Chief Executives Board
for Coordination

CEB/2005/HLCM/26

20 July 2005

CONCLUSIONS OF THE MEETING
OF THE FINANCE AND BUDGET NETWORK
(New York, 12-13 July 2005)

CONTENTS

CONTENTS (continued)

INTRODUCTION

1.   The Finance and Budget Network held its second session in New York on 12-13 July 2005 and was hosted by the United Nations. The meeting was chaired by Ms. Hilary Wild. The agenda as adopted is provided in Annex I. The list of participating organizations and their representatives is provided in Annex II.

1.   Review of the Report of the Last Video Conference of the FB Network of 3 March 2005

2.   All follow-up actions from the video conference of 3 March had been completed within the indicated deadlines. Conclusions were either discussed at the HLCM meeting of 4-5 April 2005, or were on the agenda of this second session of the FB Network. On the subject of Common principles and policies for investments, the Spokesperson informed that WHO would be willing to facilitate the establishment of an informal network of the Treasurers of the UN system, and suggested that organizations expressed their interest in such a proposal.

Follow-up action:

3.   CEB Secretariat to verify the interest of the organizations in the establishment of an informal network of the Treasurers of the UN system.

2.   Governance, Accountability and Transparency

(a)   **The Control Framework at the World Bank**

4.   Mr. Fayez Choudhury, Vice President and Controller, the World Bank, discussed the development and application of the control framework at the Bank.

5.   In his introductory remarks, Mr. Choudhury stressed the importance of the strong and continuing endorsement of former President James Wolfensohn in legitimizing the thorough process of review and strengthening of the control framework carried out by the Bank in the past 10 years.

6.   Among the main drivers behind such review process, Mr. Choudhury highlighted the following:

- Concerns related to use of the resources entrusted to our organizations;
- Increased external scrutiny from stakeholders;
- Changing external environment highlighting importance of internal controls;
- Requirements to protect processes from effects of fraud and corruption;
- Evolution of best practices and expectations to comply with these.

7.   Apart from the above, he added that ultimately the establishment of a sound and professional control framework is driven by internal needs and good professional behaviour.

8.   Mr. Choudhury then described the Bank's control governance construct and the organization and functions of the Controller's office, and outlined the key milestones in the evolution of the control framework.

9.   Mr. Choudhury's full presentation is provided in CEB/2005/HLCM/24.

10.   In responding to questions Mr. Choudhury expanded on the following points:

- Dual compliance with U.S. GAAP and IFRS had become more difficult only recently, given the increasing sophistication of IFRS compared to the earlier IAS.
- The implementation cost of Sarbanes-Oxley in the private sector was estimated at around USD 9 Million according to published reports, while the recurrent cost would amount to approximately half of if. The Bank had managed to implement Sarbanes-Oxley with minimal incremental cost by building on work on the control framework already underway. A big component was the cost of auditors for compliance testing, which the auditors had managed to contain by carrying out some of it from their offices in Chennai.
- The Bank's Audit Committee is made up exclusively of a number of executive directors.
- The Bank's external auditor is Deloitte & Touche appointed for a five year term, renewable once. Given that there are now so few large international firms, and that not all of the Big Four firms had participated in the last bid, there may be a problem in the future in appointing a different external auditor.
- Staff working in the Chennai off-shore facilities are, contractually, Bank local staff. Although the Bank has an office in New Delhi, they had decided to use a different location for the offshore centre in order to break the "bureaucratic mold of the Bank".
- The accountability model of the Bank promotes the manager at its center. Managers are supported by training and a compliance service provided from Chennai on a fee per service basis. The role of the Internal Audit function is to assess the quality of the control exercised by the manager, without duplicating his/her self assessment of control mechanisms. The basis for such an approach is a clearly defined accountability framework.
- Cases of non compliance with the control framework are addressed primarily with an immediate feedback to the staff via the manager. The perception of a constant monitoring has proved extremely effective so far and has significantly limited the need for sanctions.
- The single audit principle was also strongly supported by the Bank. The Control Framework providing a sound basis to support this.

