

REPORT OF THE SEVENTY-NINTH SESSION OF THE  
CONSULTATIVE COMMITTEE ON ADMINISTRATIVE QUESTIONS  
(FINANCIAL AND BUDGETARY QUESTIONS)

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Introduction

1. The Consultative Committee on Administrative Questions held its seventy-ninth session on financial and budgetary questions from 30 August to 3 September 1993 at the Headquarters of the International Civil Aviation Organization, in Montreal. Mr. A. Ahmad (ILO) was Chairman. The participants are listed in annex I.

Matters for the attention of the  
Administrative Committee on Coordination

2. The Committee wished to draw the attention of ACC to the following matters dealt with in this report:

- (a) Contributions by all participating organizations to the cost of jointly-financed secretariats (paras. 7-9);
- (b) Costs of ICSC and JIU (para. 11);
- (c) Observer status at sessions of ACC subsidiary bodies and funds made available over and above the approved budgets of jointly-financed activities (paras. 17-18);
- (d) Adoption and application of United Nations system accounting standards (paras. 34-35 and annex IV);
- (e) Independent audits requested by donors of extrabudgetary funds and management reviews requested by States - draft statement for adoption by ACC (paras. 38-39 and annex V).

Discussions and decisions of the Committee

Adoption of the agenda

3. The Committee adopted the agenda set out in annex II, which also indicates the documents submitted under the various items of the agenda.

Programme and budget: Jointly-financed activities

Proposed programme budgets for 1994-1995

General

4. The Committee resumed the examination which it had begun at its last session of proposed programme budgets for jointly-financed activities for 1994-1995. In this connection it had before it the Summary of Conclusions of the Ad Hoc Inter-Agency Consultation on Jointly-Financed Secretariats of ACC Standing Committees which had taken place on 6 July 1993. This document set out, in particular, considerations relating to possible common facilities for jointly-financed secretariats and the grading of their senior posts, as well as general issues concerning their budgets. The subject of possible common facilities was dealt with at greater length in a study prepared by the United Nations Office at Geneva, which was also before the Committee.

5. In view of the enhanced opportunities for cooperation and savings on certain administrative costs that would result from common or neighbouring premises for the secretariats of jointly-financed activities located in Geneva, the Committee found some merit in this idea at least as far as the secretariats of the two existing consultative committees were concerned. The importance for the work of these secretariats of day-to-day contacts with

the various organizations grouped around the United Nations Office at Geneva, and of proximity to its facilities and services, was such that every effort should be made to accommodate them at the Palais des Nations. The present arrangements might need to be maintained, as suggested in the study prepared by the United Nations Office at Geneva, until common or neighbouring premises could be provided at this site.

6. The Committee noted the agreement reached during the Consultation that the D-1 level was likely in most instances to be the appropriate grade for recruiting officials with a suitable profile and the required degree of expertise for the senior posts in jointly-financed secretariats of ACC standing committees. The Committee also noted the agreement, which coincided with its own position, that there should not be any overall increase in inter-organization budgets or staff and that economies should be actively sought where available, subject to possible reallocations of resources among the budgets.

7. In the course of the Consultation support had been expressed for the view that all participants in ACC standing committees, including the Bretton Woods institutions, should in principle contribute to the cost of jointly-financed secretariats. CCAQ(FB) had been invited to address this issue and to recommend ways in which it might best be pursued.

8. The Committee believed that contributions from these international financial institutions would be most appropriate in the case of the secretariat of CCPOQ, bearing in mind the pattern of participation in sessions of CCSQ(OPS). The Committee also noted that the IMF currently contributed to the costs of ACCIS and that the World Bank had done so for a certain time. The most convenient arrangement would no doubt be to provide for their contributions in a suitable manner in the applicable percentage apportionment of costs.

9. The Committee suggested that consideration be given to raising this matter with the financial institutions concerned at an appropriate level, in a letter signed by the Secretary-General of the United Nations in his capacity as Chairman of ACC, or by the Secretary of ACC.

10. One organization indicated that its declining resources would oblige it to reduce its contributions to jointly-financed activities by about 30 per cent. The other organizations represented in the Committee, many of which had maintained their contributions during periods of considerable financial difficulty, judged that such action on a unilateral basis would violate established agreements and obligations. The burden of this organization might, however, be substantially alleviated by changes in cost-sharing arrangements, the budget reductions already recommended for 1994-1995 and the further reductions now scheduled to be considered.

11. The same organization raised the question of the cost of ICSC and JIU, and pressed for further reductions. In this connection the Committee noted with regret that the reductions which it had recommended in the budget of ICSC had not been reflected in the proposed programme budget for 1994-1995 now being submitted to the General Assembly for adoption.

12. In concluding its general discussion of budgetary issues, and in the interests of economy, the Committee decided that in future it would not expect members of the secretariats of jointly-financed activities to be present at its sessions for the purpose of presenting programme budget proposals unless specifically requested to attend by the Chairman of CCAQ(FB). These secretariats might, however, wish to designate a representative from among the participants in the Committee's session.

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

13. The Committee then turned to programme budget proposals for the secretariat of CCPOQ, which called on the one hand for maintenance of the existing resource level of the secretariat of the former CCSQ(OPS) in real terms during the remainder of 1993, and on the other for an increased level of resources in 1994-1995 to take account of the extent of the responsibilities of the new Committee.

