



CONCLUSIONS OF THE MEETING OF THE FINANCE AND BUDGET NETWORK

(Videoconference, 16 February 2012)

TABLE OF CONTENTS

	Paragraphs
INTRODUCTION	1 - 2
I. Common Treasury Services	3 - 7
II. After Service Health Insurance (ASHI)	8 - 16
III. Safety and Security Costs	17 - 25
IV. Financial Statistics	26 - 28
V. IPSAS Task Force	29 - 37
VI. AOB	
(a) Next face-to-face meeting of the FB Network	38 - 41

ANNEXES

Annex 1 – Agenda

Annex 2 – List of Participants

INTRODUCTION

1. The Finance and Budget Network held its 18th session via videoconference on 16th February 2012. The meeting was co-chaired by the Network's co-chairs, Mr. Nick Jeffreys, Comptroller, WHO, and Mr. Darshak Shah, Deputy Assistant Administrator, Deputy Director and Chief Finance Officer, Bureau of Management, United Nations Development Programme. The agenda as adopted as provided in Annex 1. The list of participants is set out in Annex 2.
2. Documents related to the session are available on the FB Network website at:
<http://www.unsceb.org/ceb/mtg/fb/february-2012>

I. Common Treasury Services

[Nick Jeffreys, WHO and Munehiko Joya, IFAD]

CEB/2012/HLCM/FB/2 - Treasury Harmonization Status Report

3. The FB Network was informed about the progress of the Common Treasury Services Project, which is currently moving from the feasibility study phase to the actual implementation phase for each of the four projects - Banking services, Foreign Exchange Management, Investments and Payments. Individual plans and timelines for each project are expected to be finalized and shared within the Network.
4. The FB Network recognized the importance of this harmonization project that has allowed organizations to benefit from others' experiences while contributing towards the reduction of risk and leveraging the full potential of the UN-system as a single-client entity for treasury services.
5. During the discussion, participants agreed on the importance of the Treasury Community of Practice (TCOP) website as a platform that allows an open dialogue, as well as networking opportunities, information sharing and an ongoing exchange of best practices across and beyond organizations.

➤ Conclusions and action points

The FB Network:

6. Took note of the fact that so far the website has been maintained through savings and that for the future, a request for additional funding from the Harmonization of Business Practices funds will be made for resource requirements until end of 2011 (USD 150k is required per annum). Following this, the FB Network acknowledged the project should be financed on an ongoing basis from contributions from different agencies.
7. Agreed on the need to demonstrate and show tangible results, both in terms of communicating the qualitative benefits and measuring the quantitative results to be achieved through the projects. In this context, each project plan to include timeline and milestones, which would be shared on the network; & lead agencies were encouraged to report on each initiative by putting emphasis on all benefits achieved.

II. After Service Health Insurance (ASHI)

[Darshak Shah, UNDP]

8. The FB Network discussed the matters related to the After Service Health Insurance (ASHI), addressing three separate components: (i) Investments - Treasury issues, particularly in connection with different risk approaches; (ii) Funding - differences and practices of ASHI liabilities funding, also in connection with the recent interest by some Auditors in the quality and consistency of actuarial studies; and (iii) Communication issues with Governing Bodies in connection with ASHI funding and related matters.
9. In terms of investments, following up on the discussion held during the September 2011 face-to-face meeting, the two available options are: (a) Managing ASHI funds in a “legally separate entity” for each organization, provided that clear guidelines of segregation exist in order to allow the funds to qualify as plan assets in accordance to IPSAS 25; or (b) Joining resources to create a pool of funds for those agencies that want to participate.
10. In this context, the Network noted that a key role is played by the different external auditors of the different organizations: each organization should exercise flexibility within the limits allowed by their respective external auditors. It was also agreed that where there were common auditors like the UNBOA, the relevant agencies would work together.
11. The FB network acknowledged that, as more organizations adopt IPSAS, some auditors and governing bodies are currently showing more interest towards funding plans. At this point in time, having a catalogue of specific policies on funding plans to be shared amongst organizations will be of common benefit. A possible way to achieve that would be the issuance of a revised CEB survey to cover organizations’ funding plans; this would help to enrich the discussions at the September face-to-face meeting.
12. The network analysed the extent to which Organizations should try to harmonize the actuarial assumptions used. It was noted that huge volatility can result from very small changes in the assumptions.
13. It was acknowledged that the assumptions had been discussed by the Technical Group of the Panel of External Auditors. In that context, it was suggested to conduct a review, possibly a second survey, to ensure a joint exercise where also external auditors, who are becoming more conscious of the integrity of the data and of the underlying assumptions, could also participate in the review.
14. Regarding communication, the FB network was informed by the UN Secretariat that a detailed report to be presented to the General Assembly is currently being developed. On this matter, collaboration to convey a common message is strongly encouraged. Once again, an updated and revised version of the CEB survey to consolidate ASHI liability, funding and disclosure status across the UN system organizations was suggested. Furthermore, it is recommended that organizations that are currently using a standard reporting document share such a tool with other organizations.

