

**Ninth session**

New York, 6-10 December 2010

**Report of the Court on its assessment of the implementation
of International Public Sector Accounting Standards*****I. Introduction**

1. At its eleventh session, the Committee on Budget and Finance (hereinafter “the Committee”), noting the decision of the International Criminal Court (hereinafter “the Court”) to adopt the International Public Sector Accounting Standards (IPSAS), following the recommendations of the Internal and External Auditors and in line with decisions in the United Nations¹ and other international organisations, recommended that the Assembly of States Parties (hereinafter “the Assembly”) decide that the Court work towards implementation of IPSAS in the medium term.² The Committee further recommended that the Court report on a project plan and next steps towards implementing IPSAS and suggested that implementation in 2011 or 2012 might be targets for the Court.³

2. In addressing these requests, at the thirteenth session of the Committee the Court presented a Report on the implications of implementation of the International Public Sector Accounting Standards,⁴ including a detailed project plan proposing a budget of €409,400 for 2010 as part of the overall budget of €1,968,302 over five years for IPSAS implementation.⁵ The Committee was of the view that the Court could safely defer implementation for at least one year in order to assess the outcome of the system’s implementation in other organizations and requested the Court to provide an updated report on its assessment. The Committee therefore recommended that the Assembly not provide €409,400 for 2010 and that it further consider the experience of other international organizations before making a final decision on a schedule for IPSAS implementation.⁶

3. The present report takes stock of the experience of other international organizations with regard to the adoption of IPSAS. It also summarizes some of the major impacts and milestones of IPSAS adoption in international organizations. Guidance materials from organizations of the United Nations system have assisted in the preparation of this report.

II. IPSAS adoption process

4. In November 2005 the High-Level Committee on Management (HLCM) of the United Nations System Chief Executives Board for Coordination (CEB) had accepted the

* Previously issued as ICC-ASP/9/CBF.1/1.

¹ See in particular General Assembly Resolution 60/283 (A/RES/60/283), part IV, para. 1.

² *Official Records of the Assembly of States Parties to the Rome Statute of the International Criminal Court, Seventh session, The Hague, 14-22 November 2008* (ICC-ASP/7/20), vol. II, part B.2, paras. 17 and 18.

³ *Ibid.*, para. 18.

⁴ ICC-ASP/8/26.

⁵ *Ibid.*, para. 20.

⁶ *Official Records ... Eighth session ... 2009* (ICC-ASP/8/20), vol. II, part B.2, para. 13.

recommendation of the inter-agency Task Force on Accounting Standards that the United Nations system adopt IPSAS for reporting periods beginning on or after 1 January 2010, and in September 2009 the Task Force issued a Progress Report on IPSAS adoption.⁷ The Report indicated that, while a substantial number of United Nations system and other organizations had approved the adoption of IPSAS, the 2010 target date was proving problematic. One organization, the World Food Programme (WFP) had successfully completed its IPSAS implementation and gone live with IPSAS on 1 January 2008. Three organizations were now planning to implement IPSAS by 2011, while seven other organizations planned to implement by 2012. The Report included a list of organizations and their planned IPSAS implementation dates, as of 30 June 2009,⁸ and that list is included in Annex I.

5. According to the above Report, organizations should have completed certain key implementation steps two years before their planned first year of IPSAS compliance. For organizations targeting 2010, all steps should have been completed by 1 January 2008, while organizations targeting 2012 should have completed all steps by 1 January 2010.⁹ A summary of the IPSAS adoption progress to the end of June 2009 for twenty-two organizations contained in the Report is provided below.¹⁰

Table 1: Percentage of organizations that had completed key implementation steps as of 30 June 2009

| Key implementation step * | 2010 | 2011 | 2012 | All organizations |
|--|------|------|------|-------------------|
| Governing body approval gained | 100% | 100% | 100% | 100% |
| Approved budget for IPSAS adoption | 100% | 67% | 89% | 91% |
| IPSAS project manager appointed | 89% | 100% | 100% | 95% |
| Detailed timetable and project plan prepared | 67% | 100% | 67% | 73% |
| Standards reviewed and impacts identified | 100% | 100% | 78% | 91% |
| Assessment of systems changes completed | 100% | 67% | 78% | 86% |
| Communication plan prepared | 67% | 0% | 78% | 64% |

* Some organizations targeting 2010 and 2011 have not yet completed key implementation steps that should have been completed by January 2008, or for organizations targeting 2011, January 2009. This indicates that there is a possibility that these organizations may not be able to achieve their target dates.

