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Financial reports and audited financial statements, and reports of the Board of Auditors

Financial reports and audited financial statements and reports of the Board of Auditors for the period ended 31 December 2012

Report of the Advisory Committee on Administrative and Budgetary Questions

I. Introduction

1. In accordance with regulation 7.12 of the Financial Regulations and Rules of the United Nations (ST/SGB/2003/7 and Amend.1), the Advisory Committee on Administrative and Budgetary Questions received copies, some in advance form, of the financial reports, audited financial statements and reports of the Board of Auditors for the year ended 31 December 2012 to the General Assembly for nine entities of the United Nations system upon their completing the full implementation of the International Public Sector Accounting Standards (IPSAS) in 2012. In addition, the Committee had before it the reports of the Board on the major business transformation initiatives undertaken by the Secretariat: the capital master plan, the implementation of IPSAS and the enterprise resource planning system. The Committee also considered the status of implementation of its recommendations contained in the report submitted by the Board to the Assembly at its sixty-eighth session (A/68/163), in addition to an advance version of the report of the Secretary-General on the implementation of the recommendations of the Board contained in its report on the United Nations funds and programmes for the financial period ended 31 December 2012 (A/68/350). The Committee considered the following audit reports:

(a) United Nations Development Programme (A/68/5/Add.1);

(b) United Nations Children’s Fund (A/68/5/Add.2);

(c) United Nations Relief and Works Agency for Palestine Refugees in the Near East (A/68/5/Add.3);

(d) Office of the United Nations High Commissioner for Refugees (A/68/5/Add.5);

(e) United Nations Population Fund (A/68/5/Add.7);

(f) United Nations Office for Project Services (A/68/5/Add.10 and Corr.1);

(g) United Nations Joint Staff Pension Fund (to be issued);

(h) United Nations Entity for Gender Equality and the Empowerment of Women (A/68/5/Add.13 and Corr.1);

(i) United Nations Capital Development Fund (A/68/5/Add.14 and Corr.1);

(j) Capital master plan (A/68/5 (Vol. V));

(k) Implementation of IPSAS (A/68/161);

(l) United Nations enterprise resource planning system (A/68/151).

2. Until the biennium ended 31 December 2011, the Board audited the financial statements of the nine entities listed above along with other United Nations entities (the United Nations, the United Nations Office on Drugs and Crime, the United Nations Environment Programme, the United Nations Human Settlements Programme, the International Trade Centre, the United Nations University, the United Nations Institute for Training and Research and the international tribunals for Rwanda and the Former Yugoslavia) on a biennial basis. In line with the requirement under IPSAS, the Board introduced annual audits for those United Nations entities that reported compliance with IPSAS for the year ended 31 December 2012. Following the adoption of IPSAS by all entities of the United Nations as from 1 January 2014, annual audits by the Board will apply uniformly to all entities.

3. During its consideration of the reports, the Advisory Committee met the members of the Audit Operations Committee of the Board of Auditors, who provided additional information and clarification, concluding with written responses received on 18 September 2013. The Advisory Committee also met representatives of the Secretary-General to discuss the status of implementation of the Board's recommendations.

4. The Board issued unqualified audit opinions for the nine entities listed above; the United Nations Children's Fund (UNICEF) was the only entity to receive emphasis of matter. By way of comparison, for the period ended 31 December 2011, the Board had issued, for the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women), an emphasis of matter and one other matter, and, for the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA), an other matter.

5. The present report contains the observations and recommendations of the Advisory Committee on the reports of the Board of Auditors on the financial reports and audited financial statements of the United Nations funds and programmes for the period ended 31 December 2012. In section II, the Committee makes general observations and recommendations on the reports of the Board for the nine entities. In section III, specific comments of the Committee on seven of the nine entities are provided. The Committee met the representatives of the Office of the United Nations High Commissioner for Refugees (UNHCR) in the context of the review of its biennial programme budget for the period 2014-2015 and the Committee's report to the UNHCR Executive Committee contains comments relating to the report of the Board. The Committee's specific comments and recommendations on the report of the Board on the United Nations Joint Staff Pension Fund for the biennium ended

31 December 2012 (to be issued) will be reflected in the context of its forthcoming report on the Fund.

6. With regard to the Board's audit findings on the capital master plan (A/68/5 (Vol. V)), the Advisory Committee will comment in the context of the eleventh progress report of the Secretary-General on the capital master plan. The Committee will also comment separately on the Board's findings on the implementation of the United Nations enterprise resource planning system (A/68/151) and the implementation of IPSAS (A/68/351) in the context of its consideration of the Secretary-General's reports on those subjects. The audit report on the accounts of the United Nations peacekeeping operations for the financial period from 1 July 2011 to 30 June 2012 (A/68/5 (Vol. II), chap. II) will be considered by the Committee early in 2014. Furthermore, the Committee will draw upon the Board's observations in the context of its consideration of various subject reports during its current session. The Committee will follow up, as necessary, on the Board's observations and recommendations during its review of the biennial budgets of other United Nations entities for the next fiscal period.

