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# Executive Board Briefing IPSAS Adoption Status Update Rome 2 April 2008



## Agenda

Introduction

Action Taken by the UN

Adoption of IPSAS at WFP

WFP Readiness

Moving Forward

Update on Project Budget Status

IPSAS High Impacted Areas

Key Targets and Goals

Annex – IPSAS Model Statements



## ➤ Purpose & Objectives

- (i) Present an update on the status of IPSAS adoption and implementation at WFP
- (ii) Provide a summary of IPSAS adoption efforts made by the UN System
- (iii) Present significant issues & challenges faced by WFP during IPSAS adoption and implementation



## Introduction: Why Is IPSAS Being Adopted by the UN?

- Part of the UN administrative and budgetary reform to bring financial accounting and reporting standards to an **international level** similar to advanced industry and public sector benchmarks
- To improve **comparability, harmonization, transparency and accountability** of UN system organizations financial reporting



## Introduction: What Was Prior to IPSAS?

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- United Nations System Accounting Standards (UNSAS) have been developed and modified over a number of years and are based on:

- Generally Accepted Accounting Principles (GAAP)
  - External standards
  - Accounting practices specific to UN organizations
  - Modified Accruals

- UNSAS continues to be the accounting standards used by most UN organizations for their financial reporting until IPSAS adoption





## Action Taken by the UN

### 2005

- High Level Committee on Management (HLCM) approval of IPSAS adoption by all UN organizations no later than 1 January 2010

### 2006

- Establishment of an Accounting Standard Project; overseen by CEB/TF
- General Assembly's approval of IPSAS adoption by UN

### 2006 onwards

- IPSAS Steering Committee (SC) and Focus Groups (FG) established by the Task Force (TF)
- Regular TF meetings to agree on IPSAS application



## Adoption of IPSAS at WFP: Key Actions

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### 2006

- EB approval of IPSAS adoption as of 1st January 2008
- IPSAS Implementation Team established to assess and develop IPSAS requirements
- Work plan and funding approved by EB

### 2006 / 2007

- EB approval obtained on amended General Rules & Regulations and Financial Regulations
- Establishment of Project Governance Board





## Adoption of IPSAS at WFP: Key Actions 2008

- **Adoption of IPSAS January 1<sup>st</sup> 2008**
- **Completion of 2008 opening balances**
- **Finalization and publication of guidance and manual**
- **Provision of Guidance to ensure IPSAS compliant accounting**
- **EB update and progress report in June**
- **June dry run / first complete set of financial statements and notes**
- **September closure / internal audit review**
- **Regularization of activities**
- **Ongoing support of WINGS II - data conversion/migration**
- **Continue IPSAS Awareness and Advanced Accrual Training**
- **Coordinate with UNTF and business units**
- **December annual closure and external audit opinion**





## Adoption of IPSAS at WFP: Status Update

- Establishment of new accounting policies, practices and guidance on main impacted areas:

- Inventories
- Fixed and Intangible Assets
- Employee Benefits
- Financial Statements

- Development of Policy Guidance Manual addressing each IPSAS standard



## Adoption of IPSAS at WFP: Status Update

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- Follow up and resolution of issues and dependencies related to internal and external stakeholders associated with IPSAS
- Monitoring and resolution of potential risks following external risk assessment
- Provision of guidance, maintenance and supports services until preparation of first IPSAS compliant financial statements at WFP to be presented to Board in June 2009
- Preparation of IPSAS related training and roll-out strategy