14. The Coordinator of CCPOQ recalled that this Committee had been the main focus of recent efforts to restructure the ACC machinery. It was a new inter-organization body, which had been established in the light of the need for major reforms in the operations of organizations of the system at the field level, and which was entrusted with responsibilities for coordination in the normative and analytical areas as well. Its competence extended to subjects formerly dealt with by inter-organization bodies now dissolved, and it would be expected to review the work of various organs that had previously reported direct to the Organizational Committee. To provide for the support services required under this mandate, a new P-4 post was requested for 1994-1995 for assistance to the Coordinator, whose post would be downgraded from D-2 to D-1. Increases under non-staff objects of expenditure had been kept to a minimum in relation to the resources in the programme budget of CCSQ(OPS) for 1992-1993, and it had been assumed that savings that could result from closer relations with the secretariat of CCAQ and a more central location would be realized.

15. The Committee recognized the importance of the mandate assigned to CCPOQ, while noting that an explicit programme for the activities that it would need to carry out remained to be formulated. After some discussion, during which consideration



was given to several different possibilities of providing adequate support services to CCPOQ for the time being, it was agreed that:

- (a) The real level of resources approved for the secretariat of CCSQ(OPS) should continue to be available to the secretariat of CCPOQ up to the end of 1993;
- (b) On a provisional basis, the same real level of resources should be made available to the secretariat of CCPOQ for 1994-1995, subject to transfer of the savings achieved through the downgrading of the post of Coordinator to the budget line for consultant services;
- (c) CCAQ(FB) would re-examine the question of the level of resources to be provided for 1994-1995 at its next session on the basis of a more explicit programme of work for CCPOQ and its secretariat, and taking account of any savings agreed in the budget provisions made for other jointly-financed activities.

The resulting resource levels for the secretariat of CCPOQ for 1992-1993 and 1994-1995, costed at the rates currently assumed, are shown by object of expenditure in annex III.

Secretariat of the Consultative Committee  
on Administrative Questions (CCAQ)

16. At its last session the Committee had agreed that provision made for travel on official business in the proposed programme budget of the CCAQ secretariat for 1994-1995 should be reduced by 10 per cent over all. Returning to the proposals in the light of the considerations in paragraph 6 above and the action that it had taken in respect of the secretariat of CCPOQ for 1994-

1995, the Committee agreed that further savings might now be achieved by downgrading the post of Secretary of CCAQ from D-2 to D-1 with effect from 1 January 1994. Subject to these two measures the Committee approved the proposed programme budget of the CCAQ secretariat for 1994-1995 on behalf of ACC.

17. In conjunction with this budget the Committee had before it a note by the secretariat providing information on income received or expected to be received in the framework of the CCAQ work programme. The note suggested that the Committee might wish to provide general guidance on the subject of funds made available to jointly-financed activities over and above their approved budget levels. For the CCAQ secretariat one type of such income would correspond to the contributions which CCAQ(PER) had decided to levy on the International Organization for Migration (IOM) and the Common Fund for Commodities (CFC) in respect of the financial consequences of their accession to observer status at its sessions. CCAQ(FB) believed that the granting of observer status at the sessions of ACC subsidiary bodies was a matter for decision by ACC. It also had serious reservations about levying charges on observers for participation in the sessions of such bodies.

18. Another type of income for the CCAQ secretariat was that which could result from charges for copies of a handbook. CCAQ(FB) did not believe that jointly-financed activities should engage in activities of a commercial nature. It did not object in principle to the acceptance of external funds for jointly-financed programme activities, but considered that any revenue other than contributions from member organizations should be reported to the inter-organization body concerned and to CCAQ(FB) through the budget-making process.

Secretariat of the Advisory Committee for the Coordination  
of the Information System (ACCIS)

19. The Committee noted that the Task Force established by ACC to study future arrangements for inter-organization information activities was scheduled to submit a report to the Organizational Committee in the near future as a basis for recommendations to be presented to ACC at its second regular session of 1993. The participants in the session were informed of the thrust of the Task Force's discussions.

20. Bearing in mind the potential impact of the decisions to be taken by ACC on the work of ACCIS, the Committee found that no final position could yet be taken on the proposed programme budget of the ACCIS secretariat for 1994-1995, which at the last session of CCAQ(FB) had been accepted subject to further review. The Committee accordingly agreed that it would need to return to this matter at its next session. In the meantime it requested the United Nations to take the administrative measures required to maintain the functioning of the ACCIS secretariat.

International Computing Centre (ICC)

21. In accordance with established practice, the budget estimates of ICC for 1994-1995 had been submitted for financial review by a Panel of members of CCAQ(FB) representing the Centre's user organizations. The estimates were presented on a biennial basis for the first time. The Introduction by the Director of the Centre pointed out that they had not yet been examined by the ICC Management Committee, which might wish to recommend additional resources. As they stood the estimates reflected a cost structure based on established services and contained no provision for new developments.

22. On the basis of the level of resources now budgeted, which resulted from requests for services put forward by participating organizations, the Panel had no objection to the proposals.

However, it expressed the desire to return at the Committee's next session to the question of the resources proposed if that level should change as a result of action in the Management Committee or of the decisions to be taken by ACC on inter-organization information activities.