➤ **Conclusions and action points.**

The FB Network:

15. Requested that the CEB Secretariat updates and issues by April 2012 a new version of the ASHI survey (last available document: CEB/2011/HLCM/FB/19), capturing ASHI liabilities but also including new sections on funding plans, assessed voluntary/earmarked funds, and best practices by other organizations, such as for example the Bretton Woods Institutions, as well as outside the UN system.
16. Acknowledging the importance of harmonization of ASHI practices, requested to review the subject in its September 2012 meeting. In addition, the FB Network would seek inputs from the IPSAS Task Force on IPSAS related aspects of ASHI, if any, for its consideration.

III. Safety and Security Costs

[Sean O'Brien, WFP]

CEB/2012/HLCM/FB/3 - Update on FB Network Working Group on Safety and Security Costs

17. The FB Network was briefed on the Working Group's latest activities focusing on the development of a discussion paper (discussion paper 3), which provides a comprehensive review of all identified cost-sharing options and creates a framework for evaluating each option against the Working Group's principles and objectives. A separate document, discussion paper 4, will be developed by the end of April and will identify the preferred option(s), while providing more details relating to local cost-share, the attribution of costs to programs and funding surge capacity.
18. A draft of discussion paper 3 was circulated in December 2011 and members were invited to provide feedback on three key questions: (i) Are the evaluation criteria appropriate and complete? (ii) Are there alternative cost-sharing options not explored in this discussion paper? and (iii) Is each option fully fleshed out with a complete set of advantages and disadvantages? Responses received from 20 agencies served to greatly strengthen the evaluation criteria, scope of cost-sharing options and associated advantages and disadvantages.
19. The set of evaluation criteria which will form a framework for judging the cost-sharing options is the first essential element of this analysis. Currently, the criteria are not in any priority order and have equal weight. The preliminary Evaluation Criteria are:
 - a. Those benefitting from security services should pay for those services
 - i.e. that those who participate in and use the services of the UNSMS should pay for it.
 - b. Predictability and flexibility of DSS resources
 - i.e. that the funding is agreed in advance and that the cost-share mechanism does not inhibit DSS moving resources during the biennium.
 - c. Equitability regarding the charging of costs to agencies benefitting from the services
 - i.e. that there should be no cross subsidization or averaging.

- d. The ability to charge security costs to specific programmes
 - i.e. that the cost-sharing mechanism or its supporting data provides transparent means to satisfy donors of the security costs relating to each programme.
 - e. Practicality and cost of implementation
 - i.e. that the data required for the cost-sharing mechanism is available, transparent, accountable and accurate; and that the process does not involve excessive additional cost.
20. The revised paper was presented and discussed during the 16th Session of the Inter-Agency Security Management Network (IASMN) and additional comments were shared and discussed on that occasion. The FB Network was informed in particular about IASMN's view that official travel statistics derived from the UNDSS' Travel Request Information Process (TRIP) should not be used for apportionment of jointly financed central activities of UNDSS. The Working Group will schedule one more tele-conference to ensure the inclusion of all inputs and point of views, in order to then proceed to the finalization of both discussion papers. By July, the final Cost Share Report, encompassing all the work since the inception of the process, is expected to be developed based on the preferred recommendation(s).
21. The FB Members raised the issue of the billing of UNDSS costs for 2012-2013 and raised issues of inconsistency with the past practice and hence had not been adequately budgeted by UN agencies. It was agreed that further information would be provided by the CEB and the UN on this matter and a video conference on the matter will be arranged.