## Adoption of IPSAS at WFP: Communications Strategy

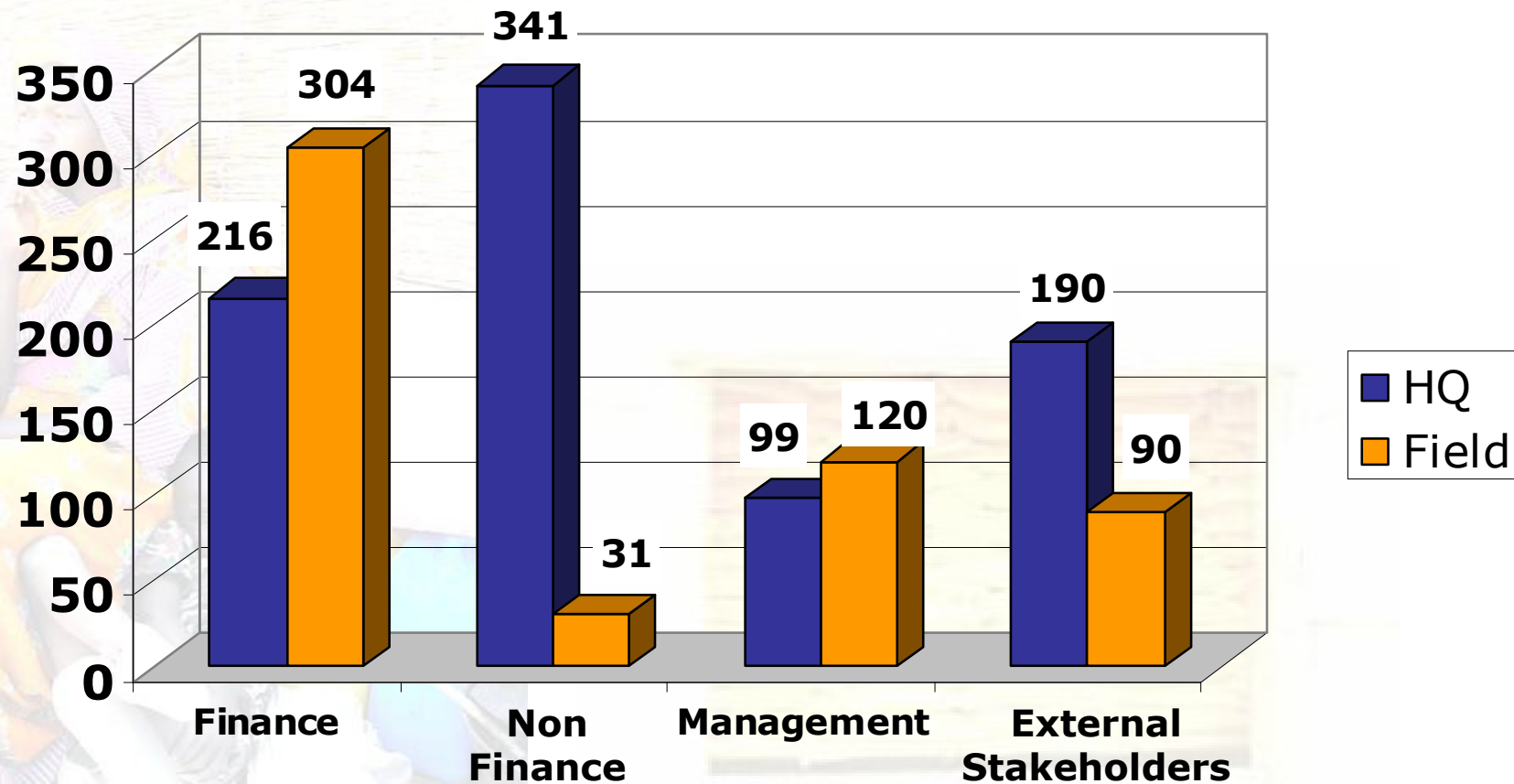
- Development of communication strategy with awareness training and accrual accounting workshops held at HQ and RBs
- External guest speakers, e.g. EC, NATO and Swiss Government invited to share their experience with WFP
- Approx. **1,400** staff members trained, with target of reaching 100% of staff members impacted by IPSAS adoption
- Bulletins to all WFP Staff, up-to-date website, press releases
- EB documents, Progress Reports, EB briefings





## Adoption of IPSAS at WFP: Training Statistics

Number of Staff Trained in IPSAS as at April 2008



## WFP Readiness

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- IPSAS adoption dependent on availability of IPSAS compliant ERP system (WINGS II)
- ERP system ready January 2009
- Assessment carried out on possibility of 2008 IPSAS adoption:
  - Discussion with Field Country Offices;
  - Communication with External Auditors;
  - Evaluation of available systems (e.g. WINGS I, COMPAS, AMD) and worldwide support systems.
- Conclusion: Confirmation of 2008 IPSAS adoption