III. Major impacts identified by other international organizations

6. Table 2 shows some of the potential major impacts of IPSAS adoption as reported by the following international organizations: Food and Agriculture Organization (FAO), International Atomic Energy Agency (IAEA), Preparatory Commission for the Comprehensive Nuclear-Test-Ban Treaty Organization (CTBTO), United Nations Educational, Scientific and Cultural Organization (UNESCO).

⁷ United Nations System Chief Executives Board for Coordination, Task Force on Accounting Standards IPSAS Adoption Progress Report, CEB/2009/HLCM/29.

⁸ Ibid., p.10, annex 1.

⁹ Ibid., para.6.

¹⁰ The following twenty-two organizations provided updated responses: Food and Agriculture Organization (FAO), International Atomic Energy Agency (IAEA), International Civil Aviation Organization (ICAO), International Labour Organization (ILO), International Maritime Organization (IMO), International Trade Centre (ITC), International Telecommunication Union (ITU), Pan American Health Organization (PAHO), United Nations (UN), United Nations Development Programme (UNDP), United Nations Educational, Scientific and Cultural Organization (UNESCO), United Nations Population Fund (UNFPA), United Nations High Commissioner for refugees (UNHCR), United Nations Children's Fund (UNICEF), United Nations Industrial Development Organization (UNIDO), United Nations Office for Project Services (UNOPS), United Nations Relief and Works Agency (UNRWA), United Nations World Tourism Organization (UNWTO), Universal Postal Union (UPU), World Intellectual Property Organization (WIPO), World Health Organization (WHO) and World Meteorological Organization (WMO).

Table 2: Potential major impacts of IPSAS adoption identified by international organizations

| | FAO ¹¹ | IAEA ¹² | CTBTO ¹³ | UNESCO ¹⁴ |
|--------------------------------------|---|---|---|---|
| Accounting and financial | Liabilities for after service medical coverage and termination benefits require to be fully recorded in the financial statements. | Full recognition of liabilities for future employee benefits would result in (i) negative overall equity on the financial statements until these liabilities are funded, and (ii) increased expenses being reported for common staff costs. | Liabilities for employee benefit obligations would be fully recognized on an accrual basis. | Staff-related liabilities will need to be reflected in the balance sheet and charges will need to be recorded each year to bring the liabilities to their fair value at year end. |
| | Capital assets require to be recognised and depreciated in the financial statements. Assets increase as a result of recognizing capital assets. | The recognition of capital assets and the reporting of depreciation expenses would have the effect of (i) increasing net equity, and (ii) lowering operating expenses. | Fixed assets would be valued and recognized in the balance sheet and the depreciation charge for each period would be recognized as an expense. | Fixed assets will need to be capitalized and a charge for depreciation recorded in accordance with an agreed policy. |
| | Inventories require to be recognized for goods received but not yet delivered out or consumed. | | Inventories would have to be valued and accounted for in the financial statements. | |
| | Expenses or capital assets or inventories need to be recognized on the basis of goods and services having been received (the delivery principle). | The recognition of expenses on the basis of the “delivery principle” could lead to lower expenses for a financial period. | The recognition of expenditures when the goods have been delivered or the services have been rendered (the delivery principle). | A true “delivery principle” based on the recording of expenditure when services/goods are received would have an effect on the recording of accrued charges and unliquidated obligations. |
| Budgeting and donor reporting | Provisions for delays in receipt of contributions need to be made based on an assessment of collectability. Financial statements must be prepared on an annual basis. | The timing of recognizing income of voluntary contributions could change. Financial statements and reports on voluntary contributions would change in format and content. | Financial statements and other financial reports would have to be modified. | The adoption of IPSAS is likely to require a change in the presentation of financial statements. |
| | It needs to be decided if budgeting and donor reporting should also move onto the full accrual basis and thereby maintain consistency with financial reporting. | A change to accrual basis is desirable, to eliminate the complex reconciliation between the budget and financial statements. Accrual based-budgeting would (i) better support results-based management, (ii) enable better resource allocation decisions, and (iii) enable to address investment needs on a more systematic and timely basis. | It needs to be decided whether the budget basis should be changed so that budgets remain consistent with the new reporting. | Adoption of IPSAS might provide the opportunity to align the budget preparation with full accruals accounting. |
| Others | IPSAS adoption is expected to require changes to be made to the Financial Rules and Regulations. | IPSAS adoption is expected to require changes to be made to the Financial Regulations and Rules. | Adoption of IPSAS would require changes to the Financial Regulations and Rules. | A significant revision of the Financial Regulations is needed. |

