

 <p>INTERNATIONAL OIL POLLUTION COMPENSATION FUNDS</p>	Agenda item: 6		IOPC/OCT09/6/1	
	Original: ENGLISH		24 September 2009	
	1992 Fund Assembly		92A14	●
	1992 Fund Executive Committee		92EC46	
	Supplementary Fund Assembly		SA5	●
	1971 Fund Administrative Council		71AC24	●

ADOPTION OF NEW ACCOUNTING STANDARDS

Note by the Director

Summary:	<p>At their October 2008 sessions, the governing bodies approved the adoption, in principle, of the International Public Sector Accounting Standards (IPSAS) from the financial year 2010.</p> <p>At its June 2009 meeting, the Audit Body completed its assessment of the implications for the Funds of adopting IPSAS and agreed with the Secretariat that it was now appropriate to recommend implementation of these new accounting standards from the financial year 2010.</p> <p>The move to IPSAS will necessitate changes to the IOPC Funds' Financial Regulations and accounting policies. This document sets out the proposed amendments to the 1992 Fund's Financial Regulations and accounting policies and the corresponding changes, as appropriate, to the Financial Regulations and accounting policies of the Supplementary Fund and 1971 Fund.</p>
Action to be taken:	<p><u>1992 Fund Assembly:</u></p> <ul style="list-style-type: none"> (a) to approve the proposed changes to 1992 Fund Financial Regulations as set out in Annex I; (b) to take note of the amendments to the accounting policies of the 1992 Fund (Annex II); and (c) to approve the adoption by the 1992 Fund of the International Public Sector Accounting Standards (IPSAS) from the financial year 2010. <p><u>Supplementary Fund Assembly:</u></p> <ul style="list-style-type: none"> (a) to take note of the decision taken by the 1992 Fund Assembly with respect to the changes to the 1992 Fund's Financial Regulations and approve the corresponding changes to the Supplementary Fund's Financial Regulations, as appropriate; (b) to take note of the amendments to the accounting policies of the 1992 Fund and of the fact that the corresponding changes to the Supplementary Fund's accounting policies will be made as appropriate; and (c) to approve the adoption by the Supplementary Fund of the International Public Sector Accounting Standards (IPSAS) from the financial year 2010.

1971 Fund Administrative Council:

- (a) to take note of the decision taken by the 1992 Fund Assembly with respect to the changes to the 1992 Fund's Financial Regulations and approve the corresponding changes to the 1971 Fund's Financial Regulations, as appropriate;
- (b) to take note of the amendments to the accounting policies of the 1992 Fund and of the fact that the corresponding changes to the 1971 Fund's accounting policies will be made, as appropriate; and
- (c) to approve the adoption by the 1971 Fund of the International Public Sector Accounting Standards (IPSAS) from the financial year 2010.

1 Introduction

- 1.1 At the October 2007 sessions of the governing bodies, the representative of the External Auditor in his Report on the 2006 Financial Statements recommended that the Secretariat should submit a proposal to the governing bodies which sought the adoption, in principle, of the International Public Sector Accounting Standards (IPSAS) by the IOPC Funds from the financial year 2010.
- 1.2 At their October 2008 sessions, the IOPC Funds' governing bodies noted that all organisations which were part of the United Nations system had been recommended to adopt IPSAS to replace the United Nations System Accounting Standards (UNSAS) from 1 January 2010. The governing bodies approved the adoption, in principle, of IPSAS by the IOPC Funds from the financial year 2010.
- 1.3 At the same sessions, the governing bodies also noted that the move to IPSAS would result in changes to the format and content of the accounts of the IOPC Funds and that those changes would necessitate a review of the IOPC Funds' Financial Regulations, Internal Regulations and accounting policies to ensure compliance with IPSAS. A subsequent review of the IOPC Funds' Internal Regulations has shown that there is no requirement to make any changes to them as a result of moving to IPSAS.
- 1.4 At its June 2009 meeting, the Audit Body completed its assessment of the implications for the Funds of adopting IPSAS and agreed with the Secretariat that it was now appropriate to recommend implementation of these new accounting standards from the financial year 2010.
- 1.5 This document sets out the proposed amendments to the 1992 Fund's Financial Regulations and accounting policies. The corresponding changes, as appropriate, will need to be made to the Financial Regulations and accounting policies of the Supplementary Fund and 1971 Fund. It should be noted that the Funds' accounting policies do not require approval from the governing bodies as the accounting policies are governed by the Funds' Financial Regulations and by IPSAS.
- 1.6 In arriving at the proposed amendments the Secretariat has sought the advice and agreement of both the External Auditor and the Audit Body. The Secretariat is also grateful to the International Maritime Organization (IMO) Secretariat for sharing its experience as IMO too moves towards adopting IPSAS from the financial year 2010.
- 1.7 The proposed amendments to the Financial Regulations of the 1992 Fund only are set out in Annex I and changes to the accounting policies of the 1992 Fund only are set out in Annex II.
- 1.8 Moving to IPSAS will have an impact on the format and content of the financial statements which are set out in section 4. The main areas of change are in respect of **income** (recognition of interest on overdue contributions and interest on investments), **Secretariat expenditure** (recognition of commitments incurred (on accrual basis), employee benefits and expenditure on fixed assets) and **claims and claims related expenditure** (recognition of compensation (provision) and fees (accruals)).

2 Proposed changes to Financial Regulations

2.1 The proposed changes to the Financial Regulations are the result of two standards, namely:

- IPSAS 1 – Presentation of Financial Statements
- IPSAS 17 – Property, Plant and Equipment

2.2 The Funds' Financial Regulations have over the years been constructed in a manner that requires minimal changes in order for the Funds to adopt IPSAS. Both the existing text of the 1992 Fund's Financial Regulations and the new text proposed for approval are provided in Annex I.

2.3 The review has identified twelve Financial Regulations of the 1992 Fund that need to be amended.

2.4 In four cases the proposed changes are to the subject matter contained in the respective Financial Regulations, as set out below.

- **Regulation 6.4** – The period for which appropriations for expenditure will be available to discharge commitments of the financial year, following the end of the financial period, will change from 24 months to 12 months.
- **Regulation 11.4** – The cost of property acquired will be shown as fixed assets in the financial statements and a depreciation charge will be expensed each year over the useful economic life of the property, instead of treating the cost of the property as an expense in the year of purchase.
- **Regulation 12.1** – The financial statements will be prepared in compliance with IPSAS as opposed to UNSAS.
- **Regulation 14.12** – The External Auditor shall perform the audit of the accounts to ensure compliance with IPSAS rather than UNSAS.

In Annex I these changes are in **bold** print.

