

**Administrative Committee  
on Co-ordination**ACC/1997/5  
3 March 1997**REPORT OF THE EIGHTY-SIXTH SESSION OF  
THE CONSULTATIVE COMMITTEE ON ADMINISTRATIVE QUESTIONS  
(FINANCIAL AND BUDGETARY QUESTIONS)  
(Vienna, 10-14 February 1997)****CONTENTS**

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## ANNEXES

- I. Agenda adopted by the Committee on 10 February 1997
- II. List of participants
- III. Terms of Reference for the Working Party on Accounting Standards

## **Introduction**

1. The Consultative Committee on Administrative Questions held its eighty-sixth session on financial and budgetary questions from 10 to 14 February 1997 at the Vienna International Centre. Mr. Abdelkhalek Tazi-Riffi (ITU) was Chairman and Mr. Abraham E. Espino (IAEA) was Vice-Chairman. The agenda adopted by the Committee, which also lists the documents submitted, may be found in annex I. A list of the participants appears in annex II.

## **PART I - Matters to be brought to the attention of the Administrative Committee on Coordination**

### **Current Budgetary Pressures**

2. The Committee had an extensive discussion of budgetary issues facing the organizations of the United Nations system. Organizations with assessed contributions continued to face some degree of budgetary pressure, which was being reflected in proposed budgets for 1998-1999, which for many incorporated zero nominal growth or at best zero real growth. Some organizations reported a slight improvement in liquidity following a higher level of collection of contributions but most expected this to be only a temporary respite. Non payment and/or delayed payment of assessed contributions continued to be a very serious problem. Voluntarily-funded organizations reported a lack of growth of unearmarked funding, which is currently negatively affected by the strength of the US dollar.

3. Most Executive Heads had attempted to limit the impact of budgetary restrictions on mandated programmes by focusing reductions on administration and support services but many participants reported that any further reduction of administrative costs might well result in damage to the integrity of financial control systems. Improved efficiency and cost-effectiveness continued to be a high priority, but, inevitably, continued cost reductions would mean real reductions in services provided and delivery of mandated programmes.

### **Programme and budget**

#### **CCAQ(FB) consideration of budgets of jointly-financed bodies for 1998-1999**

4. In accordance with standing arrangements, the Committee reviewed the proposed programme budgets for 1998-1999 for the International Civil Service Commission (ICSC), the Joint Inspection Unit (JIU), and the secretariats of the Consultative Committee on Programme and Operational Questions (CCPOQ), the Consultative Committee on Administrative Questions (CCAQ), and the Information Systems Coordination Committee (ISCC).

5. In examining the budgets, the Committee recalled the general considerations of financial policy which had guided its review of budgets for jointly-financed bodies for some time, and which continued to be relevant, namely that of zero real growth in budgets, and where feasible, reductions in the budget. With these considerations in mind, the Committee recommended, on

behalf of ACC, decreases in some of the proposed programme budgets, and draws ACC's attention to these, which are detailed in paragraphs 16 and 20 below.

6. The Committee at its last (August 1996) session reviewed resource guidance levels and recommended to ACC target budgets for each of the jointly-financed bodies with respect to the programme budgets for the financial period 1998-1999. Subsequently the United Nations in its budget instructions to the jointly-financed bodies indicated target levels which were in most cases lower than the targets recommended by CCAQ.

7. It was noted that CCAQ, CCPOQ and ISCC had submitted proposed budgets for 1998-1999 which were within the resource guidance target levels as recommended to ACC. Accordingly, after receiving clarification on some points, the Committee approved the budget proposals of these bodies on behalf of ACC.

8. The Committee noted that the budget level proposed by ICSC exceeded somewhat the target level recommended by CCAQ(FB) at its meeting in August 1996 but was within the indicative amount set by the United Nations in January 1997. The Committee also noted that the ICSC proposals were still to be reviewed by CCAQ(PER) and by the Commission itself. The Committee further noted that, in its resolution 51/216, the General Assembly had called on the Board of Auditors to conduct an urgent review of the work of the secretariat of the Commission.

9. Having reviewed the budget proposals of ICSC, the Committee decided to recommend to ACC, and subject to the results of the reviews referred to above, reductions to be made as detailed in paragraph 16 below.

10. The JIU submitted a budget proposal with a total cost of \$9,456,100. The Committee noted that this proposal was above both the level recommended by CCAQ as well as the indicative amount set by the United Nations in January 1997.

