



Finance Committee

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Status of implementation of the International Public Sector Accounting Standards by the International Seabed Authority

Report of the Secretary-General

I. Introduction

1. The present report has been prepared to inform the Finance Committee of the progress made by the International Seabed Authority in the implementation of the International Public Sector Accounting Standards (IPSAS) in the preparation of its financial statements effective from 1 January 2016.
2. IPSAS are a set of accounting standards issued by the International Public Sector Accounting Standards Board, an international standard-setting body, for use by public sector entities around the world in the preparation of financial statements.
3. The Assembly, acting on the recommendation of the Finance Committee, approved the adoption of IPSAS by the Authority during the twentieth session, in 2014 (see [ISBA/20/A/5-ISBA/20/C/19](#), para. 29). The Committee was subsequently informed of the progress made towards implementation in 2015 (see [ISBA/21/FC/9](#)) and in 2016.
4. For the 2016-2018 reporting periods, the Authority is applying the three-year transitional exemptions permitted by IPSAS section 33, “First-time adoption of accrual basis International Public Sector Accounting Standards”. This grants transitional exemptions to entities adopting accrual basis IPSAS for the first time and provides a major tool to help entities along their journey to implement IPSAS. It allows first-time adopters three years to recognize specified assets and liabilities. This provision allows sufficient time to develop reliable models for recognizing and measuring assets and liabilities during the transition period.

II. Progress made and status

5. The Authority’s IPSAS transitional financial statements for the year ended 31 December 2016 have been increased in number and reformatted in line with IPSAS requirements and comprise the following statements:



- (a) Statement of financial position;
- (b) Statement of financial performance;
- (c) Statement of changes in net assets/equity;
- (d) Cash flow statement;
- (e) Statement of comparison of budget and actual amounts.

6. IPSAS sections that were implemented in the preparation of the IPSAS transitional financial statements to 31 December 2016 are as follows:

- IPSAS section 1, Presentation of financial statements
- IPSAS section 2, Cash flow statements
- IPSAS section 3, Accounting policies, changes in accounting estimates and errors
- IPSAS section 9, Revenue from exchange transactions
- IPSAS section 13, Leases
- IPSAS section 17, Property, plant and equipment
- IPSAS section 19, Provisions, contingent liabilities and contingent assets
- IPSAS section 23, Revenue from non-exchange transactions
- IPSAS section 24, Presentation of budget information in financial statements

7. The Authority has adopted transitional provisions in the presentation of its first IPSAS transitional financial statements for the year ended 31 December 2016 in respect of the following IPSAS sections:

- IPSAS section 25, Employee benefits
- IPSAS section 30, Financial instruments disclosures
- IPSAS section 31, Intangible assets

8. The reason for adopting the transitional provisions with regard to IPSAS sections 25, 30 and 31 is to allow enough time for the necessary valuations relating to the relevant assets and liabilities involved. Actuarial valuation, fair value measurements and a determination of useful lives are required by IPSAS for the disclosure of employee benefits, financial instruments and intangible assets respectively. Accounting policies have been rewritten to enable compliance with IPSAS in the recognition, measurement and disclosure of some of the items in the IPSAS transitional financial statements for the first year (year ended 31 December 2016).

9. The IPSAS accrual basis for the recognition of revenue and expenses were fully complied with in the transitional financial statements for the year ended 31 December 2016.

10. The secretariat has established an ad hoc committee on IPSAS implementation. The committee is in the process of considering proposals for necessary upgrades to the Authority's existing accounting software (Accpac) to meet the IPSAS financial reporting needs.

11. During 2016, staff members of the Finance Unit attended a number of IPSAS implementation courses and completed United Nations computer-based training modules.

III. Activities and tools required for the International Seabed Authority to fully implement the International Public Sector Accounting Standards within the three-year transitional relief period, 2016-2018

12. The following activities are needed for the Authority to fully implement IPSAS:

(a) Development of accounting policies on the treatment of the assets and liabilities for which the Authority has adopted the three-year transitional relief;

(b) Valuation of the assets and liabilities for which the Authority has adopted the three-year transitional relief and disclosure in the financial statements for the year ending 31 December 2017;

(c) Replacement or upgrading and deployment of accounting software to accommodate the additional accounting treatment for procurement, assets management and human-resources-related financial transactions;

(d) Training of staff members in the use of the upgraded accounting software;

(e) Preparation of the first IPSAS-compliant financial statement for the year ending 31 December 2017.

13. It is expected that this work will be completed by 31 March 2018.

IV. Recommendation

14. The Finance Committee is invited to take note of the progress made to date and the plans for full IPSAS implementation for the financial statements for the year ending 31 December 2017.
