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I. Introduction

1. The Finance and Budget Network (FBN) held its 31st session on 12th and 13th June 2018 at the International Atomic Energy Agency in Vienna. The meeting was co-chaired by Mr. Darshak Shah, Deputy Assistant Administrator and Chief Finance Officer, UNDP and Mr. Nick Jeffreys, Comptroller, WHO. The agenda is available in document CEB/2018/HLCM/FB/2/Rev1.

2. Ms. Mary-Alice Hayward, Deputy Director General and Head of the Department of Management, IAEA opened the meeting and welcomed participants.

3. All documents related to the session are available on the FBN website at https://www.unsceb.org/content/june-2018.

II. Presentation from United Nations Independent Audit Advisory Committee (IAAC)

Presenter: Ms Hilary Wild, Chair, UNESCO Oversight Advisory Committee

Documentation:

✓ Letter from Chair of IAAC to the Secretary-General dated 2 February 2018

Background:

4. In a letter to the Secretary-General in early 2018, the IAAC Chair, on behalf of the Chairs of the oversight committees, conveyed a desire to strengthen engagement with HLCM to better understand the work and agenda of CEB and HLCM in order to be better placed to support important system-wide initiatives and to challenge and advise management accordingly. One issue that was raised in the letter of relevance to the FBN is common approaches to risk management, internal control and integrated assurance.

Discussion:

5. The representative of the IAAC presented an overview of the discussions that took place at the 2nd meeting of UN System Oversight Committees in December 2017, noting that there had been a unanimous view that more engagement with HLCM would be valuable in gaining greater visibility on UN wide initiatives. The presentation outlined four common issues of concern that had been discussed including risk management, cyber security, cyber risk awareness, and reform initiatives, as well as issues directly related to the FBN such as fraud risk.

6. The FBN welcomed the presentation and noted the timely engagement, given that HLCM has had recent discussions related to oversight functions including quantifying the cost of oversight and the Three Lines of Defense model. With respect to the Three Lines of Defense model, it was clarified that the model was adopted by HLCM as a reference framework to guide discussion, not as a model to be applied across the UN system. Some other areas of interest to the FBN were also discussed including risk management, internal controls and innovation.
7. The role of oversight committees was also discussed including efforts to work towards achieving more synergy between different oversight bodies and also with respect to dialogue with governing bodies on issues such as risk appetite.

Conclusions and follow up actions:

8. The FBN noted with appreciation the update on discussions within the oversight community. In order to continue the engagement between the Network and the oversight community, it was proposed that the Chair of the IAAC be asked to include an agenda item at an upcoming meeting of the oversight committee chairs, under which one of the FBN Co-Chairs would present issues under discussion in the Finance and Budget Network.

III. After-service health insurance (ASHI) Working Group

Presenter: Mr. Pedro Guazo, Deputy Controller, United Nations

Documentation:

- *Presentation from the ASHI Working Group including a draft outline of the final report of the Working Group*

Background:

9. The Working Group on ASHI (the Group) will conclude its work by 31 August 2018, and in its final months the Group has focused its efforts on continuing work in relation to collective negotiations with third-party administrators; on assessing opportunity, cost and benefit in relation to the incorporation of primary coverage under certain national health insurance schemes into United Nations system agency health insurance plan rules and regulations; on considering health insurance plan design adjustments aimed at containing escalation of ASHI liabilities; and on improving inter-agency portability of ASHI-related entitlements.

Discussion:

10. The Chair of the ASHI Working Group presented an overview of the areas where the Group has focused its efforts, as well as a proposed outline of the report of the Secretary-General on ASHI which will be presented to the General Assembly at its seventy-third session in the Fall of 2018. The report will cover, among other topics, common TPA agreements; expansion of healthcare provider networks; funding of the ASHI liability; cost containment measures; portability; ASHI eligibility criteria; and standardized assumptions for the valuation of liabilities. The report will also note that no opportunities for further leveraging national health insurance schemes had been identified where the cost benefit would make it worthwhile, and that the Group had therefore concluded that no further action will be taken in relation to utilization of national health insurance schemes.

11. Regarding further efforts towards containment of the ASHI liability, the Group is currently analyzing two potential areas for containing the size of the liability, including ASHI eligibility criteria and the entitlement accrual mechanism. Regarding the entitlement accrual mechanism, some sliding scale approaches are being analysed, whereby
entitlement to the full agency share of ASHI contributions would be a function of length of service. The Group is also analyzing the theoretical impact on the ASHI liability of extending the number of years of service required for eligibility to ASHI. It was noted that the Group has agreed that any changes introduced would be applicable to newly recruited staff only. It was also noted that the staff and retiree representatives in the Working Group may put forward some alternative proposals to those being considered by the Working Group and that any such proposals should also be presented to the FBN for review.