11. The Committee recalled the conclusions of CCAQ as a whole on the JIU at its meeting from 18 to 19 September 1996 (CCAQ/W/1996/10). It also recalled the request of ACC to the United Nations to invite the General Assembly, on behalf of ACC, to institute an independent review of the role and functions of JIU. Pending the outcome of that review, the United Nations had consulted with the President of the General Assembly on ways not to preclude the possibility of future cost containment measures, including the feasibility of postponing elections to the Unit. In this connection, the Committee noted that the General Assembly had subsequently elected the inspectors.

12. As regards the proposals submitted by JIU, the Committee noted that the creation of an additional professional post was linked to General Assembly resolution 50/214 which called on the Secretary-General to propose ways of strengthening the Unit. In this connection, the Committee recalled that, in its resolution 50/233, the General Assembly had requested JIU to prepare its programme of work "bearing in mind the interest of participating organizations and the paramount need to ensure efficiency of services and proper use of funds".

13. The Committee recalled that the Statute of the JIU provides for consultation by the Secretary-General with ACC on budget proposals and that "The expenditures of the Unit shall be shared by the participating organizations as agreed by them.". Several organizations expressed

concern that they will be required to share the costs of a proposed budget for 1998-1999 which does not adequately reflect this consultation, in particular as regards ACC's concern for cost containment. In their view, the scope for reducing JIU costs, as called for by ACC, had been reduced by the election of five inspectors in 1996. They pointed out that the larger part of the costs of JIU was to be paid for by organizations out of funds which were subject to the approval process of governing bodies which are independent of the General Assembly. At a time when most governing bodies were insisting on reduced budgets, many organizations were extremely reluctant to endorse on behalf of ACC the JIU budget as proposed. They recommended that ACC, in consulting with the Secretary General, should propose that the budget estimates for JIU should be at levels below those of JIU's budget proposals. Specific comments on the JIU proposals and recommendations on items which could be reduced are given in detail in paragraph 20 below.

## **PART IIA - Action taken and decisions adopted by the Committee**

### **Programme and budget**

#### **Proposed programme budgets for 1998-1999 for jointly-financed bodies**

14. In accordance with agreed procedures (ACC/1995/20, para.5), the Committee had before it, for inter-organization financial review on behalf of ACC, proposed programme budgets for 1998-1999 for various jointly-financed bodies. These proposals were supplemented by information on revised budgets for 1996-1997 as submitted to the General Assembly in AC.5/50/57 and Add.1, and by indicative information on the organizations' percentage shares of the costs of the proposed 1998-1999 budgets. Informal working groups had met to discuss individual budget proposals prior to the session. Representatives of these groups presented the key issues arising from these prior reviews together with any clarifications obtained from the secretariats of the jointly-financed bodies. This process greatly aided the Committee, which expressed its appreciation to those who had participated in the informal review groups and thus helped the Committee make more productive use of its time at the session.

#### **International Civil Service Commission (ICSC)**

15. The 1998-1999 programme budget proposals of ICSC, drawn up by the secretariat of the Commission provided for a proposed level of \$10,493,300 compared with a resource guidance target set by CCAQ in September 1996 of \$ 10,379,000. The Committee noted that the proposed budget, while within the indicative amount of \$10,596,700 communicated by the United Nations in January 1997, was marginally above the resource guidance level target as recommended by CCAQ to ACC. The Committee felt that further cost reductions might be effected.

16. The Committee could not support the proposal to hold one of the Committee's sessions in a field location, noting that this would not only involve extra costs for the ICSC secretariat and for the secretariat of CCAQ(PER) but also for participants from member organizations. Although biennialization of the programme of work of the Commission had been introduced in 1994-1995, there was still room for reduction in the length and number of its sessions. Similarly, the travel of staff to meetings of the Commission appeared excessive. It was regrettable that the budget proposals failed to give sufficient emphasis to productivity improvements. The Committee noted

that the budget proposals had been submitted late to CCAQ and were still subject to review by the United Nations, by CCAQ(PER) at its next session and by the Commission itself, all of which might suggest revisions. In addition, it was understood that a management audit of the ICSC secretariat was planned in response to General Assembly resolution 51/216, section VIII. Therefore, the Committee recommended to ACC, and subject to the results of the other reviews mentioned above, the following:

(a) That no provision be made for any session to be held elsewhere than the United Nations, New York or at another Headquarters location where conference services are available.

