

**Chief Executives Board
for Coordination**CEB/2016/HLCM/FB/9
15 September 201627th Meeting of the CEB Finance and Budget Network
23-24 June 2016, hosted by ITU, Geneva**CONCLUSIONS OF THE 27th MEETING
OF THE FINANCE AND BUDGET NETWORK****Table of Contents**

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Annex I List of participants

Introduction

1. The Finance and Budget Network (FBN) held its 27th session on 23rd and 24th June 2016 at ITU in Geneva. The meeting was co-chaired by Mr. Nick Jeffreys, Comptroller, WHO and Mr. Darshak Shah, Deputy Assistant Administrator and Chief Finance Officer, UNDP. The agenda is available in document CEB/2016/HLCM/FB/3/Rev3.
2. Mr Chaesub Lee, Director of ITU Telecommunication Standardization Bureau opened the meeting and welcomed participants to ITU.
3. All documents related to the session are available on the FBN website at <https://www.unsceb.org/content/june-2016>.

I. Survey on quantifying the costs of oversight in the UN system

Presenter: Mr. Subhash Gupta, Director, Division for Management Services, UNFPA
Documentation:

- ✓ *CEB/2016/HLCM/FB/5–Results of survey on quantifying the costs of oversight and accountability mechanisms in the UN system*
- ✓ *Costs of oversight – statistics file*

Background:

4. The High Level Committee for Management (HLCM) endorsed the Three Lines of Defense Model as the reference “Risk Management, Oversight and Accountability Model for common positioning in the UN System with Governing Bodies” in 2014. HLCM, at its 28th session in New York, further requested the FBN to “conduct an assessment of costs related to the oversight and accountability structures and mechanisms, for the entire UN system”.
5. In response to the HLCM request, UNFPA designed a template to capture such costs, which was then converted into a survey that was distributed to all UN organizations. The results of the survey, which was developed by the working group co-led by UNFPA and the CEB Secretariat, and consisting of WIPO, ILO, WFP and UNICEF, have been jointly analysed by UNFPA and the CEB Secretariat. A preliminary analysis of the survey results was distributed to the FB Network in May 2016 to enable a peer-review and provide the opportunity for the adjustment of some survey responses as required, prior to the preparation of a final analysis.

Discussion:

6. UNFPA introduced the results of the survey and walked through the analysis. FBN members thanked UNFPA for the work in leading this exercise, noting that the analysis contained in *CEB/2016/HLCM/FB/5* was a good starting point and that additional discussion would be required to develop a final report for HLCM. There was discussion as to the significant use of assumptions in completing the survey, as well as the expected outcome of the analysis, noting that the exercise had been very challenging. FBN members discussed the format and content of a planned report to HLCM, and different parameters to be considered to ensure a clear and consistent message from the Network. It was proposed by some members that the HLCM report should include aggregate data, without a breakdown by

individual organization and its purpose should be to educate stakeholders as to the costs of servicing oversight requests. It was also agreed that a strong narrative needs to be added to the HLCM report which also includes caveats as to what should and should not be interpreted from the data, and to also note that due to the inherent differences across UN organizations it is not possible to have a one size fits all approach. The analysis should emphasize that costs of oversight are not just external and need to highlight that organizations are spending very significant amounts of time on first and second lines of defense.

7. When discussing outliers in the data, FBN members noted that consideration should be given to how much of that is a function of size of the organization and whether there is a minimum level of oversight functions that need to exist, regardless of size of the organization. With regards to the variances in the results, it was noted that effort needs to be taken to assess what degree of the variance is due to different business models across UN organizations and what degree is due to differences in the methodologies used for collecting the data. Differences in business models would include differences between organizations with a decentralized approach and those with a more centralized approach. It was also proposed to add some additional analysis based on number of staff in each organization and to consider other differentiating factors that will help readers understand the differences between all organizations.

8. It was recalled that the initial HLCM discussions in this area focused on the fact that the UN system continues to invest in oversight through better IT systems, more robust procedures, policies and controls, yet governing bodies are requesting an increased focus on external audit. The objective was to strengthen the position of organizations vis-à-vis their governing bodies and the increasing burden of oversight by providing assurance to auditors and Member States that they can rely on each organization's existing controls, procedures and oversight mechanisms.

9. It was proposed that key to supporting this message would be the inclusion of some measure of results to illustrate that an increase in the level of resources dedicated to oversight and accountability functions has resulted in improved internal controls and audit results over time. The FBN agreed to explore the feasibility of defining and compiling indicators for the purpose of showing the correlation between level of resources dedicated to oversight and accountability functions and the audit results.

Conclusions and follow-up actions:

10. The FBN agreed that a more detailed review of the data across organizations is required to examine the methodologies used and assumptions applied to ensure consistency in approach wherever possible, particularly for the 1st and 2nd lines of defense. To this end it was agreed that organizations would meet in July by location in Geneva, Vienna, New York and Rome to discuss the methodologies and assumptions used in order to identify any possible inconsistencies in the approach taken by organizations, and to provide the opportunity for review and potential adjustment of survey submissions prior to preparation of the final report which will be presented to the 32nd session of HLCM in October 2016.

11. The meetings in each location will be facilitated by UNFPA who will attend via VTC, together with the CEB Secretariat. OSCE agreed to assist with development of a draft set of Key Performance Indicators to link audit results to the level of resources dedicated to oversight for consideration by the FBN.

12. The FBN also encouraged those organizations who had not yet submitted the survey to do so by 11 July.

II. Common treasury services – Banking harmonization project progress report

Presenter: Mr. Nick Jeffreys, Comptroller WHO

Documentation:

- ✓ *Presentation from the Co-Chair of the Working Group on Common Treasury Services*

Background:

13. The Global Banking Harmonization Project was launched as part of the Harmonization of Business Practices in the UN System, to adopt a standardized, coordinated approach to the procurement and administration of global banking services and relations.

14. An important step towards the harmonization of United Nations banking services in Africa was taken in May 2016 with the signing of the Master Banking Agreement between the UN Secretariat, UNDP and UNICEF and Ecobank Transnational Incorporated, a pan-African banking conglomerate with banking and treasury operations in 36 African countries. The agreement with Ecobank will enhance the effectiveness and efficiency of UN organizations' operations on the African continent and covers 24 African countries. This is a further important milestone for the work on the banking harmonization, and is an example of how the UN system organizations can work together toward common agreements for the core services that underpin UN work in countries.

15. The Ecobank Master Banking Agreement is the second of a number of global banking agreements to be signed by the United Nations under the Bank Harmonization Project. The first was signed by the UN earlier this year with the London-based Standard Chartered Banking Group, covering banking and treasury operations in 28 countries. The remainder of the banking agreements with the United Nations' other major banking partners are expected to be concluded by the end of 2016.

Discussion:

16. The Co-Chair of the Working Group on Common Treasury Services (WGCTS) provided an update on the work carried out under the banking harmonization project, including an overview of the global and national RFPs and the next steps proposed for the project. It was noted the factors that had enabled the success of the project included adequate funding, motivation at the corporate and individual agency level, and a strong technical team in the UN Treasury with good field banking experience.