23. Further to questions raised on the costing of the ICC budget estimates, WHO was requested, as the Centre's host organization, to assume responsibility for technical review of future proposals before their release. WHO agreed to do so.

#### ACC Subcommittee on Nutrition (SCN)

24. The Committee was informed that following initial examination at its last session of a proposed programme budget for the ACC Subcommittee on Nutrition for 1994-1995, the secretariat of the Subcommittee intended to contact its members towards the end of 1993 to obtain firm commitments for the basic contributions required. The results would be taken into account in a revised programme budget submission to be placed before CCAQ(FB) at its next session. Pending approval of a programme budget for 1994-1995 the Committee requested WHO to take the necessary administrative measures to ensure continuity in the SCN's activities.

#### Salary-survey activities

25. The Committee then turned to a proposed programme budget for inter-organization salary survey activities for 1994-1995. The total amount of \$241,500 was to be financed according to a special cost-sharing formula developed under the auspices of CCAQ(PER). The latter had recently expressed support for continuation of the inter-organization activities, subject to review of the cost-sharing formula at a later stage.

26. CCAQ(FB) had no objection to the proposed programme budget. It requested its secretariat to re-examine the cost-sharing formula with a view to submitting proposals for a new version at one of its later sessions. The new scale of contributions should provide separately, if appropriate, for separate contributions by UNDP and UNFPA and by FAO and WFP.

#### Cost-sharing arrangements

27. In connection with its consideration of programme budget proposals, the Committee took note of percentage apportionments of the costs of ICSC and the secretariats of CCAQ and ACCIS for 1992-1993. It also took note of a revised percentage apportionment of the costs of JIU for the same period.

28. Several members of the Committee expressed reservations about the data underlying the JIU apportionment, which was based on total expenditures from all sources of funds during the preceding biennium, as reported by the participating organizations. The Committee agreed that the data used should be consistent and verifiable, and with this in view requested its secretariat to develop draft reporting guidelines for future apportionments, for consideration at its next session. The question of United Nations peace-keeping expenditures would need to be addressed in this context.

29. The Chairman of CCPOQ had suggested that application of the cost-sharing formula developed for the secretariat of the former CCSQ(OPS) should be discontinued as from 1994-1995, given that the mandate of the new Committee extended to general programme activities as well as field programmes. The participants in the session examined the advantages and disadvantages of applying the JIU or the CCAQ formula instead, but reached no conclusion. One organization indicated that its support for the 1994-1995 programme budgets of the secretariats of CCPOQ and CCAQ depended

on the application to the former of a formula similar to the one used for JIU. The Committee decided to return to this matter as soon as an improved apportionment for JIU could be developed.

#### Cost of inter-organization security measures

30. The Committee took note of the expenditures incurred by the United Nations in relation to security measures during 1992, in a total amount of \$180,823, and of an apportionment of these costs according to the relevant inter-organization cost-sharing formula. The United Nations cautioned that security costs would be substantially higher in 1993. At the request of several members, it agreed to circulate information on the amounts involved at an early date.

#### Accounting and financial reporting

##### Accounting standards

31. The Committee had before it the report of the fourth meeting of its Working Party on Accounting Standards, which had taken place from 28 to 30 June 1993. A third revised draft of the United Nations system accounting standards which the Working Party had been established to develop was attached to the report. Also before the Committee were comments on the report and the revised draft standards which had been received from the Chairman of the Technical Group of the Panel of External Auditors. The Chairman of the Technical Group was present at the Committee's session, together with other representatives of the Panel, during the consideration of this item of the agenda.

32. On the understanding that the standards were intended to be a "living document" subject to continuing further development, the Working Party had indicated that the draft now submitted represented the conclusion of the work assigned to it. For

future reference it had nevertheless recorded several subjects identified during the course of its meetings that would call for further study at an appropriate later stage. The Chairman of the Panel's Technical Group indicated that during forthcoming audits the external auditors would also give attention to two of these subjects, currency transactions and voluntary contributions in kind, to assist in clarifying the issues.

33. The Committee expressed appreciation to the Working Party for the speed with which it had carried out its task and for the quality of the text that it had developed. The Chairman of the Technical Group also expressed satisfaction with the text, which the external auditors regarded as a sound set of accounting standards for the United Nations system. The Committee then reviewed the revised draft standards in detail and agreed to certain amendments, which were endorsed by the representatives of the Panel.

34. On behalf of ACC, the Committee approved the amended text, which appears in full in annex IV. It was understood that this text would be communicated to the General Assembly at its forty-eighth session, and thereafter to the governing bodies of other organizations according to their applicable procedures.

35. The General Assembly had requested in its decision 47/449, of 22 December 1992, that the completed standards should be taken into account in the preparation of the financial statements of the organizations of the system for the period ending 31 December 1993. The participants in the Committee's session confirmed that this would be done. As the Panel had already pointed out, however, the process of full adaptation of organizations' financial practice to the requirements of the standards was likely to extend over several years, given among other things that the amendment of financial regulations would be necessary in a number of cases. Further development of the standards could

begin after experience had been gained with their application during this transitional period.

