UNITED NATIONS SYSTEM CEB

Chief Executives Board for Coordination

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CONCLUSIONS OF THE MEETING OF THE FINANCE AND BUDGET NETWORK

(Videoconference, 7 February 2011)

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Paragraphs

INTRODUCTION

1. The Finance and Budget Network held its first 2011 session via videoconference 7th February 2011. The meeting was co-chaired by the Network's spokespersons, Mr. Nick Jeffreys, Comptroller, WHO, and Mr. Jay Karia, Deputy Controller, United Nations. The agenda as adopted is provided in Annex 1. The list of participants is in Annex 2.

2. All documents related to the session are available on the FB Network website at: http://www.unsceb.org/ceb/mtg/fb/february-2011

I. Update on the HLCM Plan of Action for the Harmonization of Business Practices

a) Progress report from the Working Group on Common Treasury Services

[Munehiko Joya, IFAD; Nick Jeffreys, WHO]

(CEB/2011/HLCM/FB/6, Status Report on the Feasibility Study Project for Common Treasury Services)

3. The FB Network was briefed on the progress of the Feasibility Study Project for Common Treasury Services. The six months feasibility project was started in November 2010 after appointment of the consulting firm to conduct the study - KPMG. During the first three months of the project KPMG completed majority of the organizations visits comprising meetings with treasuries and the Legal and Governance Focus groups.

4. The Accelerated Solution Design meeting will be a key next step of the project in April 2011 when the participating organizations will meet to analyze and select a set of solutions for future implementation. Once results of the project will be finalized the working group will review them at its face to face meeting planned for June 2011 and will make recommendations to the FB Network and HLCM.

➢ **Conclusions and Action Points**

The FB Network:

5. Took note of the progress of the Feasibility Study Project and called the nineteen participating organizations for continued support.

b) Update on the UN System-wide Financial Statistics Database and Reporting System project

[Richard Barr, CEB Secretariat]

(Summary from the Expert Meeting "Strengthening system-wide reporting on funding for UN system")

6. Mr. Richard Barr has recently joined the CEB Secretariat to lead the UN System-wide Financial Statistics Database and Reporting System project. In the current phase, needs assessment meetings were conducted with several organizations. The recently organized United Nations Department of Economic and Social Affairs (UNDESA) and CEB Secretariat expert meeting was joined by the Organization for Economic Cooperation and Development (OECD) to represent views of the three entities reporting on UN system-wide funding. The meeting identified needs and obstacles of the system wide financial reporting and data collection optimization. Varying definitions used in reporting was identified as one of the obstacles complicating harmonization in reporting. The project will address this issue as a priority by the end of June 2011 and intends to identify technical solution for data collection by the end of 2011.

➢ **Conclusions and Action Points**

The FB Network:

7. Noted the progress of the UN System-wide Financial Statistics Database and Reporting System project and results of the UNDESA/CEB Secretariat expert meeting.

II. JIU, ICSC and CEB Secretariat 2012-2013 budget proposals

[Mr. Mohamed Mounir Zahran, Mr. Tadanori Inomata and Ms. Susanne Frueh, Joint Inspection Unit]

(CEB/2011/HLCM/12, CEB Comments on the ICSC and JIU Budget Proposals for the Biennium 2012-2013;
CEB/2011/HLCM/FB/5, CEB Comments on the CEB Secretariat Budget Proposal for the Biennium 2012-2013;
Joint Inspection Unit - Proposed Programme Budget for the 2012 – 2013 biennium;
JIU letter to the CEB Secretariat on proposed 2012-2013 budget)

8. The JIU biennium 2012-2013 budget has been developed on the understanding that the unit is the only independent external oversight body of the UN system. The unit's budget has been practically stagnant over the last 20 years while the UN Secretariat budget has increased by 73% over the same time period limiting JIU's capacity to respond to the growing demand for their services.

9. More funds were requested by JIU for the biennium 2012-2013 due to three main reasons: the General Assembly mandated an implementation of the web-based system

for recommendations follow-up; increase of travel budget to support demand for more system-wide work; and increased consultants capacity to conduct more complex reviews and quality improvements on more technical issues.

10. The FB Network and JIU appreciated interaction on JIU's budget proposal. A view was formed that in future the budgetary process should be adjusted to allow this interaction to take place earlier in the budgetary process.