11.   The Finance and Budget Network expressed deep appreciation for Mr. Choudhury's kind availability to share the experience of the World Bank in the delicate subject of governance, accountability and transparency.

(b)   UN Secretariat Reform Measures on Governance, Accountability and Transparency

12.   Mr. Warren Sach, Assistant Secretary General and Controller, UN Secretariat, presented the status of Secretariat reform measures impacting governance, accountability and transparency.

13.   He outlined measures already taken, such as the establishment of the Management Performance Board, and many others in the process of being finalized, such as the creation of an Oversight Committee and of an Ethics Office, the drafting of an anti-fraud and corruption policy and of a whistleblower protection policy, the enhancement of Codes of Conduct/Conflict of Interest rules, and others.

14.   The full presentation is provided in CEB/2005/HLCM/25.

15.   On the strengthening of OIOS, Mr. Sach clarified that the Department of Management is conducting a separate study from the one concurrently being prepared by the General Assembly, with a view to present a proposal to the UN General Assembly at its 60th session, through the JIU or the Board of Auditors.

16.   The Secretariat is convinced that the confidentiality of Internal Audit reports is critical for such a function to provide transparent analysis and advice on internal management functions.

(c)   FB Network Working Group on Fraud Prevention

17.   FAO presented the progress report on the activities of the Working Group on Fraud Prevention (CEB/2005/HLCM/20).

18.   The effort to reach an agreement on a common definition of fraud based on alternative definitions, mainly issued by authoritative standard setting bodies, had proved to be a difficult one, although certain common elements were present in most alternatives.

19.   The Working Group had also developed a draft Risk Assessment framework, exploring the possibility that such a framework could be subsequently implemented in member organizations. This work was only at its initial stages.

20.   The Working Group sought advice from the FB Network members on the direction to follow, i.e. whether to aim at reaching agreement on a common definition of fraud for proposed adoption throughout the UN system or to produce an analysis of different definitions and common elements aiming at providing best practice advice to organizations working on developing their fraud policy.

21.   It was noted that many organizations had recently adopted a definition of fraud, either as part of a full-fledged fraud policy or as a working definition, and would be reluctant to change it for the time being, given the extensive process of change that required approvals at high levels, including by their governing bodies in some cases.

22.   The United Nations Secretariat also described its on-going activities in developing a fraud and corruption prevention policy, due by September 2005 for approval by the General Assembly at its 60th session. UNDP expressed interest in participating in the work of the UN Secretariat on the subject, since once approved by the General Assembly any framework would also be applicable to the UN Funds and Programmes.

23.   The members of the Network concluded that it was desirable that the Working Group continued its activities with a full scale mandate, i.e. developing a definition of fraud and a risk assessment framework, as part of a comprehensive fraud prevention policy.

24.   Furthermore, the Working Group should organize its work in coordination with the to-be-established HLCM working group on Governance, Accountability and Transparency for which expressions of interest to participate were sought.

25.   Organizations agreed that, should they not internally develop a fraud prevention policy by 30 June 2006, they would adopt the framework to be proposed by the Working Group by 30 June 2006.

Follow-up actions:

26.   Working Group to continue its activities with a full scale mandate, i.e. developing a definition of fraud and a risk assessment framework, as part of a whole fraud and corruption prevention policy, to be ready by June 2006.

27.   CEB Secretariat to assess the status of compliance of member organizations in the development and adoption of internal fraud and corruption prevention policies, as of 30 June 2006.

(d)   **UN System Collaboration on Accountability and Transparency**

28.   Following up on the request by HLCM to set up a joint working group to examine current accountability mechanisms in organizations, to raise awareness of such tools and to identify best practices, the Secretary of HLCM noted that some organizations had indicated their availability at the HR Network meeting the preceding week (WHO, UNDP, WFP, UNHCR, UNICEF and UNESCO).

29.   The Spokesperson of the FB Network invited organizations to express their interest in participating in the working group with representative from the Budget and Finance area, so that it could soon be formed and start its work. UN, UNDP, IAEA, UNHCR, WFP and UNESCO said they were interested.

