



À Paris, le 12 janvier 2018

Comité consultatif sur la normalisation des comptes publics

Le Président

Subject: IPSAS Board Consultation Paper (CP) on « Accounting for Revenue and Non-Exchange Expenses »

The Advisory Committee of the French Financial Jurisdictions on Public Sector Accounting Standards expresses following views on the above-mentioned Consultation Paper. Those views concern the specific situation of international organizations, as the French Cour des comptes is currently the external auditor of five of such organizations¹, which publish IPSAS-based financial statements.

International organizations are increasingly dependent on multi-year funding. A twelve-month period is often not long enough to implement a programme, due to context-specific factors. Longer-term funding allows international organizations to improve the quality and effectiveness of their programmes, as well as the efficiency and value-for-money of their interventions, staff management and partnerships.

The income of international organizations is usually composed by mandatory contributions from Member States (known as “regular budget”), and/or voluntary contributions and pledges of voluntary contributions confirmed in writing. Both types of revenue are accounted for as non-exchange transactions under “IPSAS 23 - *Revenue from Non-exchange Transactions (Taxes and Transfers)*”.

¹ World Food Programme (WFP), United Nations Educational, Scientific and Cultural Organization (UNESCO), Organisation for Economic Co-operation and Development (OECD), International Criminal Court (ICC) and Preparatory Commission for the Comprehensive Test-Ban Nuclear Treaty Organization (CTBTO).

Multi-year pledges of voluntary contributions are commitments made by a donor for one or more financial periods.

The accounting treatment depends on the existence of stipulations from the donors regarding the use of the funds, and whether those stipulations are **conditions or restrictions**, as defined by IPSAS 23. In the case of a condition (an obligation to use the funds in a specified manner, and an enforceable return obligation in the event of non-compliance), a liability is recognized and the revenue is recognized only when the condition is fulfilled. In the case of a simple restriction, no liability is booked and the revenue is immediately recognized.

IPSAS 23 does not directly address time period stipulations. As a result, various applications can be observed within international organizations:

- ✓ Some interpret the stipulation of a period of time as a restriction and therefore no liability is recorded (contributions designated for subsequent years are recognized in the initial year of contract signing);
- ✓ Other organizations interpret the stipulation of a period of time as a condition, with the initial recognition of a liability and the revenue recognition along the implementation of the programmes funded by those contributions.

The Committee considers that timing requirements should be seen as **conditions**, as proposed in the IPSASB's Consultation Paper.

The relevant principle of recognizing revenue and expenses at a close time should not be circumvented by strict application of current IPSAS 23. Such an interpretation hinders the readability of the international organizations' statements of financial performance by overstating revenue and provides a distorted image of their net assets by underestimating their liabilities.



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