

**■ WIPO: Sustaining IPSAS  
compliance, update on specific  
challenges, issues from audits.  
Task Force on Accounting Standards**

**Rome  
2-3 October 2017**

# Overview

- WIPO first implemented IPSAS in 2010.
- 2016 was the fifth year audited by the Auditor General of India (previously Swiss Federal Audit Office).
- Received an unqualified audit opinion for the 2016 financial statements.

# Specific issues and challenges

1. IPSAS 39 implementation
2. New Investment Strategy
3. Internally developed software

# 1. IPSAS 39 implementation (1/3)

## ■ 2016 audit recommendation on IPSAS 39

*In view of the material impact on the financial statements of the ASHI unrecognized liability which is on increasing trend, a suitable policy on implementation of IPSAS 39 may be defined by WIPO and implemented early (covering period beginning on 1 January 2017).*

	December 31, 2016
<b>ASHI</b>	
	<i>(in thousands of Swiss francs)</i>
Defined benefit obligation at beginning of year	216,075
Interest cost	2,146
Current service cost	12,920
Contribution paid	-2,870
Actuarial (gain)/loss on obligation	92,616
<b>Defined benefit obligation at end of year</b>	<b>320,887</b>
Net actuarial gain/(loss) unrecognized	-166,540
<b>Liability recognized in the Statement of Financial Position</b>	<b>154,347</b>

## 2. IPSAS 39 implementation (2/3)

### ■ 2016 restatement for IPSAS 39 adoption

	2016 (as previously stated)	Restatement for IPSAS 39 adoption	2016 (restated)
<i>(in thousands of Swiss francs)</i>			
<b><u>Statement of Financial Position</u></b>			
<b>TOTAL ASSETS</b>	<b>1,027,229</b>	-	<b>1,027,229</b>
Employee benefits	188,430	166,541	354,971
<b>TOTAL LIABILITIES</b>	<b>715,946</b>	<b>166,541</b>	<b>882,487</b>
Accumulated Surpluses	270,889	6,769	277,658
Special Projects Reserve	16,786	-	16,786
Revaluation Reserve Surplus	17,266	-	17,266
Actuarial gains/(losses) through Net Assets	-	(173,310)	(173,310)
Working Capital Funds	6,342	-	6,342
<b>NET ASSETS</b>	<b>311,283</b>	<b>(166,541)</b>	<b>144,742</b>
<b><u>Statement of Financial Performance</u></b>			
<b>TOTAL REVENUE</b>	<b>387,713</b>	-	<b>387,713</b>
Personnel expenditure	224,353	(4,922)	219,431
<b>TOTAL EXPENSES</b>	<b>355,713</b>	<b>(4,922)</b>	<b>350,791</b>
<b>SURPLUS FOR THE YEAR</b>	<b>32,000</b>	<b>4,922</b>	<b>36,922</b>

## 2. IPSAS 39 implementation (3/3)

### ■ 2017 scenarios

	0.75%	Discount Rate		
		0.25%	0.75%	1.25%
		<i>(in thousands of Swiss francs)</i>		
	<b>IPSAS 25</b>	<b>IPSAS 39</b>	<b>IPSAS 39</b>	<b>IPSAS 39</b>
Restated ASHI liability as at December 31 ,2016	154,347	320,887	320,887	320,887
Projected ASHI liability as at December 31, 2017	184,624	384,591	338,908	300,264
Direct charge to statement of financial performance	<b>(30,277)</b>	<b>(18,021)</b>	<b>(18,021)</b>	<b>(18,021)</b>
Direct impact on net assets - actuarial (losses)/gains	-	(45,683)	-	38,644
<b>2017 (increase)/decrease in liability</b>	<b>(30,277)</b>	<b>(63,704)</b>	<b>(18,021)</b>	<b>20,623</b>

## 2. New Investment Strategy (1/3)

### ■ Three categories of Cash

- Operating cash: used to meet daily payment requirements
- Strategic cash: set aside to finance ASHI Liability
- Core cash: the remaining balance

■ WIPO revised its Policy on Investments covering the 3 categories of Cash in 2015.

■ Since September 2017, the three categories of cash have been invested following different strategies.

## 2. New Investment Strategy (2/3)

### ■ Operating cash – 157 MCHF

- **2/3** in bank accounts.
- **1/3** to be invested in bonds, commercial papers and term deposits held to maturity (less than 12 months) and managed internally.

### ■ Core Cash – 215 MCHF

Core Cash will be invested over a rolling 5 year period with no fixed maturity period to the investments in 5 Asset classes: US treasuries, US Investment Grade Credit, Swiss Real Estate, EM Bonds and senior loans.



## 2. New Investment Strategy (3/3)

### ■ **Strategic Cash – 109 MCHF**

Strategic Cash will be invested over a rolling 20 year period with no fixed maturity period to the investments in 6 Asset classes: US treasuries, US and EM equities, Swiss Real Estate, EM Bonds and senior loans.

■ For foreign currency investments of operating cash, and two asset classes of core and strategic cash, WIPO will use foreign exchange swaps.

# 3. Internally developed software

- IPSAS 31: has strict recognition criteria, and sets high hurdles for capitalization.
  
- Quarterly meetings with project managers to track the ongoing projects.
  
- Some projects capitalized over the last 5 years, however in other cases:
  - Projects do not present new functionalities
  - Work is integrated into WIPO's day-to-day activities
  - Software developed for external users and free to use.

# Questions