Follow-up actions:

30.   CEB Secretariat to finalize the composition of the working group based on expressed interest of HR and FB Network members, and draft Terms of Reference of the working group by end August 2005.

(e) **Informal Exchange of Information on Current Investigations
on Cases of Fraud and Corruption**

31.   Representatives from organizations shared their recent experience on investigations on cases of fraud and corruption. The discussion has not been recorded for confidentiality reasons.

(f) **Informal Exchange of Information on the Recent Experience
with the Single Audit Principle**

32.   Representatives from organizations shared their recent experience with the single audit principle.

33.   Some of the recent pressure to break the single audit principle had come, as in the past, in connection with activities funded by the EC, as well as with joint programming activities and situations such as the UNDG Iraq Trust Fund.

34.   UNDP informed that they had agreed with the UNDP External Auditors to carry out a special audit of the UNDG ITF, and they thought this could be a reasonable solution for situations where the pressure to perform such extra audits could not be avoided.

35.   WHO indicated that it would be desirable that, in the future, decisions of this nature that involved other UN organizations should only be taken by UNDP after full agreement of those organizations had been secured.

36.   The UN stressed the fact that no exceptions to the single audit principle should be authorized, no matter in what forms.

37.   IAEA suggested that consideration be given to the approach used by the World Bank, as previously described by Mr. Choudhury. A small multinational group of former external auditors with experience in the UN system could be established, with a mandate to evaluate the desirability and acceptability of a separate external audit. The Bank's experience to date had been that few such additional external audits had been approved by this group as other solutions had been found.

38.   The Convener of the Task Force on Accounting Standards, who had been in continuing contact with the Technical Panel of External Auditors on this issue and others, said he would discuss this idea at the next Panel's meeting in Fall 2005.

39.   It was suggested that the single audit principle be re-affirmed by a body with adequate authority and legitimacy, at the level of the CEB or the Board of Auditors and respective External Auditor of each organization.

40.   The FB Network agreed to raise the issue at the next meeting of the HLCM in October 2005, for appropriate decision and action at the CEB level.

41.   UNDP indicated the need to discuss the role of the Administrative Agent in joint programming activities at the next session of the FB Network.

Follow-up actions:

42.   CEB Secretariat to add the Single Audit principle to the agenda of the next HLCM meeting, in view of requesting its re-affirmation at the CEB level.

43.   CEB Secretariat to prepare discussion note in coordination with UNDP on the role of the Administrative Agent in joint programming activities for the next session of the FB Network.

3.   CEB Secretariat's Website

44.   The CEB Secretariat gave a demonstration of its re-designed website, with a specific focus on the FB Network section. Its objectives, structure and content were described and explained.

45.   The Network appreciated the new website as an advanced tool with multiple potential use: document repository, event planning, management of contacts, working platform for common activities, communication, all with different levels of access, depending on role and authorization.

46.   The Network agreed that work should proceed section by section, without waiting for the completion of the entire CEB Secretariat's web site for implementation of the FB Network section.

Follow-up actions:

47.   CEB Secretariat to implement the FB Network section of the Secretariat's website by end October 2005.

4.   Security Spending of the Organizations of the United Nations System

48.   The CEB Secretariat presented document CEB/2005/HLCM/22, with results and analysis from the survey on "Security spending of the organizations of the United Nations system", launched in March 2005 in response to Resolution A/RES/59/276, recognizing "… *the need for a clearer presentation of security spending by each organization of the United Nations system*", and requesting "…*the Secretary-General, as Chairman of the United Nations System Chief Executives Board for Coordination, to inform the General Assembly at its sixtieth session on this issue*".

49.   The objective of the survey was to collect comprehensive data on security-related spending, as well as to highlight any methodological issues concerning the identification and presentation of such data.

50.   As previously decided by the FB network, the survey used a UNHCR internally developed cost framework since as a field-based organization with significant costs both in the field and in headquarters, UNHCR was considered to be incurring the majority of types of security expenditure; thus its approach was deemed likely to be a reasonable way to start.

51.   Most organizations provided data in accordance with the proposed framework. Although in some cases they found some difficulties in indicating figures corresponding to all categories, they

were generally able to find at least some appropriate items to reflect their own internal categorization.