II. General observations and recommendations

7. During its consideration of the Board's reports, the Advisory Committee was informed of the three cross-cutting issues that were considered to be significant risk areas by the Board and required the attention of the Administration. These relate to the need for:

(a) Enhanced control and monitoring over implementing partners owing to the potential for abuse by third parties executing activities on behalf of United Nations entities;

(b) Strengthened core business functions such as procurement, contract management, financial management and budgetary management through enhanced staff skills;

(c) Enhanced oversight, accountability and governance for globally dispersed operations and achieving an optimal balance between decentralized delegated authority and the appropriate level of monitoring and control by the respective headquarters offices.

8. **The Advisory Committee stresses the importance of addressing the issues identified by the Board that are common to all the nine entities and recommends that corrective actions be implemented as a priority.**

Status of implementation of the recommendations of the Board

9. In view of the transitional nature of the financial year ended 31 December 2012,[1] in which some but not all United Nations entities completed IPSAS implementation, the Board departed from its earlier practice of including in a separate report the status of implementation of recommendations in the first year of the subsequent biennium. Instead, for the year ended 31 December 2012, for entities that had implemented IPSAS, the Board reported on the implementation of previous recommendations in each of its entity-specific reports. For the entities on which the

[1] Previously, the Board uniformly reported for all the entities concerned on a biennial basis.

Board continues to report biennially, the status of implementation of previous recommendations is contained in the Board's report on implementation (A/68/163).

10. The Board proposed, in view of the full implementation of IPSAS as from 1 January 2014, the discontinuance of its earlier practice of reporting on the status of implementation of recommendations every other year. In the Board's view, it would be beneficial for the General Assembly to review one report annually. It proposed combining the concise summary of principal findings and conclusions of current audits with a statistical and summarized qualitative analysis on the status of implementation of prior-period recommendations. Accordingly, the Board proposed to cease production of the report on the status of implementation of recommendations from 2014 and to provide instead an overview analysis of the implementation of recommendations in a concise annual summary report (A/68/163, paras. 4-7).

11. The Advisory Committee was informed, upon enquiry, that the change would be entirely cost neutral, with no audit fee implications, and that the quantity and quality of information provided to Member States would not be reduced. **The Advisory Committee concurs with the Board's proposal to provide in a single annual report an overview analysis of the implementation of recommendations, as well as a concise summary of the principal findings and conclusions contained in the reports of the Board, on the understanding that the Board will continue to provide the same level of information and analysis as done in the past in two separate reports.**

12. The Board reported an overall implementation rate of 41 per cent for the recommendations relating to the biennium 2010-2011 for the entities that continued to be audited biennially. The Board considered that rate to be reflective of a strong commitment on the part of management to taking corrective actions. **The Advisory Committee notes the Board's comments in this regard and commends the management's commitment in implementing the Board's recommendations.**

13. The Advisory Committee further notes that, of the 141 recommendations made by the Board during the year ended 31 December 2012 to the eight funds and programmes covered in the report of the Secretary-General (A/68/350), only 3 were not accepted by the entities concerned (UNRWA and UN-Women). **The Advisory Committee considers that the high acceptance rate of the Board's recommendations by the Administration is evidence of a productive collaboration between the Board and the Administration, and commends efforts in this regard.**

Implementation of International Public Sector Accounting Standards

14. The Advisory Committee will provide detailed comments on the implementation of IPSAS in the context of its consideration of the sixth progress report of the Secretary-General on the adoption of IPSAS by the United Nations (A/68/351). At this stage, therefore, the Committee makes comments and observations of a general nature.