2.5 In the remaining eight cases, the changes proposed to the Regulations are due to terminology in order to comply with IPSAS, as set out in the table below:

	IPSAS	UNSAS
Regulation 4 (4.1, 4.2 and 4.3)	(1) 'Financial statements' (2) 'books of accounts'	(1) 'Accounts' (2) 'accounts'
Regulation 6.1 Regulation 11.1 Regulation 11.2	'commitments'	'obligations'
Regulation 12.3	(1) 'Statement of appropriations and budget out-turn' (2) 'Statement of Financial Performance' (3) 'Statement of Financial Position'	(1) 'Statement of appropriations and obligations incurred' (2) 'Income and Expenditure Accounts' (3) 'Balance Sheet'
Regulation 12.4	'books of accounts'	'accounts'

2.6 Corresponding changes will need to be made to all twelve Financial Regulations of the 1971 Fund.

2.7 Corresponding changes will need to be made to eleven Financial Regulations of the Supplementary Fund. The amendment to Financial Regulation 11.4 of the 1992 Fund does not require a corresponding change as it deals with property, which is not relevant to the Supplementary Fund.

3 Accounting Policies of the 1992 Fund

Changes to the 1992 Fund's accounting policies are as a result of ten standards, namely:

- IPSAS 1 – Presentation of Financial Statements
- IPSAS 9 – Revenue from Exchange Transactions
- IPSAS 13 – Leases
- IPSAS14 – Events after Reporting Date
- IPSAS 15 – Financial Instruments: Disclosure and Presentation
- IPSAS 17 – Property, Plant and Equipment
- IPSAS 19 – Provisions, Contingent Liabilities, Contingent Assets
- IPSAS 24 – Presentation of Budget Information in Financial Statements
- IPSAS 25 – Employee Benefits
- IAS 38 (no IPSAS) – Intangible Assets eg software acquired externally, internally developed software and licences and rights.

Both the existing text (cf 2008 Financial Statements; document IOPC/OCT09/5/5/1) and the revised text (in **bold**) are provided in Annex II (1992 Fund's Significant Accounting policies).

4 Implications of moving to IPSAS on the Financial Statements

4.1 The key account headings that will be affected due to the move to accrual based accounting (a method of accounting that recognises expenses when incurred and income when earned rather than when payment is made or income received) are as follows:

4.2 Income (interest on overdue contributions and interest on investments)

- *Recognition of interest on outstanding contributions*

4.2.1 Interest chargeable on contributions that are outstanding at the financial year end will need to be recorded as income for the year and not when outstanding contributions are received, as is the present treatment.

- *Recognition of income from investments*

4.2.2 Interest income under IPSAS will not be recorded on maturity of the investment as is the present treatment, instead interest that has accumulated during the relevant financial period will be recorded.

4.3 Secretariat expenditure (commitments incurred, employee benefits and expenditure on fixed assets)

- *Recognition of expenditure*

4.3.1 Expenditure will be recorded on the basis of services (or goods) actually received or due to be received in the accounting period, rather than at the time of contracting as was the case under UNSAS.

- *Employee benefits*

4.3.2 Inclusion in the form of a provision in the financial statements will be made of accrued annual leave and repatriation costs for existing staff which are presently shown in the Notes to the Financial Statement (cf 2008 Financial Statement - £316 482). The inclusion of this provision will have the impact of directly reducing the 1992 Fund's accumulated surplus at the end of the first year (2010) of adoption of IPSAS to more accurately show the position of the 1992 Fund.

- *Purchase of fixed assets*

4.3.3 Fixed assets purchased, which have a useful life of more than one year, will be shown as assets on the balance sheet, and an annual charge for depreciation of the assets will be made in the Income and Expenditure statement (IPSAS – Statement of Financial Performance), effectively spreading the cost of the assets over their useful life. In this regard the Director proposes not to capitalise fixed assets purchased prior to 2010 as this will require assets to be re-valued by an external expert and capitalised. Given the age of the assets (both tangible and intangible) the administrative burden will be disproportionate to the material value of the re-valued assets. The decision not to capitalise assets prior to 2010 will be in accordance with the first time adoption of IPSAS where a five year period is provided in relation to capitalising assets.

4.4 Claims and claims-related expenditure (compensation (provision), fees (accruals))

- *Provision for Compensation Claims*

4.4.1 After the October 2008 sessions of the governing bodies discussions were held with the External Auditor and the Audit Body and a review of the relevant IPSAS was made to determine how best to reflect a compensation expenditure incurred in the accounting period in order to be compliant with IPSAS.

4.4.2 IPSAS 19 states that a provision should be recognised when an entity has a present obligation as a result of a past event, which can be reliably estimated and which will require an outflow of resources.

4.4.3 It has therefore been agreed with the External Auditor and the Audit Body that compensation expenditure will include not only the amounts paid but also a provision for all claims approved by the relevant P&I Club and the Fund but not paid at the balance sheet date.

4.4.4 In compliance with IPSAS 14, which requires the financial statements to be adjusted for events that occur after the reporting date, it has been agreed that the provision will be adjusted by an amount for claims received prior to the year-end but only approved by the relevant P&I Club and the Fund in the period between the end of the financial year and when the final set of financial statements are signed.

- *Fees (accruals)*

4.4.5 With respect to claims-related expenditure, eg technical fees, lawyers' fees, etc recording of expenditure will be on the basis of services (or goods) actually received in the financial period.

5 Joint Secretariat budget

5.1 The 1992 Fund's budget for administering the joint Secretariat will continue to be a cash budget. It will therefore show cyclical increases to provide in the budget for purchase of assets to replace fully depreciated assets or the purchase of new assets as required.

5.2 Comparison of the budget appropriations with the budget out-turn will also be presented on a cash basis in the financial statements. Since the budgeting (cash) and the accounting (accrual) basis differ, a note reconciling the expenditure stated in the financial statements and the budget out-turn will be included in the financial statements.

6 Staff Training

It is anticipated that the UN-wide training material being developed for IPSAS will start to become available towards the end of 2009. IMO will be conducting topic-specific training to staff members whose work will be impacted by IPSAS and has, in principle, agreed to IOPC Funds' staff participating in these training sessions.

7 Project plan for implementation of IPSAS

- 7.1 An accounts manual will be produced to provide guidance on the appropriate accounting treatment of income, expenditure, assets and liabilities in addition to procedures and controls already in place.
- 7.2 Financial statements for 2009, which will originally be prepared under UNSAS, will be redrafted in IPSAS format for comparative purposes. It should be noted that under IPSAS it is not mandatory for organisations to report prior year comparative figures in the first year of application. However, it is the Director's intention to present in the 2010 financial statements comparative 2009 figures in order to provide a better understanding of the financial statements and of the consequences of the move to IPSAS.