52.   For some cost items in the proposed framework, budget structures and expenditure reports did not facilitate discrimination between security costs originating from joint activities and agency's specific costs. For internal staff safety and security costs, the majority of the amounts reported were not budgeted separately, but could be derived once the expenditures were incurred, although this required manual analysis in many cases.

53.   For these reasons the Network decided that, in order to provide a comprehensive response to the General Assembly's request on an ongoing basis in a more cost effective manner, organizations should provide the CEB Secretariat with a detailed indication of the difficulties encountered in reporting security data, especially in connection with their internal budgeting and expenditure coding structure.

54.   At the same time, the CEB Secretariat would consolidate data received in a more aggregated format, in line with the security cost breakdown used by the UN Secretariat.

55.   FB Network members working on inter-agency reporting would add "security" to the critical reporting requirements under consideration.

Follow-up actions:

56.   CEB Secretariat to consult with the UN Secretariat in an attempt to consolidate data received in a more aggregated format.

57.   Organizations to provide the CEB Secretariat with a detailed indication of the difficulties encountered in reporting security data, by 10 August 2005.

5.   Harmonization of the Conditions of Travel throughout the UN System

58.   The Secretary of HLCM briefed participants on the main conclusions of the report of the Joint Inspection Unit entitled "Harmonization of the Conditions of Travel throughout the United Nations System" (JIU/REP/2004/10).

59.   The FB Network expressed general appreciation on the conclusions and recommendations highlighted in the report, and said such recommendations had to be carefully evaluated both for their relevance in the entitlement structure of each organization, as well as for the potential impact on their finances.

60.   It was therefore agreed that each organization would consult internally and provide the CEB Secretariat with a coordinated and detailed feedback on the JIU report, which would be consolidated and transmitted as a Note by the Secretary-General to the General Assembly.

Follow-up actions:

61.   Organizations to consult internally and provide the CEB Secretariat with comments on the JIU report, by 28 July 2005.

62.   CEB Secretariat to consolidate comments received and to transmit them as a Note by the Secretary-General to the General Assembly.

6.   Cost-Sharing Methodologies for Jointly Financed Activities

63.   The CEB Secretariat presented document CEB/2005/HLCM/21, which provided a review of the methodologies currently used for the apportionment of costs of jointly financed activities, including some background on the discussion that led to the agreement on such methodologies.

64.   The CEB Secretariat explained that a revised formula for the apportionment of field-related security costs had been recommended by the HLCM at its ninth session (CEB/2005/3).

65.   Similarly, a technical working group of the HR Network had recently proposed (CEB/2005/HLCM/3) two options for a revised formula for the apportionment of costs related to salary surveys activities. Such options were currently being evaluated by the HR Network.

66.   The "JIU formula" and the "CCAQ formula" were being used to apportion the budgets of JIU, ICSC, and the CEB Secretariat. The FB Network judged them adequate for the first two jointly financed activities provided that current data is used. However the Network deemed it necessary to reconsider the formula used for the CEB Secretariat.

67.   The 2004-2005 budget of the CEB Secretariat had been apportioned on the basis of a combination of the two formulas, in accordance with the relative weight of the three old components (CCAQ, CCPOQ and ISCC) of such body, which were no longer identifiable for 2006-2007 amounts.

68.   It was therefore agreed that the CEB Secretariat would develop a proposal with one or more options for a revised formula, and submit it for comments and approval to the FB Network by email.

69.   It was also agreed that the CEB Secretariat would collect the latest available audited financial data for each organization, to be used in all scenarios where cost-apportionment would be based on expenditure data.

Follow-up actions:

70.   CEB Secretariat to collect the latest available audited financial data from each organization's audited financial statements, by 15 September 2005.

71.   CEB Secretariat to develop a proposal with one or more options for a revised formula for the apportionment of the CEB Secretariat's budget, by 30 September 2005.

7. Progress Reports of the FB Network Working Groups

(a) Accounting Standards Development Project

72.   The Convenor of the Task Force introduced Ms. Gwenda Jensen, Accounting Standards Specialist, who presented a progress report on the Accounting Standards Development Project (CEB/2005/HLCM/23).