36. Bearing in mind that the adoption of the standards would not in itself necessarily lead to greater uniformity in the presentation (as distinguished from the substance) of organizations' financial reports and statements, the Committee had decided at its last session to consider means by which its work on the harmonization of these documents might best be pursued as a complement to the standards. It now requested its secretariat to submit at its next session draft terms of reference for a Working Party on Financial Statements, open to participation by all members of CCAQ(FB), which would be entrusted with this work. The Working Party would hold its first meeting in mid-1994. As a part of the preparations for the meeting, the Committee further requested its secretariat to gather copies of organizations' financial reports and statements for 1992-1993 as soon as they could be made available, even in unaudited form.

37. At the close of its consideration of the Working Party's report, the Committee held a brief exchange of views on the question of disclosure in the financial statements of member organizations of the United Nations Joint Staff Pension Fund of their contingent liability, under article 26(a) of the Regulations of the Fund, for any actuarial deficiency. It was noted that this question was scheduled to be discussed in the near future at a meeting between representatives of the Committee of Actuaries of the Pension Board and members of the United Nations Board of Auditors. The Committee, which had been invited to participate, requested the United Nations to represent it at this meeting.

#### Audit questions



38. On the initiative of the United Nations, the Committee had before it a letter of 18 January 1993 from the Chairman of the Panel of External Auditors to the Secretary-General of the United Nations in his capacity as Chairman of ACC, and a reply of 12 April 1993, sent on behalf of the Secretary-General by the Under-Secretary-General for Administration and Management. This exchange of correspondence concerned two issues: independent audits requested by donors of extrabudgetary funds and management reviews requested by States. The Chairman of the Panel's Technical Group briefed the Committee on the thinking underlying the letter from the Chairman of the Panel.

39. After a short discussion, the Committee drew up the draft statement on these matters which appears in annex V, and which it proposes should be adopted by ACC by correspondence.

Payment of salaries and allowances

Currency of salary payments: Country-wide exceptions to the standard formula

40. In a report submitted to the Committee by the United Nations and UNDP it was proposed that, following a cost-of-living survey conducted by ICSC in November 1992, the local-currency portion of salaries and allowances of international staff stationed in Ethiopia should be increased to 30 per cent of their total emoluments with effect from 1 October 1993. The Committee accepted this proposal.

41. The Committee noted from the same report that the United Nations and UNDP, under the authority delegated to them, had reduced the proportion of salaries and allowances payable in local currency to international staff stationed in Yemen to 20 per cent of their total emoluments, as from 1 May 1993.

42. The Committee further noted from the report that according to a determination by UNDP, Venezuela could now be added to the list of developing countries whose currencies were regarded as fully convertible for the purpose of payments of salaries and allowances to international staff.

43. The above changes are reflected in the revised lists of country-wide exceptions to the standard formula for the currency of salary payments, and of developing countries' currencies regarded as fully convertible for such payments, which appear in annexes VI and VII respectively.

Income tax questions

44. The Committee took note of the text of a tax-reimbursement agreement recently concluded between UNIDO and the United States

Government. The participants in the session also held a general exchange of information on reimbursement arrangements for United States income tax paid by staff members of the organizations.

#### Cash management

##### Current financial situation of organizations of the system

45. In accordance with standing arrangements, the Committee reviewed the current financial position and outlook of organizations of the system. On this occasion it gave particular attention to the situation of the United Nations and of UNDP.

46. The United Nations reported that its current financial difficulties were the most serious in its history. At 25 August 1993 over \$845 million, or an amount equivalent to 79 per cent of the total contributions of some \$1,070 million payable under its regular budget for 1993, remained outstanding. Amounts due for peace-keeping activities came to over \$1,098 million; in 1993 assessments totalling \$1,710 million had been levied on Member States for such operations between February and 25 August. At the time of the Committee's meeting it appeared that all funds available for use by the Organization would be exhausted by mid-September 1993. The Secretary-General had personally brought the problem to the attention of the Fifth Committee, after having sent a letter warning of the gravity of the situation to the Governments of members of the Security Council, and having appealed to all Member States with outstanding contributions to fulfil their financial obligations. During the forthcoming session of the General Assembly Member States would share some of the consequences of the lack of cash resources, since a number of economy measures had had to be introduced in conference services.

47. UNDP informed the Committee that during 1993 it had been obliged to make a sharp downward revision in its income estimates. The decrease resulted from a reduction in the contributions of several donors and from the strengthening of the United States dollar vis-à-vis the currencies of other donors. UNDP field offices had been advised that programming planning should be carried out on the assumption that only 75 per cent of the established IPFs for the Fifth Programming Cycle would be available.

48. After hearing parallel reports on the financial situation of other organizations, the Committee held a round-table discussion of the situation in respect of the contributions of various countries of Eastern Europe. It also held an exchange of information on methods employed in making staff reductions.

#### Collection of contributions: Incentive and penalty schemes

49. The Committee reviewed the functioning of incentive and penalty schemes designed to speed up the payment of assessed contributions. This review again confirmed the effectiveness of penalty schemes, of which two were in operation. The effectiveness of the more numerous incentive schemes remained doubtful or difficult to determine, and the collection of contributions had deteriorated in the one case in which relatively favourable results had been reported during the Committee's last review. A new scheme in one organization, involving credits to Member States for payments by the end of the first quarter of the year, had had little impact on payment performance.