¹¹ Food and Agriculture Organization, Progress Report on Adoption of International Public Sector Accounting Standards, FC118/12.

¹² International Atomic Energy Agency, Proposal to adopt International Public Sector Accounting Standards (IPSAS) by the Agency, GOV/2007/10.

¹³ Preparatory Commission for the Comprehensive Nuclear-Test-Ban Treaty Organization, Proposal to Adopt International Public Sector Accounting Standards, CTBT/PTS/INF.940.

¹⁴ United Nations Educational, Scientific and Cultural Organization, Financial Report and Audited Financial Statements of UNESCO for the period ended 31 December 2005 and Report by the External Auditor, 175EX/INF.7.

7. WFP has produced a brochure¹⁵ about its first set of IPSAS financial statements, which is available from the CEB/Accounting Standards website. This brochure includes a summary of WFP's critical success factors for IPSAS implementation, which is shown in Annex II.

8. The United Nations inter-agency Task Force on Accounting Standards is the forum where United Nations organizations discuss and decide on matters relating to IPSAS adoption. The Task Force supports the United Nations system organizations as they implement IPSAS, and the Court would benefit from participation in such discussions.

¹⁵ World Food Programme, WFP Leads the Way, Enhanced credibility and transparency in the UN system accounting practices, A glance at WFP's 2008 financial statements under IPSAS, June 2009.

IV. Key milestones in implementing IPSAS

9. Table 3 shows a summary of some of the key milestones in implementing IPSAS at specific international organizations.

Table 3: Key milestones in implementing IPSAS

| | |
|----------------------------|--|
| FAO ¹⁶ | <ul style="list-style-type: none"> - A project management structure and methodology were agreed. - Development of IPSAS Compliant Accounting Policy. - Early and effective communication of the project aims, benefits and impacts within the organization was recognized as a key component for a successful implementation. An IPSAS information website was set up. - An inter-agency workgroup was formed with FAO, WHO and ILO, as all three agencies were implementing IPSAS on an Oracle ERP platform. - A high-level analysis of change requirements for IPSAS adoption was performed by the project team. |
| IAEA ¹⁷ | <ul style="list-style-type: none"> - Initial analysis of requirements, impact and scope of changes. - Approval by the Board of Governors for IPSAS adoption. - Establishment of project team; development of project plan; and analysis of key financial and accounting issues, impact on financial systems and Financial Regulations and Rules. - Development of accounting policies, procedures and guidelines. - Decision on the financial systems and development of accrual basis budgeting model. - Approval by the Board of amendments to the Financial Regulations and Rules. - Configuration of systems design and modification. - Data preparation and staff training. |
| CTBTO ¹⁸ | <ul style="list-style-type: none"> - Approval by the Commission of adoption of IPSAS. - Formation of the project implementation team. - Analysis of IPSAS impact and requirements, policies and procedures and possible amendments to the Financial Regulations and Rules. - Participation in United Nations working groups. - Approval of amended Financial Regulations and Rules by the Commission. - Decision on the new ERP system and procurement. - Training, provision of guidelines and implementation of new policies and procedures. |
| WFP ¹⁹ | <ul style="list-style-type: none"> - Project start: establishment of project team, Board approval for funding and preparation of new accounting policies, process changes and procedural guidelines. - Management confirmation of revised regulations, rules, accounting policies and process changes. - Finalization of system design. - Board approval of new policies. - Final user acceptance test. |

¹⁶ Food and Agriculture Organization, Progress Report on Adoption of International Public Sector Accounting Standards, FC118/12.