8 Action to be taken

1992 Fund Assembly:

The 1992 Fund Assembly is invited:

- (a) to approve the proposed changes to 1992 Fund Financial Regulations (Annex I);
- (b) to take note of the amendments to the accounting policies of the 1992 Fund (Annex II); and
- (c) to approve the adoption by the 1992 Fund of the International Public Sector Accounting Standards (IPSAS) from the financial year 2010.

Supplementary Fund Assembly:

The Supplementary Fund Assembly is invited:

- (a) to take note of the decision taken by the 1992 Fund Assembly with respect to the changes to the 1992 Fund's Financial Regulations and approve the corresponding changes to the Supplementary Fund's Financial Regulations, as appropriate;
- (b) to take note of the amendments to the accounting policies of the 1992 Fund and of the fact that the corresponding changes to the Supplementary Fund's accounting policies will be made as appropriate; and
- (c) to approve the adoption by the Supplementary Fund of the International Public Sector Accounting Standards (IPSAS) from the financial year 2010.

1971 Fund Administrative Council:

The 1971 Fund Administrative Council is invited:

- (a) to take note of the decision taken by the 1992 Fund Assembly with respect to the changes to the 1992 Fund's Financial Regulations and approve the corresponding changes to the 1971 Fund's Financial Regulations, as appropriate;
- (b) to take note of the amendments to the accounting policies of the 1992 Fund and of the fact that the corresponding changes to the 1971 Fund's accounting policies will be made, as appropriate; and
- (c) to approve the adoption by the 1971 Fund of the International Public Sector Accounting Standards (IPSAS) from the financial year 2010.

ANNEX I

DRAFT 1992 FUND FINANCIAL REGULATIONS

Proposed amendments in compliance with IPSAS

(corresponding to the Financial Regulations of the Supplementary and 1971 Funds)

1992 Fund	1992 Fund	
Financial Regulations of the International Oil Pollution Compensation Fund 1992 established under the 1992 Fund Convention <u>Regulation 1</u> <i>Definitions</i> NO CHANGE	D R A F T Financial Regulations of the International Oil Pollution Compensation Fund 1992 established under the 1992 Fund Convention <u>Regulation 1</u> <i>Definitions</i> NO CHANGE	
 <u>Regulation 2</u> <i>Conversion of SDRs</i> NO CHANGE	 <u>Regulation 2</u> <i>Conversion of SDRs</i> NO CHANGE	
 <u>Regulation 3</u> <i>The Financial Period</i> NO CHANGE	 <u>Regulation 3</u> <i>The Financial Period</i> NO CHANGE	

<p style="text-align: center;"><u>Regulation 4</u></p> <p style="text-align: center;"><i>Accounts and Budget</i></p>	<p style="text-align: center;"><u>Regulation 4</u></p> <p style="text-align: center;"><i>Accounts</i> <i>Financial Statements and Budget</i></p>	<p style="text-align: center;">IPSAS 1</p>
<p>4.1 The accounts of the 1992 Fund and its annual budget shall be established in Pounds Sterling.</p>	<p>4.1 The accounts financial statements of the 1992 Fund and its annual budget shall be established in Pounds Sterling.</p>	
<p>4.2 Subject to Financial Regulation 4.3, the accounts of the 1992 Fund shall be completed and closed at the end of each calendar year. Any surplus funds including interest from operations in a given year shall be carried forward to the next calendar year.</p>	<p>4.2 Subject to Financial Regulation 4.3, the books of accounts of the 1992 Fund shall be completed and closed at the end of each calendar year. Any surplus funds including interest from operations in a given year shall be carried forward to the next calendar year.</p>	<p style="text-align: center;">IPSAS 1</p>
<p>4.3 Annual contributions paid to the 1992 Fund under Article 12.2(b) of the 1992 Fund Convention, including any interest thereon, shall be used exclusively for the satisfaction of the payments for which they were levied. If such contributions are not used during the year when they were due, they shall be reserved in the accounts of the 1992 Fund from year to year for this purpose.</p>	<p>4.3 Annual contributions paid to the 1992 Fund under Article 12.2(b) of the 1992 Fund Convention, including any interest thereon, shall be used exclusively for the satisfaction of the payments for which they were levied. If such contributions are not used during the year when they were due, they shall be reserved in the accounts financial statements of the 1992 Fund from year to year for this purpose.</p>	<p style="text-align: center;">IPSAS 1</p>

4.4	After the periods set out in Article 6 of the 1992 Fund Convention for bringing actions in respect of a particular incident have lapsed and all claims and expenses arising out of that incident have been settled, the Assembly shall assess the situation. If there remains a substantial amount which has been reserved in accordance with Financial Regulation 4.3, the Assembly shall decide whether such amount shall be reimbursed pro rata to the persons who made contributions with respect to that incident in accordance with Article 12.2(b) of the 1992 Fund Convention, or whether such amount shall be credited pro rata to the accounts of these persons. The same shall apply if, after the settlement of all claims known to the 1992 Fund, the Assembly is satisfied that no more claims in respect of that incident will be made against the 1992 Fund and no more expenses will have to be met.	4.4	After the periods set out in Article 6 of the 1992 Fund Convention for bringing actions in respect of a particular incident have lapsed and all claims and expenses arising out of that incident have been settled, the Assembly shall assess the situation. If there remains a substantial amount which has been reserved in accordance with Financial Regulation 4.3, the Assembly shall decide whether such amount shall be reimbursed pro rata to the persons who made contributions with respect to that incident in accordance with Article 12.2(b) of the 1992 Fund Convention, or whether such amount shall be credited pro rata to the accounts of these persons. The same shall apply if, after the settlement of all claims known to the 1992 Fund, the Assembly is satisfied that no more claims in respect of that incident will be made against the 1992 Fund and no more expenses will have to be met.	
4.5	If, in the assessment referred to in Financial Regulation 4.4, the Assembly considers the amount remaining not to be substantial, this amount shall be transferred to the General Fund referred to in Financial Regulation 7.1.	4.5	If, in the assessment referred to in Financial Regulation 4.4, the Assembly considers the amount remaining not to be substantial, this amount shall be transferred to the General Fund referred to in Financial Regulation 7.1.	
4.6	In respect of each incident giving rise to claims against the 1992 Fund, the Director shall maintain a running record of all expenses incurred by the 1992 Fund.	4.6	In respect of each incident giving rise to claims against the 1992 Fund, the Director shall maintain a running record of all expenses incurred by the 1992 Fund.	
<u>Regulation 5</u> <i>The Budget</i> NO CHANGE		<u>Regulation 5</u> <i>The Budget</i> NO CHANGE		