## WFP Readiness: Milestone Concept

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- 2008 represents a transitional year in terms of IPSAS **system processes**
- In 2009, when WINGS II is fully IPSAS compliant, an IPSAS supported and compliant ERP system will sustain **total** IPSAS compliance





## WFP: 2008 Ongoing

- 2008 Financial Statements will be IPSAS compliant
- Available systems will be used where necessary e.g. assets and inventory
- Manual and automated calculations will be performed to establish opening and closing balances
- Transformational recording to the accounting records
- Continual monitoring by CFO of IPSAS related synergies
- Full IPSAS adoption in 2008 shall be achieved through commitment of business units supported by the EB and the External Auditors – NAO



## Moving Forward: 2009

- ERP system readiness January 2009
- Mainstreaming of built-up capacity within existing activities
- Executive Board informed about developments in IPSAS standards through regular financial channels e.g. financial statement disclosures or specific division reports
- Continuous follow up on developments in the field of IPSAS adoption; also developments of new IPSAS standards e.g. Service Concession Agreements and Social Benefits Disclosures
- IPSAS team phased out



## Update on Project Budget Status

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- Saving opportunities through economies of scale pursued throughout IPSAS adoption
- Mainstreaming of built-up capacity within existing activities
- IPSAS adoption team and capacity maintained until June 2009
- First IPSAS compliant statements to be presented to Board in June 2009
- Support of ERP system implementation throughout 2009
- Overall budget expected to be exhausted during 2009





## Budget Lines through 2008: Planned and Actual Utilization

Cost Components	Details	Plan US\$ m	Utilization US\$ million		
			2006 - 2007	2008 - 2009 (Actual/Planned)	Total
Staff Costs	1 P-5 Project manager 3 P-4 Professional posts 1 G-5 Administrative Support	1.3	0.7	1.3	<b>2.0</b>
Consultants	Specialist services, expertise in IAS/IPSAS	0.5	0.1	0.2	<b>0.3</b>
Equipment	Computers	0.1	0.1	0	<b>0.1</b>
Travel	Roll-out new procedure	0.8	0.1	0.1	<b>0.2</b>
Training	Country Offices, UN System meetings	0.8	0.2	0.6	<b>0.8</b>
Other	Includes UN system coordinated activities	0.2	0.1	0.2	<b>0.3</b>
<b>Total</b>		<b>3.7</b>	<b>1.3</b>	<b>2.4</b>	<b>3.7</b>



## High Impacted Areas/Inventory

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- Value of stock on hand is included on balance sheet
- Food commodities are expensed at distribution
- Monetary value of inventories recognised
- External loans and borrowings treated as receivables and payables

