



United Nations
Educational, Scientific and
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Organisation
des Nations Unies
pour l'éducation,
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Organización
de las Naciones Unidas
para la Educación,
la Ciencia y la Cultura

Организация
Объединенных Наций по
вопросам образования,
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منظمة الأمم المتحدة
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联合国教育、
科学及文化组织

International Public Sector Accounting Standards (IPSAS)

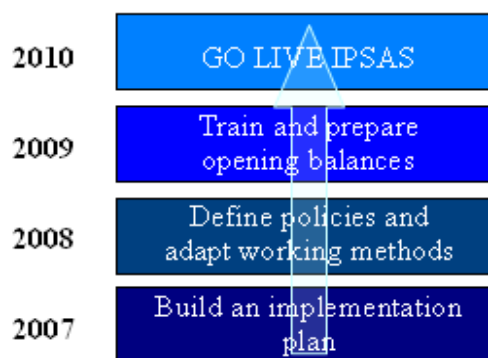
IPSAS implementation at UNESCO

The UN System is introducing a set of internationally accepted, modern accounting standards, to allow relevant, useful and timely financial information to be provided to stakeholders. The transition to IPSAS is a major undertaking for UNESCO and one that will strengthen transparency and financial accountability.

By 1st January, 2010, UNESCO will be using **IPSAS, the International Public Sector Accounting Standards**, when preparing its Financial Statements, instead of the current United Nations System Accounting Standards (UNSAS). Public entities are particularly exposed to the reactions and judgment of many stakeholders such as civil society, the media and governments. Because they manage public funds, these organizations have to operate with demonstrable integrity and professionalism. By providing a more uniform, transparent and commonly accepted standard, IPSAS helps public entities to meet this requirement.

What is IPSAS?

The Standards have been developed since 1996 by an independent accounting committee, the IPSAS Board. They target public sector and other not-for-profit organizations. IPSAS are based on an accrual basis of accounting: transactions are recorded when they occur rather than when they are paid. IPSAS are made of 26 Standards, each of which is related to a specific topic (property plant and equipment, revenue recognition, employee benefits...). Each standard prescribes authoritative requirements that may require further adaptations to deal with the requirements of each Organization. Application of all standards is mandatory to be IPSAS compliant.



The impact of IPSAS at UNESCO

The implementation of IPSAS will lead to a significant impact on assets and liabilities. Financial information will be broader and will better reflect all the resources and obligations of the Organization. For example, major impacts will arise from the following topics:

- ▶ Future benefits and medical coverage of UNESCO employees will be shown as liabilities.
- ▶ Buildings, equipment and vehicles acquired by the Organization will be recorded as assets and will be depreciated over their useful lives.
- ▶ Goods and services received but not yet invoiced (nor paid) will be recorded as expenses.
- ▶ More detailed financial statements will be issued and new components added.

Difference between Budget and Financial Statements

Both documents contain financial information, but from different perspectives. The Budget is prepared as a financial plan for a biennium. It includes all foreseen activities and allots a specific amount of funds to them, within the complete budget envelop made available by the Member States under their Regular Programme contribution. So it is an essential planning instrument for the General Conference and also for UNESCO's management that guides our direction for a two year period. The Financial Statements, on the other hand, are currently prepared at the end of the two years period. They are a record of actual income and expense during the period and a summary of assets and liabilities at the end of the period. They include not only the Regular Programme activities but all other activities and represent the official record of the overall financial situation of the Organization.

Gap analysis and milestone plan

A milestone plan (or project planning) was built at the end of 2007, based on a gap analysis between the UNSAS and the IPSAS standards. Some gaps have an impact on day-to-day operations within UNESO entities and others relate more to accounting and financial reporting processes.

The first major gap lies in the recognition of income and expenditure based on accrual accounting. It implies that transactions and events are recognized when they occur and not when cash or its equivalent is received or paid. Regarding expenditures, the generating event is based on the rendering of service or delivery of goods. Two major impacts of this new rule are:

- ▶ Unliquidated Obligations can not be recognised anymore as expenditures/liabilities. Nevertheless, they can be disclosed in the notes and still have to be recorded for budget purposes and presented as budget information.
- ▶ Prepaid expenses and accrued charges have to be accounted for. This gap could be solved with the development of the MM module and closing procedures.

Regarding income, an underlying principle of accrual accounting is that income is recognised in the financial statements of the periods to which it relates. Therefore, assessed contributions will not be accounted for any more on their full amount at the

beginning of the biennium but rather annually as they become due. For voluntary contributions, the existence or not of conditions within the agreement will determine the accurate accounting treatment.

An important gap between UNSAS and IPSAS affects also the different nature of assets:

- ▶ Fixed assets will not be recognised anymore as expenditures but as assets in the future statement of financial position. They will be recorded at delivery time and be subject to depreciation and impairment.
- ▶ The classification and accounting treatment of financial instruments held by USLS have to be reviewed in order to be compliant with the very technical IAS 39 regulation.

Other gaps identified relate more to financial reporting issues. First, all UNESCO entities shall apply the new IPSAS accounting standards. New components for the financial reporting will also be required such as the table of reconciliation between budget and accounting, and changes shall be done to the current existing components.

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[IPSAS Implementation Website](#)