17. The achievements of the project to date include the establishment of common UN contracts (including UN legal terms and conditions), reductions in overall banking charges that have been negotiated on a UN system-wide basis, reduction of operational risks, and significant savings in local effort required for selection, documentation and monitoring of banking contracts. It was noted that Global Master Banking Agreements with two key global banks have been finalized and are available to all UN Agencies, covering UN Privileges and Immunities and standardizing pricing, and that 18 RFPs have been completed leading to more secure, efficient and cost-effective banking services. The Co-Chair of the WGCTS noted that

there had been wide participation by Agencies and Country Offices in the RFP process and systematic improvement in service levels by leveraging the latest banking technology available.

18. It was also noted that the UN has entered into International Swaps and Derivatives Association (ISDA) Master Agreements with Barclays, Citibank and Standard Chartered Bank, recalling that in the past it has been challenging to get banks to accept the UN's Privileges and Immunities, and that these master agreements with these key banks are extremely important. The executed ISDA Master Agreement has been shared with other UN entities and is available for any UN Common System Agency.

19. With regards to sustainability of the work of the project, the WGCTS Co-Chair noted that the funding for the project will expire by the end of 2016, and proposed to extend the project for an additional year with some modest additional financing through cost sharing among FBN member organizations to ensure that the benefits of coordinated RFPs for banking services and Master Banking agreements can continue, and to enable the development of a toolkit for country offices to use when developing RFPs in the future. Many FBN members expressed strong support for the banking harmonization project and agreed to find a mechanism for funding the extension of the project for 2017.

20. In terms of follow up action for the WGCTS, the FBN discussed the need to demonstrate that there have been significant cost savings generated by this project and to attempt to quantify the level of savings, which clearly exceed the initial estimated savings of USD 1-2 million per year. There was also a request for the WGCTS to examine and report on lessons learned from the first set of RFPs, particularly in circumstances when certain agencies have not used a bank, to ascertain if it was because the needs of those agencies were not taken into account when the RFP was done, or if it was due to other factors. A suggestion was also raised for the WGCTS to explore the possibility of establishing a central credit risk analysis for banking counterparties.

Conclusions and follow-up actions:

21. The FBN took note of the update and agreed to extend the Banking Harmonization Project through shared funding until the end of 2017 to ensure the benefits of coordinated RFPs for Banking Services and Master Banking Agreements can continue, with the goal of mainstreaming the work of the project team after 2017. The WGCTS will develop a business case for sustainability and continuation of the project including a proposal for the budgetary requirements until the end of 2017.

22. The WGCTS will also report back to the FBN with more concrete information on savings achieved by the project.

III. New and revised audit standards

Presenter: Mr. Mr. Steven Townley, Mr. KS Subramanian and Mr. John Thorpe, Panel of External Auditors Technical Group

Documentation:

- ✓ *International Standard on Auditing (ISA) 700 (Revised)*
- ✓ *International Standard on Auditing (ISA) 701 (New)*
- ✓ *Presentation from Panel of External Auditors Technical Group*

Background:

23. At its 26th meeting in February 2016, the Finance and Budget Network discussed the new and revised Auditor Reporting standards (International Standards on Auditing) which will be effective for audits of financial statements for periods ending on or after December 2016, in view of any potential implications for the financial reporting of United Nations system organizations. It was agreed that the FB Network should consult with the Technical Group of the Panel of External Auditors (TG) in this regard.

Discussion:

24. The TG representatives provided a background on the changes in the auditing arena over the years and gave an overview of the new ISA 701 and the revisions that have been introduced to ISA 700, noting that the opinion for 2016 financial statements will be in conformity with ISA 700 and 701.

25. The TG representatives noted that the impetus to change the format of audit reports followed some reviews of what the audit opinion means, and what the value of the audit opinion is. The intention of the changes introduced to the ISAs is to enhance the value of the audit report, provide users with more relevant information and provide greater transparency around the audit.

26. With regards to the expected impact of the revised ISA 700, which covers forming an opinion and reporting on financial statements, the TG does not necessarily see a major impact for UN organizations, although the audit report will look different and is likely to be slightly longer. The revised ISA 700 contains requirements for a new report layout and contents, however it was noted that most audit opinions already contain most of these key elements. In terms of expected benefits, the audit profession hopes this will lead to enhanced communication with users and increased attention where there are key audit matters.

27. With regards to the new ISA 701 which covers communicating key audit matters (KAM) in the independent auditor's report, it was noted that KAM is required for audits of listed entities but can also be adopted voluntarily by public sector entities or under paragraph A38 of ISA 700, the auditor could decide to communicate KAM in the auditor's report.

28. The TG representatives noted that a Working Group of the Panel of External Auditors on Revised/New Reporting Auditing Standards was established and the Group will submit a report to the next Panel meeting in November 2016. The Working Group has noted that the auditor approach will not really change, and that the changes are more related to communication. There are discussions being held on the applicability of ISA 701 to UN organizations, the circumstances in which ISA 701 provisions on Key Audit Matters may be invoked, and who constitutes "Those Charged with Governance".

29. FBN members noted that the UN organizations operate in a very different context than the private sector, and there was an open discussion on whether KAMs are necessary given that the auditors produce long form reports for most UN entities, and whether such disclosures would add value to stakeholders and users of the financial statements. Some FBN members also noted that there needs to be a review of the annex to the United Nations

Financial Regulations on additional terms of reference governing the audit of the United Nations in the context of the new and revised standards.

30. The issue of materiality was also discussed, noting that the interpretation of materiality and the level of transparency with regards to the threshold for materiality varies from auditor to auditor, and FBN members noted that it would be helpful to have a consistent understanding within the Board of External Auditors of the basis for calculating and establishing materiality. In general with regards to the new and revised audit standards, it was concluded that although some stakeholders may view that additional disclosure would increase transparency, additional reporting on top of the long form audit reports shared with Member States could also have the potential to cause confusion and/or introduce unnecessary repetition of issues which may be seen as detrimental to the overall process. It was also highlighted that discussion with auditors needs to be more harmonized so that there is a consistent approach across the UN system.

Conclusions and follow-up actions:

31. The FBN took note of the update and agreed that the Network should consider whether there is a need to review, and where appropriate, recommend updates to the Annex to the United Nations Financial Regulations¹ (Additional terms of reference governing the audit of the United Nations), to reflect the changes introduced by the new and revised audit standards. Any such changes to the Annex should be implemented before the first financial statements for the relevant UN system organizations² are audited according to the new and revised standards.

IV. Update from Task Force on Accounting Standards

Presenter: Mr. Chandramouli Ramanathan, Chair, Task Force on Accounting Standards (*Via videoconference*)

Documentation:

- ✓ *Presentation from Chair of the Task Force on Accounting Standards*

Background:

32. As of 2014 all UN system organizations have completed their implementation of IPSAS successfully and continue to receive unqualified audit opinions. The focus of the Task Force on Accounting Standards (TFAS) in the post-implementation period has now changed to sustaining IPSAS compliance, leveraging the benefits of IPSAS, enhancing the quality of IPSAS-compliant financial statements and other financial reports and identifying potential areas for harmonization of financial reporting policies and practices across the United Nations system.