11. The organisations supported the work undertaken by JIU and its increased focus on system-wide reports. However, the recent focus to invest in oversight functions in many organizations places JIU in a competing position with requirements to boost internal audit capacity and set up the Internal Audit Committees, where the role of each of these bodies needs to be well justified to the member states. Referring to the mandated JIU web-based recommendations follow-up system, recognising current funding difficulties, the FB Network recommended that JIU should consider adopting one of the existing oversight recommendations follow-up systems maintained by the UN system organizations.

12. During the discussion on the Jointly Financed Activities (JFA) budgets, some organizations stressed that the current financial restraints imposed by member states are often resulting in zero growth budget proposals, that is - any inflationary or exchange rate related increases would be absorbed from within the resources approved. Discussion continued if this approach should be applied to the JFA budgets. However, the entities of limited size such as the CEB Secretariat, whose budget is predominately allocated to staff costs, would face considerable difficulties to absorb inflationary and exchange rate effects in the overall budget envelope.

13. The FB Network also acknowledged that the actual apportionment of JFA budget to the participating organizations for the biennium 2012-2013 will be reduced by the amount of savings realized in comparison to resources budgeted for the biennium 2010-2011.

14. The FB Network also recognized that, any budget rationalization going beyond proposals at zero growth level would require an in-depth review and prioritization of the roles and functions of each of the entities concerned.

➢ Conclusions and Action Points

The FB Network:

15. Considering the support already received to the ICSC and CEB Secretariat budgets and in light of the discussions of the meeting, supported the Jointly Financed Activities budget proposals for the biennium 2012-2013 for JIU, ICSC and the CEB Secretariat at the zero growth level, that is, cost adjustments would be applied, if needed, but efforts should be made to absorb any inflationary and exchange rate related cost increases through efficiencies to the extent feasible.

III. DSS JFA Programme Budget proposal for 2012 - 2013

(CEB/2011/HLCM/FB/2, CEB Secretariat note on the DSS proposed 2012-2013 budget; DSS JFA Programme Budget proposal for 2012 – 2013; UN Controller's Note regarding the draft DSS JFA Programme Budget for 2012 – 2013)

16. The Jointly Financed Activities (JFA) component of the United Nations Department of Safety and Security (DSS) budget proposal for the biennium 2012-2013 was circulated to the FB Network for comments, which were consolidated in the CEB Secretariat note. Majority of the comments were addressed by DSS and were reflected in the note. 3 issues were underlined to have a significant impact:

    a. A potential duplication of some administrative costs where the DSS Executive Office capacity was planned to be strengthened. The issue was acknowledged and the DSS budget proposal would be modified accordingly;

    b. The option of inclusion of the security information operational centres (SIOC) costs in the locally cost shared budgets. However, it was explained by DSS that this would diminish the predictability of this capacity being available and before further developing this point, it would need more review and further discussion.

    c. Funding source for administrative costs. A number of FB Network members noted that at the establishment of DSS in 2005, the Secretary-General's report (A/56/469 paragraph 33(a)) indicated that administrative support costs were considered central costs and, as such, were of the view that they should be paid by the Regular Budget, in their entirety. The UN's position was reiterated that certain administrative costs are direct, variable costs to support field operations, which include headquarters operational costs, and as such these are costs to be borne jointly by participating organizations as field-related costs (A/56/469 paragraph 33(b)), which is the established precedent. There was a discussion on how the report wording should be interpreted, but no conclusion was reached.

17. Referring to the third identified issue, both points of views were expressed during the meeting those for the interpretation that the General Assembly decision required that the Regular Budget fund all administrative costs and the view that the decision reflected an intent of the General Assembly to fund only the UN Headquarters' administrative costs. It was reiterated by the UN that both the General Assembly and the ACABQ made it clear that costs which relate to extrabudgetary and/or jointly financed activities should not be met or subsidized from the UN Regular Budget and that both the ACABQ and the General Assembly were cognisant of the costs being covered by the JFA budget, which they reviewed as part of the proposed programme budget approval process. However, a number of FB Network members considered that the issue was not clear cut and, given an increasing weight of the security costs, there was an opportunity for the General Assembly to be presented with a proposal for administrative costs to be funded by the UN Regular Budget, albeit recognising that the Secretary-General could not be compelled to do so.