#### Deposit and investment arrangements

50. The participants in the session held a private exchange of information on matters of current interest in relation to the safety of the organizations' cash assets.

General financial systems

Extrabudgetary activities financed by the Commission of the European Community

51. The United Nations informed the Committee of the progress of the negotiations undertaken by it with the Commission of the European Communities to obtain satisfactory conditions for trust-fund activities financed by the Commission. These negotiations, which at the present stage were concerned essentially with arriving at mutually acceptable audit arrangements for such activities, had included among other things the dispatch of a letter from the Secretary-General to the President of the Commission.

52. Several other organizations also reported on their contacts with the Commission on this subject. Their reports were complemented by an exchange of information on the audit and procurement provisions in agreements proposed by the Commission or signed with it.

53. The Committee agreed that the current negotiations and contacts should be vigorously pursued.

Support costs

Cost study

54. The Committee was informed of the status of contractual arrangements with David M. Griffith and Associates, Ltd. for the further cost study to be undertaken in organizations subject to the new support-cost régime of UNDP. These organizations urged UNDP to proceed with the signature of the contract as soon as possible.



Ex post facto reporting

55. As agreed at the last session, UNDP provided the Committee with a revised proposal concerning the presentation of the ex post facto report to be submitted to its Governing Council in the spring of 1994. The proposal consisted essentially of two tables. The first was designed to show separately, by executing agency, delivery and support costs financed by UNDP, support costs financed by the agency, and the total. The TSS-1, TSS-2 and AOS costs financed by UNDP were also shown separately for agencies subject to the new support-cost régime. The second table was designed to show separately, by cluster of AOS costs and by agency, delivery, AOS costs financed by UNDP and by the agency, and the total.

56. In the first table, participants representing agencies subject to the new support-cost régime considered that TSS-1 costs, being a new facility at the programme level, should not be associated with project delivery or added to TSS-2 and AOS costs. They expressed a preference for avoiding separate agency figures in the second table. They requested UNDP to re-examine the proposed presentation bearing these observations in mind.

Trust funds

57. Further to its previous reports on this subject, FAO informed the Committee of its progress in developing new support-cost arrangements for activities financed by trust funds, and of the response that it proposed to give to questions raised in its governing bodies.

58. FAO it was continuing to approach this problem with the same work-measurement techniques and cost-accounting methodology used by other executing agencies of UNDP in the cost studies and calculations undertaken in the framework of the successor



support-cost régime. However, differences in costs incurred and services provided by different agencies made identical rates and rate structures impractical. It was thus particularly important for costing methodology to be consistently applied.

59. A major concern of several donors had been the complexity inherent in the accounting and charging arrangements required in the original approach. The approach now being taken eliminated complexity in the charging process by establishing a single percentage for the life of the project, while maintaining the principle that the project budget, and therefore the amount to be charged, would be based on the technical, administrative and operational services provided to the project.

60. FAO indicated that several other organizations were contemplating proceeding along similar lines and suggested that their plans should be shared so that they could be harmonized to the greatest possible extent.

#### Internal controls

61. The Committee held a private discussion of matters related to the detection and prevention of fraud.

#### Other financial and budgetary questions

##### Cost of headquarters premises

62. On the suggestion of ICAO, the participants exchanged information on the construction, purchase or rental arrangements made for their headquarters premises, and related costs.

Inter-organization charges

63. Several members of the Committee drew attention to the increasing number of charges received by their organizations for services provided by UNDP field offices. Such charges had created problems not only because of their growing volume, but also because prior approval for them had not always been obtained and their materiality and justification were sometimes doubtful.

64. UNDP recalled that by decision of the Governing Council, its administrative budget provided for substantial costs incurred for services provided by its field offices in support of the operational activities of the United Nations system. Owing to budget reductions, some UNDP field offices were no longer in a position to provide other services free of charge and sought to respond to reasonable requests for them at a reasonable charge. The applicable guidelines had been recirculated and reaffirmed by UNDP in UNDP/ADM/92/88, of 13 November 1992. In case of disagreements in particular cases, contact should be made in the first instance with the Resident Representative concerned.

65. The Committee agreed that its members should continue to monitor the situation in respect of these charges, to which it would return at a future session.

United Nations Integrated Management Information System (IMIS)

66. The United Nations informed the Committee of the status of development and implementation of IMIS, recalling that it had offered to make IMIS modules available to other organizations of the system free of charge, except for the cost of duplicating the relevant documentation. Subject to the workload of the staff concerned, demonstrations could also be arranged.

67. Several organizations commended the exemplary spirit of cooperation shown by the United Nations in this area.

Inter-organization data base

68. The Committee held a brief review of organizations' recent experience with the UNDICS facility, during which it was noted that the Chairman had, as requested at the last session, drawn the attention of the Chairman of ICSC to problems encountered with the files of rates of daily subsistence allowance and suggested possible remedies. The Committee agreed to monitor developments. The United Nations reminded the Committee that difficulties with the facility should be communicated to the UNDICS Coordinator, who was in the best position to ensure that they were effectively dealt with.