33. At the 31st session of HLCM in March 2016, the Committee took note with appreciation of the IPSAS System-wide Progress Report for July-December 2015 and suggested that the FB Network review the mandate of the Task Force with a view to considering additional financial reporting requirements.

¹ ST/SGB/2013/4

² Those organizations for whom the Annex is applicable and/or relevant

Discussions:

34. The Chair of the TFAS provided an update of the work of the Task Force including the review of Control, Joint Control and Significant Influence arrangements; the treatment of JFA accrued liabilities; common terminology for financial statements; Useful Economic Life and threshold for impairment of PPE; ASHI accounting and valuation methodologies; and ongoing involvement with the IPSAS Board.

35. The Chair of the Task Force also noted that HLCM at its 31st session had requested the Finance and Budget Network to review the mandate of the TFAS to consider additional financial reporting requirements, and the question of whether the Task Force should continue. The Chair and Vice Chair took this opportunity to review whether the Task Force should be repurposed, and came to the conclusion that the work of the TFAS needs to continue, although there may not be a need for full time dedicated resources for all activities³. However it was noted that continuity and dedication is required for attendance of meetings of the IPSAS Board in order to follow the thread of discussions. It was also concluded that there is a continuing need for regular face to face meetings of the Task Force, although efforts will be made to reduce the frequency of meetings and organizations will be encouraged to reduce the number of staff attending TFAS meetings in an effort to minimize travel costs.

36. The FBN expressed appreciation for the work of the TFAS and support for the continuation of the work of the Task Force with a dedicated resource, particularly with regards to following IPSAS Board developments, changes to Standards, and management of accounting diversity to improve comparability and consistency of financial reporting policies and practices across the UN system. However it was agreed that revised terms of reference for the future work of the TFAS should be developed, including adjusting priorities for areas such as inconsistencies in interpretation of accounting standards by external auditors. It was also noted that the FB Network would like to see substantive results from the TFAS, particularly in the area of accounting for jointly financed activities.

Conclusions and follow-up actions:

37. FBN members took note of the update, agreed to maintain the TFAS, but requested the Chair of the Task Force to provide revised terms of reference to refine the scope and focus of work based on the IPSAS post-implementation phase, and keeping in mind that UN organizations have invested in IPSAS resources and should also be leveraging internal capacity. The revised terms of reference will be presented to the next meeting of the TFAS in October 2016. Beyond 2017, new arrangements may be need to be considered to ensure the financial sustainability of the TFAS.

38. It was also agreed that interaction at the IPSAS Board should be strengthened at the level of CFOs in order to achieve greater support for influencing change in the standards, and that the FB Network should be given adequate notice via the TFAS about IPSAS Board meetings to enable the Network to arrange representation at the appropriate level. It was also decided that the level of detail and frequency of reporting back from the TFAS to the FB Network in future will be increased.

³ Reference to the decision of the FBN at its 24th session to endorse the revised Terms of Reference of the UN system wide IPSAS project proposal for 2016-2017 with the understanding that the FBN would undertake a further assessment of the UN system needs for IPSAS related support in the course of 2016 (CEB/2015/HLCM/FB/1)

V. Update on the review by UN agencies of PAGODA2

Presenter: Mr. Pierre Harzé, Deputy Director, UNDP Representation Office in Brussels

Documentation:

- ✓ *Presentation from Deputy Director, UNDP Representation Office in Brussels*

Background:

39. The European Commission (EC) has developed a new PAGODA2 template which came into force in June 2016. UN system entities were given the opportunity to comment on the draft version of the template in March and again in June. The updated templates comprise certain improvements in several areas, including to Article 17 (audit clause), that are not seen as a perfect solution, however are workable.

Discussions:

40. Mr Harzé presented an overview of the recent developments, noting that the new contractual setting of PAGODA 1 had represented a paradigm shift in the approach of the implementing agents from one type of contract per type of partner to one type of contract for all. He noted that negotiations have been ongoing for almost one year with many meetings between the UN system and the EC in efforts to improve PAGODA. Mr Harzé recalled the letter from the UN Controller dated 31 December 2014 explaining the main challenges related to PAGODA 1. Some of these challenges included pressure to diminish further the 7% rate for recovery of indirect costs and new elements that were not compatible with UN terminology or with the way that the UN is operating. One area of particular concern for the UN system has been Article 17 of the General Conditions regarding verification, noting that the original wording of PAGODA provided the EU with access to every document linked to the implementation of its funds.

41. Mr Harzé noted that the turning point in the negotiations was the FAFA working group in September 2015 where the EU acknowledged that there was a problem with PAGODA, and a three step approach was proposed. The first step was to immediately improve the PAGODA 1 Manual. The second step took place mid-2015 to introduce a new PAGODA, PAGODA 2, to make it more implementable. The third step was that the EU decided to revisit its own financial regulations, with a goal of introducing new financial regulations with a new approach by 2018.

42. Mr. Harzé noted that PAGODA 2 has been in place since 16 June 2016 and that the provisions are simpler and the text is shorter than the previous version. He also noted that pressure on the 7% recovery rate for indirect costs has decreased significantly.

43. Mr Harzé noted that the EC decided that the default option for the UN in the future will be the Delegation Agreement, which in his view is a better environment for UN organizations and provides more flexibility compared to the Grant Agreement. All implementing partners of the UN will be treated by the EC as grant beneficiaries of the organization which is a simplification of the old PAGODA requirements, and means a lesser level of scrutiny.

44. In terms of other positive improvements, it was noted that there will be a possibility for payments to be done in the “currency of the agreement” and may be in EUR or the

accounting currency of the organization. In addition, in PAGO DA 1, headquarters costs were not part of eligibility by any means. This notion is eliminated in PAGO DA 2, as there are no longer 'localization' criterion for eligible costs and project office costs can be in any location. It was also noted that there have also been improvements to Article 17 that are not a perfect solution, but are workable.

45. In terms of next steps, Mr. Harzé noted that comments on the new PAGO DA 2 templates will be provided by UN organizations by end of July and consolidated and submitted officially to the EC. Secondly, the Task Force on verification will be starting in July to revisit the verification process. Thirdly, the next FAFA working group will take place in October 14. Finally, there will be UN engagement with the EC in discussions on the Revision to EU financial regulations.

46. The UN Controller as the formal focal point for the UN system on FAFA related matters also provided an update on her discussions with the EC's Directorate-General for International Cooperation and Development (DG DEVCO) and Directorate-General for Budget (DG Budget). It was noted that a breakthrough milestone occurred when the UN was invited to a public hearing as the only non-EU participant and the EC referred to the UN as a mature partner. The Controller noted that there are still challenges with PAGO DA, particularly related to Article 17, but that the UN has made positive in-roads in the dialogue with the EC. The Controller also noted that the refugee crisis in Europe has made the EU recognise what a valuable partner the UN can be.