15. The reports of the Board for the nine United Nations entities that prepared their first set of financial statements after implementing IPSAS are generally positive concerning the implementation of IPSAS. The Advisory Committee notes that the Board considered the preparation of IPSAS-compliant financial statements by those nine entities to be a significant achievement. Nevertheless, the Board pointed out that much needed to be done to ensure strong processes for the production of financial statements under IPSAS and to lay the foundation for

accurate financial reporting to management across the entire Organization (A/68/161, paras. 11-12). In this connection, the Committee was also provided with a list of the main differences between the United Nations system accounting standards and IPSAS, which is set out in the annex to the present report. **The Advisory Committee expects that concerted efforts to sustain IPSAS will continue to be made by each of the entities and that the Administration will ensure that the benefits of IPSAS are fully realized.**

16. Upon enquiry, the representatives of the Secretary-General provided information on the lessons learned during the course of 2012 in preparing IPSAS-compliant financial statements. **The Advisory Committee is of the view that this information should be widely disseminated to the Secretariat and other entities where IPSAS implementation remains under way.**

17. The Advisory Committee notes that the Board, in its reports on the United Nations Development Programme (UNDP), the United Nations Capital Development Fund, UNRWA, the United Nations Population Fund (UNFPA) and UN-Women, provided financial ratios, which assist in assessing the financial health of a given entity, such as the ratios of current assets to current liabilities and cash to current liabilities. At the time of its consideration of the Board's reports, the Committee was informed that, in the Board's assessment, the financial position of all of the entities mentioned above, except UNRWA, was generally sound. **The Advisory Committee is of the view that this assessment could serve as a baseline for future comparisons of the entities' financial health.**

18. Upon enquiry, the Advisory Committee was provided with the relevant financial ratios for the remaining entities (UNICEF, the United Nations Office for Project Services (UNOPS) and UNHCR)[2] and was informed that a trend analysis of the ratios was not possible at the current stage, given that it was the first year of IPSAS implementation. The financial ratios of the entities concerned are contained in the table.

Financial ratios as at 31 December 2012

	Current assets: current liabilities	*Total assets: total liabilities*	*Cash and equivalent: current liabilities*
UNICEF	4.0	2.2	0.77
UNHCR	9.2	2.6	2.9
UNOPS	0.8	1.1	0.8
UNDP	4.6	3.4	0.96
United Nations Capital Development Fund	7.6	3.7	3.6
UNRWA	2.3	1.3	1.5
UNFPA	2.79	2.33	1.3
UN-Women	3.97	3.42	1.42

[2] The Board did not provide the financial ratios for the United Nations Joint Staff Pension Fund owing to its distinctive nature and business.

19. The Advisory Committee notes that the information contained in the table provides a basis for comparing the financial analysis of the entities concerned. This information could prove a useful basis for analysing the trends in the entities' financial health over time. **The Advisory Committee considers that a detailed analysis of the ratios selected by the Board in its future reports would be useful in assessing the financial health of all audited entities and in facilitating comparisons among entities and over time.**

Funding of after-service health insurance and end-of-service liabilities

20. The introduction of IPSAS has also led to a fuller reflection of liabilities, including after-service health insurance liabilities. The Advisory Committee will provide its detailed comments and recommendations on the after-service health insurance liabilities in its forthcoming report on the Secretary-General's proposals on managing such liabilities, which are contained in his report (A/68/353).

21. At this stage, the Advisory Committee notes the Board's observations concerning the increasing unfunded portion of end-of-service liability, including after-service health insurance, in UNDP, UNFPA, UNRWA and the United Nations Joint Staff Pension Fund. Upon enquiry, the Committee was informed that recognition of the full scale of after-service health insurance liabilities, as required under IPSAS, provides Member States and stakeholders with the most complete picture concerning the extent of the Organization's immediate and future after-service health insurance commitments. In the absence of a funding plan for recognized liabilities under after-service health insurance, an entity might be at risk of not being able to meet future end-of-service obligations to its employees. **The Advisory Committee notes the Board's recommendations for the above-mentioned entities in this regard.**

III. Entity-specific observations and recommendations

United Nations Development Programme

22. The Advisory Committee notes the persistence of the long-standing dispute between UNDP and UNOPS regarding an inter-fund balance of $18.3 million. The Board indicated that that matter was the subject of a formal arbitration process for resolution (A/68/5/Add.1, chap. II, para. 24). The Committee, recalling its previous comments regarding the disputed inter-fund balance (A/67/381, para. 58), is concerned that the dispute remains unresolved. **Given that a formal settlement process is under way, the Advisory Committee emphasizes the need to bring this matter to a long-overdue conclusion. The Committee expects that the details concerning the final settlement will be contained in the Secretary-General's next report on the status of implementation of the Board's recommendations.**