(b) That, as a consequence of (a) above, corresponding reductions should be made in provision for travel and temporary assistance for meetings. It was suggested that savings of 10% in the provision for travel and 20% in the provision for temporary assistance for meetings would be appropriate.

(c) That CCAQ and ACC be kept informed of the status and outcome of the management audit, and that any structural changes arising from such audit be reflected in revised budget estimates.

(d) That the P-5 post proposed for redeployment to the Office of the Executive Secretary should be held vacant pending the results of the review requested by General Assembly resolution 51/216.

#### Joint Inspection Unit (JIU)

17. The programme budget proposals for 1998-1999 for JIU, amounting to \$9,456,100, were reviewed by the Committee. In examining the proposals, participants emphasized that in a climate where organizations were restricted in virtually all cases to zero or negative growth, JIU should review its programme and prioritize its work to reflect these realities. It was noted that the proposed budget for staffing costs totalling \$8,590,400 assumed a 6.4% vacancy rate (lapse factor) and that this was unrealistic in that almost half the staffing costs were represented by the inspectors' posts, where 100% incumbency was expected. This distorted the comparison of the proposed budget with the level of the revised budget for 1996-1997 as far as the cost of the existing staff was concerned and thus the apparent reduction in staffing costs as indicated in the budget proposal was extremely improbable.

18. The Committee could not support the request for the addition of one professional post. While the Committee expressed its appreciation that the JIU had responded to its concerns expressed in previous sessions about the need for reductions in travel and temporary assistance, it was still concerned about the magnitude of the travel provisions (\$598,800) of the Unit. While being aware that the Statute of the Unit stated that inspectors should make on-the-spot inspections, participants believed that the proposals incorporated excessive travel provision, of \$111,800, for the presentation of reports to the General Assembly and the legislative organs of other participating organizations.

19. As regards the proposals for computer hardware and software, the Committee believed that while further computerization of the Unit might assist in efficiency gains, these productivity gains

did not appear to be reflected in the proposed budget. In addition the provision for purchase of equipment appeared excessive in that less expensive equipment would be more cost-effective.

20. In summary, the Committee recalled the principle, which it had already stated on a number of prior occasions, that jointly-financed activities should have no more than zero real growth, and preferably negative growth where this appeared to be feasible. In this spirit, the Committee endorsed, on behalf of ACC, the proposed programme budget for 1998-1999 for JIU, subject to the following recommended adjustments:

(a) Redeployment of existing established posts thus eliminating the need for creation of an additional professional post, which should result in a budget reduction of \$241,000.

(b) The proposed resources for travel should be strictly controlled with the aim of further reducing these by \$25,000.

(c) Proposals for resources for data processing services and replacement of office automation equipment should be reduced by \$18,000

(d) Proposals for communications costs should be reduced by \$12,000.

Secretariat of the Consultative Committee on Programme and Operational Questions (CCPOQ)

21. The Committee had before it, for examination on behalf of ACC, the proposed programme budget for 1998-1999 for CCPOQ amounting to \$ 974,200, which was within the resource guidance target of \$ 986,700 as recommended by CCAQ to ACC in September 1996 but higher than the limit of \$879,400 as indicated by the United Nations in January 1997.

22. In examining the programme budget, the Committee noted that no increase had been proposed under the provision for consultants, and that the level appeared reasonable in relation to the consultancies carried out in 1996. It was noted that consultants were engaged on a fee per report basis. The Committee welcomed the forthcoming move of the CCPOQ secretariat to the Palais des Nations in Geneva, directly adjacent to the CCAQ secretariat, thus responding to ACC decisions on co-location and enabling cost reductions as a result of sharing of resources with CCAQ. While some consequent savings had already been reflected in the proposed budget, the Committee strongly encouraged CCPOQ to seek further savings made possible by co-location. Every effort should be made to reduce the travel budget. In conclusion, the Committee approved, on behalf of ACC, the proposed programme budget for 1998-1999 for the secretariat of CCPOQ.

