

**CONCLUSIONS OF THE MEETING  
OF THE FINANCE AND BUDGET NETWORK****(Videoconference, 8 February 2006)****CONTENTS**

	<b><u>Paragraph/s</u></b>
Introduction .....	1
1. Review of Financial Rules and Regulations in the UN Secretariat: implications and coordination of system-wide impact.....	2 – 9
2. FB Network website.....	10 – 14
3. UN system financial statistics .....	15 – 23
4. Support costs: results of UNESCO's survey on Standard Cost for Personnel .....	24 – 31
5. Accounting Standards: terms of reference and budget for the continuation of project task force .....	32 – 46
6. Review of governance arrangements and of auditing and oversight systems Review of working arrangements on the subject of Fraud Prevention .....	47 – 52
7. Task Force for evaluating the issues on common payroll and harmonization of ERP systems.....	53 – 57
8. Cost sharing formula for the apportionment of CEB Secretariat's budget.....	58 – 59
9. Any other business .....	60 – 63

**ANNEXES**

- Annex 1 – Agenda
- Annex 2 – List of Participants

## Introduction

1. The FB Network videoconference was held on Wednesday, 8 February 2006 (9:30h EST / 15:30h CET). Nine duty stations were connected (Amman, Geneva, London, Montreal, New York, Paris, Rome, Vienna, Washington). The meeting was chaired by Mr. Gary Eidet of IAEA. The agenda as adopted is provided in Annex I. The list of participating organizations and their representatives is provided in Annex II. The Chairman welcomed Mr. Nick Jeffreys, new Comptroller of WHO; Mr. Richard Barr new CFO of ICAO; Mr. Rahul Bhalla, new Chief, Finance Branch, UNFPA; Ms. Remedios Dungca, new Chief, Accounts Section, UNFPA. He also congratulated Mr. Luckson Ngwira, for his promotion as Chief of Finance, WMO.

### 1. Review of Financial Rules and Regulations in the UN Secretariat: implications and coordination of system-wide impact

2. The United Nations briefed the Network on the work of the task force established in response to the call by the World Summit Outcome Document for the Secretary-General to develop proposals to ensure that the existing budgetary, financial and human resources policies, regulations and rules are aligned with the current and future needs of the organization, with a view to enabling him to carry out his managerial responsibilities more effectively. The objective of the review is to update the organization's policies and procedures, with a view to providing for more efficient workflows and effective services, especially with respect to field operations.

3. This review is being conducted through a broad consultative process, including both United Nations and external expertise. This initiative will result in the Secretary-General submitting a set of concrete proposals to the resumed session of the General Assembly in March 2006.

4. These proposals are expected to focus primarily on operational and procedural changes in the budgeting process, with a general view to increasing the managerial authority of the Secretary-General. A review specifically focused on financial rules is expected to take place in conjunction with the forthcoming implementation of IPSAS.

5. The main measures expected to be included in the SG's proposal are:

- (a) **Trust Funds:** an overall strengthening in the delegation of managerial authority to the Secretary-General would be accompanied by a revision of the arrangements for support costs, with a suggested standard rate of 7%. Such rate could be increased by an additional 4%, based on negotiations with donors, with specific respect to earmarking, reporting requirements, and other conditions. Direct administrative costs should be included in the project budgets;
- (b) **Budget presentation:** within an overall attempt at shortening the budget cycle and at making the budgeting process more expeditious, budgets should be presented in

larger aggregates, no more by budget sections, but rather in line with the current Parts of the Programme Budget;

- (c) **Posts:** budget authority should be granted on blocks of posts (professionals, etc.);
- (d) **Peacekeeping accounts:** all separate peacekeeping accounts should be consolidated into one peacekeeping budget.

6. Representatives from various organizations expressed great interest in following the developments in the definition and implementation of the measures outlined above. In particular, there was agreement on the need to consider the harmonization of support cost policies as one of the critical objectives of inter-agency coordination. The current study carried out by UNESCO on standard staff costs (see paragraphs 24-31 below) represents a useful step in this direction. Similarly, coordination with parallel efforts of the UNDG in this matter should be sought. In this respect, UNDP informed the audience that UNDG ExCom agencies (UNDP, UNFPA, UNICEF, WFP) were working on a harmonized approach to cost recovery for multi-donor trust funds.

7. Participants also appreciated any efforts towards a consolidation in the budget presentation (ILO informed that it appropriates funds under five budget sections, and approval of posts is done in blocks), and requested to be kept informed with developments in this area too.