### Inventory Figures

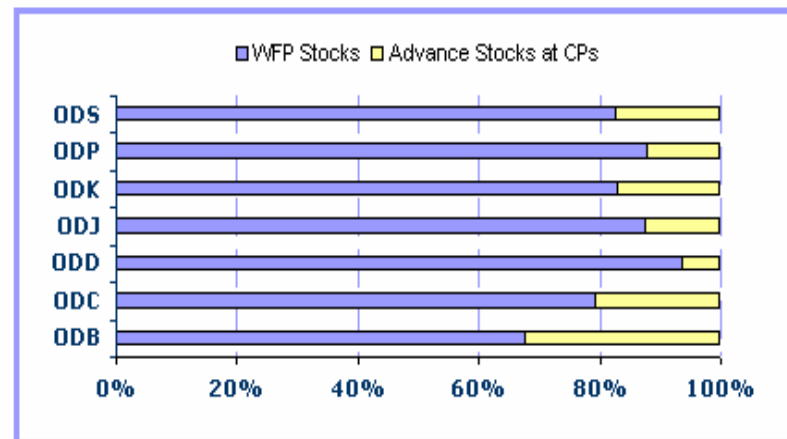
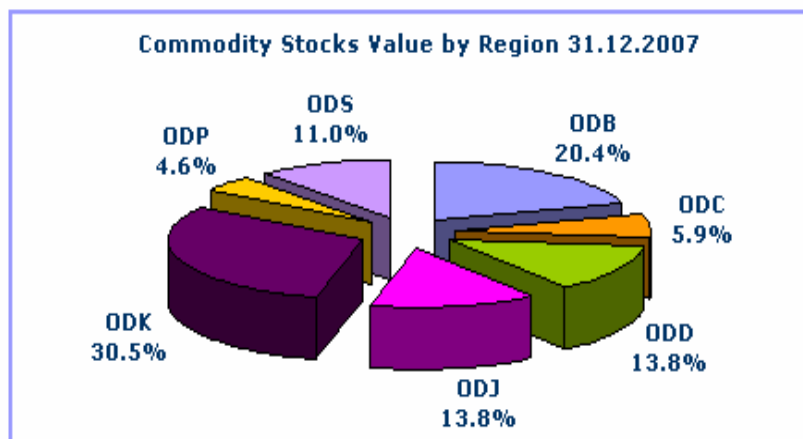
470 million USD of inventory in warehouses or transit on high seas



## High Impacted Areas/Inventory

### WFP Stocks & Advance Stocks at CPs And Value 31.12.2007

Regional	High Sea		Physical Inventory		In Transit		Total WFP Stocks		Advance Stocks at CPs		Total	
	Quantity Net MT	Value USD	Quantity Net MT	Value USD	Quantity Net MT	Value USD	Quantity Net MT	Value USD	Quantity Net MT	Value USD	Quantity Net MT	Value USD
<b>ODB</b>	70,828	29,850,478	93,336	46,753,111	4,646	1,512,137	168,810	78,115,727	72,690	37,709,932	241,500	115,825,659
<b>ODC</b>	6,285	3,078,690	45,486	23,165,172	401	244,942	52,172	26,488,804	14,672	6,911,538	66,845	33,400,341
<b>ODD</b>	37,412	17,822,350	87,276	49,809,088	7,367	5,532,541	132,055	73,163,980	12,797	5,041,841	144,853	78,205,821
<b>ODJ</b>	40,654	19,624,221	92,458	44,568,739	7,710	4,632,612	140,822	68,825,573	28,007	9,758,917	168,829	78,584,490
<b>ODK</b>	100,091	49,295,176	192,081	85,456,904	15,421	8,679,674	307,593	143,431,755	89,402	29,866,386	396,994	173,298,140
<b>ODP</b>	6,894	4,147,980	24,168	18,537,090			31,061	22,685,070	6,511	3,170,106	37,572	25,855,177
<b>ODS</b>	10,059	4,375,960	113,191	39,659,942	23,033	7,511,120	146,284	51,547,022	29,036	10,789,345	175,320	62,336,367
	<b>272,224</b>	<b>128,194,856</b>	<b>647,996</b>	<b>307,950,047</b>	<b>58,578</b>	<b>28,113,028</b>	<b>978,798</b>	<b>464,257,930</b>	<b>253,115</b>	<b>103,248,064</b>	<b>1,231,913</b>	<b>567,505,995</b>



## High Impacted Areas/Employee Benefits

- The most significant accrued employee benefits, recognized in 2006-2007 biennium financial statements:

- Separation Payment Scheme
- After Group Service Medical Coverage
- Compensation Plan Fund
- Accrued Leave
- Death Grant
- Repatriation Grant
- Education Grant
- Home Leave Travel
- Other Field Staff Liabilities



- Availability of timely benefits information for leave, health and retirement
- Total actual cost of employees now known beforehand





## High Impacted Areas/Assets

- Assets with total cost greater than threshold are capitalized and depreciated/amortized over estimated useful life
- Intangibles are recognised as assets in AMD.
- Leasehold improvements are recognized in AMD and amortized either over estimated useful life of asset to which they pertain or length of lease
- All assets will be recorded and tracked in AMD, capitalized assets will be recorded in WINGS II in the Asset Master Record (AMR)