United Nations Children's Fund

23. As indicated in paragraph 4 of the present report, UNICEF is the only entity to receive an emphasis of matter, which arose in respect of the relationship that UNICEF maintains with its partners, National Committees. The Advisory Committee notes that the Board highlighted note 35 of the UNICEF financial statements, in which the terms and conditions of the relationship between UNICEF and the National Committees, as well as the amount of revenue that the Committees

raised from private sector fundraising activities, were disclosed. The Board's detailed findings regarding the existing relationship between the National Committees and UNICEF and the related issue of net transfer of funds from the Committees' fundraising activities are contained in paragraphs 19 to 68 of chapter II of the Board's report (A/68/5/Add.2).

24. The Advisory Committee recalls the observations regarding National Committees made in its previous report (A/67/381), in which it pointed to the reputational risk that UNICEF might incur through the use of its brand by entities over which it had limited control. The Committee also drew attention to the fact that National Committees, being private entities constituted under national law, were subject to the audit and verification requirements of the respective Member States.

25. Given the limited direct influence of UNICEF over the fundraising activities of the National Committees, the Advisory Committee reiterates its earlier comment on the need for improved cooperation agreements between UNICEF and the National Committees. **The Advisory Committee encourages UNICEF to enhance its oversight of the implementation of the cooperation agreements between UNICEF and the National Committees, insofar as the National Committees undertake activities under the UNICEF brand, and to consider reviewing the cooperation agreements, where appropriate. The Committee further stresses the need for UNICEF to consider additional measures, such as seeking representation on the boards of the National Committees.**

26. The Board stated that, in 2012, UNICEF had received cash contributions in the amount of $834.22 million from the private sector fundraising activities of the National Committees, after they had retained a total amount of $341.41 million: $337.44 million towards relevant costs and $3.97 million as reserves (A/68/5/Add.2, chap. II, para. 20).

27. Upon enquiry, the Advisory Committee was provided with details by the Board concerning the breakdown of the overall amounts retained by each National Committee in terms of retained reserves and retained costs. The Advisory Committee noted considerable variation in the proportion of contributions remitted to UNICEF by the National Committees. Upon further enquiry, the Advisory Committee was informed that the variations in the level of retained costs were caused by the varying levels of administrative costs among the National Committees. The variance could be due to the method used by each National Committee to allocate staff costs; the number of offices maintained in a particular country; the cost of living in the country or city in which a National Committee was located; the extent to which the National Committee was able to obtain free services; and the size, volume and complexity of transactions that the National Committee had to process and related staffing levels. The Advisory Committee was further informed that the National Committees varied considerably in terms of their activities (ranging from pure advocacy and fundraising to implementing programmes). **The Advisory Committee notes the reasons for variances among National Committees in the level and proportion of the amounts retained to cover administrative costs.**

28. The Board expressed concern at the absence of discrete disclosures concerning the advocacy and education costs incurred by the National Committees in their revenue and expenditure reports, noting that that absence made it difficult for UNICEF to evaluate whether the terms and conditions relating to the use of funds were being honoured by the National Committees. In response to the Board's

concerns, UNICEF has proposed to implement a new revenue and expenditure report format in 2014, which would include explicit coverage of advocacy activities (ibid., para. 51). **The Advisory Committee notes the commitment of UNICEF to improving the format of its revenue and expenditure report to address the issues raised by the Board.**

United Nations Relief and Works Agency for Palestine Refugees in the Near East

29. The Advisory Committee recalls that the Board, in its report for the biennium ended 31 December 2011 (A/67/5/Add.3), issued one other matter for UNRWA and identified a going concern risk for the entity. For the year ended 31 December 2012, the Board's audit opinion is free of any such observations. The Board noted that current assets exceeded current liabilities by $203.72 million in 2012,[3] enabling UNRWA to meet its current obligations as they fell due, and that a resource mobilization strategy developed by UNRWA had the potential to bring a modest increase in its funding from traditional donors and to expand its donor base (A/68/5/Add.3, chap. II, summary). The Board further noted that, while there had been a gradual increase in contributions over the past two reporting periods, increased expenses had still led to a deficit of $47.45 million in 2012 (ibid., para. 19). **The Advisory Committee recognizes the efforts made by UNRWA to increase and broaden its donor base and supports additional efforts to ensure that the financial health of UNRWA is sustained over time.**