18. The FB Network decided that the issue of funding the field security administrative costs from either the UN Regular Budget or Jointly Financed Activities budget should be considered in the Working Group for Safety and Security Costs with input from the UN Controller's Office. Further, a general concern was raised on the rational for inclusion of certain security related costs in either the JFA budget or in RB even recognizing that the ACABQ adds additional control level when, by looking at DSS budget in totality, it seeks for clear lines of separation between the RB and JFA shares of the overall DSS budget.

19. Some FB Network members did not support the DSS JFA proposed budget with increases exceeding the budget for the biennium 2010-2011. The additional costs above the biennium 2010-2011 budget were asked to be separately identified so that the related additional impact could be assessed. Then, if any additional activities (above 2010-2011 level) would require more resources, this would need to be brought to HLCM.

20. The role of the Inter-Agency Security Management Network (IASMN) in the review of the budget proposal was established as having technical, but not financial authority.

21. The Working Group on Safety and Security Costs (WG) was praised for their success in streamlining the DSS JFA budget proposal review process. However, it was recognised that WG by itself did not have a role in the review of the budget proposal 2012-2013. The meeting also acknowledged and welcomed the transparent presentation of the proposals by DSS, which stressed the point that in preparing its proposals, full consideration had been given to the members' financial situation in the current economic climate.

➢ Conclusions and Action Points

The FB Network:

22. Agreed to support the DSS JFA budget at zero growth level (in comparison to the biennium 2010-2011 budget) and recognised that the issue of funding the field security administrative costs from either the UN Regular Budget or Jointly Financed Activities budget has not yet been resolved and should be addressed for the budget of the next biennium.

23. As for all Jointly Financed Activities, the FB Network acknowledged that the actual apportionment of DSS budget to the participating organizations for the biennium 2012-2013 will be reduced by the amount of savings, if any, realized in comparison to resources budgeted for the biennium 2010-2011.

IV. Action points from the Task Force on Accounting Standards

a) Recommendations of the UN system-wide IPSAS project external review

[Jay Karia, United Nations]

(External review report;
CEB/2011/HLCM/TF/SC1, Briefing note: System-Wide IPSAS Project Work Plan 2011)

24. The external review of the CEB System-wide IPSAS Process and Project was requested by the HLCM and was conducted over the summer 2010. Results of the review were circulated to the FB Network and the Task Force on Accounting Standards (TFAS) on the 15th October 2010. The FB Network held a special videoconference session on 22 November 2010 to review recommendations listed in the report. During this meeting the FB Network decided to recommend the HLCM to extend the project team until the end of 2013 with the presumption of continuation until 2015, based on the resources proposed in the report by dropping one P-3 which will ensure current staffing level at 1 P-5 and 2 P-4s, but increase the existing one GS support staff post from 50% to 100%. At the time, it was not possible to discuss other recommendations of the report leaving them to be addressed at a later time.

25. The remaining recommendations of the review were examined in the meeting:

a. Recommendation 2: Steering Committee to be headed by the vice chairperson of the TFAS.

The Co-chairs of the FB Network had consulted on the recommendation and had realized that for practical reasons it would be better to retain the chairmanship of the Steering Committee with the Task Force Chair while ensuring that the vice chairperson is fully involved.

b. Recommendation 3: Present Steering Committee membership to be reviewed. Membership should be on an annual rotating basis.

While it is recognized that some rotation would be welcome, there needs to be membership continuity. A proposed preferred solution is that members and alternate members of the Steering Committee will be appointed for a period of two years, with the possibility of members and alternate members exchanging their roles midway between those two years. With this option, both members and alternates should participate in the work of the Steering Committee.

c. Recommendation 4: Re-establish the position of vice chairperson of the TFAS with a two year rotation period.

The recommendation has already been addressed by confirmation of Mr. Greg Johnson, Director of Finance at ILO, as vice chair.

d. Recommendation 5: Introduce rules of procedure for TFAS meetings including rules for issue resolution and decision making.

It is important to have rules of procedure in effect and to ensure the decisions taken are following those rules. So far informal rules in place have been working, but clear formal rules are preferred and would also contain prolonged discussions taking place for certain issues to resolve cases of disagreement. It was noted that an informal procedure existed to bring up TFAS agreed to IPSAS compliant accounting policies to the FB Network. This mechanism would be clearly articulated in the new formal rules of procedures. The TFAS will discuss and agree on the Rules of Procedures and will submit to the FB Network for final approval.

e. Recommendation 6: Revise the TOR in view of the changing requirements of UN system organizations in a post-implementation environment.

