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RESOURCE, FINANCIAL AND BUDGETARY MATTERS

Agenda item 6

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PROGRESS REPORT ON THE IMPLEMENTATION OF INTERNATIONAL ACCOUNTING STANDARDS

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NOTE TO THE EXECUTIVE BOARD

This document is submitted to the Executive Board for information.

The Secretariat invites members of the Board who may have questions of a technical nature with regard to this document to contact the WFP staff focal points indicated below, preferably well in advance of the Board's meeting.

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INTRODUCTION

1. Following the presentation of reports by the External Auditors and WFP Secretariat on WFP's financial reporting standards, the Executive Board endorsed the proposed move to international accounting standards at the Second Regular Session in November 2005.
2. As part of the timetable for the transition to international accounting standards, progress reports will be submitted to the Board. The present document is the first of these progress reports.

CHOICE OF AN INTERNATIONAL ACCOUNTING STANDARD

3. There are two independent internationally accepted accounting standards that could be adopted by WFP: International Financial Reporting Standards (IFRS) and International Public Sector Accounting Standards (IPSAS). The Secretariat's report to the Board at the Second Regular Session in 2005 outlined the relative strengths of each and their relevance to WFP and United Nation system organizations.
4. WFP has continued to work with other United Nations system organizations on the transition to international accounting standards. Following the submission of recommendations by the United Nations Task Force on Accounting Standards endorsed by the Finance and Budget Network, the High-Level Committee on Management (HLCM) decided that:
 - (i) United Nations System organizations would adopt IPSAS;
 - (ii) United Nations System organizations would develop their implementation timetables, taking into account the impact described above¹; all organizations would adopt IPSAS no later than reporting periods beginning on 1 January 2010, except for the United Nations Peacekeeping Operations, which would do so by 1 July 2010;
 - (iii) support, coordination and leadership for this system-wide change should continue to be provided through the Task Force on Accounting Standards, under the auspices of the Finance and Budget Network, together with continuation of project resources to ensure consistent interpretation and application of IPSAS requirements across the United Nations system;
 - (iv) the following sentence would be added to United Nations System Accounting Standards (UNASAS) at the end of paragraph 3: "Where an organization departs from the practices set out below in order to apply an IPSAS standard or IPSAS standards, the organization is deemed to comply with UNASAS"; and
 - (v) inter-agency funding and other support would continue to be provided to ensure effective United Nations system representation on the IPSAS board.
5. WFP will follow these recommendations and adopt IPSAS as the financial reporting standards for WFP. The Secretariat will seek the Board's formal confirmation of the selection of IPSAS and the proposals on changes required to WFP Rules and Regulations at the Second Regular Session in 2006.
6. WFP endorses all the recommendations of the Task Force and decisions of HLCM, but notes that the choice of implementation date is left to individual organizations with the

¹ CEB/2005/HCLM/R.24



proviso that it would be no later than reporting periods beginning on 1 January 2010. WFP's timetable as presented to the Board in November 2005 envisages an implementation date of 1 January 2008.

Project Work Plan and Cost

7. Following the Board's decision in November 2005, the Secretariat has developed a comprehensive work plan for the accounting standards project. The plan outlines the approach to identifying and addressing changes to WFP Rules and Regulations, accounting policies and administrative procedures affected by the implementation of IPSAS. Milestones have been set for the different phases of the project, including analysis, proposals for revised policies and procedures, endorsement by management, the External Auditor and the Board, preparation of guidelines and the training of Headquarters and field staff.
8. The project plan envisages formation of a dedicated team to implement the accounting standards project with support from WFP staff, who will provide expertise relevant to their areas of competence and responsibility. The project team will work with the WINGS II project teams to ensure that there is synergy between these projects and that tasks are not duplicated; this will ensure a cost-effective use of resources.
9. The project plan does not yet include final estimates of costs that are additional to those that can be absorbed under approved budgetary resources, including costs under WINGS II and Programme Support and Administration (PSA).
10. On finalization of the additional cost estimates – which are expected to be approximately US\$3.5 million during 2006 and 2007 – the Secretariat will consider options for funding and submit proposals to the Board's Annual Session in June 2006.

Other

11. The Secretariat is continuing to consult with the External Auditor on improvements to financial reporting standards to be introduced in advance of full implementation of IPSAS in 2008. These improved standards will be reflected in the Financial Statements for the 2004–2005 biennium and in the 2006 Financial Statements, which will be audited and submitted to the Board at the Annual Session in 2007.