<p style="text-align: center;"><u>Regulation 6</u></p> <p style="text-align: center;"><i>Appropriations</i></p> <p>6.1 The appropriations adopted by the Assembly shall constitute an authorisation to the Director to incur obligations and make payments for the purposes for which the appropriations were adopted and up to the amounts so voted.</p>	<p style="text-align: center;"><u>Regulation 6</u></p> <p style="text-align: center;"><i>Appropriations</i></p> <p>6.1 The appropriations adopted by the Assembly shall constitute an authorisation to the Director to incur obligations enter into commitments and make payments for the purposes for which the appropriations were adopted and up to the amounts so voted.</p>	
<p>6.2 The Director may exceed an appropriation in respect of any single class of expenditure by 5%.</p>	<p>6.2 The Director may exceed an appropriation in respect of any single class of expenditure by 5%.</p>	
<p>6.3 Transfers between appropriations within chapters of the budget (Roman figures) may be made without limitation. Transfers between appropriations in the budget between chapters may be made up to 10%, calculated on the appropriation to which the transfer is made.</p>	<p>6.3 Transfers between appropriations within chapters of the budget (Roman figures) may be made without limitation. Transfers between appropriations in the budget between chapters may be made up to 10%, calculated on the appropriation to which the transfer is made.</p>	
<p>6.4 Appropriations for expenditure shall remain available for 24 months following the end of the financial period to which they relate, to the extent that they are required to discharge the outstanding legal obligations of that period.</p>	<p>6.4 Appropriations for expenditure shall remain available for 24 months following the end of the financial period to which they relate, to the extent that they are required to discharge the outstanding legal obligations of that period. Appropriations shall remain available for twelve months following the end of the year to which they relate to the extent that they are required to discharge commitments in respect of goods delivered and services rendered in the financial year and to discharge any other outstanding legal commitments of the financial year.</p>	<p style="text-align: center;">IPSAS 1</p>

6.5 Payments for claims under Article 12.1(i)(b) and (c) of the 1992 Fund Convention, including provisional payments, may be made, in respect of any claim from the General Fund referred to in Financial Regulation 7.1 or a Major Claims Fund referred to in Financial Regulation 7.2, as the case may be, to the extent authorised under the Internal Regulations.	6.5 Payments for claims under Article 12.1(i)(b) and (c) of the 1992 Fund Convention, including provisional payments, may be made, in respect of any claim from the General Fund referred to in Financial Regulation 7.1 or a Major Claims Fund referred to in Financial Regulation 7.2, as the case may be, to the extent authorised under the Internal Regulations.	
<u>Regulation 7</u> <i>Funds</i> NO CHANGE	<u>Regulation 7</u> <i>Funds</i> NO CHANGE	
<u>Regulation 8</u> <i>Loans</i> NO CHANGE	<u>Regulation 8</u> <i>Loans</i> NO CHANGE	
<u>Regulation 9</u> <i>Management of Monies</i> NO CHANGE	<u>Regulation 9</u> <i>Management of Monies</i> NO CHANGE	
<u>Regulation 10</u> <i>Investment of Assets</i> NO CHANGE	<u>Regulation 10</u> <i>Investment of Assets</i> NO CHANGE	

<p style="text-align: center;"><u>Regulation 11</u></p> <p style="text-align: center;"><i>Internal Control</i></p> <p>11.1 The Director shall:</p> <ul style="list-style-type: none"> (a) give such detailed directions as are necessary to ensure effective financial administration and the exercise of economy; (b) cause all payments to be made on the basis of supporting vouchers and other documents which ensure that the services or goods have been received except where normal commercial practice requires payment to be made in advance; (c) designate the officers who may receive monies, incur obligations, purchase goods and make payments on behalf of the 1992 Fund; (d) maintain an internal financial control which shall provide for an effective current examination and/or review of financial transactions in order to ensure: <ul style="list-style-type: none"> (i) the regularity of the receipt, custody and disposal of all monies and other financial resources of the 1992 Fund; (ii) the conformity of obligations and expenditures with the appropriations or other financial provisions voted by the Assembly; (iii) the economic use of the resources of the 1992 Fund; (iv) conformity with the 1992 Fund Convention, the Financial Regulations and the Internal Regulations. 	<p style="text-align: center;"><u>Regulation 11</u></p> <p style="text-align: center;"><i>Internal Control</i></p> <p>11.1 The Director shall:</p> <ul style="list-style-type: none"> (a) give such detailed directions as are necessary to ensure effective financial administration and the exercise of economy; (b) cause all payments to be made on the basis of supporting vouchers and other documents which ensure that the services or goods have been received except where normal commercial practice requires payment to be made in advance; (c) designate the officers who may receive monies, incur obligations enter into commitments, purchase goods and make payments on behalf of the 1992 Fund; (d) maintain an internal financial control which shall provide for an effective current examination and/or review of financial transactions in order to ensure: <ul style="list-style-type: none"> (i) the regularity of the receipt, custody and disposal of all monies and other financial resources of the 1992 Fund; (ii) the conformity of obligations commitments and expenditures with the appropriations or other financial provisions voted by the Assembly; (iii) the economic use of the resources of the 1992 Fund; (v) conformity with the 1992 Fund Convention, the Financial Regulations and the Internal Regulations. 	
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11.2 Except to the extent provided for in Financial Regulation 11.1(c), no obligations shall be incurred without the prior authorisation of the Director.	11.2 Except to the extent provided for in Financial Regulation 11.1(c), no obligations commitments shall be incurred entered into without the prior authorisation of the Director.	
11.3 Imprest cash advances for official purposes may be made to staff members who must at all times be in a position to account for them.	11.3 Imprest cash advances for official purposes may be made to staff members who must at all times be in a position to account for them.	
11.4 The cost of all property acquired other than real property will be immediately charged as an expense. Records will be kept of all real property, non-expendable and expendable supplies and equipment acquired by the 1992 Fund. An inventory will be established at the end of each financial period of all assets, supplies and materials in hand, exceeding £150 per item, indicating the cost and the year of acquisition, and a copy of the inventory will be furnished to the External Auditor.	11.4 The cost of all property acquired not exceeding an agreed value threshold, currently £500 per item , other than real property will be immediately charged as an expense. Records will be kept of all real property, non-expendable and expendable supplies and equipment acquired by the 1992 Fund. Purchased assets which exceed that threshold will be capitalised at cost and depreciated to their residual value over their useful economic life. An inventory will be established at the end of each financial period of all assets, supplies and materials in hand, exceeding £150 per item, indicating the cost and the year of acquisition, and a copy of the inventory will be furnished to the External Auditor. A fixed assets register will be established to record all tangible fixed assets which exceed the agreed value threshold and have been capitalised. Such a fixed assets register will be integral part of the financial accounting system and will record the asset value, useful economic life, depreciation and net book value for each asset. The fixed assets register will be made available to the External Auditor as a part of the accounting records presented for audit.	IPSAS 17 (Property, Plant and Equipment)