12. Regarding the issue of portability, the Group has considered not only portability of the funding for the liability, but also issues related to eligibility and transfer of entitlements. The Group analysed historical information received from the HR Network on inter-agency transfers of staff, and found that most of the transfers were offset, with the net difference being very small compared to size of population, and therefore the Group did not explore further as it did not see the transfer of the liability as a material issue. However, the Group did find that there was significant potential for harmonizing eligibility criteria in three areas to facilitate mobility including period of service required for ASHI eligibility; simplification of rules regarding accrual of required years of service; and provisions regarding coverage of secondary dependents.

13. The Chair also presented a proposal to establish a new inter-agency Insurance Group, to continue some of the efforts on personal insurance after the ASHI Working Group is concluded, as well as to address other lines of insurance such as P&C, liability and special risk. The proposal had been previously submitted to the FBN at its 29th session in 2017, and at the time the FBN deferred its decision. Several FBN members expressed support for the Insurance Group and agreed to review the ToR that had been submitted to the FBN at its 29th session.

Conclusions and follow-up actions:

14. The FBN expressed thanks to the Chair of the Working Group and his team for the persistence, dedication and hard work.

15. The final report of the ASHI Working Group will be submitted to the FBN and HLCM for virtual review and endorsement in August 2018. The ASHI Working Group should complete the outstanding work.

16. The FBN agreed to reconsider the proposal to establish an inter-agency Insurance Group, and requested that a revised terms of reference for the group be shared with the FBN for comment and approval. It was agreed that the focus of the ToR should initially be limited to work related to personal insurance, and that care should be taken to avoid any duplication between this Group and the work of other HLCM Networks.
IV. HLCM cross-functional engagement towards system-wide harmonization of risk management practices – Incorporating risk analysis into the budgeting processes of UN organizations

Presenter: Mr. Darshak Shah, CFO and Deputy Assistant Administrator, Deputy Director, Bureau for Management Services, UNDP

Documentation:

- CEB/2018/HLCM/2 Guidance Note on HLCM Retreat - From risk aversion to risk management: creating value for the UN system
- CEB/2018/3 Conclusions of the Thirty-Fifth Session of the High Level Committee on Management

Background:

17. HLCM at its thirty-fifth session agreed on the need for a joint, cross-functional engagement towards system-wide harmonization of risk management practices that may include work under the following areas:

- Assessments of risk appetite and risk tolerance
- Incorporating acceptance of residual risk in organizational policies
- Implementing smarter upstream controls
- Examining the costs of controls as compared to the value of the potential loss they are intended to mitigate
- Development of common definitions of risk categories

18. With respect to risk management and budgeting, HLCM also agreed on the need to consider going beyond identification and quantification of risks and to allocate resources to the areas where risks have been identified. The Finance and Budget Network was tasked with considering how risk analysis might be incorporated into the budgeting processes of UN system organizations, and with identifying concrete areas where the Network can contribute to the HLCM cross-functional engagement towards system-wide harmonization of risk management practices.

Discussion:

19. UNDP introduced the discussion with a presentation on incorporating risk analysis into the budgeting processes of UN organizations, providing an overview of the recent risk management discussion at HLCM and noting that risk budgeting requires a mature ERM framework and a clear definition of risk appetite and risk tolerance. The FBN discussed the trend of moving from risk aversion to risk management and the issue of risk tolerance and risk appetite.

20. The importance of effective communication on risk management was emphasized, including dialogue between the UN system and governing bodies about risk appetite. Having better articulation of risk management practices was also raised, noting that
although most project and programme plans include an implicit risk assessment, it is important to explicitly recognize that the risk assessment has taken place.

21. FBN members also discussed the challenge of encouraging efforts to increase innovation in UN system organizations while effectively managing the risks, noting that a discussion on risk appetite and tolerance needs to go together with discussions on innovation. Examples were provided of organizations looking to introduce new financial innovative products that are attractive but also come with a certain element of risk, and also provided examples of how innovative approaches to payments are being used to effectively reduce risk.

22. Regarding the incorporation of risk analysis into the budgeting process, FBN members recognized the need for advanced thinking about risks that have the potential to affect delivery of results, and for looking at how to ensure flexible funding for countries or programmes where risk is high and emergencies occur. The benefits of embedding risk management into the planning processes of the organization were discussed, as well as the benefits of embedding risk management into performance management to help to focus managers in the first line of defense. It was also noted that risk analysis for capital budgets or extrabudgetary non-core resources should not be overlooked. Recognition of the hierarchy of risks was also discussed, and incorporation of risk analysis into corporate level budgeting as distinct from programme or project level budgeting.