➤ **Conclusions and action points**

The FB Network:

22. Took note of the latest activity of the Working Group and its planned next steps in reaching its objectives.
23. Reaffirmed the need to ensure that, regardless which option will be chosen, it will need to guarantee a transparent budget process for jointly financed security costs. The recommended option should be easy to implement, equitable, transparent and reliable. It should be communicated and explained to Organizations through practical examples to allow a complete understanding and to ensure that a well-informed and final decision could be taken.
24. Expressed concerns on the total amount of the UNSMS budget for the biennium 2012-2013, as presented in IASMN Conference Room Paper 14 (a) and requested the CEB Secretariat to provide additional information and reference documents, and to update and share the final indicative apportionment for UNSMS budget 2012-2013.
25. A video conference has been arranged by the CEB Secretariat and will take place on April, 16 to discuss the above issues.

IV. Financial Statistics

[Ronny Lindstrom, CEB Secretariat]

CEB/2012/HLCM/FB/4 - Financial Statistics Database and Reporting Project Status Report

26. The FB Network was updated on the System-wide Financial Statistics database project funded as part of the Harmonization of Business Practices. The project is aimed at simplifying, improving and modernizing the collection and reporting of system-wide financial statistics.
27. Reducing the number of ad-hoc reports for organizations remains a key goal of the project. Discussions are ongoing as to how to meet DESA requirements, while ensuring not to exceed the scope agreed to by the FB Network.

➤ **Conclusions and action points**

The FB Network:

28. Acknowledged that the project continues to be on track. Organizations are reminded that the deadline for data submissions for 2010-2011 is 30 April 2012.

V. IPSAS Task Force

[Chandramouli Ramanathan, UN]

- CEB/2012/HLCM/FB/5 – TASK FORCE ON ACCOUNTING STANDARDS - Technical Group of the Panel of External Auditors Meeting Outcomes
- Presentation by the Chair of the IPSAS Task Force

29. The FB Network was briefed on the three issues discussed at the meeting of the Technical Group of the Panel of External Auditors, which a delegation of the Task Force on Accounting Standards attended on 28-29 November 2011 in New Delhi, India.

a. Issue 1: Change of External Auditor

30. The Technical Group was asked to explore possibilities on how to ensure that a change of external auditors preserves the investments made by both the UN system organizations and the external auditors in all matters relating to IPSAS. Successor auditors should be able to better leverage the work of their predecessors without compromising their independent judgment. The Technical Group emphasized the importance of each organization documenting the rationale for the choice of an accounting policy as a way of mitigating the risk. Moreover, guidelines have been developed by the Panel of External Auditors to facilitate a smooth handover process between an outgoing and an incoming auditor.

b. Issue 2: Harmonization of interpretation of standards

31. Recognizing the fact that diverse business models within the UN system organizations may produce diverse interpretations and applications of specific IPSAS standards, the Technical Group emphasized that the pursuit of a harmonized approach cannot be at the expense of true and fair reporting in the context of any given reporting entity. The management of such

diversity remains a key role of the Task Force. In addition, the Technical Group is prepared to discuss divergent practices after the Task Force has taken a position first.

c. Issue 3: Accrual budgeting

32. The members of the Task Force noted that the concept of accrual budgeting is not necessarily well defined in the context of the Public Sector, and that the business case for accrual budgeting in the UN system can be perceived as premature and needs to be carefully considered, before discussing the appropriate timing for its implementation matters further. The Finance and Budget Network and the Task Force will review the issue in due course.
33. The importance of the realization of dividends, in terms of benefits accrued during and after implementation of IPSAS, those accrued to date and those perceived or planned, was reiterated. Through the establishment of a Working Focus Group on IPSAS Dividend at the Task Force level, benefits are being grouped into four categories: (i) Corporate reporting; (ii) Internal management reporting and decision-making; (iii) Day to day business processes; and (iv) Other benefits. The goal is to develop good practices to harness IPSAS dividends. The Finance and Budget Network suggested that the Task Force also consider the costs of IPSAS as part of the exercise.

➤ **Conclusions and action points**

The FB Network:

34. Took note of the discussion points at the meeting of the Technical Group of the Panel of External Auditors held on 28-29 November 2011 in New Delhi, India.
35. Acknowledged that a shift towards accrual budgeting at this stage would be premature and could distract organizations from the implementation of IPSAS.
36. Suggested that the IPSAS Task Force consider extending the scope of the Working Focus Group on IPSAS Dividend to include the costs of IPSAS.
37. Took note of the discussion on the current project term of the system-wide IPSAS project (until 2013 with presumption of continuation until 2015), and recognized that the envisaged external review, might not be needed, as an internal review would probably be sufficient at this stage.

