United Nations system organizations, including UNICEF, had prepared their financial reporting in accordance with United Nations Systems Accounting Standards (UNSAS) since 1993. Through a General Assembly resolution, member states requested UN organizations to adopt International Public Sector Financial Reporting Standards (IPSAS) to enhance the quality of organizational-level financial reporting by ensuring improved transparency, accountability and governance. Effective January 1, 2012, UNICEF adopted IPSAS.

What is IPSAS?

IPSAS are credible, high-quality, independently produced accounting standards, underpinned by a strong due process and supported by Governments, professional accounting bodies, and international organizations. These standards are specifically tailored to the public sector and integral to UN management reform.

Confidence in the transition

UNICEF has established procedures to ensure that accounting policies are applied consistently and that the process for making changes to methodologies and assumptions is well controlled and occurs in an appropriate and timely manner. The 2012 financial statements represent the first set of UNICEF financial statement prepared in accordance with IPSAS. This is an important achievement and represents a major step in improving the quality and transparency of financial information.

IPSAS benefits

IPSAS requires that UNICEF produce a publicly available financial report that draws a transparent picture of what resources it has at its disposal.

As a result, IPSAS will enable UNICEF to:
- Assess the accountability for all of the resources it controls as well as the management and deployment of those resources;
- Enable the identification of funding requirements for asset maintenance and replacement and all liabilities; and
- Make better decisions about providing resources to UNICEF.

These benefits are only a few of the multiple benefits that are derived from the implementation of IPSAS and UNICEF expects to realize a wide range of benefits from IPSAS.

Where to find details

IPSAS changes some elements of how we record and report what UNICEF does, but it does not change what we do.

UNICEF’s 2012 financial statements reflect the adoption of IPSAS, although it is important to note that comparative figures have not been restated on transition to IPSAS to conform to these new standards. Adjustments to UNICEF’s Statement of Financial Position were made and the impact of the transition to IPSAS is outlined in the note to the financial statements entitled “Transition to IPSAS”.

A summary of our significant accounting policies can be found in Note 2 of our December 2012 financial statements.

Significant UNSAS-IPSAS differences

As a result of the change in the basis of accounting, the following important differences are noted in the table on page 2. For further details, please refer to: http://www.ifac.org/public-sector.

Comparability

Financial measures are included in tables throughout UNICEF’s corporate reports. These measures may or may not be presented on an IPSAS basis as these financial measures are not required to be disclosed by IPSAS and do not form part of the audited UNICEF IPSAS financial statements. The basis of presentation used for these financial measures is disclosed along with each table.
<table>
<thead>
<tr>
<th>Statement of Financial Performance</th>
<th>Pre-2012 UNSAS – modified accrual basis</th>
<th>2012 IPSAS – full accrual basis</th>
</tr>
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</table>
| **Revenues**                       | Revenue from *regular resource (RR) contributions* is recorded at the earlier of cash or pledges received for the current year. Revenue from *other resource (OR) contributions* is recorded the same way as RR contributions. Where a payment schedule covering several years is included in the agreement, revenue is recorded when the specified year becomes current. Where the donor indicates the year of use of the contribution, revenue is not recorded until the year of use is reached. | Revenue from *regular resource (RR) contributions* is recorded at the earlier of cash received or signature of a formal agreement with the donor. Revenue from *other resource (OR) contributions* is recorded the same way as RR contributions. In addition:  
  - Where the donor indicates the year of use of the contribution, revenue is not recorded until the year of use is reached;  
  - Where the agreement has a legislative clause, revenue is not recorded until UNICEF is notified of the legislative approval;  
  - Where the agreement has a performance clause, revenue is not recorded until UNICEF has performed its obligation. |
| **Expenses**                       | Expenses are recognized in the period in which an internal obligation document is created. | Expenses are recognized in the period in which services and consumable goods have been received and inventory has been delivered to programme partners. |
| **Inventories**                    | The purchase of inventories is fully expensed at the acquisition date. | The purchase of inventory is recorded as an asset and expensed in the period used or consumed. |
| **Cash Transfers**                | Recorded as an expense when the cash is disbursed. | Recorded as an advance when the cash is disbursed and as an expense after having been accounted for by the third party. |
| **Capital Asset Acquisitions**    | The purchase of a capital asset is fully expensed immediately at the acquisition date. | The purchase of a capital asset is recorded as an asset and the cost is depreciated over the expected useful life of the asset. |
| **Employee Benefits**             | Only the cash outlays arising from employee benefits are reported as expenditures. | The obligations in respect of employee benefits including after-service health insurance, annual leave and termination costs are recorded as liabilities and the related expense is reported during the period in which it arises (i.e. when an employee earns the right to receive those benefits). |