

**Chief Executives Board  
for Coordination**CEB/2004/HLCM/28  
24 November 2004**CONCLUSIONS OF THE MEETING  
OF THE FINANCE AND BUDGET NETWORK  
(Videoconference, 16 September 2004)****CONTENTS**

	<u>Paragraph/s</u>
Introduction .....	1 – 2
A. Relationship between regular and voluntary funding .....	3 – 5
B. Long-term care .....	6 – 7
C. After service health insurance .....	8
D. Fraud prevention .....	9
E. Cost-shared budgets .....	10
F. Total expenditures on security .....	11 – 12
G. Tax reimbursement policy.....	13 – 15
H. Review of UN Accounting Standards .....	16 – 17
I. Cash management .....	18
J. Results-based budgeting.....	19 – 20
K. European Commission Verification Clause Agreement .....	21 – 23
L. Date and location of the next session of the FB Network.....	24

**ANNEX**

Annex 1 – Agenda

Annex 2 – List of Participants

## **Introduction**

1. HLCM's Finance and Budget (FB) Network held a videoconference on 16 September 2004 primarily to discuss the FB work programme and the items on finance and budget for inclusion on the agenda of the eighth session of HLCM.

2. The list of participants is attached in the annex.

### **A. Relationship between regular and voluntary funding**

3. HLCM had previously established a Working Group on the "Impact on Management and Programme of the Changing Relationship between Regular and Voluntary Funding" to consider and make recommendations on a number of issues arising from the system-wide increase in supplementary funding in relation to regular or core funding. At its seventh session, HLCM had decided on a number of steps to be taken for the further examination of these issues; but it also specifically had requested a paper on the issue of acceptance of contributions to which donors attach conditions concerning procurement and staff recruitment. The matter was of inter-agency concern because if one organization was perceived by donors to be more susceptible than others to such pressures, it encouraged similar pressures to be put on other organizations.

4. The Network was informed that, following consultations with members of the working group of HLCM, at its eighth session the Committee would consider a document providing a draft policy statement for endorsement which focused on the specific issue of contributions to which donors attach conditions that affect procurement and staff recruitment.

5. Regarding other related work items under this heading, the Network noted the following:

- Simplification and standardization of financial reporting systems throughout the UN system or agreements among agencies that they will accept reports in the format in which they are provided by the reporting agency – UNFPA, the lead agency, had only received a response to its communication from two agencies (UNOPS and ICAO); others were requested to respond as soon as possible;
- Common donor reporting – this initiative should be incorporated into the work described above;
- Support costs on extra-budgetary activities – UNESCO, the lead agency, was undertaking a cost measurement study; results were expected by end November; organizations should urgently submit their comments on UNESCO's note of 7 September 2004.

### **B. Long-term care**

6. At its seventh session, HLCM had agreed to the proposal by the FB Network for the creation of a joint FB/HR Working Group on the issue of long-term care as this was an important human resource issue that may have financial implications.

7. The Network:

- noted that organizations were asked to consult internally on who would represent them on a working group to be set up on this issue by the CEB Secretariat.

**C. After service health insurance**

8. The Network:

- noted that the UN Secretariat would be releasing a paper in early January 2005, for consideration at the resumed session of the General Assembly (planned for early February) on After Service Health Insurance (ASHI) liabilities which would include an annex with information on each organization's policy and procedures with regard to the recognition and funding of its respective ASHI liabilities;
- agreed that there was a need to establish a single definition from a social policy perspective of what was the desirable level of health care for UN system staff (both during and after service) so from a financial perspective benefits were sustainable over time.

**D. Fraud prevention**

9. The Network agreed that:

- organizations should inform FAO, lead agency, of their interest in joining a working group on common definitions of fraud which would involve the preparation of a compendium of organizations' definitions and an analysis of common aspects; and
- organizations might ask their respective internal audit and oversight departments to participate as responsibility for this issue was often crosscutting.

**E. Cost-shared budgets**

10. At the seventh session of HLCM, the Committee had requested that the FB Network review all cost-sharing arrangements, including those for the security. The Network:

- noted that organizations were experiencing problems funding their obligations under UNSECOORD (compliance with the Minimum Operating Security Standards) since it was important for organizations to be consulted on the content of all cost shared budgets as well as the levels the United Nations would circulate budget proposals to members of the Network for their input and comment before submission to the General Assembly

**F. Total expenditures on security**

11. At the seventh session of HLCM, the Committee when considering a report from the CEB secretariat on UN system spending on security had noted a number of difficulties in accounting for these costs and had agreed that a working group of the FB Network be established and address the issue, especially for accounting and reporting for spending that was cost-shared.

12. The Network:

- agreed that a methodology be developed or agreed and that UNHCR and ILO should take the lead in facilitating this effort.

### **G. Tax reimbursement policy**

13. The issue of taxation of salary and emoluments of UN staff members who had to pay income taxes had been on the agendas of the FB Network and HLCM for some time and had been described in detail in previous documents (ACC/2000/FB/91/CRP.3 and CEB/2002/HLCM/R.6).

14. The Network was informed of two recent ILO Administrative Tribunal rulings that the “last income” method was the only one to be used for calculating income tax reimbursements was problematic for those organizations that had agreements with the United States government based on the “first income” method. While the UN and some specialized agencies used the “last income” method of tax reimbursement, most specialized agencies had, since 1981, signed and implemented “first income” tax reimbursement agreements with the United States Government.