Secretariat of the Consultative Committee on Administrative Questions (CCAQ)

23. The proposed programme budget for 1998-1999 for the secretariat of CCAQ provided for a level of \$1,734,000 which was lower than the resource guidance target of \$1,860,300 as recommended by CCAQ in September 1996 and slightly higher than the indicative amount of \$1,698,700 set by the United Nations in January 1997. In examining the proposals, the Committee noted that the secretariat had already made considerable reductions in the revised budget for 1996-1997 compared to the original approved budget and that one general service post



was being eliminated from the proposed budget for 1998-1999. The Committee reviewed the level of resources proposed for travel by CCAQ(PER) staff and recommended that the period of attendance of different members of the secretariat during sessions of the General Assembly and the ICSC be kept to the minimum necessary. The proposals for increasing expenditure on contractual services in conjunction with converting the existing staffing data base were noted, with the understanding that increased costs in the forthcoming biennium were to be reflected in ongoing cost reductions with regard to data processing in budget proposals for future biennia.

#### Secretariat of the Information Systems Coordination Committee (ISCC)

24. The Committee had before it the proposed programme budget for 1998-1999 for the secretariat of the ISCC and noted that the proposals totalling \$1,452,900 were below the target level as recommended by CCAQ as well as the indicative amount set by the United Nations in January 1997. The Committee approved, on behalf of ACC, the proposed programme budget for 1998-1999 for the secretariat of ISCC. The Committee noted that provision was made for transfer to ICC of \$640,800 of ISCC resources, of which \$424,800 was under the General Temporary Assistance heading, for development of production systems. It reiterated its concern that ISCC not become committed to ongoing maintenance of production systems which were not within its terms of reference. Recalling the decision of the ACC that the jointly-financed secretariats should be co-located in Geneva, the Committee recommended that the proposal to move the ISCC secretariat on a temporary basis to New York be reconsidered.

#### International Computing Centre (ICC)

25. A Panel of members of CCAQ(FB) representing user organizations of the ICC met during the Committee's session to consider a proposed programme budget for 1998-1999 for the Centre amounting to 44,675,000 Swiss francs, compared to revised estimates for 1996-1997 of 38,384,000 Swiss francs.

26. The Panel had several concerns and requested further clarification on the following issues:

- The budget presentation is not uniform with budgets presented by other jointly-financed activities. While recognizing that the funding of ICC is based on cost-recovery for services rendered to participants and thus different from the funding of other jointly-financed activities, the Panel felt that there should be a more uniform presentation and suggested greater collaboration with the Programme Planning and Budget Division of the United Nations with regard to presentation and the assumptions to be used.
- The column headed "re-costing" appears to include resource growth as a result of the transfer of operations from New York. Further detail is necessary to show transparently what cost increases result from inflation and what from resource growth.
- The interface with ISCC is not clear in that transfers which are identified in the ISCC budget as General Temporary Assistance appear to be reflected in permanent posts in the ICC staffing table. Future presentations should provide more clarity.

27. Accordingly, the Panel, while approving the proposed budget in principle, requested that the above points be addressed before its next session in August 1997 when the budget could be further reviewed and approved.

28. The Panel also addressed the question of a proposed internal audit of ICC by WHO, the lead agency and agreed that ICC should not be excluded from internal audit arrangements. The Panel believes that the exact arrangements, including to whom the internal audit report should be addressed, should be decided by the Management Committee of ICC.

#### Cost-sharing arrangements

29. The Committee noted the indicative shares of the costs of jointly-financed activities as provided in ACC/1996/FB/R.27/Rev.1. and recalled that the share hitherto attributed to the United Nations would be apportioned between the United Nations and its subsidiary programmes in a manner to be determined between them. It further noted that the budgets of these bodies were administered by the United Nations on behalf of the system as a whole and that the costs advanced by the United Nations were recovered through a six-monthly billing procedure. Participants were informed that the United Nations had already invoiced organizations for their share of costs for the first six months of 1996 and that they would shortly be informed of their share of costs for the remainder of 1996.

#### Rates of exchange and inflation for Switzerland

30. The Committee noted, and endorsed on behalf of ACC, the conclusions reached at a meeting held in 1996 by organizations having their headquarters or major offices in Geneva to consider the rates of exchange and inflation to be assumed for Switzerland in 1997, 1998 and 1999 for proposed budgets for 1998-1999.

#### Budgeting methods

31. UNICEF and UNFPA briefed the Committee on the progress made by UNDP, UNICEF and UNFPA on the Harmonization of Budgets as approved by their Executive Boards. The Committee requested the three organizations to keep it informed on the implementation of their Budget Harmonization.

32. Separately, WHO suggested that consideration be given to the closer identification of administrative costs with the programmes they support in budget formulation and financial reporting. The Committee agreed that it will be useful to have further discussion, particularly on the methodology and terminology to be used for administrative and programme support. An informal discussion group of organizations with assessed budgets will be hosted by WHO, acting as lead agency. The Committee will revert to the subject at its next session, taking into account the preliminary discussions of the informal group.

