

Annex I:

International Public Sector Accounting Standards

1 When United Nations system accounting standards were first developed, international accounting standards for not-for-profit organizations did not exist. Because of this gap, the Panel of External Auditors recommended that the United Nations system develop its own accounting standards. Since then, IPSAS have been developed for not-for-profit public sector organizations. IPSAS are a set of high quality, independently developed accounting standards. The IPSAS standards for adoption require accounting on a 'full accruals' basis. Full accruals is considered best accounting practice by international organizations for the public as well as the private sector. IPSAS include detailed requirements and guidance, which provide considerable support for financial statement consistency and comparability. They are the only international accounting standards applicable to public sector and other not-for-profit organizations.

2 IPSAS standards are produced by the International Public Sector Accounting Standards Board (IPSASB), which is part of the International Federation of Accountants (IFAC), the international organization that represents 163 professional accounting institutions from 120 different countries. The development of new accounting standards requires a significant investment in people and time. The IPSASB is a dedicated independent international standard setting body, which uses strong due process, including public consultation and public meetings. The IPSASB acts for the public interest rather than the interest of organizations preparing financial statements and provides benefits to public sector financial management and good governance which are expected to arise from the existence of high quality international public sector accounting standards.

3 The IPSAS Board presently includes representatives from Australia, Argentina, Canada, France India, Israel, Japan, Malaysia, Mexico, Netherlands, New Zealand, Norway, South Africa, the United Kingdom and the United States. The IPSASB considers United Nations system issues, when developing accounting standards. The United Nations system holds two observer places, for the United Nations and the UNDP, on the IPSASB. IPSASB observers participate fully in discussions and receive all meeting papers at the same time as other Board members. They have 'full rights of the floor.'

4 The IPSASB applies a policy that IPSAS standards will be the same as International Financial Reporting Standards (previously called International Accounting Standards) (IAS/IFRS), unless there are demonstrable reasons for public sector/not-for-profit differences. This policy is consistent with the principle of accounting standards convergence. The effect of this policy combined with the generally accepted practice of applying IAS/IFRS where no equivalent IPSAS exists is that approximately two thirds of the accounting standards under IPSAS adoption are the same as those that would apply under IAS/IFRS adoption. Although the not-for-profit differences in the other third of the applicable standards are important, the majority of the requirements in these standards remain the same as those in the equivalent IAS/IFRS standards. This means the guidance and software developed for IAS/IFRS accounting is applicable to IPSAS accounting with no or little amendment. It also means that the financial information produced and standards applied are understandable and largely comparable between public and private sector organizations. This facilitates movement of accounting expertise between the two sectors.

5 The OECD, EC and North Atlantic Treaty Organization (NATO) organizations have adopted IPSAS for their financial reporting. Where a public sector organization operates as a financial institution, IPSAS requires that the organization apply IAS/IFRS. Consistent with that requirement, development banks such as the World Bank, Asian Development Bank and International Fund for Agricultural Development (IFAD) apply IAS/IFRS. More than 30 countries have either already adopted or are in process of adopting IPSAS for financial reporting by all or part of their public sectors.