VI. AOB

(a) Next face-to-face meeting of the FB Network

[Darshak Shah, UNDP]

38. The next face-to-face meeting is planned to take place in New York on the 12th and 13th of September, back to back with the IPSAS Task Force meeting.

➤ Conclusions and action points

The FB Network:

39. Took note of the difficulties for some organizations to attend the September meeting, due to schedule conflicts with governing bodies meetings. It was noted that efforts had continued in earnest to find dates that would be suitable for all participants.
40. Stressed the importance for Comptrollers and most Senior Managers to be present at the September face-to-face meeting, recognizing that such presence would guarantee the appropriate level of discussion to take place, and consequently allow decisions to be taken.
41. Encouraged member organizations to submit proposals for future meeting topics to the Secretary of the FB network well-ahead of time so that necessary preparations could be undertaken.

ANNEX 1

AGENDA

Videoconference, Thursday 16 February 2012
8.30 a.m. – 11.30 a.m. New York time / 14.30 – 17.30 CET

- I. Common Treasury Services**
- II. After Service Health Insurance (ASHI)**
- III. Safety and Security Costs**
- IV. Financial Statistics**
- V. IPSAS Task Force**
- VI. AOB**
 - (a) Next face-to-face meeting of the FB Network**

ANNEX 2

LIST OF PARTICIPANTS

<p><u>New York:</u> Mr. Darshak SHAH, UNDP Ms. Helen Hall, UNDP Ms. Julie Anne Melia, UNDP Mr. Chandramouli Ramanathan, UN Mr. Carlos Perrone, UN Mr. Christophe Monier, UN Ms. Brigitta Kuehling, UN Mr. Jose Fraga, UN/DSS Mr. Christian Saunders, UN/DSS Ms. Neeta Hatley, CEB Mr. Karl-Ludwig W. Soll, UNJSPF Ms. Iva Goričnik, UNFPA Mr. Andrew Saberton, UNFPA Mr. Subhash K Gupta, UNFPA Mr. Omar Abdi, UNICEF Mr. Eddie Joseph, UNWOMEN</p> <p><u>Montreal:</u> Mr. Rahul Bhalla, ICAO Mr. André Parson's, ICAO Mr. Jean-Yves Cossette, ICAO</p> <p><u>London:</u> Ms. Patricia Richards, IMO Mr. Andrew Richardson, IMO Mr. Sung-Jin Kim, IMO Mr. Maw Tun, IMO</p> <p><u>Madrid:</u> Ms. Monica Gonzalez, UNWTO</p> <p><u>Washington:</u> Ms. Linda Kintzios, PAHO Mr. Esteban Alzamora, PAHO Mr. Chris Saenz, PAHO Ms. Jelena Misic, PAHO</p>	<p><u>Geneva:</u> Mr. Nicholas Jeffreys, WHO Mr. Greg Johnson, ILO Mr. Alassane BA, ITU Ms. Kumiko Matsuura-Mueller, UNHCR Ms. Linda Ryan, UNHCR Ms. Janice Cook Robbins, WIPO Mr. Magdi Bona, WIPO Mr. Martin Good, UNAIDS Mr. Tomiji Mizutani, WMO (by audio) Mr. Remo Lalli, CEB Secretariat Mr. Ronny Lindstrom, CEB Secretariat Ms. Giovanna Mannucci, CEB Secretariat</p> <p><u>Amman:</u> Mr. Aamir Awan, UNRWA</p> <p><u>Vienna:</u> Ms Bartsiotas, IAEA Mr. Peter Krist, UNIDO Ms. Awuor Ajwala, UNIDO Ms. Zuzana Fanning, UNIDO UNODC</p> <p><u>Rome:</u> Mr. Sean O'Brien, WFP Mr. Tony Fletcher, FAO Mr. Munehiko Joya, IFAD</p> <p><u>Paris:</u> Ms. Nuta Wuzencroft, UNESCO</p> <p><u>Copenhagen:</u> UNOPS</p>
--	---