## **Accounting and financial reporting**

### Accounting standards

33. The Committee considered the further development of accounting standards taking into account the status report made by the Secretary General to the General Assembly in 1996 and that the standards would be applied by organizations' External Auditors in their audit of the accounts for the financial period ending 31 December 1997. The Committee agreed to convene a Working Party to be chaired by UNESCO and accepted the kind invitation of UNESCO to host the meeting in Paris, June 23-25 1997. The Committee approved the terms of reference for the Working Party as set out in Annex III, and requested the secretariat to work with the host organization in preparation for the meeting.

34. The Chairman of the Technical Group of the Panel of External Auditors informed the Committee of the outcome of the December 1996 meetings of the Panel and of the Technical Group. The Associate Director/International of the UK National Audit Office assisted with the briefing. The Committee expressed its appreciation for the briefing. The following issues were raised:

- (i) disclosure of the valuation of liabilities arising from termination benefits;
- (ii) disclosure of non-expendable property in a more uniform way;
- (iii) the scope and nature of the cash flow statement;
- (iv) the need to establish clear accounting standards for the United Nations Joint Staff Pension Fund and for adequate pension disclosure by participating organizations;
- (v) the need for uniform application of the existing standards relating to the provision for the delay in collection of assessed contributions; and
- (vi) the disclosure and valuation of voluntary contributions-in-kind.

These issues will be taken into consideration by the Working Party on Accounting Standards.

### Audit opinions

35. The Committee reviewed a letter dated 15 January 1997 to the Secretary-General from the Chairman of the Panel of External Auditors of the United Nations, the Specialized Agencies and the International Atomic Energy Agency concerning a proposed new text for the additional terms of reference governing the external audit as incorporated in organizations' Financial Regulations. Several organizations indicated that they had not received the letter in sufficient time to consult adequately with their respective External Auditors before the session. It was agreed to revert to this subject at the eighty-seventh session and the secretariat was requested to prepare an interim reply, in consultation with the United Nations, to the Chairman of the Panel communicating this decision.

## **General financial systems**

### **Management Reforms and Productivity Improvement**

36. The Committee reviewed the outcome of the meeting of CCAQ as a Whole and decided to select specific thematic subjects for discussion at its next session as follows:

- the augmentation of income by way of cost recovery/fees for services provided;
- improvement to budgeting methods and further budget harmonization possibilities (see also para. 32 above);
- improved cash management. In this connection, ILO agreed to host an informal meeting of Treasurers of Geneva-based organizations (see also para.40 (d) below).

37. In line with its practice at recent sessions, the Committee continued its regular discussions on computer systems and information technology. The Head, Operations Section, Division of Budget and Finance of IAEA presented the newly developed ATLAS travel processing and information system which significantly reduces paper flows, improves the speed and control of travel processing and offers more timely and accurate management information. Participants were provided status reports on the development of such systems as IMIS and FAO's planned implementation of Oracle-based systems. ITU briefed the Committee on ITU's recent development of an Electronic Bookshop which offered potential productivity gains and provided 24 hour/day access to a large number of electronic publications. It was agreed that it was important that organizations undertaking systems development work keep in touch so that they can benefit from each other's thinking and experience. The Committee will maintain the subject of systems development as a regular agenda item for discussion at each session.

38. The secretary briefed the Committee on the status of the project to improve dissemination of information needed by the Committee. Documents for the current session were already available on a new CCAQ Web Site and could either be referred to directly on a personal computer screen or downloaded for printing and/or further distribution within organizations. The Committee agreed that further development of the Web site should be undertaken and a status report presented at the next session. Participants were encouraged to consider what additional information might be provided so that the web site could be used as a tool for effective exchange of key information between sessions.

## **Organizational questions**

### **Time and place of the next session**

39. The Committee recalled that its autumn session was normally held in North America and accepted the kind invitation of the United Nations to act as host in New York for the forthcoming eighty-seventh session. The Committee agreed that the meeting would best be held in the week of 25-29 August 1997.

Work programme of the secretariat

40. The Committee agreed that the work programme of its secretariat up to the next session would need to include the following items:

(a) Preparation for, and participation in, the Working Party on Accounting Standards, including updating of a note summarizing organizations' experience in applying the standards to the 1995 financial statements, and preparation of the Working Party's report for submission to the Committee's next session.