# High Impacted Areas/Financial Statements

**STATEMENT I  
STATEMENT OF FINANCIAL POSITION  
FOR THE YEAR ENDED 31 DECEMBER 2008**  
(In Thousands of US Dollars)

	Note	Total	Prior
		YFP	Period
<b>ASSETS</b>			
Current Assets			
Cash and cash equivalents			
Accounts receivable			
Inventory			
Prepaid expenses			
Other current assets			
Non-current Assets			
Investment in subsidiaries			
Investment in associates			
Intangible assets			
Other non-current assets			
<b>LIABILITIES</b>			
Current Liabilities			
Accounts payable			
Accrued liabilities			
Deferred income			
Other current liabilities			
Non-current Liabilities			
Long-term debt			
Other non-current liabilities			
<b>NET ASSETS/EQUITY</b>			
Accumulated surplus/deficit			
Reserves			
Other components			
<b>TOTAL NET ASSETS/EQUITY</b>			

**STATEMENT II  
STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE YEAR ENDED 31 DECEMBER 2008**  
(In Thousands of US Dollars)

	Note	Total	Prior
		YFP	Period
<b>INCOME/REVENUE</b>			
Cash Contributions			
In-Kind Contributions			
Reassessment contributions for local costs			
Other revenue producing activities			
Decreases in asset adjustments			
Investment revenue			
Other financial gains			
<b>TOTAL INCOME INCLUDING TRANSFER</b>			
<b>EXPENDITURE</b>			
Cost of commodities distributed/ transferred			
Distribution and services			
Wages, salaries and employee benefits			
Grants and other transfers			
Supplier & contractor work			
Other services			
Depreciation and amortization			
Provisions			
Finance costs			
Other actualized losses			
<b>TOTAL EXPENDITURE</b>			
<b>CONTRIBUTION FOR THE FINANCIAL PERIOD</b>			

**STATEMENT III  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2008**  
(In Thousands of US Dollars)

	Note	Total	Prior
		YFP	Period
<b>Net Assets/Equity at the beginning of the financial period</b>			
Change in accumulated deficit			
Change in contributed assets			
Change in other actualized losses			
Change in other actualized gains			
Change in other actualized losses			
<b>Restated Balance at the beginning of the period:</b>			
Transfer between financial statements			
Transfer from/ to other components			
Transfer from/ to other components			
Transfer from/ to other components			
Transfer from/ to other components			
Transfer from/ to other components			
<b>Total of items (reversals/expense) recognized directly in Net Assets/Equity</b>			
<b>Surplus/(deficit) for the financial period</b>			
<b>Total recognized revenue and expense for the financial period</b>			
<b>Net Assets/Equity at the end of the financial period</b>			

**STATEMENT IV  
STATEMENT OF CASH FLOW  
FOR THE YEAR ENDED 31 DECEMBER 2008**  
(In Thousands of US Dollars)

	Note	Total	Prior
		YFP	Period
<b>Cash flow from operating activities:</b>			
Depreciation and amortization			
Provision for doubtful debts			
(Increase) decrease in receivables			
(Increase) decrease in inventories			
(Increase) decrease in other assets			
Increase (decrease) in other liabilities			
(Gain)/loss on sale of property, plant and equipment			
(Gain)/loss on sale of investments			
Loss/(gain) on disposal of investments			
<b>Net cash flow from operating activities</b>			
<b>Cash flow from investing activities:</b>			
Proceeds from sale of investments			
Proceeds from sale of PPE			
Proceeds from sale of investments			
Proceeds from sale of investments			
Proceeds from sale of investments			
<b>Net cash flow from investing activities</b>			
<b>Cash flow from financing activities:</b>			
Proceeds from borrowing			
Repayment of borrowing			
<b>Net cash flow from financing activities</b>			
<b>Net increase (decrease) in cash and cash equivalents</b>			
<b>Cash and cash equivalents at beginning of financial period</b>			
<b>Cash and cash equivalents at end of financial period</b>			

**STATEMENT V  
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS  
FOR THE YEAR ENDED 31 DECEMBER 2008**  
(In Thousands of US Dollars)