The original TORs of the TFAS are broad enough. The current TFAS TOR remain valid until all system organizations have implemented IPSAS. Therefore, at this point, it was felt that no changes are warranted.

f. Recommendation 7: Explore the possibility of recruiting project team staff through a UN system organization with more flexible recruitment procedures, possibly using trust fund or project structures.

Currently the issues related to recruiting have been overcome and a full project team is on board. Consequently, it is not necessary to seek for another organization to outsource staff administration. Whenever new vacancies of the project team would be announced, the organizations are encouraged to loan their staff on a secondment basis sharing a perspective of another organization from the UN system.

g. Recommendation 8: The project team leader should attend all meetings between the UN system and the IPSAS Board (IPSASB) and the Technical Group of Panel of External Auditors.

IPSASB meetings have in the past been attended by the project team leader as necessary, which will continue in the future. The team leader has recently, for the first time, attended the meeting of the Technical Group, which will continue, based on invitation by the Technical Group and as necessary.

h. Recommendation 9: UN system representation at meetings with the Technical Group of Panel of External Auditors and IPSAS Board should include members of the FBN.

For the first time, in addition to the Chair of the TFAS, the Technical Group of Panel of External Auditors had invited to their meeting also a number of participating organizations. However, as far as the Technical Group is concerned, the TFAS and/or FBN attendance is on invitation basis only.

26. Recommendations 8 and 9 are believed to be important considering the auditors' reservations to sign off new IPSAS compliant accounting policies adopted by the

organizations. The overall acknowledgement was that the external auditors should be encouraged to provide comments on IPSAS policies being adopted.

➢ **Conclusions and Action Points**

The FB Network:

27. Agreed to the external review recommendations subject to amendments as presented above.

b) Steering Committee membership

[Jay Karia, United Nations]

(Briefing note: System-Wide IPSAS Project Steering Committee– Members Selection and Nomination Analysis;
CEB/2011/HLCM/FB/7, Note on Call for Nominations for Steering Committee Membership and Appointment of Vice Chairperson of the Task Force)

28. The call to provide nominations to serve on the system-wide IPSAS project Steering Committee during 2011 was circulated to the FB Network members during January 2011. Comments received from the FB Network members led to the following Steering Committee membership for endorsement by the FB Network:

UN Center	Member	Alternate
New York	UN and UNDP	UNICEF
Geneva	WHO	UNHCR and ILO
Rome	WFP	FAO
Vienna	IAEA	UNIDO

➢ **Conclusions and Action Points**

The FB Network:

29. Confirmed the new membership for 2011 for the system-wide IPSAS project Steering Committee as per CEB Secretariat note CEB/2011/HLCM/FB/7.

c) Reestablishment of the position of Vice Chairperson of the Task Force on Accounting Standards

[Jay Karia, United Nations]

(CEB/2011/HLCM/FB/7, Note on Call for Nominations for Steering Committee Membership and Appointment of Vice Chairperson of the Task Force)

30. To address recommendation 4 of the external review report requesting to re-establish the position of Vice Chairperson of the Task Force on Accounting Standards with a two year rotation period the Co-chairs communicated their suggestion to appoint Mr. Greg Johnson, Director of Finance at ILO for this position. In their response comments the FB Network members supported the nomination.

➢ **Conclusions and Action Points**

The FB Network:

31. Confirmed Mr. Greg Johnson, Director of Finance at ILO for a position of Vice Chairperson of the Task Force on Accounting Standards for a two year period.

V. Update on the activities of the Working Group on Safety and Security Costs

[Sean O'Brien, WFP]

(CEB/2011/HLCM/FB/3, Presentation WG on Security and Safety Costs; CEB/2011/HLCM/FB/4, Discussion paper 2)

32. The FB Network was briefed that the Working Group's latest activities focussed on providing the context for a review of the DSS JFA budget proposal for the biennium 2012-2013. The reason for this focus was to get clear process for discussing all issues with DSS and IASMN colleagues, as well as to get the level of detail in the proposed budget that is need to do analysis of the various options for cost sharing arrangements.