73.   Research has been carried out into accountability, financial management and accounting issues facing United Nations System organizations, relevant stakeholders' views, and distinguishing characteristics of United Nations System organizations with respect to their governance, reporting and funding. The best available options for external standards adoption, consistent with the project's terms of reference and background papers, were identified and reviewed against a set of criteria identified during the first research stage. In addition, existing research and guidance on successful implementation of full accruals was reviewed.

74.   Based on the research and reviews, one briefing paper, two position papers and a "work-in progress" paper were prepared and circulated to Task Force members for their discussion and response.

75.   Task Force members were asked to provide feedback on the two position papers via questionnaires and through a series of group and individual meetings with Task Force members during May and June 2005. Questionnaire responses were still coming in.

76.   All options of external standards under consideration require a change to full accrual accounting.

77.   A fundamental issue in adopting external standards is the extent to which UN organizations are realistically likely to be able to fully comply with the preferred standards and gain audit confirmation that the financial statements comply with the accounting standards.

78.   Accounting standards requirements likely to present significant adoption challenges include:

- The biennial financial reporting cycle does not comply with these external standards which means that annual audited financial statements would be required;
- Accounting for employee benefits consistent with IAS 19, would require full recognition of ASHI obligations;
- Recognition and depreciation of property, plant and equipment; and
- Revenue recognition requirements that are not designed to cope with revenue from assessed contributions (including the possibility that organizations may have to make provisions for non-collection of assessed contributions).

79.   One option would be to move towards the development of a UN GAAP as a first step. The GAAP hierarchy would specify the set of external standards with which organizations must comply, list other relevant GAAP, including guidance on specific issues and, if necessary, include United Nations System specific exemptions to the stated external standards. The aim would be to keep such exemptions to an absolute minimum. Allowance of biennial reporting is the most

obvious candidate for a United Nations System specific exemption, although most organizations agreed that they would not have a problem in producing annual reports, even with biennial budgetary cycles.

80.   One of the project tasks is to identify specific standards or parts of standards, which could be incorporated into UNSAS as a transitional measure while the review of the full set of external standards to be adopted is being done.

81.   Final proposals for incorporation into UNSAS will be submitted by the Task Force to the FB Network for approval prior to presentation to the HLCM for endorsement.

82.   Network members highlighted the need to formulate implementation plans with the detailed financial impact of each option that will eventually be proposed, including system costs, additional audit costs, maintenance costs, as well as costs related to any additional formal reviews to be carried out by governing bodies.

83.   Network members appreciated the work presented and reiterated their commitment to the project.

Follow-up actions:

84.   Organizations to provide requested feedback on position papers and questionnaires, as soon as possible.

85.   Other detailed deliverables and deadlines as indicated in CEB/2005/HLCM/23.

(b)   Inter-Agency Reporting

86.   Discussion on this subject was introduced by UNFPA as a follow-up to the December 2004 meeting of the Task Force on Accounting Standards, held in Paris, which concluded that the "…*revised format from the UNDG group should be circulated to the Task force with the view to adopt a common report group on Inter-Agency implementation projects*".

87.   At that time, there had been some agreement that some level of simplification in inter-agency reporting could be made. At the same time, some agencies had advised that they preferred to maintain a level of detail in their accounts.

88.   Current processes require a full mapping of input level accounts between the "funding" agency and the "expending" agency. In the past, many organizations had designed customized reporting systems to report to each other. As more and more ERP systems are being put in place, these old home-grown reporting systems are fading away.

89.   The UNDG Financial Policies Group had, in essence, established a level of detailed reporting which lies somewhere between detailed reporting and fully consolidated reporting.

90.   It was agreed that two alternative scenarios would be used as a basis going forward:

1.   Organizations would continue to allow for full detailed reporting between agencies as is now the case. However, individual agencies would be allowed to agree bilaterally to simplify reporting between themselves as a "pair".

2.   At the same time, building on the UNDG framework, UNFPA would propose a breakdown of reporting lines for joint programming for review and eventual adoption by all member organizations.