47. FBN members congratulated Ms Tucci Bartsiotas and Mr Harzé on the progress achieved in the negotiations with the EC, noting that the EC is a very important partner for the UN. It was noted that the UN still needs clarification on what the EC agreements allow as direct costs, and that the FBN looks forward to the further discussions on making improvements to the verification requirements.

48. Finally, it was also noted that while there is PAGO DA for DEVCO and the other DGs working with Development Assistance, the EU Humanitarian Aid and Civil Protection (ECHO) still follows the Indirect Management Delegation Agreement (IMDA), however for the first time there have been joint discussions between ECHO and DEVCO, reflecting a certain level of desire for harmonization.

Conclusions and follow-up actions:

49. FBN members took note of the update, and agreed to keep the PAGO DA discussions under review.

VI. Best practices and system-wide actions while engaging with implementing partners and while providing grants to external parties

Presenter: Ms Linda Ryan, Controller and Director, Division of Financial and Administrative Management, UNHCR and Mr. Pedro Guazo, Director, Accounts Division, UN Secretariat
(*via videoconference*)

Documentation:

- ✓ *CEB/2016/HLCM/FB/4– Background note on fraud with implementing partners*

- ✓ *JIU/REP/2016/4 Fraud prevention, detection and response in United Nations System organizations*
- ✓ *JIU/REP/2013/4 Review of the management of implementing partners in United Nations System organizations*
- ✓ *Presentations from the UN Secretariat and UNHCR*

Background:

50. Following the detection of differences in the way that UN agencies treat implementing partners with respect to management of fraud risks, a request was submitted by the United Nations USG for Humanitarian Affairs and Emergency Relief Coordinator to the HLCM and UNDG Chairs in 2014 to explore the possibility of developing a common policy framework for risk management and information sharing with regards to implementing partners across the UN system.

51. At its October 2014 session, HLCM discussed the need to harmonize system-wide approaches to fraud cases of implementing partners, and requested the establishment of a task force to:

- a. Develop definition of use – when an NGO is considered a vendor, and when it should be considered as an implementing partner;
- b. Assess the feasibility of adapting the UN Global Marketplace as a platform to track fraud cases related to implementing partners;
- c. Explore alternative means of information sharing;
- d. Assess opportunities and limitations to expand areas currently covered by HACT assessments, and explore applicability of HACT risk management tools/instruments to vendors and implementing partners;
- e. Assess the value and feasibility of adapting procedures from the Vendor Eligibility Framework, as appropriate, for implementing partners; and,
- f. Propose common approaches to mitigating risks.

52. Concurrently, HLCM started a process of consultation with the Procurement Network and with UN-RIAS, to define the most appropriate sequence of actions in response to the Committee's mandate at its fall 2014 session. The Procurement Network indicated that the UNGM could offer a useful platform to deal with frauds and sanctions in relation to implementing partners. Nevertheless, there are fundamental policy issues and differences amongst the UN organizations on how they deal with such service providers, particularly with respect to their assimilation to counterparts in a procurement process (same as per vendors) or, instead to dealing with them with contractual arrangements in a programmatic process. In light of this, HLCM considered that the issue of "definitions" with respect to implementing partners would have to be addressed in advance of evaluating the possible tools to deal with actual cases.

53. A single agreed definition of what constitutes fraud, as well as cases of suspected or presumptive fraud, would represent a solid basis for the development, by each organization of the UN system, of coherent, compatible and effective counter-fraud policies. HLCM will therefore work with the UN Secretariat and other CEB member organizations to identify a single agreed definition, to be referred to as guidance by individual organizations in the development of their counter-fraud policies. An HLCM cross-functional task force will also be established to develop definitions for vendor, implementing partner and grant recipient.

54. Two relevant reports from the Joint Inspection Unit (JIU) that touch on anti-fraud measures when engaging with implementing partners are JIU/REP/2013/4 which contains a review of the management of implementing partners in United Nations System organizations, and JIU/REP/2016/4 which covers fraud prevention, detection and response in United Nations System organizations.

55. There have also been discussions on an anti-fraud framework in the context of the General Assembly's consideration of the Secretary General's report A/70/668 on the accountability system in the United Nations Secretariat. The Advisory Committee on Administrative and Budgetary Questions, in paragraph 10 of its report (A/70/770) of 9 October 2015, as endorsed by the General Assembly in resolution 70/238 of 23 December 2015, reiterated its view "that a single agreed definition, across the United Nations system, of what constitutes fraud, as well as cases of suspected or presumptive fraud, is essential in order to develop effective counter-fraud policies to ensure compatibility and comparability of related data across entities and to improve overall transparency", and reiterated its opinion that "the United Nations Chief Executives Board for Coordination (CEB) would be best placed to develop such guidance so as to achieve consistent application across all organizations of the United Nations system".

Discussions:

56. The UN Secretariat provided a background on the issue, recalling the recent JIU report on fraud, and the HLCM discussions regarding the extremely different treatment across agencies and the need to harmonize system wide approaches to fraud risk when engaging with implementing partners. It was also highlighted that external and internal auditors are increasingly noting the need for a clear definition for fraud and presumptive fraud and looking into how UN organizations treat fraud and presumptive fraud while engaging with these external parties. It was suggested that the FBN has an opportunity to work collaboratively through a working group to improve accountability and internal controls when engaging with implementing partners and to leverage existing best practices of some leading UN entities to come up with a robust UN system wide approach.

57. UNHCR presented an overview of its practices while engaging with implementing partners, noting that it has invested considerable resources in the last five years to building internal control systems, taking best practices from HACT where appropriate, and has adopted a risk based approach to auditing partnerships. UNHCR has registered more than 600 NGOs through its Partner Portal and has established a set of pre-qualifying criteria for partners. In terms of the way forward, UNHCR discussed a need for UN organizations to have greater transparency on partnerships and better information sharing within the UN family with regards to engagements with implementing partners. UNHCR supports the establishment of a working group to share and promote common internal control parameters and to create a menu of best practice principles and common criteria for selection and retention of implementing partners.

58. FBN members recognized a need for stronger assurance with regards to implementing partners and the need to start by first looking at definitions not only of fraud but also of different concepts such as vendor, implementing partner and recipient of grants. FBN members also noted that UN organizations have different business models and that one single approach will not fit all. There was some discussion on existing definitions of fraud such as those developed by International Financial Institutions and the FBN noted that the

harmonized definition of fraud should take into account the difference between fraud committed by staff and fraud committed by implementing partners and responsible parties. FBN members also discussed the issue of recovery of money which is very problematic for some agencies.