¹⁷ International Atomic Energy Agency, Proposal to adopt International Public Sector Accounting Standards (IPSAS) by the Agency, GOV/2007/10.

¹⁸ Preparatory Commission for the Comprehensive Nuclear-Test-Ban Treaty Organization, Proposal to Adopt International Public Sector Accounting Standards, CTBT/PTS/INF.940.

¹⁹ World Food Programme, Sixth Progress Report on the Implementation of International Public Sector Accounting Standards, WFP/EB.A/2008/6-G/1.

V. Estimate of project costs

10. The resource requirements for IPSAS in the United Nations system vary widely. The average implementation cost for United Nations organizations is USD 1.6 million. This estimate does not consider the implementation costs of two large organizations, including the United Nations Organization itself.²⁰ Table 4 shows an estimate of project costs covering the total duration of the project at specific international organizations.

Table 4: Estimate of costs for IPSAS adoption

| Organization | Estimated project costs |
|------------------------------|---|
| FAO ²¹ | \$7.2 million |
| IAEA ²² | €1.9 million (not including upgrading of financial and procurement systems) |
| UNESCO ²³ | \$2.3 million |
| ILO ²⁴ | \$607,000 |
| United Nations ²⁵ | \$23 million |

VI. Conclusions

11. IPSAS adoption represents a large-scale project for organizations, as it impacts the accounting, financial reporting and associated information technology systems and will likely lead to changes to budgeting and donor reporting. As financial statements of United Nations system organizations are prepared in accordance with the same standards (United Nations System Accounting Standards - UNSAS), the major impacts of IPSAS adoption are likely to be similar across these organizations. The financial statements of the Court are currently prepared in accordance with UNSAS, and the impacts of IPSAS adoption on the Court are expected to be similar.

12. The majority of United Nations system organizations will not be able to adopt IPSAS by 2010. The original 2010 target date allowed four years between HLCM's November 2005 recommendation and the target "go live" date of January 2010.

13. Considering the four year target-date and the delays experienced among a range of international organizations, the Committee may wish to recommend that the Assembly approve the following:

- a) The adoption of IPSAS by the Court for its financial statements for the reporting period beginning 1 January 2015; and
- b) Approval of the budget estimate for IPSAS implementation of €1,968,302 as proposed to the Committee at its thirteenth session.²⁶

²⁰ International Civil Aviation Organization, Progress Report on the Implementation of International Public Sector Accounting Standards (IPSAS), C-WP/13375.

²¹ Food and Agriculture Organization, Progress Report on Adoption of International Public Sector Accounting Standards, FC118/12.

²² International Atomic Energy Agency, Proposal to adopt International Public Sector Accounting Standards (IPSAS) by the Agency, GOV/2007/10.

²³ United Nations Educational, Scientific and Cultural Organization, Recommendation on the Implementation of International Public Sector Accounting Standards (IPSAS), 34C/42, Annex176EX/40.

²⁴ International Atomic Energy Agency, Proposal to adopt International Public Sector Accounting Standards (IPSAS) by the Agency, GOV/2007/10.

²⁵ United Nations General Assembly, Investing in the United Nations for a stronger Organization worldwide: detailed report, A/60/846/Add.3, Annex II.

²⁶ ICC-ASP/8/26.

Annex I**Organizations' planned IPSAS implementation dates**

| Organization | IPSAS Planned Implementation Date |
|---------------------|--|
| FAO | 2012 |
| IAEA | 2011 |
| ICAO | 2010 |
| ILO | 2010 |
| IMO | 2010 |
| ITC | 2014 |
| ITU | 2010 |
| PAHO | 2010 |
| UN | 2014 |
| UNDP | 2012 |
| UNESCO | 2010 |
| UNFPA | 2012 |
| UNHCR | 2011 |
| UNICEF | 2012 |
| UNIDO | 2010 |
| UNOPS | 2012 |
| UNRWA | 2012 |
| UNWTO | 2012 |
| UPU | 2011 |
| WFP (completed) | 2008 |
| WHO | 2010 |
| WIPO | 2010 |
| WMO | 2010 |

Annex II

Critical success factors in WFP IPSAS implementation