Organizational questions

CCAQ affairs

69. The Committee had before it an extract from the report of the last session of CCAQ(PER), in which the latter had among other things expressed a desire for increased cooperation between the two components of CCAQ, and had suggested that greater concordance in their work could be achieved by convening their sessions at the same time and in the same place. While understanding this position, CCAQ(FB) recalled that the venues of the sessions of the two components of the Committee were controlled by different factors. In these conditions concurrent meetings could not easily be arranged, although a special session or a joint working party could be considered if an important matter of mutual interest should arise. Consultations could also take place between the two Chairmen.

70. The Committee then turned to the selection of a new incumbent for the post of Associate Secretary of CCAQ (Secretary of CCAQ(FB)). It was planned that the successful applicant would take up his or her duties at the beginning of January 1994 and serve concurrently with the present Associate Secretary during a training period of three months' duration.

71. After some discussion, during which selection criteria were established and the qualifications of applicants measured against them, the Committee drew up a short list of four persons. It agreed that the shortlisted applicants should be interviewed in Geneva on Tuesday 5 October 1993 by a Selection Committee under the chairmanship of Mr. Edward Uhde (WHO). The Selection Committee, which would meet on the following day as well, would also need to evaluate the results of a written examination designed to test analytical and drafting ability, and to draw up a report containing its recommendations. These would be confidentially circulated to all voting members of CCAQ(FB) for majority approval. The outcome would be notified to the Secretary of ACC.

72. Organizations wishing to participate in the work of the Selection Committee were requested to transmit the name of their representative to Mr. Uhde as soon as possible after the close of the Committee's session.

#### Election of the Chairman and Vice-Chairman

73. The Committee elected Mr. Daniel Daly (UNESCO) as its Chairman for a two-year term of office starting from its first regular session of 1994. It elected Mr. Olivier Tayar (ICAO) as its Vice-Chairman for the same period.

#### Time and place of the next session

74. The Committee agreed that the eightieth session of CCAQ on financial and budgetary questions should take place from 28 February to 4 March 1994 in a European city. The exact location would be notified to the members through the CCAQ secretariat.

Work programme of the secretariat

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

- (a) Analyses connected with cost-sharing formulas for JIU and for salary-survey activities;
  - (b) Development of draft terms of reference for a Working Party on Financial Statements and collection of financial reports and statements as available;
  - (c) Work connected with the meeting of the Selection Committee referred to in paragraphs 71 and 72 above;
  - (d) Training of the successful applicant in the framework of preparations for the eightieth session of CCAQ(FB).
-

ANNEX I

List of participants

Chairman: Mr. Anees Ahmad

Secretary: Mr. Lawrence Samuelson

Representatives of member organizations:

United Nations Ms. Susan R. Mills  
Deputy Controller

UNRWA Mr. Hans Christian Cars  
Comptroller

UNHCR Mr. Wolfgang Milzow  
Treasurer

UNICEF  
Mr. Louis Bradley  
Acting Comptroller

UNDP  
Mr. Peter Leslie  
Director, Division of Finance

UNFPA  
Mr. Roberto Salom  
Chief, Finance Branch

WFP  
Mr. Desmond Saldanha  
Director, Finance and Computer Services Division

ITC  
Mr. Joseph Smadja  
Chief, Budget

ILO  
Mr. Anees Ahmad  
Treasurer and Financial Comptroller  
Assistant Director-General  
  
Mr. John D. Hunt  
Deputy Director, Financial and Central  
Administrative Services Department

FAO  
Mr. Elmer S. Owens

Director, Financial Services Division

Mr. D. Colin McLean  
Chief, Accounting and Financial Service  
Financial Services Division

UNESCO

Mr. Daniel Daly  
Comptroller

ICAO

Mr. Olivier Tayar  
Chief, Finance Branch

Mr. Boafo D. Asante  
Chief, Programme Budget Service

WHO

Mr. Edward Uhde  
Director, Division of Budget and Finance

Mr. Chand N. Kaul  
Chief, Finance

ITU

Mr. Abdekhalek Tazi-Riffi  
Chief, Finance Department

WMO

Mr. Mubarak Husain  
Chief, Finance and Budget

WIPO

Mr. Tony Keefer  
Controller and Director  
Budget and Finance Division

UNIDO

Mr. David H. Jenkins  
Director, Financial Services Division

IAEA

Ms. Gertrude Leitner  
Head, Budget Section  
Division of Budget and Finance

GATT

Mr. Jacques E. Chabert  
Director, Financial and General Services Division

Other representatives:



OAS

Mr. James B. McCeney  
Director, Department of Financial Services  
and Treasurer

CCPOQ

Mr. Derrick Deane  
Coordinator

CCAQ

Mr. Lawrence Samuelson  
Associate Secretary

Panel of External Mr. Clive Press  
Auditors

Director of External Audit, United Kingdom  
Chairman of the Technical Group of the Panel