59. The FBN discussions also referred to the recommendations from ACABQ and the General Assembly related to an anti-fraud framework, including the view that a single agreed definition across the United Nations system of what constitutes fraud, as well as cases of suspected or presumptive fraud, is essential in order to develop effective counter-fraud policies to ensure compatibility and comparability of related data across entities and to improve overall transparency. It was noted that in follow up to the General Assembly's request to take action with respect to definitions of fraud and presumptive fraud, HLCM will convene a group of all interested stakeholders to work on definitions, in consultation with UNRIAS. It was recommended that FBN members reach out to their HLCM representatives to ensure that FBN representation is included as part of this HLCM group. It was also noted that the Procurement Network has confirmed its availability to make use of the UN Global Marketplace as an information sharing platform for managing implementing partners.

60. It was recalled that quite advanced work on fraud risk has been done by the HACT advisory committee and that the new working group, once established, should consult with the HACT advisory committee to benefit from work already done and to ascertain what can be leveraged, enhanced or further expanded to benefit from the knowledge that lies within the HACT group.

61. The FBN also discussed risk, noting that often times the difficult environments UN organizations operate in leave no choice other than to work with a partner. Discussion covered the need to evaluate such risks rapidly and to identify best practices in that regard.

Conclusions and follow-up actions:

62. FBN members agreed that the Network should be represented on the HLCM cross-functional task force that will be established to develop definitions for fraud, presumptive fraud, vendor, implementing partner and grant recipient.

63. FBN members also supported the proposal to establish a working group once the work on the definitions is completed by the HLCM cross-functional taskforce, noting that the terms of reference for the group should focus on agreeing on a set of common principles and guidelines that should inform an internal control system applicable to implementing partners and recipients of grants. The Director of the UN Accounts Division and the Controller for UNHCR agreed to work on the proposed terms of reference for the working group which will be circulated to the FBN for approval.

VII. Management and funding of the After Service Health Insurance (ASHI) liability

Presenter: Mr. Pedro Guazo, Director, Accounts Division, UN Secretariat (*via videoconference*)

Documentation:

- ✓ *Managing after-service health insurance liabilities, Report of the Secretary-General (A/70/590);*
- ✓ *A/70/7/Add.42 Managing after service-health insurance liabilities – Report of the Advisory Committee on Administrative and Budgetary Questions*
- ✓ *CEB/2016/HLCM/12 – Note by the Finance and Budget Network on the outcome of the General Assembly’s deliberations on the report of the Secretary-General on managing after-service health insurance liabilities*

Background:

64. In March 2016, the Advisory Committee on Administrative and Budgetary Questions (ACABQ) considered the report of the Secretary-General on managing after-service health insurance liabilities (A/70/590) and the General Assembly endorsed the conclusions and recommendations of the ACABQ, including a request to the Secretary-General to maintain the Working Group in order to study further options for increasing efficiency and containing costs. In most respects, the conclusions and recommendations of the General Assembly were aligned with the recommendations contained in the report of the Secretary-General, confirming that the recommendations of the Working Group were pertinent and valuable.

Discussion:

65. The Chair of the ASHI Working Group provided a brief update on the status of the activities of the Working Group, noting that the Group is working towards submitting a report to the resumed 71st session of the General Assembly with a deadline of November 2016. A survey was sent to all agencies on May 30th to collect the 2015 data for the UN ASHI plans, with a submission deadline by June 17th.

66. The survey to be sent to Member States to collect information on their National Health Plans and the potential eligibility for Active Staff, Retirees and the dependents will be sent in July to Member States in New York.

67. The Chair also informed the FB Network that a consultant to support the work of the Working Group will be recruited from July 2016 to March 2017, fully funded by the UN Secretariat.

68. FBN members took note of the update and noted that with regards to the survey to Member States on their national health insurance plans, it would be important to have a mechanism to assess whether those national health insurance plans are appropriate and of a sufficient quality to match the existing standard of after-service health insurance plans. It was noted that although national healthcare plans would act as the primary insurer, and that retirees would still have the option to use private health care providers in cases where the national plan is inadequate, caution should be taken as to whether retirees would then be burdened with needing to justify their decision to use a private provider.

69. It was also noted that at least two FBN organizations had received requests from Member States to come up with their own list of measures that could be implemented for containing ASHI costs in short term, noting that this has the potential to undermine the results of the Working Group, and it was suggested that the Working Group needs to present a united front on behalf of all agencies.

Conclusions and follow-up actions:

70. The FBN members took note of the update and agreed that any follow up questions on the work of the ASHI Working Group should be directed in writing to the Chair of the Group with a copy to the CEB Secretariat.

VIII. Governance of jointly financed security costs

Presenter: Mr. Peter Drennan, Under Secretary-General, UN Department of Safety and Security and Mr. Darshak Shah, Co-Chair, FB Network

Documentation:

- ✓ *CEB/2016/HLCM/FB/6 Proposal from the Working Group on governance of jointly financed security costs*

Background:

71. The FB Network established a Working Group to lead a consultative process on the governance and processes related to the development and approval of the jointly financed security (JFA) budget. The Group was led by UNDP and also comprised representatives from the UN Secretariat (DSS and the Programme Planning and Budget Division), FAO, UNFPA, UNICEF, UNIDO, UNHCR, WFP, WHO, the Inter-Agency Security Management Network (IASMN) and the CEB Secretariat. The Group presented a policy paper to the FB Network for consideration, outlining the proposed role of the FB Network in reviewing and approving the security budget, particularly vis-à-vis the role of the IASMN, and including a proposed timetable for budget preparation, review and approval. The paper also proposed templates to be utilised by DSS when submitting its budget proposal to IASMN and the FB Network, in order to facilitate review of the budget proposal.

Discussions:

72. The USG for DSS provided an overview of the current security environment and the discussions that had recently taken place with IASMN and within the UN Secretariat on the jointly financed (JFA) security budget. In his presentation he emphasized that as the USG for DSS, he has responsibility and accountability for safety and security of UN staff and with that accountability he needs to have the ability to deliver with adequate, flexible resources.

73. The USG DSS noted that the global security environment is more complex, dynamic and challenging than any previous time and that the UN is facing a greater threat today from an international security sense than ever before, as well as operating in more dangerous locations than ever before.

74. With regards to the DSS budget proposal for 2018-2019, the USG DSS noted that there will be a change from two subprogrammes to three to better reflect the strategies and objectives, as well as the programmes and services that the Department of Safety and Security delivers. He also advised that DSS had presented a preliminary proposal to IASMN for an 8.3% increase for the biennium 2018-2019. The USG DSS noted that the numbers of UN staff in the field served by UNDSS has increased by 3.3% according to the latest published CEB headcount of field staff⁴. USG Drennan also noted that the United Nations Secretariat Policy Committee has supported and endorsed a recommendation to find a way for adequate, responsive and sustainable funding for the Department of Safety and Security.

⁴ CEB/2015/HLCM/HR/20

75. With regards to the role of IASMN in setting priorities, the USG DSS noted that the accountability for safety and security rests with him, and that that responsibility cannot be delegated to a committee. In response, FBN members recognized that the USG is ultimately accountable for safety and security of staff, together with the senior management of each UN organization, but also agreed that IASMN supports HLCM with a comprehensive review of security policies, as well as priorities for resource allocation, for the entire United Nations security management system.