33. As the next step, the WG will tackle the cost sharing arrangements attempting to apply concepts outlined in WG's first discussion paper. Current intention of the WG is to produce a discussion paper that will look at various cost sharing options by the end of February 2011. The WG will review the options to reach a consensus before briefing the FB Network.

➢ **Conclusions and Action Points**

The FB Network:

34. Took note of the latest activities of the Working Group and its next steps in reaching its objectives.

VI. Any Other Business

a) Chairmanship of the FB Network

[Nick Jeffreys, WHO]

35. The FB Network thanked the Co-chair Mr. Jay Karia for his great contribution leading the FB Network. Mr. Karia is retiring shortly and this was his last FB Network meeting in the role of the Co-chair. The FB Network members particularly noted his contribution in harmonization of the UN system organizations including, as his major achievement, the IPSAS project leadership, which will enhance the UN system-wide financial reporting. Discussions in respect of the transition of the FB Network chairmanship are currently ongoing.

b) Agenda items for future meetings

[Nick Jeffreys, WHO]

36. Two new agenda items were considered in the latest face-to-face meeting hosted by PAHO in Washington, D.C.: Personal Financial Disclosure Programmes and Common Services Centers. The Co-chair urged the meeting participants to identify the areas of interest for the FB Network to discuss in the future meetings. For instance, the area of oversight consisting of various elements may have a potential to reflect on.

37. The next face-to-face meeting is planned to take place at the end of August in Turin hosted by ITC/ILO.

➢ **Conclusions and Action Points**

The FB Network:

38. Encouraged the member organizations to submit proposals for future meeting topics to the Secretary of the FB Network.

Annex 1

AGENDA

Videoconference, Monday, 7 February 2011
9.00-11:30 New York time; 15:00-17:30 CET

I. Update on the HLCM Plan of Action for the Harmonization of Business Practices – finance and budget related projects

a) Progress report from the Working Group on Common Treasury Services (for information)

b) Progress report on the UN System-wide Financial Statistics Database and Reporting System project (for information)

II. JIU, ICSC and CEB Secretariat 2012-2013 budget proposals (for information and decision)

III. DSS JFA Programme Budget proposal for 2012 - 2013 (for discussion and decision)

IV. Action points from the Task Force on Accounting Standards (for discussion and decision)

a) Recommendations of the UN system-wide IPSAS project external review (for discussion and decision)

b) Steering Committee membership (for discussion and decision)

c) Reestablishment of the position of Vice Chairperson of the Task Force on Accounting Standards (for information and decision)

V. Update on the activities of the Working Group on Safety and Security Costs (for information)

VI. AOB

a) Chairmanship of the FB Network (for information)

b) Agenda items for future meetings (for information)

Annex 2

LIST OF PARTICIPANTS

New York:
Mr. Jayantilal Karia, UN
Mr. Chandramouli Ramanathan, UN
Ms. Maria Costa, UN
Mr. Christian Saunders, UNDSS
Mr. José Fraga, UNDSS
Mr. Omar Abdi, UNICEF
Ms. Diane Kepler, UNFPA
Ms. Iva Goricnik, UNFPA
Mr. Darshak Shah, UNDP
Ms. Odette Anthoo, UNDP
Mr. Daniel Bato, CEB IPSAS project team
Ms. Neeta Hatley, CEB IPSAS project team
Mr. Umer Hayat, CEB IPSAS project team
Mr. Richard Barr, CEB Secretariat

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Mr. Gary Eidet, IAEA
Ms. Helen Brunner De Castris, IAEA
Mr. Peter Ulbrich, UNIDO
Mr. George Perera, UNIDO
Mr. Akira Noro, UNIDO
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Mr. Nick Jeffreys, WHO
Mr. Greg Johnson, ILO
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Mr. Vitaly Rousak, UNCTAD
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Mr. Vilius Pogozhelskis, UNOG
Mr. Alassane Ba, ITU
Mr. Hany A. Abouyoussef, UNAIDS
Ms. Janice Cook Robbins, WIPO
Mr. Byambaa Ganzorig, WIPO
Mr. Remo Lalli, CEB Secretariat
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Mr. Mohamed Mounir Zahran, JIU
Mr. Tadanori Inomata, JIU
Ms. Susanne Frueh, JIU
Ms. Ljerka Milos-King, JIU
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Mr. Charalambos Constantinides, IFAD
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