91.   In order to develop the common framework as per scenario 2 above, UNFPA would collect and compare organizations' budgetary clusters and consolidate them in a consistent grouping. Due consideration would be given to "security" items - see agenda item 4 above.

Follow-up actions:

92.   <u>Organizations</u> to provide UNFPA with their expenditure coding structures, <u>by end August 2005</u>.

93.   <u>UNFPA</u> to develop a proposed common reporting framework for joint programming (<u>circulation by end September, finalization by end October</u>).

(c)   Support Costs on Extra-Budgetary Activities

94.   The Chairperson of the Working Group on Support Costs, Ms. Yolande Valle of UNESCO, briefed participants on the conclusions of the meeting of the Working Group, held in New York on 11 July.

95.   The Working Group had reached an agreement on definitions of costs categories and principles on cost-recovery.

96.   The definitions of Direct Costs, Fixed Indirect Costs, Variable Indirect Costs adopted by the Group followed those included in UNDP's document on "Cost management and implications for cost recovery" of 14 July 2004.

97.   In principle, the Working Group had agreed that:

a.   **Direct Costs** are recoverable and should be charged directly to the projects;
b.   **Fixed Indirect Costs** should be financed by regular/core resources (except for the organizations that do not have core resources);
c.   **Variable Indirect Costs**, usually referred to as Programme Support Costs, should be recovered in one way or another (as a percentage rate, or even as a cost component of the project direct costs).

98.   A study by UNESCO on different direct and indirect cost recovery practices within the UN system was also presented at the meeting. Such study will be shared with all FB Network members, together with the full report from the meeting. It will also be expanded to include the World Bank.

99.   Methodologies for standard costs calculation would be shared after circulation of a draft questionnaire to collect relevant information from different organizations for comparison purposes.

100.   The Working Group concluded that its mandate had been fulfilled, and it would not need to meet again. It would however keep functioning through email exchange and within the framework of the FB Network.

101.   The FB Network appreciated the progress of work and requested the Chairperson of the Working Group to report back to the HLCM at its next session in October 2005.

Follow-up actions:

102.   The Chairperson of the Working Group on Support Costs to share the final report from the Working Group meeting of 11 July, by 20 September.

103.   The Chairperson of the Working Group to report back to the HLCM at its next session in October 2005.

104.   The UNDG Financial Policies Working Group to invite to its meetings dealing with Support Cost Recovery the Chairperson of the Working Group on Support Costs, who will represent the FB Network and ensure coordination between the two groups.

8.   UNDG Financial Policies Working Group

105.   The Spokesperson of the FB Network thanked Mr. Prom Chopra, Chair of the UNDG Financial Policies Working Group (FPWG), for accepting her invitation to brief the Network on FPWG's current activities, with the objective of identifying possible areas of cooperation and avoiding duplication of work.

106.   Mr. Chopra informed that the Management Group had tasked FPWG with two priorities: Cost-recovery and Joint Office.

107.   The Joint Office project included initially two locations, Maldives and Cape Verde. After Tsunami, only one location – Cape Verde – was retained. Mainly due to legal issues, the initial approach of "one entity" had been replaced by the concept of one agency with "supporting" role at the joint office location.

108.   On Cost-recovery, the Group had worked to address the need for harmonization of cost-recovery policies among the agencies. That had been done in close coordination with the FB Network Working Group on Support Costs.

109.   It was noted that, from a technical point of view, the issue of harmonization of rates is very much affected by different budget methodologies, as well as by differences in the sources of funding and cost structures.

110.   It was also underlined that the fundamental technical basis for any attempt at rate-harmonization was consistent cost-categorization. The planned activities of the FB Network in this area (see above, agenda item 7(b) Inter-agency reporting) would provide useful insights on the feasibility of taking this further.

111.   The FB Network suggested that, in reporting back to the HLCM, the Working Group on Support Costs would seek the Committee's guidance on the precise mandate for any further work on this subject.

112.   Finally, it was agreed that UNESCO would represent the FB Network in any further collaborative work with the UNDG Financial Policies Working Group.