76. FBN members expressed massive appreciation for the work of DSS, and noted that the role of the FBN is to improve the JFA budget presentation and review process to provide more transparency on how the JFA budget is costed and formulated, more certainty on the level of the resources, and evidence of a prioritisation process to demonstrate efficiency to stakeholders. FBN members emphasized that they are mandated to report to their own stakeholders and that if there is an increase proposed in the budget then it needs to be more transparent on where the increase in resources would be used to help justify to stakeholders why there is a need to dedicate more resources to security.

77. The Chair of the Working Group on governance of jointly financed security costs introduced the draft policy paper (*CEB/2016/HLCM/FB/6*), and FBN members agreed that the document is a great step forward and approved the policy pending incorporation of the comments received during the meeting and the definition of a budget ceiling or range. These suggestions for revision included a clarification on the dates in the table in paragraph 16, and more detail to be added to the paragraphs regarding mechanisms for dealing with revisions to the approved budget, in order to make the revision process more explicit and clear. A suggestion for further discussion of the FBN was the consideration for the establishment of an “emergency fund” mechanism. With reference to the concept of a budget ceiling for the JFA security budget as proposed in the policy paper, the USG DSS recognised that agencies need predictability for budgeting security costs and noted that biennial recosting and headcount figures have historically been relatively stable.

78. With regards to the proposed increase for the UNDSS budget in 2018-2019, a number of FBN members expressed concern that their organizations are facing budget constraints and pressure from governing bodies to deliver more with less resources through efficiency savings. In response the USG noted that DSS is keenly aware of budgetary constraints, but noted that from a security and safety point of view, if the UN is doing more work, it is not possible to provide less security. He recalled that the UN has adopted the managerial culture of “no programme without security, and no security without resources”. He suggested that security costs should be integrated as part of a programme delivery cost, noting that any lack of budget growth will mean either lesser activity or acceptance of higher risk.

79. FBN members reiterated that they are all accountable to their organizations and to Member States, and many organizations have mandates that impact the health and wellbeing of people and yet are still being requested to find innovative ways to deliver more with less.

80. With regards to the apportionment of security costs among organizations, a number of proposals were put forward for consideration of the Working Group, including the possibility of having CEB conduct the census of field staff on a more frequent basis, and the consideration of establishing a two-tiered model for cost sharing where there would be a minimum base level, and then a second tier for additional costs in certain areas which would be paid by certain organizations as applicable. Another suggestion was to consider using staff data compiled annually for IPSAS reporting purposes rather than performing a separate

census, however the feasibility of this would need to be examined as the data would need to capture a headcount of all personnel covered by the UN Security Management System, including not only staff but also consultants and individual contractors with contracts of three months or more.

Conclusions and follow-up actions:

81. The FBN members approved the proposed methodology outlined in *CEB/2016/HLCM/FB/6*, as amended with the revisions agreed in the discussions, noting that the process for the review and approval of any changes to the budgets was still to be finalized (including how to address cases where the budget revision would go beyond the ceiling agreed by the FBN), and pending the finalization of the budget templates in Annex III of the paper⁵. It was agreed that some members of the Working Group, representing both the FBN and IASMN should meet by October to discuss the issues raised by the USG DSS. The outcome of this meeting will be used to finalize the policy paper on the governance of jointly financed security costs.

IX. Cash distribution to beneficiaries and challenges associated with the OneCard system and donor reporting

Presenters: Ms. Linda Ryan, Controller and Director, Division of Financial and Administrative Management, UNHCR and Mr. Nicholas Nelson, Director Finance and Treasury Division, WFP

- ✓ *Presentation from UNHCR*
- ✓ *Presentation from WFP*

Background:

82. The HLCM cross-functional task force on the ERP interoperability study presented a number of recommendations in the area of Finance and Budget (*CEB/2016/HLCM/7*), mostly related to work to be carried out by the Working Group on Common Treasury Services (WGCTS). In the area of payments harmonization, the cross-functional task force recommended a review of the possibilities of coordinated cash delivery efforts during periods of natural, man-made or banking crises. It was also recommended that the WGCTS take up the issue of digital money and cash/voucher programmes so that convergence of practice can be achieved at the outset.

Discussion:

83. The Controller of UNHCR presented an overview of current cash based initiatives within UNHCR and the specific challenges being faced including with regards to the issue of segregating funds for donor reporting. In her presentation the UNHCR Controller referred to the ‘Grand Bargain’ that was launched at the World Humanitarian Summit, where donors have committed to provide more funding and less earmarking in exchange for, among others things, more financial transparency, increased efficiency and increases in cash based programming to optimize flexibility in meeting the needs of beneficiaries. It was noted that UNHCR and WFP are working closely together in the area of cash distribution.

⁵ It was agreed that the budget templates previously approved in *CEB/2011/HLCM/FB/4* would be used, after taking into account adjustments to reflect the new expenditure categories introduced by Umoja.

84. The presentation provided an overview of the OneCard which is a pre-paid smart card that beneficiaries use to make purchases or withdraw cash at ATMs, noting that these cards provide the beneficiary with the dignity to decide how best to spend the funds. The benefits of a OneCard system include that the beneficiary has total cash available on a single card with only one PIN and does not have to manage different amounts from different sources, and also that the service provider or bank processes grants from many agencies or implementing partners in a single streamlined system. UNHCR is trying to achieve full traceability of funds going in and coming out and to apply a principle of no comingling of funds so that undisbursed funds can be returned directly to the organization. The challenge if there is comingling is to agree on refund methodologies to return unspent funds to the correct organization. Two suggested methodologies are First-In-First-Out (FIFO), or pro-rate. UNHCR noted that agreement is needed among participating organizations about how far to go with traceability for reporting back to donors on the purpose for which the funds were spent; the file structure of data sent to and reported from banks or service providers; and a single agreed formula for calculating the refund of unused balances to agencies and ultimately to donors.

85. It was noted that donors are pushing for increased cash programming and quick implementation and timelines, however UN organizations need to ensure that the right internal control framework is in place to prevent fraud or misuse. Other challenges that need to be managed include finding service providers who can deliver a holistic, efficient solution; agencies with different ERPs requesting different data load files; and dealing with cards and PIN administration.

86. WFP presented an overview of its approach to cash distribution for beneficiaries, noting that cash based transfers have been steadily growing both in size and proportionality of WFP's overall programme. It was emphasized that the 'Grand Bargain', the World Bank Inter-Agency Standing Committee and the UN effort to "Deliver as one" are all advocating for greater use of cash in a more coordinated way. WFP has started a coordinated cash approach at the country level through the multipurpose card which allows beneficiaries to receive assistance in one device. In addition to the country level, WFP is also looking at solutions to streamline cash assistance at the regional and global level. WFP's regional solution to cash assistance includes Long-Term Agreements with financial providers that have a regional outreach including Airtel, Vodafone and Net1. WFP is also developing a beneficiary global payment solution with a global network of financial service providers.