8. In answering a question from PAHO, the United Nations said they do not request certification on trust funds, but such option could be considered in the context of the sought increase in delegation. At the moment certification is done at the level of individual financial transactions.

9. **Follow-up action:** **United Nations** to share the conclusions of their review of budgetary and financial policies, regulations and rules with the members of the FB Network (by end February 2006).

## 2. FB Network website

10. The CEB Secretariat briefed participants on the development of the FB Network website, which is now fully operational. The first objective in its development has been efficient, comprehensive and user-friendly information-sharing. This objective is considered to be already met to a significant extent. Documentation is organized by subject, it refers to the activities carried out within FB Network working groups, but it is not limited to them. Depending on the degree of confidentiality of the different documents, access is open to the external public, or restricted to registered members of the Network. All preparatory papers for Network meetings are available, as well as final reports. Lists of Network members and participants in the different working groups are maintained and kept up to date on the site. Information and updates of interest to the members are posted under the News section.

11. The CEB Secretariat framed the future developments of the site, from a platform to share information to a broader communication tool. An e-mail alert tool is already available and linked to the different mailing lists. Discussion forums (blogs) on various subjects are open and can be expanded.
12. The CEB Secretariat encouraged Network members to register in the website and become active users, posting news, documents, links, and starting discussions of general interest to the Network.
13. Participants expressed appreciation for the work carried out by the CEB Secretariat and encouraged to continue along the lines indicated above.
14. **Follow-up action:** CEB Secretariat to continue in the development of the FB Network website, towards the creation of a platform for knowledge sharing and communication (**on-going**).

### 3. UN system financial statistics

15. An exercise to collect financial data describing the budgetary & financial situation of the organizations of the United Nations system, is carried out on a biennial basis by the CEB Secretariat, as originally mandated by the ACC. The latest results of such survey are published as a Note by the Secretary-General in document A/59/315 of 1 September 2004.
16. The CEB Secretariat explained that the demand for this kind of system-wide financial information - by member states, by the external public, by the press and, increasingly, by the organizations themselves - is extremely high and growing. The CEB Secretariat deems it appropriate to make the provision of this data one of its central tasks, with the active support of the FB Network.
17. The CEB Secretariat had therefore prepared a new set of tables, with a revised format and a partly enriched content, in particular with respect to data on income and expenditure on extra-budgetary resources, in order to obtain financial information considered critical to the needs of organizations, member states, and the general public.
18. Members of the Network were requested to provide comments and suggestions on the suggested templates, to indicate a realistic deadline for the completion of a new survey, whose focus would be data relative to the biennium 2004-2005, and to commit to dedicate the necessary resources to this exercise, by nominating a focal point within their organization.
19. The Network appreciated the usefulness of this exercise, noted that the value and the relevance of financial data is proportionate to its freshness, and warned that attention should be paid to the publication of any data before formal presentation and approval within each respective organization.
20. It was agreed that, after finalization of the data-collection templates by end February 2005, the survey would be launched with a deadline for data provision of one month after the formal

submission of financial statements which, for most organizations, happens by the end of March. The results of the survey would then be published on the FB Network website to registered users only, and to the external public only after formal approval of financial statements by the respective governing bodies. Organizations would nominate a focal point for this exercise.

21. **Follow-up action:** **FBN members** to nominate a focal point and communicate his/her name to the CEB Secretariat (**by end February**).

22. **Follow-up action:** **CEB Secretariat** to consult with organizations and finalize format, content and criteria for the tables to be used in the survey (**by end February**).

23. **Follow-up action:** **FBN members** to respond to the survey within one month after the formal submission of their financial statements (**by end April**).

#### **4. Support Costs: Results of UNESCO's survey on Standard Costs for Personnel in the UN organizations (CEB/2006/HLCM/3)**

24. UNESCO introduced the results of its survey by recalling that Standard Costs for Personnel had been studied in the larger context of the cost recovery policy, which includes direct charging and overheads, often referred to as programme support costs (PSC).

25. Preliminary results, while highlighting that UN organizations include many elements in common in their standard costs for personnel, indicated that the main differences consisted in the treatment of the inflation and exchange rates, the security costs, and the level of within-grade steps. Since, at this stage, it was not possible to evaluate the impact of the different components, UNESCO committed to pursue its study in this regard by making a cost comparison between several UN organizations.

