



# **UNDP's IPSAS Adoption**

**United Nations Development Programme**

# What are IPSAS?

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**International Public Sector Accounting Standards** are independently-developed financial reporting standards widely considered best practice for public sector organizations

- They are or will be used by over 50 governments, NATO, UN, OECD *etc.*
- They impose clarity and transparency
- They are based on full accrual accounting
- Their adoption was mandated by the UN General Assembly in 2006, to replace the current United Nations System Accounting Standards (UNSAS)

# What is accrual accounting?

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“Only recognizing a financial event when the underlying economic event has actually occurred.” This means:

- Recording revenue not when cash arrives – as now – but when a legally valid agreement is signed
- Recording expenses for goods or services not when we issue a purchase order – as now – but when we actually receive the goods or services
- Reporting *all* assets, depreciating them over their useful life
- Reporting *all* liabilities, including staff benefits



# What change will IPSAS bring to UNDP?

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- We must change our financial reports and statements , as well as a number of financial policies and procedures
- That in turn means changing the work of many staff members and modifying our information system, Atlas.
- Managers in all departments will have to change the way they plan and record their spending



# What are the benefits of adopting IPSAS?

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- Better accountability and transparency in financial and donor reporting; hence greater credibility
- Support for results-based management
- Better prediction of future asset and cash-flow needs
- Improved skills among finance staff
- Greater comparability with financial statements of governments and other UN agencies
- Simplified purchase order management



# What will IPSAS mean for programme countries?

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- The cost of adopting IPSAS is not being borne by programme budgets. It is being paid for separately.
- IPSAS will improve the way we *report* on our programmes. IPSAS will also improve our efficiency in *planning* and *implementing* programmes. But IPSAS will in no way impair the programmes themselves.
- Thanks to the accrual accounting method, Combined Delivery Reports may show an apparent fall in expenditure in the first year of IPSAS adoption. This should be offset by an apparent increase in the second year. But in practical terms there will be no change.



# What do UNDP's donors think about IPSAS?

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- They are keenly supportive – hence General Assembly resolution 60/283 requiring IPSAS adoption by the whole UN
- Our improved financial reporting will enable donors to see more clearly how their donations are being used
- UNDP, UNFPA and UNOPS report jointly on the status of our IPSAS adoption to each session of our Executive Board



# How and when will UNDP adopt IPSAS?

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- UNDP will be fully IPSAS-compliant by January 1, 2012
- The transition to IPSAS is being managed by UNDP's IPSAS Programme, overseen by a full-time manager, using the Prince2 project methodology
- The cost of the Programme is estimated at \$19.8 million







**Thank you.**

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