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Accounting standards

International Public Sector Accounting Standards

Progress report by the Secretariat

Informs the Conference of developments relevant to UNIDO with respect to International Public Sector Accounting Standards (IPSAS) since document IDB.33/5, in accordance with decision IDB.33/Dec.5, and provides a draft decision for consideration.

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I. Introduction

1. The document IDB.33/5 informed the Industrial Development Board, through the Programme and Budget Committee, of the progress made in the adoption of International Public Sector Accounting Standards (IPSAS) by UNIDO. The Board took note of this document and recommended to the General Conference the adoption of IPSAS by UNIDO, as part of the United Nations system-wide adoption of those standards by 1 January 2010. The Board also requested that the policymaking organs be kept informed of developments relevant to UNIDO with respect to IPSAS (IDB.33/Dec.5).
2. In compliance with decision IDB.33/Dec.5, the objective of the present document is to provide an update on relevant developments in both the system-wide IPSAS project and progress made in IPSAS implementation at UNIDO.

II. System-wide IPSAS project and the role of UNIDO

3. The main objective of the IPSAS Project Steering Committee and the Task Force was to put in place decisions and guidance on the majority of IPSAS by June 2007. To meet this deadline, 24 papers and three briefing notes, which included 18 separate recommendations, were submitted to the Task Force's two meetings in 2007 which included a videoconference in April and a face-to-face meeting in June. Two further recommendations were raised at the June meeting, which resulted in the consideration of 20 recommendations in all during this period by the Task Force, of which UNIDO was an active participant.
4. At its meeting in June 2007, the Task Force agreed to submit the 20 recommendations to the Finance and Budget Network for approval, together with the 10 recommendations agreed previously. All 30 recommendations submitted to the Finance and Budget Network received approval.
5. However, further work remains in this area. In September 2007, the central IPSAS team initiated a process to resolve three difficult IPSAS issues, which include funding agreement – revenue recognition and expense recognition, and treatment of project assets, since these remained unresolved at the June 2007 Task Force meeting. The objective is to gain external expert views on the three issues with the expectation that the resulting policy positions will become United Nations system accounting policies for application by all organizations. The external review group consists of the IPSAS Board Technical Department and a sub-group of the Technical Group of the United Nations Panel of External Auditors. The review group will provide its view to the Chair of the Task Force for circulation to all members. Task Force members will discuss the issues at their next meeting in the first quarter of 2008, prior to submitting a decision to the Finance and Budget Network for approval. The UNIDO working group in the Financial Services Branch will continue to contribute significantly to this process of policy development by actively participating in the Task Force meetings and by providing its comments, in particular on UNIDO-specific issues.
6. The central IPSAS project team has contracted a consulting firm to carry out a consolidation sub-project, which would support United Nations organizations in determining their reporting boundaries under IPSAS by developing a questionnaire

and guidance document. The questionnaire was circulated to all organizations in September 2007 and UNIDO has submitted its response in which the implications of consolidation under IPSAS for UNIDO were summarized and guidance sought on key issues. Potential issues which will have an impact on UNIDO on consolidation, are Buildings Management Services and Catering and Common Services at the Vienna International Centre.

7. Another key area is IPSAS training. The project Steering Committee decided to develop a system-wide approach to IPSAS training in August 2006 consisting of awareness training, concepts and standards training and systems training. The expected benefits of such an approach include system-wide consistency in implementing IPSAS; reduction in total training costs; and higher quality of training products. For this purpose, an IPSAS training needs assessment survey was developed and circulated to all United Nations organizations in April 2007. The vast majority of the organizations (90 per cent) responded to the survey confirming the proposed IPSAS training approach and suggested improvements to better meet their training needs. For organizations implementing IPSAS in 2010, the system-wide training products would be available for use from mid-2008.

8. Obtaining increased engagement on IPSAS issues with organizations' external auditors has been identified as a key issue in 2007. The Chair of the United Nations Panel of External Auditors attended the Task Force meetings in April and June 2007 and is actively involved in the current system-wide process to resolve difficult IPSAS issues (refer to para. 5 above).