	Notes	Budgeted Amounts		Actual Amounts on Comparable Basis	Difference: Final Budget and Actual
		Original	Final		
Cost components					
Cost					
Emergency					
ITM					
2008					
Sub-total direct costs					
Capital cost					
Capital indirect expenditure					
<b>Total Budget/Actual</b>					

- I. Financial Position
- II. Financial Performance
- III. Changes in Net Assets / Equity
- IV. Cash Flow Statement
- V. Comparison of Budget and Actual Amounts
- VI. Note Disclosures

**NOTE 10: PROPERTY PLANT AND EQUIPMENT**

1. A Breakdown of Property Plant and Equipment

Asset Class	Historical Cost 1-Jan-2008	Accumulated Depreciation and Impairment 1-Jan-2008	Net Book Value 1-Jan-2008
Permanent Buildings			
Mobile Buildings			
Computer			
Office Equipment			
Other Fixtures & Fittings			
Security & Safety			
Transportation Equipment			
Machinery			
Workshop Equipment			
Grand Total			

2. Initial Recognition of PPE at 01 January, 2008 (in thousands of US\$) (Resource: FI Module and AMD System)

Asset Class	Historical Cost 1-Jan-2008	Accumulated Depreciation and Impairment 1-Jan-2008	Net Book Value 1-Jan-2008
Permanent Buildings			
Mobile Buildings			
Grand Total			

Comment: Finance leases and leasehold improvements

**NOTE 11: INTANGIBLE ASSETS**

1. A Breakdown of Intangible Assets at 31 December 2008 (in thousands of US\$) (Resource: FI Module)

Asset Class	Historical Cost 1-Jan-2008	Accumulated Amortization and Impairment 1-Jan-2008	Net Book Value 1-Jan-2008	Current Year Additions	Current Year Disposals/ Impairment	Current Year Amortization	Historical Cost 31-Dec-2008	Accumulated Amortization and Impairment 31-Dec-2008	Net Book Value 31-Dec-2008
Software acquired separately									
Software internally developed									
Licenses and rights									
Copyrights									
Other intangible assets									
Grand Total									



## Summary of Significant Accounting Policies

- The UN TF on Accounting Standards reached to a stable platform on IPSAS policies during the June 2007 TF meeting – in support of early adopters (reported to the HLCM)
- WFP prepares its financial statements in accordance with UNSAS and General Rules & Regulations and Financial Rules & Regulations and Executive Board decisions – IPSAS amended in 2006 to allow IPSAS adoption
- WFP accounting policies framework is included in the 26 standards of IPSAS – full compliance is required for a clean opinion
- The summary of significant accounting policies, following best practices in public/private/industry sectors is presented in the note disclosures to the financial statements



## Thanks to All

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*From decision making to IPSAS adoption was a period of 18 months*

*This was made possible by the strong support of all stakeholders involved from Board membership, donors, UN system organizations, Accounting Standards Project, External Stakeholders, field offices and different business units and all WFP staff members who have all invested what was essential and critical to achieve IPSAS adoption in this record breaking period*





## Key Targets and Goals

- IPSAS Adoption go live in 2008 - on schedule
- Financial statements prepared in full compliance with IPSAS – dry runs during 2008 and final set prepared for the year ended December 2008
- Main goal is to receive a clean audit opinion on the 2008 Financial Statements from the External Auditors by 31 March 2009
- The 2008 audited financial statements will be presented to the Executive Board for approval in the June 2009 Annual Board Session