23. During the discussion on how the FBN can contribute to the HLCM cross-functional engagement, it was recognized that organizations take different approaches to risk management and there cannot be a single approach for all. However it was proposed that a discussion could be pursued at a strategic level in terms of working towards a reference risk management maturity model. It was agreed that it would be beneficial to establish a forum through which organizations can share experiences and lessons learned, and provide guidance on risk management best practices, rather than pursuing harmonization through standardization or development of templates. The possibility of expanding upon existing ERM processes in use by organizations such as the Harmonized Approach to Cash Transfers (HACT) was also noted.

Conclusions and follow-up actions:

24. The FBN agreed to establish a small group that could be part of and contribute to the HLCM cross-functional engagement on risk management. The group would consider focusing on three areas including 1) Best practices for mainstreaming risk management, including sharing of experiences on challenges and lessons learned 2) Definition of risk appetite and effective communication to stakeholders on risk appetite and risk tolerance 3) Bringing risk management into planning and budgeting. The organizations that volunteered to participate in the group were IAEA, UNDP, UNESCO, UNHCR and WIPO.

V. Innovation and Reform of Financial Management in the UN system

Part A: Shifting the management paradigm in the United Nations
Presenter: Ms. Bettina Tucci Bartsiotas, United Nations Controller

Documentation:
- A/72/492 Shifting the management paradigm in the United Nations: Ensuring a better future for all
- A/72/684 Repositioning the United Nations development system to deliver on the 2030 Agenda: our promise for dignity, prosperity and peace on a healthy planet

Background:

25. In his report on management reforms of the United Nations Secretariat, the Secretary-General put forward for consideration of the General Assembly a series of reform initiatives with particular focus on the need to streamline procedures and processes, and improve effectiveness, accountability, agility, transparency and oversight. The Secretary-General’s proposals set out three main elements. First, streamline and improve the planning and budgeting processes. Second, align authority with responsibility. Third, implement changes to the management and support architecture for improved effectiveness and strengthened accountability.

26. The Secretary-General also, in his report on repositioning the United Nations development system\(^1\), renewed his commitment to advancing common business operations in United Nations Country Teams; requested all entities to accelerate efforts to meet the 2016 QCPR mandate to operate according to the principle of mutual recognition; and, requested the High-Level Committee on Management and the UNSDG to devise a strategy that would see the establishment of common back offices for all UN Country Teams by 2022.

Discussions:

27. The FBN received an overview from the UN Controller of the Secretary-General’s proposals for management reform of the United Nations, as well as an overview of the Secretary-General’s proposals for the repositioning of the UN development system and the restructuring of the peace and security pillar of the UN Secretariat.

28. Management reform initiatives discussed included the change from biennial to annual budgeting for the United Nations on a trial basis for a period of three years commencing with 2020, as well as changing the format to one that is more strategic and results oriented; Simplification and revision of the United Nations financial framework including a comprehensive review of the existing regulatory framework with a view to removing unclear, obsolete and duplicate policies and creation of new, clear and simplified policies and administrative guidance, and including a regulation on implementing partners; Decentralization of delegation of authority to allow financial decisions to be made closer to the point of delivery; and reorganization of the existing Department of Field Support and the Department of Management into two new departments — the Department of

\(^1\) A/72/684
Management Strategy, Policy and Compliance and the Department of Operational Support.

29. Regarding the Secretary-General’s proposals for repositioning of the UN development system, the UN Controller noted that these include a new generation of United Nations country teams; reinvigorating the role of the Resident Coordinator (RC) system to have a presence directly coming from the Secretary-General in each country office; Revamping the regional approach; and strategic direction, oversight and accountability for system-wide results.

30. The funding the United Nations development system was also discussed. Reference was made to the General Assembly resolution adopted on repositioning the UN development system (A/RES/72/279) which proposed to have sufficient funding for the resident coordinator system from 1 January 2019, through:

- Application of a 1 per cent coordination levy on tightly earmarked third-party non-core contributions to development-related activities, to be paid at source;
- Doubling the current United Nations Development Group cost-sharing arrangement among United Nations development system entities;
- Voluntary, predictable, multi-year contributions to a dedicated trust fund to support the inception period.

31. When discussing the funding for the RC system, the Controller advised that an implementation document is currently being drafted by the Executive Office of the Secretary-General that will form the basis of an implementation plan for the funding mechanism to be submitted to ECOSOC. FBN members agreed that the Network needs to be actively involved in these discussions and make efforts to provide solutions for the implementation of this resolution, recognizing that there will be technical challenges. Questions were raised on what each of the elements of the funding mechanism meant and how they will be practically implemented, as well as how the collection of the levy will be carried out. FBN members noted that clear definitions will be required for ‘development assistance’, ‘tightly-earmarked’ and ‘paid at source’.