11.5 In respect of matters other than claims for compensation, the Director may make payments or waive a right to recovery, even if there is no legal obligation for the 1992 Fund to do so, provided that, in his view, this is appropriate in order to safeguard the Fund's financial or other interests. The Audit Body and the External Auditor should be provided with a statement on such payments or waivers. Any payment or waiver exceeding £25 000 requires the prior approval by the Chairman of the Assembly and information on such payment or waiver shall be reported to the Assembly together with the financial statements.	11.5 In respect of matters other than claims for compensation, the Director may make payments or waive a right to recovery, even if there is no legal obligation for the 1992 Fund to do so, provided that, in his view, this is appropriate in order to safeguard the Fund's financial or other interests. The Audit Body and the External Auditor should be provided with a statement on such payments or waivers. Any payment or waiver exceeding £25 000 requires the prior approval by the Chairman of the Assembly and information on such payment or waiver shall be reported to the Assembly together with the financial statements.	
11.6 The Director may, after full investigation, authorise the writing off of losses of cash and deletion from inventory of stores and other assets, provided that a statement thereon shall be submitted to the External Auditor with the accounts.	11.6 The Director may, after full investigation, authorise the writing off of losses of cash and deletion from inventory of stores and other assets, provided that a statement thereon shall be submitted to the External Auditor with the accounts.	
11.7 The Director shall, in connection with submitting the financial statements to the External Auditor, inform the External Auditor whether he is aware of any reported cases of fraud, presumptive fraud or money laundering during the financial year in question.	11.7 The Director shall, in connection with submitting the financial statements to the External Auditor, inform the External Auditor whether he is aware of any reported cases of fraud, presumptive fraud or money laundering during the financial year in question.	
<u>Regulation 12</u> <i>The Accounts</i>	<u>Regulation 12</u> <i>The Accounts Financial Statements</i>	
12.1 The 1992 Fund shall maintain such books of accounts and prepare such financial statements as are necessary for each financial period in accordance with the 1992 Fund's Financial Regulations and stated accounting policies and in compliance with United Nations accounting standards, where appropriate.	12.1 The 1992 Fund shall maintain such books of accounts and prepare such financial statements as are necessary for each financial period in accordance with the 1992 Fund's Financial Regulations and stated accounting policies and in compliance with United Nations International Public Sector Accounting Standards , where appropriate.	

<p>12.2 The books of accounts, which shall be maintained on a double entry basis, shall record:</p> <ul style="list-style-type: none"> (a) the receipts and payments of all funds; (b) the income and expenditure of all funds; (c) the assets and liabilities of the 1992 Fund; (d) the status of appropriations, including: <ul style="list-style-type: none"> (i) the original budget appropriations; (ii) the appropriations as modified by any transfers; (iii) the amounts charged against those appropriations. 	<p>12.2 The books of accounts, which shall be maintained on a double entry basis, shall record:</p> <ul style="list-style-type: none"> (a) the receipts and payments of all funds; (b) the income and expenditure of all funds; (c) the assets and liabilities of the 1992 Fund; (d) the status of appropriations, including: <ul style="list-style-type: none"> (i) the original budget appropriations; (ii) the appropriations as modified by any transfers; (iii) the amounts charged against those appropriations. 	
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<p>12.3 The financial statements to be prepared and submitted to the Assembly by the Director in accordance with Article 29.2(f) of the 1992 Fund Convention, and on which the External Auditor will report in accordance with Financial Regulation 14.16, shall comprise:</p> <p>(a) (i) a statement of appropriations and obligations incurred;</p> <p>(ii) Income and Expenditure Accounts for all funds;</p> <p>(iii) a Balance Sheet;</p> <p>(iv) a Cash Flow Statement;</p> <p>(b) such notes as may be necessary for a better understanding of the financial statements, including a statement of significant accounting policies and details of contingent liabilities, ie of all known or likely claims against the 1992 Fund and of claims related expenditures estimated for the next financial year.</p>	<p>12.3 The financial statements to be prepared and submitted to the Assembly by the Director in accordance with Article 29.2(f) of the 1992 Fund Convention, and on which the External Auditor will report in accordance with Financial Regulation 14.16, shall comprise:</p> <p>(a) (i) a statement of appropriations and obligations incurred budget out-turn;</p> <p>(ii) a statement of financial performance Income and Expenditure Accounts for all funds;</p> <p>(iii) a statement of financial position Balance Sheet;</p> <p>(iv) a Cash Flow Statement;</p> <p>(b) such notes as may be necessary for a better understanding of the financial statements, including a statement of significant accounting policies and details of contingent liabilities, ie of all known or likely claims against the 1992 Fund and of claims related expenditures estimated for the next financial year.</p>	<p>IPSAS 1</p>
<p>12.4 The accounts of the 1992 Fund shall be kept in Pounds Sterling. Foreign currency bought for Pounds Sterling and invested in accordance with Financial Regulation 10.4(a) shall be translated into Pounds Sterling at the financial year end at the rate of exchange at the last banking day of the year as published in the London Financial Times.</p>	<p>12.4 The books of accounts of the 1992 Fund shall be kept in Pounds Sterling. Foreign currency bought for Pounds Sterling and invested in accordance with Financial Regulation 10.4(a) shall be translated into Pounds Sterling at the financial year end at the rate of exchange at the last banking day of the year as published in the London Financial Times.</p>	

12.5 The books of accounts and financial statements for the financial period shall be submitted by the Director to the External Auditor by 30 April following the end of that financial period.	12.5 The books of accounts and financial statements for the financial period shall be submitted by the Director to the External Auditor by 30 April following the end of that financial period.	
<u>Regulation 13</u> <i>Audit Body</i> NO CHANGE	<u>Regulation 13</u> <i>Audit Body</i> NO CHANGE	
<u>Regulation 14</u> <i>External Audit</i> 14.1 - 14.11 NO CHANGE	<u>Regulation 14</u> <i>External Audit</i> 14.1 - 14.11 NO CHANGE	

<p>14.12The External Auditor shall perform such audit of the accounts of the 1992 Fund as he deems necessary in order to satisfy himself:</p> <ul style="list-style-type: none"> (a) that the financial statements are in accordance with the books and records of the 1992 Fund; (b) that the financial transactions reflected in the statements have been in accordance with the rules and regulations, the budgetary provisions and other applicable directives; (c) that the securities and monies on deposit and on hand have been verified by certificates received direct from the 1992 Fund's depositaries or by actual count; (d) that all material weaknesses in the accounting and internal control systems identified during the audit have been reported; (e) that procedures satisfactory to the External Auditor have been applied to the recording of all assets, liabilities, surpluses and deficits in accordance with the Financial Regulations, stated accounting policies and United Nations accounting standards where appropriate. 	<p>14.12The External Auditor shall perform such audit of the accounts of the 1992 Fund as he deems necessary in order to satisfy himself:</p> <ul style="list-style-type: none"> (a) that the financial statements are in accordance with the books and records of the 1992 Fund; (b) that the financial transactions reflected in the statements have been in accordance with the rules and regulations, the budgetary provisions and other applicable directives; (c) that the securities and monies on deposit and on hand have been verified by certificates received direct from the 1992 Fund's depositaries or by actual count; (d) that all material weaknesses in the accounting and internal control systems identified during the audit have been reported; (e) that procedures satisfactory to the External Auditor have been applied to the recording of all assets, liabilities, surpluses and deficits in accordance with the Financial Regulations, stated accounting policies and United Nations International Public Sector Accounting Standards where appropriate. 	
<p>14.13 - 14.21</p> <p style="text-align: center;">NO CHANGE</p>	<p>14.13 - 14.21</p> <p style="text-align: center;">NO CHANGE</p>	