26. After presenting these preliminary results from the survey, UNESCO proposed to share the corresponding working tables in order to check the accuracy of interpretation of the replies to the questionnaire.

27. Other questions remain with regard to cost recovery from extra-budgetary projects to be re-credited to regular/core resources, such as the type of justification (agreement with the donor, timesheets, internal certificate, etc.) to be provided to donors/auditors when the cost incurred refers to permanent staff members.

28. Clarifications would also be requested to some organizations on a bilateral basis.

29. Finally, UNESCO raised the issue of the UN organizations' interest in building a common range of standard costs for personnel for cost recovery, by grade and by duty station. Indeed UNESCO was of the idea that, by using such a common price list, UN organizations would strengthen both their credibility and their legitimacy vis-à-vis donors/auditors.

30. The Network appreciated the work done and supported the completion of the study by UNESCO, recognizing the need to treat the subject of support costs in a coordinated and harmonized manner.

31. **Follow-up action:** UNESCO to complete the study and share results with the Network (by the next face-to-face meeting).

## **5. Accounting Standards: terms of reference and budget for the continuation of the project task force (CEB/2006/HLCM/4/rev.1)**

32. The accounting standards specialist, Ms. Gwenda Jensen, presented the proposed terms of reference and budget for the "continuation of project resources to ensure support, coordination and leadership for the implementation of IPSAS and consistent interpretation and application of IPSAS requirements across the System". The proposed budget for 2006-2009 would amount to \$4,427,000. This sum would be reduced by \$710,777 saved on the previous project; the proposed budget to be cost-shared over four years would therefore be \$3,716,223. This is significantly larger than the original two year project budget of \$881,000. This increase mainly reflects the increased resources needed to support implementation of IPSAS adoption through out the system, whereas the original budget was allowed for resources to review external standards for adoption.

33. The formula for the apportionment would be the same as the one used for the budget of the CEB Secretariat (which is based 50% on staff and 50% on expenditure – see paragraphs 58-59 below).

34. The objectives listed in the project terms of reference include:

- a) Provide guidance with respect to IPSAS requirements and United Nations System accounting policies to ensure consistent interpretation and application of IPSAS requirements across the System.
- b) Provide guidance and support to efficiently resolve common accounting and implementation issues arising from IPSAS adoption.
- c) Assist in effectively representing United Nations System accounting issues to the IPSAS Board and communicating IPSAS Board developments and decisions to Task Force members.
- d) Facilitate communication of IPSAS adoption relevant information, including adoption progress reports, between Task Force members, the Finance and Budget Network, HLCM, Board of Auditors and Panel of External Auditors, and other stakeholders as required.

35. FB Network members highlighted the critical importance of objectives (a) and (b) above, as the fundamental steps towards the achievement of a true harmonization of financial rules and regulations within the UN system. Indeed, the development of IPSAS compliant UN System accounting policies is indicated as one the project deliverables in the terms of reference (the policies would address areas where IPSAS allow a choice of accounting policy or do not specifically address a UN System specific issue and a system-wide policy is considered necessary)

36. Development and provision of deliverables would include consideration of the differences between groups of United Nations system organizations, such as those funded by assessed contributions versus those funded by voluntary contributions, or specialized agencies versus UN funds and programmes, which could require customizing of deliverables to meet the particular needs of identified groups.

37. WFP stressed the need for the project to start promptly, sequencing task priorities so to allow early adopters to benefit from the necessary support by the Task Force.

38. In consideration of the significant size and complexity of the project, it was unanimously underlined the need for its implementation to be carefully monitored. In this respect, the terms of reference indicate that each deliverable will be a sub-project of the overall project and have a more comprehensive description of the deliverable, which includes a detailed timeline, associated process (including any approval process required), performance quality indicators, and identification of the team member(s) with primary responsibility for delivery.

39. On the practical arrangements, the Network supported the framework outlined in the terms of reference, which foresee the project team reporting to a steering committee made up of the Chair of the Task Force supported by three Task Force members and one external expert representative.

40. A Task Force accounting policy and guidance sub-group would be established, consisting of between three and ten Task Force members or members designated by Task Force members and one external expert representative to review accounting policies and guidance. A process to gain input from United Nations System auditors with respect to accounting policies and guidance would also be put in place.

41. Quarterly project progress reports would be provided to the Task Force, Finance and Budget Network and High Level Committee on Management.