87. The presentation outlined the benefits of the multipurpose card for beneficiaries (single card with entitlements from various agencies, freedom of choice and reduced need to travel to distribution sites), donors (increased efficiency and mitigation of beneficiary fraud and duplication) and partners (detailed reporting and reduced costs). WFP's role as platform administrator for the multipurpose card includes RFP and contract management, issuance of cards and support and operations.

88. FBN members took note with appreciation of the cash based initiatives from both UNHCR and WFP. Additional clarification was sought in a number of areas including fee structures, and the differences between the two card systems. It was noted that in some circumstances there are places where WFP has operations and UNHCR does not, and vice versa. It was also noted that although WFP and UNHCR have different card systems, they also coordinate and bid together in certain circumstances.

89. The issue of challenges associated with paying cash to meeting participants in headquarters and field locations was raised, with a suggestion that there should be efforts to harmonize the payment of DSA to meeting participants. Similarly the issue of mobile money was raised and the question of whether UN organizations should be harmonizing in this area. FBN members proposed that the WGCTS explore the possibility of rationalizing the various instruments utilized for mobile and electronic payments to beneficiaries, and to also look at banking arrangements and lend knowledge and expertise of back-end systems.

Conclusions and follow-up actions:

90. FBN members agreed to incorporate a work stream on cash payments into the Working Group on Common Treasury Services to map the various instruments utilized for mobile and electronic payments to beneficiaries as well as meeting participants, including where and by whom they are used, with a view to achieving further harmonization of cash payments. A two track approach was agreed for the country level and headquarters locations. For the country level track it was agreed to look at mapping the cash solutions used in four or five pilot countries to be proposed by UNHCR and WFP.

X. UNFCU restricted savings accounts for national staff

Presenter: Mr. Darshak Shah, Co-Chair, FB Network

Documentation:

- ✓ *Presentation “UNFCU restricted savings account for national staff”.*

Background:

91. At the 26th meeting of the Finance and Budget Network in February 2016, UNDP presented an overview of the current UNDP Financial Rule regarding disbursements to local national staff. Financial Rule 125.06 (c) states that “All local disbursements of a country office must be paid in local currency to the extent possible, fully utilizing non-convertible balances held prior to utilization of convertible local currency balances held. Use of convertible currency in lieu of non-convertible currency for local disbursement may be exceptionally approved by the Administrator when local conditions dictate”. UNDP’s interpretation of rule 125.06 has been that UNFCU is expected to manage these accounts as ‘restricted’ so that UNDP’s national staff are paid in the currency of their duty station without direct access to US Dollars. However it has been noted that there are currently varying practices at the country level with the use of restricted savings accounts. In some cases UNFCU has allowed local staff to have unrestricted accounts, which has led to confusion and inequity among staff, particularly in duty stations in Iran, Eritrea, Algeria and Venezuela.

92. FBN members undertook a survey in the first quarter of 2016 on the current practices of each organization, with a view of working towards a consistent and harmonized approach in the treatment of UNFCU savings accounts for national staff.

Discussion:

93. UNDP provided a background on the interpretation of Financial Rule 125.06, noting that UN agencies have been taking different approaches and highlighting the need for a consistent and harmonized approach towards staff. An overview of the results of the survey

to analyze practices of UN agencies regarding administered national staff's UNFCU accounts for payroll deductions and payments was also provided.

94. UNDP recalled the three options for a harmonized approach that had been discussed at the 26th session of the Finance and Budget Network in February 2016, and provided an overview of the legal recommendation issued for each option by UNDP's Legal Office.

95. The first option is in line with UNDP's current interpretation, which is to allow deposits to restricted savings accounts but not withdrawals through UN agencies in non-local currency. The Legal opinion on this option noted no objections and that this option is consistent with UNDP's Financial Regulations and Rules (FRRs) and foreign exchange controls.

96. The second option allows deposits to unrestricted savings accounts but not withdrawals through UN agencies in non-local currency. The legal opinion on this option noted no objections and that this option is consistent with UNDP's FRRs and foreign exchange controls. Under this option, UNDP would be compliant with national laws on foreign exchange control, as it would not be involved in the withdrawal of non-local currency in the country. Staff will have to ensure their compliance with applicable foreign exchange controls.

97. The third option allows deposits to unrestricted savings accounts and withdrawals through UN agencies in non-local currency. The legal opinion on this option noted objections due to non-compliance with UNDP's FRRs and risk on foreign exchange controls. By allowing withdrawals through UN agencies in non-local currency, this might contravene any national laws on foreign exchange control, depending on the type of controls imposed by the government, which range from banning the use of foreign currency within the country to banning locals from possessing foreign currency.

98. During the discussions, the majority of FBN members expressed support for option 2, as it provides some degree of flexibility to the staff members while protecting the UN organization from contravening any foreign exchange controls that may be in place in some countries. However it was agreed that there needs to be flexibility for organizations to apply the option they deem most appropriate for their organization, as some organizations would prefer option 1, whereas others indicated that they would like to take a more in depth review of the options before deciding on a change in approach.

Conclusions and follow-up actions:

99. The FB Network recommended a harmonized approach based on option two, which would allow staff to deposit their payroll to UNFCU unrestricted savings accounts but not to withdraw through UN agencies. Further, it was agreed that it is up to each agency to implement the recommended approach as they deem appropriate. Option two was recommended as organizations do not wish to take the risk of being seen to facilitate any circumvention of foreign exchange controls in a country, while at the same time want to maintain a service for staff to elect to remit their salary into a UNFCU unrestricted savings account. The FB Network agreed to keep under regular review any salary payment arrangements in hard currency in countries where currencies can be volatile or have parallel foreign exchange rates.

XI. Financing for development: UN Pooled financing mechanisms

Presenters: Dr. Yannick Glemarec, ASG Deputy Executive Director Policy and Programme, UN Women; and Ms. Henriette Keijzers, Deputy Executive Coordinator, Multi-Partner Trust Fund Office (*Via Videoconference*)

Documentation:

- ✓ *The role of UN pooled financing mechanisms to deliver the 2030 sustainable development agenda (UNDG/ Multi-Partner Trust Fund Office)*
- ✓ *Presentation from Deputy Executive Coordinator, Multi-Partner Trust Fund Office*

Background:

100. At its first regular session for 2016, the CEB considered a UNDG paper on the role of UN pooled financing mechanisms to deliver the 2030 sustainable development agenda and requested that UNDG along with the Finance and Budget Network continue to look at identifying pooled funding mechanisms and their financing modalities and bring them for consideration to the CEB members.