<u>Regulation 15</u> <i>Decisions Involving Expenditures</i> NO CHANGE	<u>Regulation 15</u> <i>Decisions Involving Expenditures</i> NO CHANGE	
<u>Regulation 16</u> <i>Implementation</i> NO CHANGE	<u>Regulation 16</u> <i>Implementation</i> NO CHANGE	
<u>Regulation 17</u> <i>Amendments</i> NO CHANGE	<u>Regulation 17</u> <i>Amendments</i> NO CHANGE	

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ANNEX II

1992 Fund

PROPOSED CHANGES TO SIGNIFICANT ACCOUNTING POLICIES

<u>Present Text</u>	<u>Proposed Changes</u>	<u>Comments</u>
<p>1. <u>Significant Accounting Policies</u></p> <p>In accordance with the 1992 Fund's Financial Regulation 12.3(b) and in compliance with United Nations accounting standards where appropriate, the principal accounting policies followed in arriving at the financial information given in the respective statements are set out below.</p>	<p>1. <u>Significant Accounting Policies</u></p> <p>In accordance with the 1992 Fund's Financial Regulation 12.3(b) and in compliance with United Nations International Public Sector Accounting Standards (IPSAS) where appropriate, the principal accounting policies followed in arriving at the financial information given in the respective statements are set out below.</p>	<p>In compliance with IPSAS instead of UNSAS</p>
<p>(a) <u>Rules and procedures</u></p> <p>The financial statements are prepared in accordance with the Financial Regulations of the 1992 Fund, and in compliance with the provisions of the 1992 Fund Convention and the Internal Regulations of the 1992 Fund.</p>	<p>(a) <u>Rules and procedures</u></p> <p>The financial statements are prepared in accordance with the Financial Regulations of the 1992 Fund, and in compliance with the provisions of the 1992 Fund Convention and the Internal Regulations of the 1992 Fund.</p>	<p>No change</p>

<p>(b) <u>Basis of preparation</u></p> <p>The accounts are prepared on the basis of a General Fund, Major Claims Funds and a Provident Fund, as laid down in Financial Regulation 7.</p> <p>The financial year is the calendar year.</p>	<p>(b) <u>Basis of preparation</u></p> <p>The financial statements of the International Oil Pollution Compensation Fund 1992 have been prepared on the accrual basis of accounting in accordance with the International Public Sector Accounting Standards (IPSAS) using the historic cost convention, modified by the inclusion of investments at fair value.</p> <p>These are the first set of financial statements to be prepared in accordance with IPSAS. The adoption of IPSAS has required changes to be made to the accounting policies previously followed by the 1992 Fund. The adoption of the new accounting policies have resulted in changes to the assets and liabilities recognised in the Balance Sheet. Accordingly, the last audited Balance Sheet, dated 31 December 2009, has been restated and the resulting changes are reported in Statement xx. The revised Balance Sheet is described in these financial statements as the Opening Balance 1 January 2009 (Restated). The net effect of the changes brought about by the adoption of IPSAS in the Statement of Financial Position amounted to an increase in total net assets of £xx million on 1 January 2010.</p> <p><i>[To note that the Balance Sheet is referred to as the Statement of Financial Position under IPSAS 1]</i></p>	
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	<p>The financial year is the calendar year.</p> <p>The accounts are prepared on the basis of a General Fund, Major Claims Funds and a Provident Fund, as laid down in Financial Regulation 7.</p>	
<p>(c) <u>Accounting convention</u></p> <p>The accounts are prepared under the historical cost convention, modified to the extent that the cost of all property acquired is immediately charged as an expense, in accordance with Financial Regulation 11.4. Therefore, office machines, furniture and other supplies are not shown as assets in the Balance Sheet.</p>	<p>(c) <u>Accounting convention</u></p> <p>(Delete)</p>	
<p>(d) <u>Administrative expenditure</u></p> <p>Expenditure comprises payments and unliquidated obligations incurred in respect of the current budget year.</p> <p>Obligations are recorded on the basis of contracts, purchase orders, agreements or other forms of legal undertaking.</p> <p>Unliquidated obligations are obligations or that part of obligations which are not yet paid. In accordance with Financial Regulation 6.4, appropriations for unliquidated obligations remain available</p>	<p>(c) <u>Administrative expenditure</u></p> <p>Expenditure comprises payments and unliquidated obligations incurred in respect of the current budget year. for goods and services is recognised on the basis of delivery with the exception of expenditure on capital items</p> <p>Obligations are recorded on the basis of contracts, purchase orders, agreements or other forms of legal undertaking.</p> <p>Unliquidated obligations are obligations or that part of obligations which are not</p>	<p>Amended to reflect changes in expenditure timing arising through the introduction of IPSAS</p>

<p>to discharge legal obligations for 24 months following the end of the financial period to which they relate.</p> <p>The amounts are net of Value Added Tax.</p>	<p>yet paid. In accordance with Financial Regulation 6.4, appropriations for unliquidated obligations remain available to discharge legal obligations for 24 months following the end of the financial period to which they relate.</p> <p>The amounts are net of Value Added taxes.</p>	
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No corresponding provision

(d) Tangible (fixed) Assets

Purchased assets which exceed an agreed value threshold, currently £500, are capitalised at cost in accordance with Financial Regulation 11.4. The cost of all property acquired not exceeding that threshold is immediately charged as an expense. An asset is capitalised at cost and depreciated to its residual value over its useful economic life using the straight-line method ~~in accordance with Financial Regulation 11.4.~~ The cost of an asset includes the purchase price, shipping and set-up charges. A residual value of zero is used. Depreciation is charged on a monthly basis, with a full month's charge in the month of purchase and no charge in the month of disposal.

Class of asset	Useful Life
Computer equipment	3-5 years
Office fixtures and fittings	5 years
Office Equipment	5 years
Telecommunications equipment	5 years
Fixtures related to office lease	Period of the lease of office space

In compliance with IPSAS 17 (Property, Plant, and Equipment) allows the use of a cost model (cost less accumulated depreciation) or a revaluation model for maintaining the value of an asset after purchase. The use of the cost model is more appropriate for the simple, typically low-value assets held by the Organisation.