32. Questions were also raised as to whether donors have indicated a willingness to fund the dedicated trust fund, with concerns expressed that donors would need to know exactly what the resources are being used for, and what the rationale is for doubling the cost sharing arrangement. A need for clear and effective communication to the governing bodies of the UN system was stressed.

33. Regarding the move to an annual budget, the UN Controller proposed that the budget division of the UN Secretariat could brief the FBN at the next VTC session on what is planned to be presented to the GA for the annual budget.

34. The Secretary-General’s proposal to establish common premises and common back offices was also discussed and it was noted that consolidation of common premises does not automatically achieve savings and that any common back offices would need to cover all services in order to achieve savings. FBN members noted that care should be taken not to produce monopolies or oligopolies and that the process should ensure value for money and competitiveness of the UN system. The UNSDG Business Innovations Group (BIG) Task Team on common premises was noted.
Conclusions and follow-up actions:

35. The UN Controller committed to keep the FBN informed of the outcomes of the implementation paper currently being prepared for implementation of the General Assembly Resolution A/RES/72/279. FBN members acknowledged the importance of this issue and agreed to provide input on the methodology for the proposed funding mechanism at the appropriate time.

36. Regarding common premises, it was proposed that the BIG Task Team on common premises be requested to report back to the FBN as the project progresses.

Part B: Innovation

Presenters: Mr. Robert Opp, Co-Lead of the UN Innovation Network and Director of Innovation & Change Management at WFP; Mr Hans Baritt, Controller and Director, Division of Financial and Administrative Management UNHCR; Mr. Adnan Chughtai, Chief Budget and Finance Branch ILO

Documentation:
- CEB/2018/3 Conclusions of the Thirty-Fifth Session of the High-Level Committee on Management

Background:

37. Recognising the need for the UN to embrace innovation and new technologies to help achieve the SDGs, the Secretary-General recently launched an internal “Strategy on New Technologies” calling on the UN system to further engage with new technologies and its actors, increase its understanding of the impact of new technologies and how they can be used to enable mandate delivery. The Secretary-General also called attention to the importance of fostering innovation in the UN System during the first regular session of the CEB in 2018. Building an architecture to promote innovation, activating innovation partnerships and creating a culture of innovation were identified as three core elements for this.

38. One of the outcomes of this session was a call to action from the Secretary-General to share leading practices and establish guidance on how to foster and scale innovation across the UN System. Closely working with the HLCM and its specialized networks, the UN Innovation Network (UNIN), an informal network of innovators in the UN, will engage with each HLCM network on how innovative approaches and technologies could contribute to transform internal processes and systems.

Discussions:

39. The session was jointly led by the UNIN and UNHCR, and explored examples of existing innovative approaches to financial processes and presented new technologies and tools that could help to simplify processes. These include chatbots powered by Artificial Intelligence, Robotic Process Automation (RPA) and new payment methods, such as blockchain. Participants also discussed how the FBN can best position itself to leverage opportunities arising from these and at the same time contribute to enabling more innovation within the organization.
40. FBN members recognized the need to look forward to the future of finance and consider how traditional finance roles are changing as a result of innovative technology and automation, and what the Network needs to do now to adapt. FBN members noted that many UN organizations had already developed new tools and innovative approaches that were simplifying finance processes and increasing the efficiency of the finance function. An example of this is the Optical Character Recognition technology for Accounts Payable processing, which ILO successfully implemented within its organization. The Network recognized the importance of sharing this knowledge and examples of innovative technologies that can be used by UN organizations as tools for business transformation and business process reengineering more broadly to ensure that other Agencies can benefit from them. The significance of change management impacts was also discussed in terms of staffing models, redefinition of tasks and the future of ERP and other systems.

41. During the discussion it was noted that innovation is not just about new technologies or digitisation, it also includes efforts to transform business processes and simplify policies. It was noted that innovative efforts have to be clear with the why, the how and the what and that new technology introduced needs to be accompanied by simple standardized operating procedures.

42. FBN members also noted the need to engage with shared service centres in discussions on innovation, particularly with regards to innovative approaches to transactional processing.

43. The Network also discussed possible next steps, including exchanging best practices on innovative policy changes and tools, inviting external experts to share their vision of finance with the Network, testing new approaches and tools, and working together to jointly identify some opportunities for improvements and adding them to the Network’s workplan.

Conclusions and follow-up actions:

44. FBN members recognized a need to give urgent consideration to innovation by discussing what the future of finance looks like and what the Network needs to start doing promptly to adapt.

45. Representatives from UNHCR, IFAD and WFP volunteered to form a steering committee to drive forward the issue of innovation within the FBN, to facilitate the sharing of experiences and to identify some opportunities for accelerating innovation which could be added to the Network’s workplan.

