	Finance Services and Internal Audit + Budget												
Calculation of 2010 asset and liability opening balances - to be done in Spring 2010 after biennial closure of accounts	1	Finance Services + Budget												

APPENDIX II

**WIPO FINANCIAL POSITION (INCLUDING FITS)
IMPACT IF IPSAS HAD BEEN IMPLEMENTED AS AT 31 DECEMBER 2008**

ASSETS	Based on (Millions of CHF)			Explanation
	UNSAS	IPSAS	IPSAS Adjustment	
Unrestricted Cash	214.5	214.5	0.0	
Restricted Cash	156.2	156.2	0.0	
Land and Buildings	78.6	203.4	124.8	Valuation at cost less depreciation (Note 1)
Receivables	31.3	46.4	15.1	Amount due from PCT RO (Note 2)
Equipment	0.0	6.3	6.3	Valuation at cost less depreciation
Publications Inventory	<u>0.0</u>	<u>2.9</u>	<u>2.9</u>	Valuation at lower of cost and sale price
Total Assets	480.6	629.7	149.1	
LIABILITIES				
Creditors	69.6	69.6	0.0	
Provisions - Employee Benefits	44.3	86.3	42.1	Recognition of Liability (Note 3)
Provisions - doubtful debts	0.0	8.0	8.0	Contributions receivable - frozen and lost voting rights (Note 4)
Provisions - other	0.8	2.6	1.8	Education Grants Payable (Note 5)
Advances	13.6	131.9	118.4	Deferral of international applications paid and not published (Note 6)
Borrowings	29.1	29.1	0.0	
Transfers Payable	<u>87.5</u>	<u>87.5</u>	<u>0.0</u>	
Total Liabilities	244.8	415.0	170.2	
NET ASSETS/RESERVES				
Working Capital Funds	8.3	8.3	0.0	
Other Reserves	<u>227.4</u>	<u>206.3</u>	<u>(21.1)</u>	
Total Reserves	235.8	214.7	(21.1)	

Note 1 Represents buildings valued at cost less depreciation

Note 2 - Represents estimate of international applications received at national receiving office before 31 December 2008 but not transferred to International Bureau

Note 3 - Represents full actuarial liability projected through 2022

Note 4 - Represents the total value of contributions due from members that have lost the right to vote and contributions frozen by action of the Assemblies

Note 5 - Represents portion of education grant advances considered earned at 31 December 2008

Note 6 - Represents fees paid for international applications received in 2008 but not published at 31 December 2008