42. The project team would be based in New York, with the United Nations, New York providing secretarial support and office accommodation. Nevertheless, in order to adequately support the implementation of IPSAS in organizations based in Europe, one or more team members may be based in Geneva, location and secretarial support for the Geneva based team member(s) to be determined.

43. As a final point, the accounting standard specialist stressed the importance for individual organizations to start forming internal project teams and to identify and outline their specific requirements, so that the Task Force itself could be accordingly resourced and its detailed plan of action consistently framed.

44. The FB Network unanimously endorsed the terms of reference and the budget of the project submitted to its attention, as described in detail in document CEB/2006/HLCM/4/rev.1, and submitted it for approval to HLCM.

45. **Follow-up action:** HLCM to approve the terms of reference and the budget of the new Task Force (28 February 2006).

46. **Follow-up action:** Task Force to be formed and its work started according to terms of reference (1 March 2006).

## 6. Review of governance arrangements and auditing and oversight systems (A/60/568) Review of working arrangements on the subject of Fraud Prevention

47. The United Nations provided an update on the comprehensive review of governance arrangements, including an independent external evaluation of the auditing and oversight system within the United Nations and its funds, programmes and specialized agencies, whose terms of reference were presented by the Secretary-General in his Report A/60/568 on Implementation of decisions from the 2005 World Summit Outcome.

48. The Network was informed that the procurement process had been completed and the name of the company that would carry out the study was about to be announced.

49. The United Nations also informed participants that the Under Secretary-General for Management, in a response of 6 February 2006 to communications from the Deputy Director General for General Management of the WHO, had assured him that, as reflected in the terms of reference of the study, the project Steering Committee would work “in full consultation with...the High Level Committee on Management”. To this end, he intended to recommend that HLCM create a group with whom the project Steering Committee and consultants might interact. He also stated that he would recommend to the Steering Committee that the outputs of the study be presented as two separate reports, one focusing on governance, and the other on auditing, investigatory and other related oversight functions across the system.

50. The subject will be brought up for discussion at the forthcoming meeting of HLCM of 27-28 February.

51. In connection with the subject of governance and accountability, the Chairman of the FB Network proposed a review of the working arrangements on the subject of fraud prevention. He took note of the fact that many organizations were already quite ahead in developing their own policies, with dedicated resources that the Network could not realistically commit. He therefore suggested that the Network would not work on developing an independent fraud prevention policy, and proposed instead that organizations shared the results of their individual efforts on this subject (or even any work in progress) through the Network, and that before the next face-to-face meeting the CEB Secretariat carried out a survey to check where organizations were in developing their own policies. The proposal was unanimously accepted.

52. **Follow-up action:** HLCM to define working arrangements and reporting mechanisms of the review of governance arrangements and auditing and oversight systems (28 February 2006).

## 7. Task Force for evaluating the issues on common payroll and harmonization of ERP Systems

53. The United Nations informed the Network that the task force for evaluating the issues on common payroll and harmonization of ERP Systems, whose establishment was announced at the last video conference of HLCM, was still being formed. Organizations were invited to nominate their representatives in the task force.

54. The Network requested that indicative terms of reference be drafted, to better evaluate their interest in a possible participation.

55. The United Nations indicated that this task force represented an additional opportunity towards the harmonization of management systems and practices among the UN organizations, and that at least partial achievements in this direction were realistic and should be pursued. With specific regard to Payroll, the UN informed the Network that they were exploring possible commonalities with the UNJSPF in the management of the disbursement function, and said that similar commonalities were present and likely to be exploited with significant advantages by all organizations of the UN system.

56. **Follow-up action:** United Nations to draft terms of reference of the to-be-established task force and share them with the Network (28 February 2006).

57. **Follow-up action:** Network members to nominate their representatives in the task force (15 March 2006).

## 8. Cost sharing formula for the apportionment of CEB Secretariat's budget (CEB/2006/HLCM/2)

58. The CEB Secretariat introduced the subject informing that a revised formula had already been discussed via e-mail and the vast majority of organizations had agreed on the option based 50% on staff and 50% on expenditure, excluding expenditure related to peacekeeping operations.

59. The Network endorsed the revised formula, as outlined in detail in document CEB/2006/HLCM/2, which also contained a table with the corresponding organizations' shares, so that it could be officially used for billing of 2006-2007 costs.

## 9. Any other business

60. **FB Network programme of work.** The Chairman of the Network invited member organizations to consider issues of possible common interest and submit them to the attention of the CEB Secretariat.