VI. Administrative and Financial Relations with International Financial Institutions

Presenter: Ms. Bettina Tucci Bartsiotas, United Nations Controller

Documentation:
- Powerpoint presentation

Background:
46. In December 2017 the Finance and Budget Network agreed to establish a UN Group to deal with the administrative and financial relations with International Financial Institutions (IFIs). The Group met in 2018 and has facilitated the sharing of templates and a data collection exercise.

Discussion:

47. The UN Controller updated the Network on the on-going discussions of the Working Group with the World Bank, the Inter-American Development Bank and the African Development Bank regarding the standardization of agreements and the provision of tools to facilitate the collaboration between the UN, Financial Institutions and Member States, noting that the Secretary-General sees IFIs as a major stakeholder for the United Nations. It was noted that the purpose of the Group is to create a common platform to discuss issues for communication with IFIs that concern UN system organizations and that there is no intent to interfere with arrangements that UN organizations may already have in place. Objectives of the Group include facilitating exchanges within the UN system, facilitation of interventions of the UN on activities financed by IFIs, provision of a toolkit with standard templates for more efficient negotiations of individual agreements, and to leverage UN volume, expertise and access.

48. FBN members expressed appreciation for the work of the Group in supporting organizations, noting that for some organizations it has been difficult in the past to change clauses in agreements with some IFIs. It was suggested that another area for potential further work would be looking into a more structured way for structuring of funds. It was also suggested to give consideration into whether similar coordination work could be done with other large donors such as GAVI.

49. There was discussion on some related work already being carried out across the UN system, and that the Group should take opportunities to integrate existing work or arrangements rather than duplicate, and organizations were encouraged to share relevant information with the Group.

Conclusions and follow-up actions:

50. FBN members took note of the update and encouraged each organization to work and exchange information with the focal point in the United Nations who is coordinating the Working Group on the administrative and financial relations of the UN system with IFIs, Mr Carlos Casal Rodriguez.

VII. Presentation from IPSAS Board Chair on developments in IPSAS Board

Presenter: Mr Ian Carruthers, IPSAS Board Chair

Documentation:

✓ Powerpoint presentation

Background:
51. At previous sessions the FBN has discussed the importance of establishing a direct
dialogue with the IPSAS Board Chair. Mr Carruthers was invited to present to the FBN on
current developments within the IPSAS Board.

Discussion:

52. The IPSAS Board Chair provided a comprehensive update of the issues under
discussion at the IPSAS Board, including progress with current projects on revenue,
financial instruments and leases, and on the Board’s strategy and workplan for 2019-2023.

53. With respect to opportunities for UN system input to the IPSAS Board, these include
consultation responses (noting that a unanimous response from the UN would not be
required), acting as an observer at IPSAS Board meetings, task force membership/input,
roundtable attendance and feedback on IPSAS application in practice. The Chairman of
the Board noted that the Board would like to have regular dialogue with the UN system.

54. During the discussion, FBN members noted some of the areas where organizations are
still facing challenges with respect to IPSAS including revenue recognition and grants out,
the usefulness of reporting on net assets, and the use of IPSAS information for decision
making. The IPSAS Board Chair noted that with respect to revenue recognition, this needs
to be taken forward as a partnership between the Board and the UN, to ensure that the
Board really understands the challenges facing UN organizations.

55. The issue of cash budgeting was also raised, and what the trends are towards accrual
budgeting. The IPSAS Board Chair noted that there are still less than ten national
governments using accrual budgeting. Integrated reporting was also raised, and the Board
Chair advised that broader integrated reporting is still at a relatively early stage, and if the
Boards receives requests in that area they could consider working on it, however resources
are limited so the work of the Board is based on priorities.

Conclusions and follow-up actions:

56. The FBN noted with appreciation the comprehensive overview provided by the
Chairman of the IPSAS Board. The FBN requested the Task Force on Accounting
Standards to come forward with a proposal for strengthened engagement of the FBN with
the IPSAS Board.

VIII. In-depth discussion on “The UN’s future data cube”,
including reporting of financial flows against the SDGs
and common data standards

Presenters: Mr. Remo Lalli, Secretary, High Level Committee on Management and Chief,
CEB Secretariat Geneva; Ms Odette Anthoo, Consultant CEB Secretariat; Ms Laura
Gallacher, Inter-Agency Officer, Finance and Budget Network, CEB Secretariat

Documentation:
- CEB/2018/HLCM/FB/3 Proposal from the Ad-hoc team on “The UN’s future
data cube”
Background:

57. Recognising the new demands for the UN-system in terms of its system-wide financial information, HLCM at its 34th session in September 2017 endorsed a joint initiative with the UN Sustainable Development Group (UNSDG) to establish an ad-hoc UN team on “The UN’s future data cube” in an effort to move away from a data structure that had historically been mapped on data categories and data-compilation approaches developed in a pre-Sustainable Development Goals era and to replace them with a road map for a more encompassing and disaggregated “system-wide data cube” that would be compatible with the Sustainable Development Goals.