Office of the United Nations High Commissioner for Refugees

30. According to the Board (A/68/5/Add.5, chap. II, para. 70), the Inspector General's Office at UNHCR is designated to receive complaints concerning corruption or fraudulent activities committed by staff members. The Board noted that, during 2012, the Office had received 1,154 complaints, which had initially been reviewed by a staff member who was between assignments. Of the total complaints received, 803 had related to protection assistance requests and 200 to issues involving alleged staff misconduct. The remainder had been classified as other types. Upon enquiry, the Advisory Committee was informed that, of the 200 complaints relating to alleged staff misconduct, 71 had warranted investigations, while the remaining 129 complaints, not requiring investigation, had been closed. In this connection, the Board noted that the Inspector General's Office had finalized 75 investigations, including some initiated in previous years, and that 78 cases were under investigation. The Board reported that, following a review of 14 concluded cases of misconduct in 2012, one staff member had been dismissed, two had been separated from service, two had received a written reprimand and in 9 cases the staff members had either retired, resigned or otherwise separated from service. The Board also noted that it took an average of 615 days to finalize an investigation from the date of reporting of the incident and that there was a lack of formal performance targets for the completion of investigations at UNHCR. **The Advisory Committee concurs with the Board's recommendation that UNHCR seek an appropriate comprehensive independent review of its investigation function and benchmark its current practice against appropriate standards.**

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[3] As at 31 December 2012, the current assets to current liabilities ratio of UNRWA was 2.3, while the total assets to total liabilities ratio was 1.3.

United Nations Population Fund

31. The Board noted deficiencies in the procurement functions at UNFPA and identified specific areas in which shortcomings were evident (A/68/5/Add.7, chap. II, paras. 60-67). The Board reported that ex post facto approval of procurements worth $1.7 million had been granted in the absence of clear justifications for the approval. The Board further noted that UNFPA had launched new procurement procedures to provide guidance on instances of exceptions to the formal methods of procurement, and the requirements for exceptions to apply. Upon enquiry, the Advisory Committee was provided with further details concerning exceptions to established procurement practices at UNFPA. In addition, examples of the reasons for invoking each of the exceptions under the relevant UNFPA financial rule (114.15) were provided. The Committee notes that the reasons given for using exceptions to the established procurement practices did not constitute an exhaustive list and that other reasons, as determined by the chief procurement officer or other officers holding appropriate procurement authority, may apply.

32. **The Advisory Committee concurs with the Board's recommendation that UNFPA strengthen the mechanisms for monitoring and reviewing procurement actions by increasing regular reviews of the performance of the requisition units, taking into consideration risk and cost factors.**

33. **The Advisory Committee also expects that details concerning the application of any new procurement procedures in exceptional circumstances will be provided to the Board during the course of its next audit.**

United Nations Office for Project Services

34. The Advisory Committee provides its comments of the issue of long-standing disputed inter-fund balance of $18.3 million involving UNOPS and UNDP in paragraph 22 above. The Board observed that UNOPS projects should contribute to the four high-level goals that UNOPS set out in its strategic plan for 2010-2013 (A/68/5/Add.10, chap. II, para. 86). Specifically, one of the four high-level goals for UNOPS projects related to rebuilding peace and stability after conflict. In the Board's view, the information collected by UNOPS for validating information on project output delivery did not enable an assessment of wider project outcomes. Upon enquiry, the Committee was informed that many UNOPS building projects contributed to more than one of the high-level goals and that, depending on the location of the project, some were reported as contributing to the goal of fostering sustained peace and development in post-conflict situations. **The Advisory Committee concurs with the Board's recommendation that UNOPS work with its partners to establish processes to better capture information on the outcomes to which UNOPS activities aim to contribute, in particular in terms of the beneficiaries of projects.**

United Nations Entity for Gender Equality and the Empowerment of Women

35. The Advisory Committee recalls that the Board, in its report for the year ended 31 December 2011 (A/67/5/Add.13 and Corr.1), issued for UN-Women one emphasis of matter and one other matter, and identified UN-Women as one of the high-risk entities for implementing IPSAS. For the year ended 31 December 2012, the Board's audit opinion is free of any such observations and the Board cited the

successful implementation of IPSAS by UN-Women in 2012 as a major achievement (A/68/5/Add.13, chap. II, summary).