(b) Work on budgeting methods in conjunction with the informal working group to be hosted by WHO, as lead agency.

(c) Collection of data on organizations' experience with cost recovery and/or fees for services, and preparation of a note covering policy implications.

(d) Assistance with organization of an informal Geneva-based organization Treasurers' meeting, hosted by ILO, as lead agency, to be supplemented by consultations with other organizations as per (g) below.

(e) Coordination with interested organizations of a draft revision of procedures governing the establishment of United Nations Operational Rates of Exchange.

(f) Finalization of the 31 December 1996 report on Collection of Contributions and collection of data for the 30 June 1997 report.

(g) Investigation of organizations' experience with video-conferencing with a view to holding a pilot video-conference in conjunction with the informal Treasurers' meeting.

(h) Further development of the CCAQ Web Site including production of pages covering exchange of information amongst participants.

(i) Further refinement of information notes on Voting Rights and on Borrowing.

(j) Updating of the CCAQ Handbook to cover 1996 sessions and the first session in 1997.

(k) Preparation of documentation on any changes to organizations' Financial Regulations, for consideration at the next session.

**PART IIB - Other items discussed**

**Accounting and financial reporting**

Agency financial and audit reporting to UNDP

41. At its eighty-fourth session the Committee welcomed an initiative by UNESCO for a proposed simplification of reporting processes. Since then other organizations have considered

the matter and agreed that they, too, could adopt the proposed simplified processes. The new reporting processes would also apply to UNFPA. The Committee was informed that the Chairman was still waiting for a reply to his letter dated 1 October 1996 to the Secretary of the Panel of External Auditors on the subject. The secretariat was requested to follow up on the matter so that organizations should take necessary steps to put the revised reporting arrangements into effect in time for the preparation of financial statements for the period ending 31 December 1997.

## **Cash management**

### **Deposit and investment arrangements**

42. As is the Committee's practice at each session, participants held a private exchange of information on matters of current interest in relation to the safety of organizations' cash assets.

### **Borrowing by organizations**

43. The Committee reviewed information on the use of internal and/or external borrowing to meet cash flow problems and the extent to which such borrowing was permitted by their governing bodies or by financial rules and procedures. Clarification was provided on certain items and the secretariat was requested to undertake further work on this subject including consolidation of data in Table 11 (External borrowing facilities) of ACC/1995/FB/R.49 (Budgeting Methods).

### **Voting rights**

44. The Committee considered a note prepared by the secretariat summarizing replies to a questionnaire on this subject. It was agreed that the information provided was most useful but that further refinement of the presentation was needed, in particular with regard to calculation of period after which sanctions went into effect, and the distinction between a waiver of a sanction before it went into effect and restoration of rights after they had been lost. Clarification was provided on a number of points and the secretariat was requested to undertake further work on this subject, including consolidation of data in Table 5B (Penalty schemes) of ACC/1995/FB/R.49.

## **General financial systems**

### **Extrabudgetary activities**

45. The Committee was briefed on the outcome of discussions recently held in Brussels by organizations which had encountered problems of suspension of payments for activities financed by the European Commission. The Committee expressed its appreciation to Mr. David Woodward of the Panel of External Auditors who had assisted with the negotiations with regard to interpretation of the "audit access" clause in agreements signed by the Commission. The United Nations confirmed that a proposal had been made to the Commission for an indefinite extension of the agreement covering the audit clause and that it was expected that there would be a two-year extension. It was agreed that there had been a

satisfactory resolution to the recent disagreement and that organizations should pay special attention to keeping each other informed of any developments in this area.

46. There was an exchange of information about problems encountered when negotiating with certain donor governments, especially with regard to provisions insisting on audit access or requirements for copies of all transaction documents. It was agreed that with increasing levels of extra-budgetary financing there would be increasing problems of this kind and the subject should be kept as a standing item on the Committee's agenda. Organizations were requested to keep each other informed at the next session of the Committee and in between sessions to communicate important developments to the secretariat, which would act as a clearing house.