58. The ToR of the ad-hoc team (as presented in CEB/2017/HLCM/18) is structured around five proposed dimensions of a future “UN data cube” that could provide the UN’s internal and external stakeholders with a minimal set of UN-system wide financial data to meet a variety of information needs:
   - **Who** - which UN entity or UN Secretariat Department is providing
   - **What** - which of the UN functions
   - **Where** - in what country / region or global context
   - **How** - with what mix of UN financing instruments, and
   - **Why** - for which integrated set of SDG goals, targets and indicators.

59. The Secretary-General’s follow-up report on the repositioning of the UN Development System of December 2017 and the related General Assembly Resolution served as a background to the discussion, specifically the proposed funding compact between Member States and the United Nations development system to bring about better quality, quantity and predictability of resources in exchange for accelerated repositioning and enhanced capacities of the system to deliver on the 2030 Agenda, with increased transparency and accountability for results. Under this funding compact the Secretary-General committed, among other things, to “Provide annual reporting on system-wide support for the Sustainable Development Goals, both at the country level and to the Economic and Social Council” and “Enhance transparency and access to financial information across all entities, through system-wide enrolment in the International Aid Transparency Initiative…..”.

Discussion:

60. The FBN received an update on the progress of the Team to date, with an overview of the proposed data standards for the five dimensions of the future data cube, including draft definitions for functions. The Team also noted plans to develop a multi-year roadmap for moving from the current status of the UN data to a future state in which the UN System will be able to produce the financial data and carry out the necessary data analysis to produce the required information to the different UN data users on a regular basis. It was also noted that future CEB financial statistics collection exercises would be aligned with the standards originating from the Data cube project.

61. FBN members welcomed the initiative and recognized the importance of being able to report meaningful system-wide financial information to illustrate the value of the work that the UN is undertaking. It was noted that UN organizations should be able to report financial information simply and in a consistent and meaningful way, to improve quality
and reduce the cost needed to produce such data. However, the challenges were recognized, including having many sources of data.

62. FBN members agreed that the Ad-hoc Team needs direction from and active engagement of the Network in finalizing its proposals, and that this is the time to think ahead and commit time and resources to get this right.

63. Some feedback was provided on the proposed definitions of functions (Development Assistance, Humanitarian Assistance, Peacekeeping Operations, Global Agenda and Specialised Assistance), with some organizations expressing a view that the approach taken by DESA of applying the OECD-DAC ODA coefficient to determine the level of expenditure on development assistance would not be appropriate for their organization. It was also suggested that the proposed definition of global agenda and specialized assistance needs to be sharpened to avoid confusion between this definition and the definition of development assistance. During the discussion on the proposed definitions of functions, consideration was given as to whether it would be useful to have a second layer of reporting that would break down these costs between operating costs and non-operating costs, however the Network did not see a need for this additional layer.

64. Regarding the reporting of expenses by location, it was noted that many organizations are already able to report by country, however there is a need to maintain some regional and global categories for headquarters or regional office costs that cannot be reasonably allocated at the country level.

65. With regards to the data standard on reporting against the SDGs, it was recognized that organizations are at varying stages in aligning with SDGs, and it was agreed that input would also be required from programmatic staff. Some organizations indicated a preference for keeping it simple and reporting at the level of SDG goal rather than target.

66. The possibility of introducing a harmonized donor code list was raised, and it was noted that this would need to be very carefully thought through, particularly in terms of maintenance and custody of the list.

67. FBN members exchanged views as to whether financial statement or budget data should be used for the Data cube financial reporting standards, and there were differing views as to which type of data would be more meaningful, with some organizations expressing a preference for using budget data that could be reconciled back to the financial statements, while others expressed a preference to use data from the financial statements, noting that there may be some inconsistencies across organizations as to what constitutes budget expenditure.

68. FBN members emphasized the importance for the Team to continue to keep in mind the expected users of the financial data, and to be clear about what the project intends to achieve.

69. Reporting to IATI was also discussed, and that it would be beneficial to use the outcomes of the data cube project to better harmonize data being reported by UN organizations to IATI.

Conclusions and follow-up actions:
70. FBN members noted the importance of the initiative and stressed the need for much more active engagement by FBN members in the Ad-hoc team on the UN’s future data cube, noting also the importance of this data in providing a reference for UN system financial flows on SDGs, and development.

71. With regards to the work towards a data standard on reporting against the SDGs, it was agreed that input would also be required from programmatic staff.

