Issues related to IPSAS arising from Audit of United Nations Organizations

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BOA is one of the important constituent of the Panel. For example in 2016 it certified:

- Assets : $96 Billion
- Expenditure : $36 Billion
- Revenue : $38 Billion

(Financial Statements Ended 2016)

IPSAS 1 – Presentation of Financial Statements

- Para 70 of IPSAS 1 states that an entity shall present current and non-current assets, and current and non-current liabilities, as separate classifications on the face of its statement of financial position, except when a presentation based on liquidity provides information that is reliable and is more relevant.
- In one entity, the Board noted an error in the distinction between current and non-current receivables which revealed an overstatement of current contributions receivables and a corresponding understatement of non-current contributions receivables.

IPSAS 23 – Revenue from Non-exchange transactions

- Para 42 of IPSAS 23: An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition.

- In one entity, the net receivable of voluntary contributions was depicted at nominal value of $861 million as at the end of 2016. Of this, more than half was due only after 2017 with around $110 million falling due after more than 5 years.

IPSAS 23 – Revenue from Non-exchange transactions

- This was corrected by the entity at the insistence of Audit and the value of net receivables of voluntary contributions was restated at $830 million.

- The depiction of receivables at nominal value was also noticed in another entity.

IPSAS 23 – Revenue from Non-exchange transactions

- IPSAS 23 requires that inflow of resources from a non-exchange transaction recognized as an asset must be recognized as revenue only to the extent that stipulations on a transferred asset do not give rise to a present obligation, i.e. there are no conditions attached to the asset.
- In two entities, the Board noticed that the Administration followed policies wherein the agreements with some identified donors only were treated as conditional while other agreements having similar provisions were treated as unconditional.

IPSAS 23 – Revenue from Non-exchange transactions

- While the past experience with a donor is an important aspect in evaluating whether a performance obligation is one of substance and not merely of form, this conclusion can be drawn only if an entity has previously breached a stipulation in such a way that would prompt the donor to decide whether to enforce the stipulation.
- The Board feels that an entity needs to assume that the donors would enforce the stipulations as long as it has no evidence to the contrary. The Board considers that a case by case analysis would be more appropriate to establish whether the stipulation are treated as condition or not.

IPSAS 17 – Property, Plant and Equipment

- As per Paragraph 67 of IPSAS 17, the residual value and the useful life of an asset shall be reviewed at least each annual reporting date and if expectations differ from previous estimates, the changes shall be accounted for as a change in an accounting estimate in accordance with IPSAS 3.
- However, the Board noticed in three entities that a review of useful lives and residual values of assets had not been carried out and the Administration had written back 10 per cent for assets which were fully depreciated but still in use.
- In one entity, approximately 32 per cent of the assets in use are fully depreciated.

IPSAS 17 – Property, Plant and Equipment

- Paragraph 26 of IPSAS 17 requires that an item of property, plant and equipment that qualifies for recognition as an asset shall be measured at its cost.

- The associated costs are an element of cost and need to be captured and recognized for each asset.

- Currently, in some entities, associated costs of acquired items of Plant, Property and Equipment are determined by applying a standard cost percentage to the cost of the acquired asset.

IPSAS 17 – Property, Plant and Equipment

- The Board noted that the entity had conducted an analysis of standard costs that were used as a basis for the deployment of the standard cost methodology for IPSAS adoption.

- IPSAS 17 sets out transitional provision regarding the recognition of property, plant and equipment for reporting periods beginning on a date within five years following the date of first adoption of accrual accounting in accordance with IPSAS.

IPSAS 17 – Property, Plant and Equipment

- While the transitional provisions are still in vogue, it is necessary for the entity to build the functionality necessary for capturing the associated cost and allocating it to individual items of property, plant and equipment in order to adhere to the provisions of IPSAS.

IPSAS 31 – Intangible assets

- As per Paragraph 34 of IPSAS 31, the cost of a separately acquired intangible asset comprises of its purchase price and any directly attributable cost of preparing the asset for its intended use.
- As per Paragraphs 35 and 36, the cost of employee benefits arising directly from bringing the assets to its working condition is an example of directly attributable cost while the administrative and other general overhead costs are not directly attributable cost.
- In one entity, the Board noted that the internal staff cost was not capitalized. The reason was that internal staff costs were not reliably measurable.

IPSAS 31 – Intangible assets….cont

- Disclosure of the aggregate amount of research and development expenditure recognized as an expense during the period, in accordance with para 125 of IPSAS 31, requires a good tracking system and policy.

Tracking of assets below capitalization threshold

- Policies have been established to set threshold for recognition of PPE. Cases were noted where there was no clear method for tracking assets below the capitalization threshold.

Reporting staff assessment cost on net basis

- Staff assessment cost funded from the UN regular budget which is retained at the HQ Tax Equalization Fund was reported by an entity on net basis, hence raised reporting issues under IPSAS 1.48.

THANK YOU