Discussions:

101. Dr Glemarec introduced the UNDG paper on the role of UN pooled financing mechanisms to deliver the 2030 sustainable development agenda, providing an overview of the rapid evolution of the UN pooled financing mechanisms which are expected to play an increasingly strategic role in financing the new 2030 agenda for sustainable development. Dr Glemarec noted that there is a lot of interest in CEB on how the UN can be fit for purpose and funded for purpose, and that a well-designed pooled financing mechanism can enhance coordination, break the silos between humanitarian and development activities and help in supporting long term integrated effort for the development agenda. The need for ensuring quality in fund design, implementation and reporting was emphasized

102. Ms Keijzers provided insight from the perspective of the Multi Partner Trust Fund Office (MPTFO) on the potential areas where the FB Network could contribute to the improved use of pooled financing mechanisms. One area is the timely financial closure of UN agency projects to avoid reputational risk and to enable prompt return of unspent balances to donors which can then be contributed to other projects. Some statistics on the number of certified final financial statements pending were highlighted, and it was noted that all agencies should submit final project financial statements for projects funded through UN pooled funds on time and without issues.

103. Another area where it was suggested that the FB Network can contribute to improved use of pooled financing mechanisms is improvement in the financial data available on pooled funding. Reference was made to some progress that is already underway in this regard by the 2016 ad hoc team on UN pooled fund data, and from the revisions to the templates used for collection of 2015 CEB financial statistics that capture more specific data on pooled funding. A third suggested area was further efforts to harmonise definitions, noting that different interpretations of UN system wide definitions pose problems for analysis of system wide data on financing and for correct mapping of agency expenditures to harmonized budget categories for EU-financed pooled funds. The MPTFO suggested it would be helpful for the FBN to compile an overview of the cross-walk between account codes of individual UN entities and the 2012 harmonised expense categories.

104. FBN members raised a number of issues including the challenges of private sector partnership and exploring ways to create an environment conducive for private sector funding. With regards to the concept of the UN managing pooled financing mechanisms with other non-UN partners, it would be important to look at the impact of moving accountability to external parties that may not have the same controls and financial regulations as the UN organizations have, and the issue of how to provide assurance to donors that funds being channeled through the UN will be adequately managed.

105. There was also a question raised regarding reporting, and whether the MPTFO is considering moving towards results based reporting rather than cost based. In response it was noted that MPTFO reporting on pooled funds is limited to the accounting systems being used by UN organizations, noting that while all UN accounts systems are still using expense categories it would be hard to do a more results based reporting. It was emphasized that a key issue would be harmonizing categories and consolidating results. It was suggested that the FBN look at the future of donor reporting in future sessions of the FB Network.

Conclusions and follow-up actions:

106. FBN members took note of the update and requested Dr Glemarec, together with the Multi Partner Trust Fund Office, to develop a brief summary of the key areas where the FB Network could assist with improving implementation of and reporting on pooled financing mechanisms and submit to the FB Network for review and potential further action.

XII. IATI and CEB financial reporting

Presenter: Mr. Thomas Asare, Comptroller & Director, Division of Financial and Administrative Management, UNICEF, joined by Mr Timothy Takona, Chief, Performance Management and Accountability, and Ms Johanna Clark, Chief, Accounts from UNICEF New York (*via videoconference*)

Documentation:

- ✓ *CEB/2016/HLCM/FB/7 –Background note on UN system organizations currently publishing IATI data*
- ✓ *Presentation from UNICEF*

Background:

107. Approximately one third of organizations annually reporting financial data to the CEB have joined the International Aid Transparency Initiative (IATI) and are publishing data to IATI in varying degrees. The Finance and Budget Network has discussed in previous sessions the need to explore the potential for leveraging the IATI standard to allow for more efficient and enhanced reporting of the CEB data.

108. In this regard, the FBN was asked to consider establishing a working group to examine the work required to make some components of the CEB financial reporting IATI compliant by 2017, and to assess the potential benefits.

Discussions:

109. The Network received a presentation from UNICEF on actual experiences with publishing to IATI, including lessons learned in the process of establishing monthly IATI

reporting. It was noted that there is a strong collaboration between the performance management team and the accounts team for IATI reporting. The benefits of transparency for UNICEF were mentioned including improvement in the quality of information in internal systems, enhanced visibility among key stakeholders, and an eventual reduction of UNICEF's donor reporting burden including reduction in duplication of reporting.

110. The presentation also covered mapping of financial data to IATI and the potential areas where the CEB reporting could be aligned with IATI reporting. It was noted that UNICEF plans to publish some information through both IATI and CEB such as expenses by country, expenses by activity (although a wider range of activities are included under IATI) and revenue in total and by donor. Some potential benefits of aligned CEB and IATI submissions were noted including increased consistency between financial statements, IATI and CEB; avoiding duplication of effort for different data sets including UNDG data sets; CEB can read directly from the IATI database; and meeting donor expectations and introducing traceability of funding. It was also noted that harmonized donor codes across UN organizations would bring significant benefits with regard to automation of reporting.

111. In terms of the cons of aligned CEB and IATI submissions, this would include the number of XML format files that would be required, as IATI requires one per country. In addition, a substantial amount of work would be required in consultation with the IATI secretariat including introduction by IATI of new cost types; acceptance by IATI of an alignment of scope; the need for agreement on interpretation of IATI definitions including possible alignment with IPSAS; and the need for a CEB reporting platform.

112. It was also noted that UNICEF is one of the six organizations overseeing IATI's governance and is sitting on the IATI Board representing multilaterals, as well as sitting on a UNDG Transparency task team, and would therefore be well placed to assist the FB Network with proposing changes to the IATI standard and moving forward with this issue.

113. FBN members took note with appreciation of the presentation, finding the discussion relevant as the UN positions itself for reporting on SDGs and to address the demands from donors for regular and transparent reporting. It was noted that a number of issues would need to be addressed, including the apparent cash-based focus of IATI as compared to the financial reporting by UN organizations on an accrual basis, and the potential burden of reporting on a monthly basis to IATI when some IPSAS adjustments are only performed at year-end. It was also noted that not all FBN organizations have joined or plan to join IATI at the present time.

Conclusions and follow-up actions:

114. FBN members decided not to establish a working group at this time, and instead agreed that the CEB Secretariat should move forward with the work by consulting with FBN organizations to identify the potential components of the CEB financial reporting that could be aligned with the IATI standard and the action that would be required by the FB Network, and to report back to future sessions of the FB Network.

XIII. Any other business

- a) **Written update from Working Group on UN-SWAP Gender Marker implementation (CEB/2016/HLCM/FB/8) - *for information only***

115. To facilitate sharing of the Working Group documents with all FBN members, it was agreed that the FB Network part of the CEB website will host the Working Group documents.

b) Update on the implementation of the revised compensation package for international staff and on the current ICSC review of the compensation package for local staff and National Professional Officers - *for information only*

116. The FBN was advised that a written update will be provided by Mr. Michael Rosetz, Senior Inter-Agency advisor on Human Resources, CEB Secretariat after the conclusion of the HR Network meeting which took place at the end of June 2016.

c) Date and venue of the the 28th and 29th meetings of the Finance and Budget Network

117. FBN members agreed that the 28th session would be held via VTC in November 2016 and that the 29th session would be held in North America on 27-28 June 2017. FBN members proposed having the meeting at PAHO in Washington D.C if PAHO is available to host, and if not then the meeting will be hosted by the UN Secretariat in New York.

Annex I – List of participants

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