	Therefore, office machines, furniture and other supplies Library supplies are not shown as assets in the Balance Sheet	
No corresponding provision	<p>(e) <u>Intangible assets</u></p> <p>Computer software development costs recognised as assets are amortised using the straight-line method over their useful life not exceeding a period of five years.</p> <p>Purchased computer software licences are capitalised at cost, and amortised over their period of validity.</p>	In compliance with IAS 38 where applicable. No IPSAS
No corresponding provision	<p>(f) <u>Employee benefits</u></p> <p>The following employee benefits are provided for:</p> <p><u>Annual leave</u> Any unused annual leave is paid to the employee on separation, and consequently a provision is made annually on the basis of unused annual leave with changes in the provision from the start of the year being charged as an expense to the current financial period.</p>	<p>In compliance with IPSAS 25 (Employee Benefits)</p> <p>The 1992 Fund operates a provident fund in lieu of a pension for its staff members.</p> <p>Post employment benefit for all permanent staff members are provided by accumulating monthly contributions which are then invested. Permanent employees receive their contributed share of the accumulated funds including interest when the employee leaves.</p>

	<p><u>Repatriation costs</u> Repatriation costs comprising of repatriation travel, grant and relocation which fall due on separation of an eligible employee are provided for at the management's best estimate.</p> <p>Other regular benefits are recognized in the period in which they are earned or in which the claim is received.</p>	
<p>(e) <u>Expenditure arising out of incidents</u></p> <p>Expenditure arising out of incidents is charged in the year of payment. There is no specific appropriation to meet any settlement of claims.</p> <p>Expenses up to 4 million SDR in respect of any one incident are charged to the General Fund in accordance with Financial</p>	<p>(g) <u>Expenditure arising out of incidents</u></p> <p>Payments of compensation in respect of incidents are charged in the year of payment.</p> <p>Expenditure for incident-related services is recognised in the year services are received. Expenditure is charged in the year of payment. There is no specific appropriation to meet any settlement of claims.</p> <p>Expenses up to 4 million SDR in respect of any one incident are charged to the General Fund in accordance with Financial Regulation 7.1(c)(i), and</p>	

<p>Regulation 7.1(c)(i), and expenses over that amount in respect of any one incident are charged to the Major Claims Fund constituted for the incident in question in accordance with Financial Regulation 7.2(d).</p> <p>For incidents that fall under STOPIA 2006 expenses in respect of any one incident are to be charged to the General Fund up to 4 million SDR after having taken into account any reimbursements made by the shipowner/P&I Club for part of the compensation payable by the 1992 Fund under the 1992 Fund Convention and expenses over that amount will be charged to the Major Claims Fund.</p> <p>A report on expenditure arising out of incidents is provided in Schedule II.</p>	<p>expenses over that amount in respect of any one incident are charged to the Major Claims Fund constituted for the incident in question in accordance with Financial Regulation 7.2(d).</p> <p>For incidents that fall under the Small Tanker Oil Pollution Indemnification Agreement (STOPIA) 2006 expenses in respect of any one incident are to be charged to the General Fund up to 4 million SDR after having taken into account any reimbursements made by the shipowner/P&I Club for part of the compensation payable by the 1992 Fund under the 1992 Fund Convention and expenses over that amount will be charged to the Major Claims Fund.</p> <p>A report on expenditure arising out of incidents is provided in Schedule II.</p>	
<p>No corresponding provision</p>	<p>(h) <u>Provisions</u></p> <p>Compensation in respect of incidents is payable by the 1992 Fund whenever there is a legal obligation to do so under the 1992 Fund Convention. It is only when a claim has been assessed and approved by the relevant P&I Club and the 1992 Fund, however, that sufficient clarity exists as to both the liability and the admissible quantum. Provision is therefore made</p>	<p>In compliance with IPSAS19(Provisions, Contingent Liabilities, Contingent Assets) and IPSAS 14 (Events after Reporting Date)</p>

	<p>for all claims approved by the relevant P&I Club and the 1992 Fund at the amount approved by the 1992 Fund, which reflects management's best estimate at that time. Where approved claims have been pro-rated because there is uncertainty as to whether funds will be sufficient to allow further payments, no provision is made for such claims over and above the level of pro-rating, but the maximum of such amount is disclosed separately in the financial statements as a contingent liability.</p>	
<p>(f) <u>Contingent liabilities</u></p> <p>In accordance with Financial Regulation 12.3(b), details of contingent liabilities are given in Schedule III. Estimates of contingent liabilities include all known or likely claims against the 1992 Fund. All these claims may not necessarily mature. In the case of fees, these are calculated for the coming year only, due to the difficulties of predicting the length and cost of legal proceedings or of negotiations for reaching out-of-court settlements. Those liabilities which mature will, under the 1992 Fund Convention, be met from contributions levied by the Assembly.</p>	<p>(i) <u>Contingent liabilities</u></p> <p>In accordance with Financial Regulation 12.3(b), details of contingent liabilities are given in Schedule III. Estimates of contingent liabilities include all known or likely claims against the 1992 Fund. All these claims may not necessarily mature. In the case of fees, these are calculated for the coming year only, due to the difficulties of predicting the length and cost of legal proceedings or of negotiations for reaching out-of-court settlements. Those liabilities which mature will, under the 1992 Fund Convention, be met from contributions levied by the Assembly.</p>	<p>No change In compliance with IPSAS19 and IPSAS14</p>