#### Internal controls

47. The Committee held a private discussion related to the detection and prevention of fraud, and to other internal control matters. While a free exchange of information on detection and prevention of fraud and presumptive fraud was confidential and not recorded, participants agreed that the following issues were of particular importance:

- top management commitment to the need for good internal controls and provision for sufficient resources to be dedicated to this area;
- recruitment and placement of qualified finance staff, and greater appreciation by approving and certifying officers of their role and responsibilities;
- training of key headquarters staff and heads of field offices, possibly with the assistance of a check list of areas which require special awareness and attention to control issues;
- the problems posed by increasing decentralization, including difficulties in small offices in ensuring proper segregation of duties;
- the security implications of the introduction of corporate credit cards, increased use of electronic means for transfers of financial information, and faxed payment instructions.

In connection with the last item, the Committee accepted with appreciation the offer of UNDP to set up a pilot scheme to develop additional safeguards to be used by organizations requesting other organizations to make payments on their behalf.

#### Support Costs

48. The Committee noted the summary of replies to a questionnaire on the treatment of support cost earnings. Participants were advised of the outcome of informal meetings organized by some of the smaller agencies to discuss the financial problems they were facing as a result of the changes to UNDP's support cost arrangements that came into effect in January 1997. These smaller agencies expressed concern about the new arrangements and about their role as technical agencies in the future. Some organizations recalled that these

changes had been made half way through a biennium and affected resource flows and budgets which had been based on the previous arrangements. They regretted that details of the new arrangements had been received at a very late date.

### **Other financial and budgetary questions**

#### Health insurance

49. The Committee considered the report produced by the secretariat and agreed that it provided useful information, particularly on cost trends in individual organizations. It decided that the next update of the report would be based on end 1997 data, to be submitted to the Committee at its autumn 1998 session. Further work was needed on the definition of costs, to ensure comparability of data, and information should be exchanged between organizations on the status of actuarial studies and any impact they might have on contribution levels.

#### Operational rates of exchange

50. The Committee considered proposals put forward by UNICEF and UNDP for revisions to procedures for establishing operational rates of exchange and discussed the policy implications of such changes. It was agreed that further consideration was necessary and the Committee would revert to this subject at its next session. The secretariat was requested to prepare, in consultation with interested organizations, a draft of revised procedures identifying, where appropriate, options/suggested changes.

#### Financial Regulations: review of amendments

51. The Committee was briefed on the changes to the financial regulations of UNDP and WHO.

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## ANNEX I

### Agenda adopted by the Committee on 10 February 1997

<u>Item</u>	<u>Document</u>
1. Adoption of the agenda	ACC/1996/FB/R.32/Rev.1
2. Programme and budget	
2.1 Budgetary pressures and current financial situation of organizations of the United Nations system	ACC/1997/FB/86/CRP.5
2.2 CCAQ(FB) consideration of 1998-1999 budgets of jointly-financed bodies	ACC/1997/FB/R.12
2.2.1 International Civil Service Commission (ICSC)	ACC/1997/FB/R.6
2.2.2 Joint Inspection Unit (JIU)	ACC/1997/FB/R.7 ACC/1997/FB/86/CRP.6 ACC/1997/FB/86/CRP.10
2.2.3 Secretariat of the Consultative Committee on Programme and Operational Questions (CCPOQ)	ACC/1997/FB/R.8
2.2.4 Secretariat of the Consultative Committee on Administrative Questions (CCAQ)	ACC/1997/FB/R.9
2.2.5 Information Systems Coordination Committee (ISCC)	ACC/1997/FB/R.10
2.2.6 International Computing Centre (ICC)	ACC/1997/FB/R.11 ACC/1997/FB/86/CRP.4
2.3 Cost-sharing arrangements	ACC/1996/FB/R.27/Rev.1 ACC/1996/FB/R.31
2.4 Budgeting methods	ACC/1997/FB/86/CRP.11
2.5 Rates of exchange and inflation in Switzerland	ACC/1996/FB/R.29
3. Accounting and financial reporting	
3.1 Accounting standards	ACC/1997/FB/R.2 ACC/1997/FB/86/CRP.8
3.2 Agency financial reporting to UNDP	-
3.3 Audit opinion	ACC/1997/FB/R.1