72. It was agreed that the Ad-hoc team would circulate a follow-up request for feedback from the FBN and report back to the Network with further proposals by 10 August, emphasizing that the standards should be practical, not too complex to comply with and not open to interpretation.

IX. Cost recovery policies

Presenter: Mr. Nick Jeffreys, Comptroller and Director, Department of Finance WHO; Mr. Elkhan Aliyev, Strategy and Planning Officer, Office of Strategy, Planning and Resource Management, FAO

Documentation:

- Powerpoint presentations from WHO and FAO

Background:

73. In recent years many UN system organizations have had interactions with Member States on cost recovery policies. In addition, the Secretary-General, in his follow-up report on the repositioning of the UN Development System of December 2017 (A/72/684), proposed a funding compact between Member States and the United Nations development system under which a commitment was made to, among other things, achieve full compliance with existing cost recovery policies and further explore harmonized but differentiated approaches to cost recovery by individual entities (also in line with QCPR Resolution A/Res/71/243).

Discussion:

74. The FBN received a presentation from WHO on cost recovery policies at WHO and cost recovery issues for the UN system, with reference to the latest QCPR implementation report (A/73/63) which found that a higher proportion of core resources continue to finance non-programme costs, and that the current cost recovery practices are complex and less transparent than they could be. FAO also presented its new comprehensive financial framework for cost recovery which attempts to ensure proportionality in distributing support costs.

75. FBN members reflected on whether to pursue harmonized approaches to cost recovery methodologies, and how to ensure more alignment in how the topic is presented to donors, including the terminology used in communications. It was recognized that although organizations may more or less agree on the principals of cost recovery approaches, there are difficulties in harmonizing due to the different funding structures of UN organizations.
76. Different approaches to determining direct support costs were discussed, including the use of unit prices to help understand internally the cost drivers. Some agencies welcomed FAO’s approach to building support costs in project budgets at the unit price level. They noted that for agencies whose extra-budgetary programmes are relatively small, this may be the only way to fully recover their support costs, since the percentage-based recoveries on small budgets are unlikely to compensate all of their support costs.

Conclusions and follow-up actions:

77. The FBN agreed to exchange information on cost recovery policies currently in place for each organization and any developing issues, and the CEB Secretariat will coordinate the collection of the information. After an analysis of the policies the FBN will take up the issue again for discussion in 2019.

X. Fraud – Reporting fraud to donors

Presenter: Hans Barritt, Controller and Director, Division of Financial and Administrative Management UNHCR

Documentation:

- CEB/2016/HLCM/22 Terms of Reference of the HLCM Task Force on Common Definitions related to Fraud and Presumptive Fraud
- CEB/2018/3 Conclusions of the Thirty-Fifth Session of the High Level Committee on Management

Background:

78. HLCM at its 35th session considered the issue of reporting of fraud and presumptive fraud to donors, noting that UN organizations have recently seen increased pressure to report more frequently cases of fraud to donors at various stages of investigation. HLCM requested the Finance and Budget Network to take the lead in developing a common approach to reporting fraud and presumptive fraud and put forward a proposal for consideration by HLCM at its Fall 2018 session.

Discussion:

79. UNHCR gave a presentation noting the increased pressure received to report on fraud at the time of investigation or allegation, and outlined some of the challenges found in reporting fraud to donors, including inconsistencies in the reporting approach by UN agencies for joint work, donors wanting to involve their own investigators, expenses being disqualified by donors, and the administrative burden to manage reporting bi-laterally.

80. The presentation also included an overview of the results of a survey that UNHCR had conducted across the FBN on reporting to donors on fraud and corruption. FBN members discussed whether it would be useful to extend the survey to other entities outside of the UN system but found that this may not add additional value at this time.
81. FBN members agreed that it would be useful to introduce some common text in the rules and polices of UN organizations, or in donor agreements, on reporting fraud, including on the timing of reporting on fraud.

82. The possibility of implementing a common platform for tracking cases of fraud was also considered, although it was noted that legal expertise would be required in any discussion of such a platform. UNHCR proposed that information about the Partner Portal being developed by UNHCR, UNICEF and WFP could be presented for information to the FBN at the next VTC session.

Conclusions and follow-up actions:

83. UNHCR will lead a small working group on reporting fraud to donors, and UNESCO, UNDP, UNEP and WHO volunteered to join the group. A simple ToR will be prepared for the work which will be limited to donor reporting, and which will include a gathering of best practices and will involve consultation with RIAS and legal representatives.

**XI. Any other business and conclusions**

a) **Date and venue of the the 33rd session of the Finance and Budget Network**

84. FBN members accepted the kind offer of the World Intellectual Property Organization to host the 33rd session of the FBN in 2019 in Geneva. The date of the meeting will be 17-18 July 2019.

b) **United Nations Joint Staff Pension Fund**

85. The FBN Co-Chair informed the FBN that the upcoming Pension Board meeting would take place in July, and suggested that all FBN members become as up to date as possible with current Pension Board issues and become engaged in the proceedings and agenda items.