<p>(g) <u>Income</u></p> <p>Income is based on firm revenues due in the financial period and either received or receivable in this period.</p> <p>Income from contributions is included only after the contributions are invoiced on the basis of figures on contributing oil receipts reported by Member States. A report on contributions is provided in Schedule I.</p> <p>Interest on overdue contributions is included only in the year in which the overdue annual contribution is actually paid. No interest is charged on overdue interest.</p> <p>Investment income is based only on interest received from investments maturing during the financial period.</p>	<p>(j) <u>Income</u></p> <p>Income is based on firm revenues due in the financial period and either received or receivable in this period.</p> <p>Income from contributions is included only after the contributions are invoiced on the basis of figures on contributing oil receipts reported by Member States. A report on contributions is provided in Schedule I.</p> <p>Income from Interest on overdue contributions is included only in the year in which the overdue annual contribution is actually paid. No interest is charged on overdue interest comprises of interest accrued on all contributions overdue at the end of the reporting period.</p> <p>Investment income is based only on interest received from investments maturing during the financial period. Interest income on deposits is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable on a straight line basis over the period of the investment.</p>	<p>In accordance with IPSAS 9 (Revenue from Exchange Transactions) .</p>
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<p>(h) <u>Interest on contributors' account</u></p> <p>In accordance with Internal Regulation 3.9 any credit balance on a contributors' account bears interest. The interest is added to the credit balance every year when levies are due or reimbursements are made, normally on the 1 March.</p>	<p>(k) <u>Interest on contributors' account</u></p> <p>In accordance with Internal Regulation 3.9 any credit balance on a contributors' account bears interest. The interest is added to the credit balance every year when levies are due or reimbursements are made, normally on the 1 March.</p>	<p>No Change</p>
<p>(i) <u>Investments</u></p> <p>Investments of the 1992 Fund's assets include the assets of the Staff Provident Fund and the Contributors' account, which are merged with the 1992 Fund's assets for investment purposes, in order to obtain better interest rates.</p> <p>Investments of assets of Major Claims Funds may be made in currencies other than Pounds sterling to meet payments in respect of a particular incident. The interest earned on investments in currencies other than Pounds sterling are credited directly to the respective Major Claims Fund.</p>	<p>(l) <u>Investments</u></p> <p>Investments of the 1992 Fund's assets include the assets of the Staff Provident Fund and the Contributors' account, which are merged with the 1992 Fund's assets for investment purposes, in order to obtain better interest rates.</p> <p>Investments of assets of Major Claims Funds may be made in currencies other than Pounds sterling to meet payments in respect of a particular incident. The interest earned on investments in currencies other than Pounds sterling are credited directly to the respective Major Claims Fund.</p>	<p>No Change</p>

<p>(j) <u>Loans between funds</u></p> <p>Financial Regulations 7.1(c)(iv) and 7.2(d), respectively, provide that loans can be made from the General Fund to a Major Claims Fund and from a Major Claims Fund to the General Fund or to another Major Claims Fund. Such loans shall be reimbursed with interest, in accordance with Financial Regulations 7.1(a)(iv) and 7.2(b)(iii).</p> <p>Interest on any loan made is calculated at a preferential rate of 0.25% above the lowest London clearing bank base rate.</p>	<p>(m) <u>Loans between funds</u></p> <p>Financial Regulations 7.1(c)(iv) and 7.2(d), respectively, provide that loans can be made from the General Fund to a Major Claims Fund and from a Major Claims Fund to the General Fund or to another Major Claims Fund. Such loans shall be reimbursed with interest, in accordance with Financial Regulations 7.1(a)(iv) and 7.2(b)(iii).</p> <p>Interest on any loan made is calculated at a preferential rate of 0.25% above the lowest London clearing bank base rate.</p>	<p>No Change</p>
<p>(k) <u>Translation of currencies</u></p> <p>The majority of the 1992 Fund's assets and liabilities at the end of the financial period 2008 were held in Pounds sterling. Gains and losses arising from foreign currency exchange transactions during the relevant accounting period are treated as normal items of operation.</p> <p>If in relation to Major Claims Funds currencies are bought for Pounds sterling and invested in accordance with Financial Regulation 10.4(a), any gains or losses at the end of the financial year arising from holding these currencies are credited or debited to the respective Funds.</p>	<p>(n) <u>Translation of currencies</u></p> <p>The majority of the 1992 Fund's assets and liabilities at the end of the financial period [delete 2008] are held in Pounds sterling. Gains and losses arising from foreign currency exchange transactions during the relevant accounting period are treated as normal items of operation.</p> <p>If in relation to Major Claims Funds currencies are bought for Pounds sterling and invested in accordance with Financial Regulation 10.4(a), any gains or losses at the end of the financial year arising from holding these currencies are credited or debited to the respective</p>	

<p>Payments for claims related expenses made in foreign currencies are converted into sterling at the rate of exchange obtained from the bank on the date of transaction. Payments for compensation claims made from foreign currency bought for sterling and invested are converted at the rate at which the currency was purchased, on a first in first out basis.</p> <p>Any gains or losses at the end of the financial year arising from holding monetary items, ie assets to be received in determinable amounts of money, are credited or debited to the respective Funds.</p> <p>For the translation of all monetary assets and liabilities, the rate applied is the rate of exchange for the Pound sterling against various currencies on 31 December 2008 (the last banking day of 2008) as published in the London Financial Times.</p>	<p>Funds.</p> <p>Payments for claims related expenses made in foreign currencies are converted into sterling at the rate of exchange obtained from the bank on the date of transaction. Payments for compensation claims made from foreign currency bought for sterling and invested are converted at the rate at which the currency was purchased, on a first in first out basis.</p> <p>Any gains or losses at the end of the financial year arising from holding monetary items, ie assets to be received in determinable amounts of money, are credited or debited to the respective Funds.</p> <p>For the translation of all monetary assets and liabilities, the rate applied is the rate of exchange for the Pound sterling against various currencies on [Delete 31 December 2008] the last banking day of the financial period as published in the London Financial Times.</p>	
<p>No corresponding provision.</p>	<p>(o) <u>Recognition and measurement of financial instruments</u></p> <p>Financial instruments are recognised when the 1992 Fund becomes a party to the contractual provisions of the</p>	<p>In accordance with IPSAS 15 (Financial Instruments: Disclosure and Presentation)</p>

	<p>instrument until such time as when the rights to receive cash flows from those assets have expired or have been transferred and the 1992 Fund has transferred substantially all the risks and rewards of ownership.</p> <p>Financial instruments are initially measured at fair value. Subsequent measurement of all financial instruments is at fair value except for long-term investments held to maturity.</p> <p>Gains or losses arising from changes in the fair value of financial instruments are included within the statement of financial performance in the period in which they arise.</p> <p><i>[To note that the Income and Expenditure Statement is referred to as the Statement of Financial Performance under IPSAS 1]</i></p>	
No corresponding provision.	<p>(p) <u>Leases</u></p> <p>Leases under which substantially all of the risk and reward of ownership have been transferred to the Organisation through the agreement are treated as finance leases. The assets acquired</p>	In accordance with IPSAS 13 (Leases)

	<p>under financial leases are depreciated over the shorter of the assets' useful life and the lease term. Leases where the lessor retains a significant portion of the risks and rewards inherent to ownership are classified as operating leases. Payments made under operating leases are charged on a straight-line basis over the period of the lease.</p>	
No corresponding provision.	<p>(q) <u>Budgetary information</u></p> <p>The governing bodies approve the budget which includes budgeted amounts for administration costs and fixed assets. Budgets may be subsequently amended by the governing bodies or through the exercise of delegated authority. Statement xx: Comparison of Budget and Actual Amounts, compares the final budget to actual amounts calculated on the same basis as the corresponding budgetary amounts. As the bases used to prepare the budget and financial statements differ, Note xx provides a reconciliation between the actual amounts presented in the Financial Statements to the actual amounts presented in Statement xx.</p>	In accordance with IPSAS 24 (Presentation of Budget Information in Financial Statements)