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Unidas
para la
Agricultura
y la
Alimentación

FINANCE COMMITTEE

Hundred and Fifteenth Session

Rome, 25 – 29 September 2006

Adoption of International Public Sector Accounting Standards

Introduction

1. The Finance Committee at its 113th session¹ was informed that the United Nations system-wide adoption of International Public Sector Accounting Standards (IPSAS) by 1 January 2010 had been unanimously approved by the High Level Committee on Management (HLCM). The Committee was requested to give formal approval to the adoption of IPSAS by FAO. The Committee recognized the importance of IPSAS adoption within the UN system and gave its agreement in principle, but deferred its formal approval until the General Assembly had approved the adoption of IPSAS. The present document advises the Committee that in July 2006 the General Assembly (GA 60/283) approved the proposal for system-wide adoption of IPSAS. The Finance Committee is therefore requested to give its formal approval to adopt IPSAS in accordance with the General Assembly resolution and to proceed with an implementation project at FAO, including the process of securing approvals by Governing Bodies.

Summary of matters previously considered by the FC

Background

2. The Finance Committee had previously noted the decision of the HLCM for the United Nations system to adopt IPSAS by 1 January 2010 and had expressed its agreement in principle for the adoption of the new standards by FAO subject to final approval by the GA. It had also recognised that IPSAS adoption would be a large scale project for FAO as it would impact the accounting, financial reporting and associated information technology systems of FAO and lead to changes in the Organization's approach to budgeting, funding and management of resources. As a consequence it agreed that the Organization should proceed on a priority basis with preparations for

¹ FC113/13 HLCM Recommendations on Adoption of International Accounting Standards in the UN System

the project while awaiting formal approval, using the Capital Expenditure Facility as a funding source.

IPSAS Adoption in the UN System

3. On 7th July 2006 the GA adopted resolution 60/283 approving the adoption of IPSAS by the United Nations and approving the requested resources to permit the Secretary-General to begin implementation of the Standards. The General Assembly approval is an important milestone for the UN system wide implementation of IPSAS which is a vital component of the United Nations drive to excel as a modern, progressive organization. There is now an imperative on the UN agencies to put in place the project plans and necessary funding to ensure that each will be able to comply with the 2010 adoption date. A number of organizations – the “early adoptors” including WFP and WHO – are planning to implement IPSAS in 2008 ahead of the 2010 deadline.
4. Support, coordination and leadership continues to be provided by the UN Task Force on Accounting Standards under the auspices of the HLCM’s Finance and Budget Network. A dedicated project team reporting to an IPSAS Project Steering Committee on which FAO is represented is working to support IPSAS adoption across the system, including support for consistent interpretation and application of IPSAS requirements and effective United Nations system representation on the International Public Sector Accounting Standards Board.² In August 2006 a full meeting of the UN Task Force on Accounting Standards was held to approve a first set on IPSAS compliant UN System Accounting policies. The decision of a number of UN organizations to adopt IPSAS accounting policies from 2008 has provided further urgency to the work of the Task Force.
5. WFP is one of the early adoptor agencies. In June 2006 the WFP Executive Board approved a \$3.7 million budget for a two year IPSAS implementation project. The budget includes \$1.3 million for staff costs, \$0.5 million for consultants, \$0.8 million for travel and \$0.8 million for training. While no two organizations can be considered identical in terms of the required costs to implement IPSAS, the WFP budget could be considered as indicative of the level of costs that the FAO IPSAS implementation project will require.

Progress on IPSAS Implementation at FAO

6. At the last session of the Finance Committee a high level project plan for the adoption of IPSAS at FAO was presented and the Committee agreed that preparations should continue while awaiting formal approval for IPSAS adoption. Consequently the Organization has constituted a project team and is currently engaged in the phase of analysing high level change requirements. Only when this analysis is completed will the Organization be in a position to produce a detailed project plan and budget to cover the work required to be completed in the 2008-09 biennium in addition to detailing the changes that will be required to the Financial Rules and Regulations of the the Organization. A detailed project budget for the 2008-09 biennium will be presented to this Committee in its May 2007 session. The estimate of the costs to be sustained to complete essential analysis work in the current biennium amounts to \$410,000. The Committee had indicated that the Capital Expenditure Facility could be used as a funding source for the IPSAS implementation project.

² The International Public Sector Accounting Standards Board (IPSASB) develops and issues under its own authority the International Public Sector Accounting Standards. The objective of the IPSASB is to serve the public interest by developing high quality public sector financial reporting standards and by facilitating the convergence of international and national standards.

Conclusion

7. The Committee is requested to approve both that FAO adopt IPSAS in accordance with the HLCM decision as endorsed by the General Assembly in July 2006 and that FAO proceed with an implementation project. It is further requested that the Committee approve that FAO take forward the process of obtaining the necessary approvals from the Governing Bodies, firstly from Council in November 2006 and then from Conference in 2007.