Mr. Steven Ardron  
National Audit Office, United Kingdom

Mr. Jean-François Bernicot  
Conseiller référendaire, Cour des comptes,  
France

Mr. André Parsons  
Principal, Office of the Auditor General,  
Canada



ANNEX II

Agenda adopted by the Committee on 30 August 1993

Item

Document

- |   |   |
|---|---|
| 1. Adoption of the agenda   | ACC/1993/FB/25/Rev.1                            |
| 2. Programme and budget: Jointly-financed activities  |   |
| 2.1 Proposed programme budgets for 1994-1995  |   |
| - General   |   |
| ACC/1993/FB/R.26  |   |
| ACC/1993/FB/R.37  |   |
| - Secretariat of the Consultative Committee on Programmes and Operational Questions (CCPOQ) | ACC/1993/FB/R.35                                |
| - Secretariat of the Consultative Committee on Administrative Questions (CCAQ)              | ACC/1993/PER/R.7-FB/R.2<br>ACC/1993/FB/79/CRP.1 |
| - Secretariat of the Advisory Committee for the Coordination of Information Systems (ACCIS) | ACC/1993/FB/R.16                                |
| - International Computing Centre (ICC)  | ACC/1993/FB/R.39                                |
| - ACC Subcommittee on Nutrition (SCN)   | -   |
| - Salary-survey activities  | ACC/1993/FB/R.23                                |
| 2.2 Cost-sharing arrangements   | ACC/1993/FB/R.36                                |
| 2.3 Cost of inter-organization security measures  |   |
| ACC/1993/FB/R.34  |   |
| 3. Accounting and financial reporting   |   |
| 3.1 Accounting standards  | ACC/1993/FB/R.24                                |

ACC/1993/FB/R.28

ACC/1993/FB/R.29

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Document

- 3.2 Audit questions  
ACC/1993/FB/R.27
- 4. Payment of salaries and allowances
  - 4.1 Currency of salary payments: Country-wide exceptions to the standard formula ACC/1993/FB/R.38
  - 4.2 Income tax questions ACC/1993/FB/R.30
- 5. Cash management
  - 5.1 Current financial situation of organizations of the system  
-
  - 5.2 Collection of contributions: Incentive and penalty schemes ACC/1993/FB/R.33
  - 5.3 Deposit and investment arrangements -
- 6. General financial systems
  - 6.1 Extrabudgetary activities financed by the Commission of the European Community -
  - 6.2 Support costs  
ACC/1993/FB/R.31
    - Cost study  
-
    - Ex post facto reporting -
    - Trust funds  
-
  - 6.3 Internal controls -
- 7. Other financial and budgetary questions
  - 7.1 Cost of headquarters premises  
-

7.2	Inter-organization charges	-
7.3	United Nations Integrated Management Information System (IMIS)	-

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Document

- |     |  |                      |
|-----|--|----------------------|
| 7.4 | Inter-organization data base               | -                    |
| 8.  | Organizational questions                   |                      |
| 8.1 | CCAQ affairs<br>ACC/1993/FB/R.32           |                      |
| 8.2 | Election of the Chairman and Vice-Chairman | -                    |
| 8.3 | Time and place of the next session         | -                    |
| 8.4 | Work programme of the secretariat          | ACC/1993/FB/79/CRP.3 |
| 9.  | Adoption of the report of the session      | ACC/1993/FB/79/CRP.2 |
|     | ACC/1993/FB/79/CRP.3                       |                      |
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ANNEX III

Consultative Committee on Programme and Operational Questions

Programme budgets for 1992-1993 and 1994-1995

(thousands of United States dollars)

	<u>1992-1993</u> <u>(revised)</u>	<u>1994-1995</u> <u>(provisional)</u>
030 General temporary assistance	4.9	5.1
040 Consultants	18.2	52.4
070 Temporary posts	345.3 (D-2/G-6)	341.0 (D-1/G-6)
100 Common staff costs	114.0	108.2
113 Representation allowance	1.2	-
242 Official travel	71.4	75.2
430 Rental and maintenance of office equipment	-	6.4
440 Communications	16.9	17.6
460 Rental and maintenance of data processing equipment	3.2	1.2
500 Supplies	7.2	6.0
600 Data processing equipment	-	4.8
	————— 582.3	————— 617.9



ANNEX IV

United Nations system accounting standards

Note: This annex would consist of annex II to the fourth report of the CCAQ(FB) Working Party on Accounting Standards, with the amendments shown below.

Preface, second paragraph - Delete "as" in penultimate line.

Preface, third paragraph - In third and fourth lines, substitute "of each organization" for "of the organizations".

Preface, last paragraph - Amend last sentence to read "ACC has included a provision in the standards specifying that attention will be drawn to any such variations in the financial statements of the organizations concerned".

Foreword - Add new paragraph 3, reading "Where individual organizations find it necessary to depart from the practice set out in the standards they should disclose the reasons for doing so in the statement of significant accounting policies included in their financial statements."

General framework - Amend present paragraph 5 to read "Where an organization has activities which are of a commercial nature, it may be appropriate to apply international accounting standards (e.g. IAS 18, on income recognition), in which case that should be specified."

Currency questions - In present paragraph 26(iii), second line, insert "in effect at the reporting date" after "United Nations operational rate of exchange".

Assets and liabilities - In present paragraph 47, substitute "commitments for acquisition of land or buildings" for "current and future commitments for leaseholds of land or buildings".

Appendix - Amend "IAS 17" to read "IAS 16", and add "IAS 17 - Accounting for Leases".