Open discussion  
Thank you



**STATEMENT I**

**Annex – IPSAS Model Financial Statements**

**STATEMENT OF FINANCIAL POSITION**

**FOR THE YEAR ENDED 31 DECEMBER 200X (US\$ Thousand)**

	Notes	Total WFP	Prior Period
<b>ASSETS</b>			
Cash and short-term investments		xxx	xxx
Inventories		xxx	xxx
Accounts receivable		xxx	xxx
<b>Total current assets</b>		xxxx	xxxx
Property, Plant & Equipment		xxx	xxx
<b>Total non-current assets</b>		xxxx	xxxx
<b>TOTAL ASSETS</b>		xxxx	xxxx
<b>LIABILITIES</b>			
Accounts Payable		xxx	xxx
Provisions		xxx	xxx
Other current and financial liabilities		xxx	xxx
<b>Total current liabilities</b>		xxxx	xxxx
Employee benefits		xxx	xxx
Long-term loan		xxx	xxx
<b>Total non-current liabilities</b>		xxxx	xxxx
<b>TOTAL LIABILITIES</b>		xxxx	xxxx
<b>NET ASSETS/EQUITY</b>			
Accumulated surplus/(deficits)-fund balances		xxx	xxx
Initial recognition of PP&E and Inventories		xxx	xxx
Reserves		xxx	xxx
<b>TOTAL NET ASSETS/EQUITY</b>		Xxxx	xxxx
<b>TOTAL LIABILITIES and NET ASSETS/EQUITY</b>		Xxxx	xxxx



**STATEMENT II**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
**FOR THE YEAR ENDED 31 DECEMBER 200X (US\$ thousand)**

	NOTES	TOTAL WFP	PRIOR PERIOD
<b>REVENUE</b>			
Cash Contributions		xxx	xxx
In-kind Contributions		xxx	xxx
Other Material Gain/Other revenue		xxx	xxx
<b>TOTAL REVENUE INCLUDING TRANSFER EXPENSES</b>		xxxx	xxxx
		xxx	xxx
Cost of commodities distributed/transferred		xxx	xxx
Distribution cost & services			
Wages, Salaries and Employee Benefits		xxx	xxx
Other services		xxx	xxx
Depreciation and amortization		xxx	xxx
Provisions		xxx	xxx
Finance costs/Bank charges		xxx	xxx
Other material losses		xxx	xxx
Other expenses		xxx	xxx
<b>TOTAL EXPENSES</b>		xxxx	xxxx
<b>SURPLUS/DEFICIT FOR THE PERIOD</b>		xxxx	xxxx





STATEMENT III  
CASH FLOW

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No major differences between the Statement of Cash Flow under UNSAS and IPSAS

- Cash and term deposits at beginning of period
- Cash flows from operating activities
- Cash flows from investing activities
- Cash flows from financing activities
- Cash and cash equivalents, end of period



**STATEMENT IV  
STATEMENT OF CHANGES IN NET ASSETS / EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 200X (US\$ thousand)**

**NEW!!**

	NOTES	TOTAL WFP	PRIOR PERIOD
<b>Net Assets/Equity at the beginning of the period</b>		xxxx	xxxx
Change in accounting policy		xxx	xxx
Correction of prior period error		xxx	xxx
Adjustment for the initial recognition of property, plant and equipment		xxx	xxx
Adjustments for the initial recognition of stock inventories		xxx	xxx
<b>Restated Balance at the beginning of the period:</b>		xxxx	xxxx
Transfers between funds and accounts		xxx	xxx
Transfers from/to reserves		xxx	xxx
Gain/loss on revaluation of PP&E		xxx	xxx
Gain on revaluation of investments		xxx	xxx
<b>Total of items (revenue/expenses) recognized directly in Net Assets/Equity</b>		xxxx	xxxx
<b>Surplus/(deficit) for the period</b>		xxxx	xxxx
<b>Total recognized revenue and expense for the period</b>		xxxx	xxxx
<b>Net Assets/Equity at the end of the period</b>		xxxx	xxxx



**STATEMENT V**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**FOR THE YEAR ENDED 31 DECEMBER 200X (US\$ thousand)**

**NEW!!**

	Notes	Budgeted Amounts		Actual Amounts on Comparable Basis	Difference: Final Budget and Actual
		Original	Final		
<b>Cost components</b>					
Food					
External transport					
LTSH					
ODOC					
DSC					
<b>Sub-total direct costs</b>		x	x	x	x
Regular PSA					
Capital and capacity funds					
<b>Sub-total indirect expenditure</b>		x	x	x	x
<b>Total Budget/Actual</b>		x	x	x	x

