

**FOR INFORMATION**

SEVENTH ITEM ON THE AGENDA

Update on the adoption of International Public Sector Accounting Standards (IPSAS)

1. During its 297th Session (November 2006), the Governing Body approved the adoption of International Public Sector Accounting Standards (IPSAS) by the ILO for financial reporting purposes from the financial period beginning 1 January 2010. In response to a request, the Office undertook to provide an initial report in March 2007 on the implications for the Financial Regulations of the adoption of IPSAS.
2. The implementation of IPSAS by United Nations (UN) organizations is being coordinated through an inter-agency task force. Extensive consultations between organizations with inputs from experts have been undertaken on the 24 IPSAS and the 41 related International Accounting Standards. Detailed analysis and comparison with Financial Regulations and Policies is also being undertaken by each organization. Necessarily, this process will take some time to complete to ensure a level of consistency across the UN system and a *correct and optimal* implementation of the new reporting requirements.
3. The objective of adopting IPSAS is not to implement fundamental change to the budgetary management policies that the Governing Body and Conference have established over many years and are reflected in the Financial Regulations. IPSAS will result in an improved and more comprehensive financial reporting framework; some rewording of the Financial Regulations may be required to ensure consistent interpretation. Having conducted an initial review and on the basis of the current guidance received from the inter-agency task force and other experts, the Office has concluded that no changes will be required to the fundamental requirements of the Financial Regulations. Amendments will, however, be required to more clearly define certain terminology used in the Financial Regulations, in particular as it relates to financial reporting.
4. Clarifications currently identified as being required or desirable are:
 - (a) Article 17. On advice from the External Auditor, the ILO began recognizing expenditure under the delivery principle, i.e. once goods and services had actually been received during the 1998-99 biennium. The Office is thus already complying with a fundamental IPSAS requirement and article 17 should be slightly modified to clarify this treatment.

- (b) Article 24. The Director-General is currently required to inform the Governing Body of the position of the accounts mid-biennium. Under IPSAS, a complete set of financial statements will be required each year rather than a statement of position. At the end of each biennium a financial statement covering the full financial period (two years) will continue to be prepared as required under article 23.
5. Preparatory work for the implementation of IPSAS continues. The Committee will be kept informed of progress and a paper proposing any required amendments to the Financial Regulations will be submitted in 2008 once the analysis and review work has been completed.

Geneva, 31 January 2007.

Submitted for information.