9. A proposed High-level Committee on Management Plan of Action for the Harmonization and Reform of Business Practices in the United Nations System (CEB/2007/HLCM/16) is intended to achieve efficiencies and harmonization of policies in the United Nations common system organizations among other areas, under financial management. It is proposed, inter alia, to cover system-wide IPSAS issues such as training and implications of IPSAS on budget practices under this plan. If approved by the Chief Executives Board for Coordination (CEB), funding for these activities will be sought centrally by the IPSAS project team at the United Nations, through extrabudgetary mechanisms and not through the usual cost-sharing arrangements in place for jointly funded activities.

III. IPSAS implementation at UNIDO

10. A Working Group was established in the Financial Services Branch in February 2007 to provide guidance on and to lead the process of IPSAS adoption at UNIDO. The input of the working group on reviewing IPSAS guidance papers and providing UNIDO-specific comments on IPSAS implementation through the Vienna Focus Group, has helped the United Nations Task Force on Accounting Standards and the central IPSAS project team to develop and recommend appropriate accounting policies, recommended accounting practices and authoritative guidance. To date, around 20 guidance papers on IPSAS have been reviewed.

11. Within UNIDO, the working group on IPSAS and the Financial Services Branch have commenced work on a number of areas most affected by the adoption of IPSAS. The major steps are as follows:

(a) The first area of focus is communication, which is essential to raising awareness and improving knowledge among the staff as well as keeping the governing bodies and Member States informed of developments related to IPSAS implementation. Accordingly, as part of a communications plan, an Intranet page on IPSAS implementation at UNIDO has been made available to all staff at both headquarters and field offices. This Intranet page, updated on a regular basis, provides a brief introduction to IPSAS, its benefits, the major differences between United Nations System Accounting Standards (UNSAS) and IPSAS, UNIDO's role in the system-wide IPSAS project, the current status of IPSAS implementation and a work programme and action plan for UNIDO implementation 2007-2009. This web page is interactive with a section on frequently asked questions (under development) where questions can be asked and responses received on issues related to IPSAS implementation at UNIDO. The web page also makes available final guidance papers on IPSAS standards and policies approved to date by the Task Force on Accounting Standards/Finance and Budget Network and contains a glossary of key IPSAS terms/definitions;

(b) Options are being considered to conduct IPSAS pre-implementation training, before the end of 2007. The envisaged pre-implementation training is aimed at professional staff in the Financial Services Branch and limited key staff in other branches of UNIDO who will be involved in guiding the transition tasks such as the identification and valuation of fixed assets for the first time, recognition of property, plant and equipment, identified as a major task for UNIDO and where work has already commenced. This pre-implementation training is expected to familiarize staff with the principles and applications of IPSAS related to the change from UNSAS to IPSAS;

(c) The UNIDO External Auditor has been kept informed during his visits and his comments and guidance sought on issues related to IPSAS implementation at UNIDO;

(d) In cooperation with the Operational Support Services Branch, work has commenced on the development of asset management policies related to the identification, valuation, recording and verification of the Organization's fixed assets related to the first-time recognition of property, plant and equipment. This impact analysis has been identified as one of the most critical for IPSAS implementation at UNIDO. A preliminary list of fixed assets for UNIDO Headquarters, with IPSAS-compliant classification and useful lives, is currently under development, which will be expanded to include assets in the field offices.

IV. Conclusion

12. Since the issuance of document IDB.33/5, UNIDO has made steady progress towards the adoption of IPSAS. The Organization will continue to take action on issues related to IPSAS adoption, monitor progress, identify emerging issues, contribute to the development of system-wide IPSAS policies and present regular progress reports to its governing bodies.

V. Action required of the Conference

13. Based on the recommendation of the Board in decision IDB.33/Dec.5, the Conference may wish to consider adopting the following draft decision:

“The General Conference:

“(a) Takes note of the recommendation of the Industrial Development Board on accounting standards as contained in decision IDB.33/Dec.5;

“(b) Also takes note of the information provided in documents IDB.33/5 and GC.12/11;

“(c) Decides to adopt for UNIDO the International Public Sector Accounting Standards, effective 1 January 2010, as part of the United Nations system-wide adoption of those Standards.”
