



FOR INFORMATION

SECOND ITEM ON THE AGENDA

Changes to the Common Accounting Standards of the United Nations System

1. Article 4, paragraph 5, and articles 16 and 17 of the Financial Regulations of the Centre state that the Summarized Budget Statements and the Financial Statements of the Centre “shall, in so far as is practicable, conform to the common accounting standards for the United Nations System”.
 2. At its 297th Session (November 2006) the Governing Body of the International Labour Office approved the adoption of International Public Sector Accounting Standards (IPSAS) as the basis for the ILO’s financial statements, with effect from 1 January 2010. The Governing Body’s action was part of a United Nations system-wide adoption of IPSAS in an effort to improve UN financial information through the application of credible, independent accounting standards on a full accrual basis.
 3. As a part of the UN system, and as an integral part of the International Labour Organization, the Centre will be required to produce financial information based on IPSAS, beginning in 2010. IPSAS will require that the International Labour Office produce consolidated financial statements that include the Centre’s financial information. It therefore seems necessary that the Centre formally adopt IPSAS as the basis for its financial reporting.
 4. Unlike most of the UN system organizations, including the ILO, the Centre’s financial statements have long been based on full accrual accounting, as stipulated in the Financial Regulations. The changes mandated by the implementation of IPSAS will therefore not require a major restructuring of the Centre’s accounting systems, as is likely at other UN organizations. In principle, IPSAS do not require any change in an organization’s budgeting systems, and the ILO plans to continue to provide information to the Governing
-

Body and the International Labour Conference based on the existing system of budgetary reporting, in addition to producing IPSAS-conforming financial statements.

5. However, in order to provide the Centre's financial information in compliance with IPSAS, several changes to the Centre's financial reports will be made:
 - a. Currently the Centre reports all of the revenue and expenses of each training programme in the year in which the major part of the training activity takes place. Under IPSAS, expenses must be recorded when services are rendered, goods or supplies received or travel taken. Revenue will be recognized in the accounts as it is earned, i.e. as the services covered by the income are performed. The Centre plans to implement IPSAS in 2010. In the first year in which the changes are implemented, the total revenue and expenses recorded will probably be reduced. However, there should be no significant change in the reported net result for the period.
 - b. In accordance with the UN System Accounting Standards, the Centre reports certain expenditure, such as annual leave, only when it is incurred. IPSAS require that all liabilities be included in the balance sheet of the Centre and be recognized as an expense in the year in which the entitlement is earned by Centre staff. Beginning in 2010, the Centre will have to recognize the outstanding liability for accumulated leave and possibly for terminal benefits and after-service health insurance as an adjustment to the reserves. In future years, any increase in these liabilities will be recognized as an expense in the accounts.
6. These are the only major changes so far identified. A UN Task Force on Accounting Standards is still finalizing guidance and policies on several remaining issues, such as the treatment of the Centre's use of the facilities provided by the City of Turin. The ILO is participating in the development of UN system-wide guidance, and will provide the Centre with information on any additional changes to its financial information when it becomes available.
7. The Centre will continue to work closely with the ILO and will inform the Board, through its officers if necessary, of any further developments regarding the introduction of IPSAS. Any changes to the Financial Regulations will be presented to subsequent sessions of the Board.
8. The management of the Centre, in accordance with the Financial Regulations, intends to start to use IPSAS as its basis for financial reporting at the same time as the International Labour Office. This is currently planned to be for the financial period ending 31 December 2010.

Turin, 20 October 2008