15. The Network noted that

- IAEA, as lead agency, would present a document for consideration by HLCM at its eighth session on the need for a coordinated and centralized negotiation mechanism with the US government on behalf of all UN system organizations.

### **H. Review of UN Accounting Standards**

16. At its seventh session, HLCM had agreed that a project resource be recruited to take forward the development of UN Accounting Standards as proposed by the FB Network.

17. The Network noted that

- the IPSAS Group which had met in July in New York had provided an opportunity for an exchange of ideas with the New York based organizations on this project;
- a meeting of the FB Network Task Force on Accounting Standards would be held in UNESCO the first week of December to coincide with a meeting of the Technical Panel of the UN Board of Auditors so as provide the opportunity for an exchange with members of the Panel;
- the recruitment process had been delayed due the delays in receiving organizations’ contributions, but an inter-agency panel would soon be constituted to advise on the selection;
- version six of the accounting standards had been issued;
- organizations should respond to the request for information on their current practices regarding obligations so as to share best practices;
- a number of issues would be addressed before issuance of the glossary that would be incorporated into the standards;

- information was being exchanged with NATO who had adopted the IPSAS; NATO would provide expert advice at the next meeting of the Task Force.

#### **I. Cash management**

18. The Network noted that

- The UN Secretariat would circulate a revised draft of the document for submission to HLCM to Network members on 20 September 2004.  
[NB: Following this consultation, it was decided to delete this item from the agenda of HLCM.]

#### **J. Results-based budgeting**

19. UNDP, the lead agency, had circulated a concept paper on July 2, 2004, to all organizations for comment, which contained a common framework for RBB to be used across the UN system. The JIU had subsequently published its report entitled “Managing for Results in the UN System” which contained nine benchmarks for Results Based Management.

20. The Network agreed that

- the JIU report would serve as a good chapeau for the UNDP paper and asked organizations both to respond positively to the JIU report and to provide comments on the concept paper by the end of October;
- FB Network members attending the Montreux meeting on RBB hosted by the Swedish government in early October should remain mindful of the content of the concept paper in the discussions.

#### **K. European Commission Verification Clause Agreement**

21. Voluntary funding agreements between the European Commission (EC) and UN organizations traditionally contained a verification clause that permitted the EC to audit, on a spot-check basis, how funds had been spent. Such a clause contradicted the single audit principle that all organizations hold with their respective external auditors and as embodied in each organization’s financial rules and regulations. In the past, this had not proved to be a contentious issue as EC checks had usually been comprised of short visits to organizations where they were briefed on organizational procedures and practices in the form of information sessions. However, the UN Secretariat had been put on notice that the EC intended to conduct a full audit in October and that the EC had begun a practice of employing private audit companies to conduct what were increasingly becoming invasive and time-consuming audits.

22. Whilst some Network members cautioned about the risks of losing EU funding through a refusal to allow full audits, the Network:

- Reaffirmed the single audit principle.

23. To this end, and with a view to limiting the accommodation organizations were expected to afford when accepting funds from the EC, the Network agreed that:

- The document being produced by the UN Controller should be used as a starting point to establish common parameters across the UN system to be presented to the EC as a single UN system-wide position.

**L. Date and location of the next session of the FB Network**

24. The Network requested that the CEB secretariat undertake consultations on the date and location of its next session for early 2005.

## **Annex 1 – Agenda**

1. The work programme of the FB Network to determine status of all projects. Lead agencies should be prepared to brief the group on the status of their work item.
2. FB agenda items for consideration by HLCM at its meeting in October.
3. Determine how best to move forward on future approaches for all cost shared budgets.
4. Status of recruitment of the FB Advisor in the CEB secretariat.

## Annex 2 - List of Participants

### **Geneva:**

Hilary Wild, WHO  
Greg Johnson, ILO  
Saburo Takizawa, UNHCR  
Colin Mitchell, UNHCR  
Offei Dei, UNHCR  
Carlos Sanchez, ITU  
Raymond Chalindar, ITU  
Ah Kim Lee Choon, WMO  
Philippe Favatier, WIPO  
Kok Cheng Tan, ITC  
Mary Jane Peters, CEB Secretariat  
Kristiane Golze, CEB Secretariat

### **New York:**

Jean-Pierre Halbwachs, UN  
Jay Karia, UN  
Suzanne Bishopric, UN  
Subhash K. Gupta, UNFPA  
Terry Brown, UNICEF  
Giovane Biha, UNDP  
Sally Neal, UNOPS

### **Rome:**

Nicholas Nelson, FAO  
Boyd Haight, FAO  
My Huynh Cong, IFAD  
Suresh Sharma, WFP  
Eric Whiting, WFP

### **Paris:**

Getachew Engida, UNESCO  
Dominique Notari, UNESCO  
Yollande Valle-Neff, UNESCO  
John Haigh, UNESCO  
Geraldine de Saint Pern, UNESCO

### **Vienna:**

Gary Eidet, IAEA  
Douglas Moore, IAEA  
Thomas Kerins, IAEA  
Amita Misra, UNIDO  
Peter Ulrich, UNIDO  
Kenneth Eriksson, UNOV  
Himmat Kahlon, UNOV  
Rula Abboud, CTBTO