(c) **Update from the Working Group on Common Treasury Services (WGCTS) on efforts related to banking harmonization and cash-based transfers**

86. This item was deferred and the Co-Chair of the WGCTS will provide an update on the work underway related to banking harmonization and Cash-based transfers at the next VTC session of the FBN in late 2018.

(d) **Task Force on Accounting Standards - Confirmation of the new Chair and Vice Chair of the Task Force.**

87. The FBN endorsed the appointment of Mr Pedro Guazo (United Nations) and Ms Nutan Wozencroft (UNESCO) as the new Chair and Vice Chair of the Task Force respectively, and expressed sincere appreciation to the outgoing Chair, Mr Chandramouli Ramanathan (United Nations) and Vice-Chair Mr Greg Johnson (ILO).
## Annex I – List of participants

<table>
<thead>
<tr>
<th>Organization</th>
<th>Name and Title</th>
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| **FAO**      | Mr. Elkhan Aliyev  
Strategy and Planning Officer, Office of Strategy, Planning and Resource Management |
| **IAEA**     | Mr. Tristan Bauswein  
Director, Chief Financial Officer, Division of Budget and Finance, Department of Management |
|              | Mr. Brian Cover  
Head, Finance and Accounting Section |
|              | Ms. Monica Hemmerde  
Head, Programme and Budget Section |
|              | Mr. John Siaw  
Head, Accounts Payable Section |
| **IFAD**     | Mr. Saheed Adegbite  
Director, Office of Budget & Organizational Development |
|              | Mr. Leon Williams  
Senior Budget Specialist, Office of Budget & Organizational Development |
|              | Mr. Advit Nath  
Director and Controller, Accounting and Controller's Division, Financial Operations Department |
| **ILO**      | Mr. Greg Johnson  
Treasurer and Financial Comptroller, Financial Services Department |
|              | Mr. Adnan Chughtai  
Chief, Budget and Finance Branch |
| **IMO**      | Ms. Linda Ryan  
Director, Administrative Division |
| **IOM**      | Mr. Joseph S. Appiah  
Director of Department of Resources Management (DRM) |
|              | Ms. Andrea Verhas  
Chief of Accounting, Accounting Division |
|              | Ms. Paola Buso  
Senior Finance Policy Officer, Accounting Division, DRM |
| **ITU**      | Mr. Alassane Ba  
Chief, Financial Resources Management Department |
| **UN**       | Ms. Bettina Tucci Bartsiotas  
Assistant Secretary-General, Controller, Department of Management |
|              | Mr. Pedro Guazo  
Deputy Controller, Director Accounts Division |
|              | Mr. Clifford Norman Kunstler  
Senior Finance Officer |
| **UNAIDS**   | Ms Ljiljana Todorovic  
Chief, Budget and Resource Management |
| **UNDP**     | Mr. Darshak Shah  
CFO and Deputy Assistant Administrator, Deputy Director Bureau for Management Services |
|              | Ms. Ylva Christiansson  
Fund Portfolio Analyst, UN Multi Patner Trust Fund Office |
| **UNEP**     | Mr. Moses Tefula  
Chief, Budget and Finance |
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<td>UNESCO</td>
<td>Ms. Nutan Wozencroft</td>
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<td>CFO, Bureau of Financial Management</td>
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<td>Chief, Resource Planning and Budgeting Branch, Division for Management Services</td>
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<td>UNHCR</td>
<td>Mr. Hans Baritt</td>
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<td>Controller and Director, Division of Financial and Administrative Management</td>
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<td>Mr. Christophe Monier</td>
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<td>Deputy Director, Finance, Division of Financial and Administrative Management</td>
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| OSCE                       | Ms. Carmen Kibonge  
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Deputy Director for Budget and Finance Section, Department of Management and Finance |
| UN Innovation Network      | Mr. Robert Opp  
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|                            | Ms. Johanna Jochim  
Special Projects Manager, Innovation and Change Management                      |
| IPSAS Board                | Mr. Ian Carruthers  
Chairman                                                                 |
| CEB Secretariat            | Ms. Hilary Wild  
Representative UN Independent Audit Advisory Committee                             |
|                            | Mr. Remo Lalli  
HLCM Secretary, Chief CEB Secretariat Geneva                                         |
|                            | Ms. Laura Gallacher  
Inter-Agency Officer, Finance and Budget Network                                             |
|                            | Mr. Ole Emmrich  
Associate Expert in Business Management and Human Resources Management                       |
|                            | Ms. Odette Anthoo  
Consultant                                                                 |