36. The Board, upon reviewing 68 projects located in some of the regional, subregional and other offices of UN-Women, noted deficiencies in the management and delivery of projects (ibid., paras. 59-67). The Board noted the slow delivery of projects in a number of UN-Women offices, along with the low budget performance, which ranged from 0 to 49 per cent of allocated funds for the 639 projects planned for 2012, compared with the targeted delivery rates of 80 per cent. In that connection, the Board noted the initiatives undertaken by UN-Women to ensure organizational efficiency in optimizing programme delivery, which included establishing a monitoring mechanism to track the timely implementation of programmes and operations across all its offices. The Board also noted the establishment of three regional offices in 2012 as part of the new regional architecture of UN-Women to support the tracking of its programmes. Given that the project delivery targets had not been achieved at the time of the Board's review, towards the end of the fourth quarter of 2012, however, the Board considered it unlikely that the targets would be met. **The Advisory Committee is concerned at the slow delivery rate of UN-Women projects and the lack of timely corrective measures for achieving targeted project delivery. The Committee concurs with the Board's recommendation that UN-Women ensure that the delivery rate for its projects is as stipulated in the strategic plan for 2011-2013. The Committee is of the view that UN-Women may also consider making necessary adjustments in the implementation of its next strategic plan.**

United Nations Capital Development Fund

37. The Board reported that, before 1 January 2012, the United Nations Capital Development Fund accounts had been part of the main fund financial statements of UNDP. The adoption of IPSAS by both UNDP and the Fund had brought about significant changes, including the formulation of separate accounting policies of the Fund and the preparation of financial statements separate from UNDP. The adoption of IPSAS had also resulted in the recognition and presentation of assets and liabilities and more detailed and informative financial statements for the Fund (A/68/5/Add.14, chap. II, summary). As at 31 December 2012, the Board's analysis of the Fund's financial position noted good financial health: the total revenue of the Fund exceeded its total expenses by $4.5 million; its total assets of $95.42 million comfortably exceeded total liabilities of $25.6 million; its current assets of $78.36 million were 7.6 times its current liabilities of $10.29 million (which is 40 per cent of its total liabilities). The Board further noted that, for the financial period under review, the Fund held $24.6 million in reserves, which was 96.5 per cent of its total liabilities (ibid., para. 12). The Advisory Committee notes the Board's observation that the level of reserves for the Fund approved by its Governing Council is at least 20 per cent of the project commitments. **The Advisory Committee considers the current level of reserves maintained by the Fund to be high in relation to its total liabilities and encourages the management of the Fund to assess whether maintaining such a high level of reserves is pertinent. The Committee recommends keeping this matter under continuous review.**

Annex

Main differences between the United Nations system accounting standards and the International Public Sector Accounting Standards

United Nations system accounting standards	*International Public Sector Accounting Standards*	*Impact on the compilation of financial statements (International Public Sector Accounting Standards vs. United Nations system accounting standards)*
Transactions are recorded on a cash basis when cash is paid or received	Transactions are recorded on a full accrual basis when goods or services are received	Revenue will be recorded earlier (increase in assets with the creation of contribution receivables) and expenses will be recorded later (decrease in accounts payables)
Reported expenditures represent disbursements and unliquidated obligations	Recognition of expenses on the basis of goods and services received (the delivery principle)	Expenses will be recorded later, and as a result there could be a decrease in accounts payables
Inventory is expensed when purchased	The value of inventories at the end of the financial period is recorded as an asset in the statement of financial position	Increase in assets and decrease in expenses
Recognition of contributions on a cash basis	Contributions are recorded when a binding agreement is signed with no "subject to" clauses	Increase in assets and increase in revenue
Property, plant and equipment is expensed when purchased	Property, plant and equipment is capitalized and depreciated over its useful life	Increase in assets and decrease in expenses
Items that are intangible in nature are expensed when incurred	Intangible assets are capitalized and depreciated over the useful life of the asset	Increase in assets and decrease in expenses
Lease payments are recognized as an expense upon payment	Leases are classified into operating and finance leases. A liability and an asset are recognized for finance leases and future lease payments are disclosed	Increase in assets and decrease in expenses
After-service health insurance and annual leave liability are reported in the financial statement notes only	Full recognition of liabilities and expenses relating to employee benefits in the financial statements	Increase in liabilities and increase in expenses
The financial period consists of two calendar years, with an audit opinion issued on the financial statements every two years	Annual financial audits are required	–