<b><u>Item</u></b>	<b><u>Document</u></b>
4. Payment of salaries and allowances*	-
5. Cash management	
5.1 Deposit and investment arrangements	-
5.2 Borrowing by organizations	ACC/1997/FB/R.4
5.3 Voting rights	ACC/1997/FB/R.5 ACC/1997/FB/86/CRP.2 ACC/1997/FB/86/CRP.3
6. General financial systems	
6.1 Extrabudgetary activities	-
6.2 Internal controls	-
6.3 Management reforms and Productivity improvement	ACC/1997/FB/86/CRP.7
6.4 Accountability	-
6.5 Computer systems and information technology	ACC/1997/FB/86/CRP.9
6.6 Support costs	ACC/1997/FB/R.13
7. Other financial and budgetary questions	
7.1 Health insurance	ACC/1997/FB/R.3 ACC/1997/FB/86/CRP.1
7.2 UN operational rates of exchange	ACC/1997/FB/R.14
7.3 Financial Regulations: review of amendments	ACC/1997/FB/R.15
7.4 Other questions	-
8. Organizational questions	
8.1 Time and place of the next session	-
8.2 Work programme of the secretariat	-
9. Adoption of the report of the session	ACC/1997/FB/86/CRP.12

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\* No agenda item but included in number of agenda reference to agenda of previous sessions.

## ANNEX II

### List of participants

**Chairman:** Mr. Abdelkhalek Tazi-Riffi  
**Vice-Chairman:** Mr. Abraham E. Espino  
**Secretary:** Mr. Peter Leslie

#### Representative of member organizations:

United Nations	Mr. Mark Gilpin Officer-in-charge, Financial Management Office and Chief, Contributions Service Department of Administration and Management
UNICEF	Ms. Ellen Yaffe Comptroller
UNDP	Mr. Walter Gore Treasurer Bureau for Finance and Administration
UNFPA	Ms. Imelda Henkin Director, Division for Finance, Personnel and Administration
WFP	Mr. Gary Eidet Director Finance and Information Systems Division
UNHCR	Mr. Wolfgang Milzow Treasurer
ILO	Mr. D. Colin McLean Director, Financial Services Department
FAO	Mr. Elmer S. Owens Director, Finance Division
UNESCO	Mr. Daniel Daly Comptroller
ICAO	Mr. John Maguire Acting Chief, Finance Branch

WHO	Mr. Edward Uhde Comptroller and Director Division of Budget and Finance
	Mr. Ajay Kakar Finance Officer
World Bank	Ms. Claire Morson Chief, Trust Funds Division
ITU	Mr. Abdelkhalek Tazi-Riffi Chief, Finance Department
WMO	Mr. Ah-Kim Lee Choon Accountant, Finance and Budget Division
IMO	Mr. Dayasiri Muthumala Head, Finance and Budget Section
WIPO	Mr. Philippe Favatier Director, Finance Division
IFAD	Mr. Getachew Engida Assistant Controller
UNIDO	Mr. Andrew Ingram Director, Financial Services
	Ms. Frances Boyle Treasurer
IAEA	Mr. Abraham E. Espino Director, Division of Budget and Finance
	Ms. Gertrud Leitner Head, Programme and Budget
	Mr. Nicolai Spartac Head, Control Section, Division of Budget and Finance
	Mr. Tony Phillips Head, Operations Section, Division of Budget and Finance
	Mr. Sam Ransbotham Senior Executive of Pointe Technology Inc.

IAEA  
(cont'd)                      Mr. Joseph Longton  
Head, Finance and Accounting Section  
Division of Finance and Budget

Mr. Heinz Rotte  
Head, General Accounting Unit  
Division of Budget and Finance

WTO                              Mr. Francis Saliba  
Chief of Finance

Other representatives:

Panel of External              Mr. David Woodward  
Auditors                          Chairman, Technical Group of the Panel of External Auditors

Mr. Jim Rickleton  
Associate Director/International, UK National Audit Office

CCAQ                              Peter Leslie  
Associate Secretary

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## ANNEX III

### 1997 Meeting of the CCAQ Working Party on Accounting Standards

#### TERMS OF REFERENCE

##### Objectives

The Working Party should prepare recommendations to be presented to CCAQ(FB) concerning:

(a) **revisions to the United Nations Accounting Standards** which are essential to clarify the preparation of financial statements for the current financial period and which would be based on:

- organizations' experience to date of applying the revised accounting standards to the financial statements and accounts, particularly the new formats and guidelines for financial statements;
- relevant views expressed by governing bodies and external auditors.

(b) **a mechanism for handling the development of the Standards over the coming years**, bearing in mind the methods used by other bodies for ensuring continuing work on accounting standards.

(c) **a list of subjects identified as meriting further study in the context of the recommended mechanism.**

##### Working arrangements

The Working Party should meet in Paris from 23 to 25 June 1997 with the objective of presenting its report to CCAQ(FB) at its 87th session.

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