61. **After service health insurance.** The Chairman of the FB Network, referring to the recent report on ASHI submitted by the Secretary-General to the General Assembly, asked the United Nations to update the Network on any latest development on the subject. The UN would shortly provide an update to the Network through its website.

62. **UN-World Bank financial management framework agreement.** The United Nations informed the Network that the financial agreement with the World Bank was not finalized yet. In particular, an agreement had not yet been reached on paragraph 10 of the last draft version, and this would be subject to further consideration in the following two weeks. A conclusion of the negotiations would be expected by the end of February 2006.

63. **Date and location of the next session of the FB Network.** It was agreed that the next FB Network face-to-face meeting would be tentatively hosted by a Europe based organization, and would take place at the end of the summer 2006. Organizations should communicate their availability to host the meeting to the CEB Secretariat, who would contact FBN members and propose a tentative date shortly.

## Annex I – Agenda

1. Review of Financial Rules and Regulations in the UN Secretariat: implications and coordination of system-wide impact.
2. FB Network Website: first review after the launch, collection of comments and proposals for improvement.
3. UN system financial statistics: analysis and refinement of previous exercise (A/59/315, Budgetary & financial situation of the organizations of the UN system) before launch of the new survey.
4. Support costs: results of UNESCO's survey on Standard Cost for Personnel.
5. Accounting Standards: ToR and budget for the "continuation of project resources to ensure support, coordination and leadership for the implementation of IPSAS and consistent interpretation and application of IPSAS requirements across the System".
6. Comprehensive review of governance arrangements, including an independent external evaluation of the auditing and oversight system within the United Nations and its funds, programmes and specialized agencies. Review of working arrangements on the subject of Fraud Prevention.
7. Establishment of a Task Force for evaluating the issues on common Payroll and harmonization of ERP Systems.
8. Cost sharing formula for the apportionment of CEB Secretariat's budget: formal endorsement by the Network
9. Any other business
  - (a) FB Network programme of work
  - (b) After Service Health Insurance
  - (c) UN-World Bank financial management framework agreement
  - (d) Date and location of the next session of the FB Network.

## Annex II – List of Participants

<p><b>New York:</b> Warren Sach, UN Jay Karia, UN Ed Blinder, UN Sharon van Buerle, UN Raj Rikhy, UN George Kyriacou, UN Gwenda Jensen, UN Chris Kirkcaldy, UNCTAD Darshak Shah, UNDP Giovanie Biha, UNDP Jocelline Bazile-Finley, UNDP Terry Brown, UNICEF Louis Bradley, UNICEF Helen Hall, UNICEF Rahul Bhalla, UNFPA Remedios Dungca, UNFPA Carlo Reitano, UNFPA Rafiodin Malikzay, UNFPA</p>	<p><b>Geneva :</b> Greg Johnson, ILO Nick Jeffreys, WHO Kumiko Matsuura-Mueller, UNOG Udorn Chantranuwatana, UNOG Alassane Ba, ITU Luckson Ngwira, WMO Georges Shaw, UNAIDS KC Tan, ITC Leslie Cleland, ITC Jane Stewart, IOM Saburo Takizawa, UNHCR Offei Dei, UNHCR Remo Lalli, CEB Secretariat Richard Maciver, CEB Secretariat</p>
<p><b>Montreal:</b> Richard Barr, ICAO Claire Ouerghi, ICAO Andre Parson, ICAO</p>	<p><b>Vienna:</b> Gary Eidet, IAEA Douglas Moore, IAEA Bettina Tucci Bartsiotas, IAEA Rula Abboud, IAEA Amita Misra, UNIDO George Perera, UNIDO William Amoroso, CTBTO</p>
<p><b>Washington:</b> Sharon Frahler, PAHO Linda Kintzios, PAHO</p>	<p><b>Paris:</b> Getachew Engida, UNESCO Yolande Valle, UNESCO John Haigh, UNESCO Iwao Motoyama, UNESCO Dorine Dubois, UNESCO</p>
<p><b>Rome:</b> Nicholas Nelson, FAO Mina Dowlatchahi, FAO Charlotta Oqvist, FAO Gina Casar, WFP Eric Whiting, WFP</p>	<p><b>London:</b> Patricia Richards, IMO Andrew Richardson, IMO S-J Kim, IMO and/or Maw Tun, IMO</p>
	<p><b>Amman:</b> Ramadan Al Omari, UNRWA Jagannathan Gopalan, UNRWA</p>