9.   Nomination of the Next FB Network Spokesperson

113.   Organizations unanimously agreed to nominate Gary Eidet of IAEA and Jay Karia of the UN as joint Spokespersons of the FB Network.

114.   Members of the Network expressed their deep appreciation for the commitment and professionalism Hilary Wild had demonstrated in carrying out her functions of Spokesperson, and wished her success in her new assignment.

115.   Appreciation was also expressed to the FB Advisor, Mr Remo Lalli for his valuable support to the Network.

10.   Date and Location of the Next FB Network Meeting

116.   The FB Network's next meeting will take place via video conference, in the Fall 2005.

11.   Any Other Business

(a)   Functions and Structure of Finance Offices in the UN System

117.   In the context of the current efforts to clarify and strengthen the governance structure in the organizations of the UN system, UNHCR proposed that a survey be carried out to assess commonalities and differences in the functions and structure of Budget and Finance functions in the UN system.

Follow-up action:

118.   UNHCR to work with the CEB Secretariat to develop a questionnaire to carry out such survey.

(b)   United Nations Joint Staff Pension Fund (UNJSPF)

119.   IAEA a mentioned the need for deeper analysis on the impact of exchange rate changes on the pension benefits of staff retiring in duty stations with non-USD currencies. IAEA indicated that significant variations in the value of the dollar in relation to local currency resulted in "winners and losers" depending on when staff retired, and that the local track scheme did not fully address the loss of value of a pension entitlement accumulated over a long period of time.   One indication of an apparent flaw in the pension scheme tied too heavily to the USD was the decision of staff to retire at certain points in time depending on the value of the dollar.

120.   FAO and ICAO's representatives, who have been appointed by their respective Executive Heads to the UNJSPFB advised that this issue had been evaluated by the Pension Fund.

121.   FAO and ICAO also advised that the Pension Fund was undertaking a professional Asset/ Liability study of the Fund which would assist in evaluating such issues as well as in informing the investment policies of the Fund.

Follow-up Action:

122.   The FB Network to offer its expertise to the UNJSPFB

(c)   Tax Reimbursement

123.   IAEA noted that it was providing tax reimbursement services for US staff members for another organization and was in negotiation with an additional UN organization for providing these services. IAEA indicated that it was prepared to consider further requests from other organizations for these services and could eventually become the center of expertise in the UN system in the form of a common service for tax reimbursement.

(d)   After Service Health Insurance (ASHI)

124.   The UN informed that the submission to the General Assembly of the report on ASHI had been delayed. The draft was not yet available for circulation.

Annex I

Agenda

1. Review of the report of the last video conference of the FB Network of 3 March 2005.

2. Governance, accountability and transparency:

    (a) Guest speaker: Fayez Choudhury, Vice President and Controller, the World Bank, on "The Control Framework at the World Bank" (CEB/2005/HLCM/24)
    (b) UN Secretariat reform measures on governance, accountability and transparency (CEB/2005/HLCM/25)
    (c) FB Network working group on Fraud Prevention (CEB/2005/HLCM/20)
    (d) UN system collaboration on accountability and transparency
    (e) Informal exchange of information on current investigations on cases of fraud and corruption
    (f) Informal exchange of information on the recent experience with the single audit principle

3. CEB Secretariat's Web Site: objectives, structure and content of the FB Network section.

4. Security spending of the organizations of the United Nations system: results of CEB Secretariat's survey and methodological issues (CEB/2005/HLCM/22).

5. Harmonization of the Conditions of Travel throughout the UN System (JIU/REP/2004/10).

6. Review of cost-sharing methodologies for Jointly Financed Activities (CEB/2005/HLCM/21).

7. Progress reports of the FB Network working groups:

    (a) Accounting Standards Development Project (CEB/2005/HLCM/23)
    (b) Inter-agency reporting
    (c) Support Costs on Extra-budgetary activities

8. UNDG Financial Policies working group: discussion on possible areas of cooperation.

9. Nomination of the next FB Network Spokesperson.

10. Date and location of the next FB Network meeting.

11. Any other business.

Annex II

List of Participants

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