ANNEX V

Independent audits and management reviews  
of activities of the United Nations system

Draft statement by the Administrative Committee  
on Coordination

1. On 18 January 1993, the Chairman of the Panel of External Auditors of the United Nations, the Specialized Agencies and the International Atomic Energy Agency addressed a letter to the Secretary-General of the United Nations, in his capacity as Chairman of the Administrative Committee on Coordination (ACC). The letter contained views put forward by the Panel at its thirty-fourth session, held on 23 and 24 November 1992, on two related issues: independent financial audits on behalf of donors of extrabudgetary funds to organizations of the United Nations system, and management reviews of the activities of organizations of the system on behalf of individual States. The Secretary-General has referred the letter to ACC for examination in view of the significance of these issues.

2. In the letter the Chairman of the Panel confirms its recognition that those who provide funds to organizations of the system have legitimate interests in seeking assurances about the funds and in expecting transparency in the organizations' presentation of financial information. He also confirms the Panel's position that in principle, providers of funds should be prepared to rely on the competence of the organizations and the normal internal and external audit arrangements.

3. The Chairman of the Panel draws attention to a number of undesirable features of independent audits of extrabudgetary funds. These include the difficulty of separating examinations of individual funds from the audit of accounts and control systems in general; the further difficulty of segregating

information on individual activities from confidential information on other activities; the misleading perception of the accounting system as a whole which may result from

examination of a single area; and the inefficiency of special audits in relation to the use of resources, especially where activities of a largely similar nature are concerned.

4. In connection with more wide-ranging management reviews of organizations' activities, the Chairman of the Panel cites the provisions governing external audit which are included in organizations' financial regulations. These provisions stipulate that the external auditors appointed by organizations' governing bodies are solely responsible for the conduct of audits, while also specifying that governing bodies may request the external auditors to carry out special reviews and report separately on the results. In the Panel's opinion, special reviews by other audit bodies have an impact on the authority and independence of the appointed external auditors. Where they are required, such reviews should be approved in advance by the governing body concerned.

5. In the closing paragraphs of his letter the Chairman of the Panel adds certain practical considerations raised by the Panel. These concern in particular the additional audit resources that may be required in cases where appointed external auditors undertake special audits and reviews. In addition, the Chairman comments on the need for the other bodies carrying out special examinations to consult with the appointed external auditors on liaison, timing and reporting arrangements.

6. ACC is familiar with the problems posed by requests for special audits and management reviews. As the Chairman of the Panel notes, such requests are received by organizations of the system with increasing frequency. His letter is thus particularly timely, and ACC is grateful to him and to the Panel for their statement of views and recommendations on this important matter.

7. ACC fully shares the Panel's concerns and endorses its recommendations with regard to independent audits of funds



provided for organizations' extrabudgetary activities. Like the Panel, it considers that the donors of such funds should be prepared to rely on the competence of the organizations and the efficiency of their normal internal and external audit arrangements. ACC would point out, moreover, that all organizations' financial controls are subject to the continuing scrutiny of their Member States, acting through their governing bodies. Bearing in mind also the practical disadvantages which the Panel has identified, ACC wishes to record that it is not in favour of independent audits of individual funds.

8. As indicated above, the Panel's position with regard to management reviews is that such reviews fall within the competence of organizations' appointed external auditors, either as a part of their continuing responsibilities or in response to special requests by governing bodies. ACC notes that this position allows for exceptions in cases where an external management review is approved in advance by the governing body concerned. For its own part, ACC endorses the principles stated by the Panel, and also believes that a degree of flexibility is desirable for the acceptance of external management reviews in exceptional circumstances. Where such management reviews are accepted, ACC agrees that consultations should take place with the organization's external auditor as recommended in the letter of the Chairman of the Panel.

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ANNEX VI

a/ In a few cases the date shown is approximate, since no effective date was specified at the time of a change in the percentage distribution.

b/ Of this, 30 per cent is payable in convertible dinars and 70 per cent in non-convertible dinars.

c/ Payable from 1 November 1988 in convertible renmimbi or foreign exchange certificates after deduction of rents in non-convertible renmimbi.

d/ Payable in convertible shillings.

e/ Covers Anguilla, Antigua and Barbuda, Dominica, Grenada, Montserrat, St. Kitts and Nevis, St. Lucia and St. Vincent and the Grenadines.

ANNEX VII

Developing countries' currencies regarded as fully convertible  
for the purpose of payments of salaries and allowances  
of internationally-recruited staff  
(country and currency)

Bahamas (Bahamian dollar)  
Bahrain (Bahrain dinar)  
Bermuda (Bermuda dollar)  
Brunei Darussalam (Brunei dollar)  
Djibouti (Djibouti franc)  
Ecuador (Sucre)  
Hong Kong (Hong Kong dollar)  
Indonesia (Indonesian rupiah)  
Kuwait (Kuwaiti dinar)  
Lebanon (Lebanese pound)  
Liberia (Liberian dollar)  
Libyan Arab Jamahiriya (Libyan dinar)  
Malaysia (Ringgit)  
Oman (Rial Omani)  
Panama (Balboa)  
Papua New Guinea (Kina)  
Paraguay (Guarani)  
Peru (New sol)  
Qatar (Qatar riyal)  
Samoa (Tala)  
Saudi Arabia (Saudi Arabian riyal)  
Seychelles (Seychelles rupee)  
Singapore (Singapore dollar)  
Suriname (Suriname guilder)  
Turkey (Turkish lira)  
United Arab Emirates (UAE dirham)  
Uruguay (Uruguayan new peso)  
Vanuatu (Vatu)  
Venezuela (Bolivar)