

**REPORT OF THE EIGHTY-THIRD SESSION OF  
THE CONSULTATIVE COMMITTEE ON ADMINISTRATIVE QUESTIONS  
(FINANCIAL AND BUDGETARY QUESTIONS)**

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**ANNEXES**

- I. Agenda adopted by the Committee on 28 August 1995
- II. List of participants
- III. United Nations System Accounting Standards
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## **Introduction**

1. The Consultative Committee on Administrative Questions held its eighty-third session on financial and budgetary questions from 28 August to 1 September 1995 at United Nations Headquarters in New York. Mr. Daniel Daly (UNESCO) was Chairman and Mr. Olivier Tayar (ICAO) was Vice-Chairman. The agenda adopted by the Committee, which also lists the documents submitted, will be found in annex I. A list of the participants appears in annex II.

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

#### **Programme and budget**

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

2. At its last session, the Committee had decided that it should hold regular discussions on management issues and had requested organizations to make proposals for such subjects. In the context of that request, ILO had proposed that the Committee should review the process by which it examines the budgets of jointly-financed bodies in the interest of making its review more effective; ILO had presented a paper making a number of suggestions on how this could be accomplished.

3. Participants were concerned about the lack of uniformity in the format of budgets and the implications, for organizations' budgets and for the Committee's review, of proposals which were presented very late in the budgetary cycle. The former meant that meaningful comparisons between budgets for different bodies, and between budgetary periods for a given body, were difficult, while the latter had often led to proposals being presented to the Committee at a point when organizations could no longer make the appropriate provisions in their own budgets.

4. Furthermore, programme budget proposals were often presented to the Committee more than once, since substantive Committees had not yet examined the budgets. CCAQ(FB) considered that the prior review by the substantive Committee was a precondition since it was during this review that the programme of activities for the body was approved. Members of the Committee also believed that the budgets of the jointly-financed bodies should reflect the reality of organizations' budgets; reductions in organizations'

budgets meant that the budgets of jointly-financed bodies would also need to be reduced. Finally, the Committee had noted that proposals which were subject to review and approval by the United Nations General Assembly (e.g. JIU and ICSC) often did not reflect the budget levels recommended by CCAQ(FB) on behalf of ACC.

5. After an extensive and fruitful discussion on the various means open to the Committee to achieve the objective of making its review more effective, **the Committee reached the following conclusions which it recommends to ACC for endorsement:**

- (a) At its fall session in even-numbered years, the Committee would recommend to ACC resource guidance levels for the following financial period for each of the jointly-financed bodies.
- (b) Jointly-financed bodies would thereafter be required to present their programme budget proposals to the following session of CCAQ(FB) (i.e. the spring session in odd-numbered years). Proposals would need to reach the CCAQ(FB) secretariat at least one month before the date of the session in order to allow organizations to carry out a thorough analysis of the proposals.
- (c) Review of these programme budget proposals by the substantive Committee (where one exists) would be mandatory before the proposals were presented to CCAQ(FB). Where the present pattern of meetings of a substantive Committee did not permit adherence to this schedule, the Committee concerned should adjust its programme of work to meet this requirement. While CCAQ(FB) could accept that, in exceptional cases, the substantive Committee's review could be by correspondence, it would, in those cases, be essential that sufficient time was given to organizations to make full comments on the proposals; such comments, and a summary recommendation concerning the proposals, should then be reflected in the presentation to CCAQ(FB). The review by the substantive Committee should take into account the date by which the proposals should reach the CCAQ(FB) secretariat mentioned in (b) above.

- (d) All programme budget proposals for jointly-financed bodies should be presented in the format used by the United Nations, and should be reviewed, before presentation to the substantive Committee, by the organization administering the body.
- (e) Jointly-financed bodies which carry out programme activities should also present budgetary tables which analyse their proposals in programme terms (e.g. for the Joint Inspection Unit, budget tables showing the expected cost per study planned (based on the proposed work programme) with a detailed breakdown by object of expenditure; for the ICC, analysis of the proposed billing rates for services offered, distinguishing between fixed costs and variable costs).
- (f) Proposed programme budgets should also present budgetary performance for previous and current financial periods to permit comparison of budgets and actual expenditure.
- (g) As already decided by the Committee, Secretaries of jointly-financed bodies would not be required to attend CCAQ(FB) sessions in order to present their budgets. The Committee would however nominate a lead organization in the duty station where each jointly-financed body was situated in order to liaise with the jointly-financed body on the proposed programme budget.
- (h) The Committee would consider, at its fall 1996 session, the question of setting up working groups to examine individual budgets for jointly-financed bodies and to make recommendations to the full Committee.
- (i) In those cases where a proposed programme budget is subject to review and approval by the United Nations General Assembly, ACC would review and transmit to the Secretary General of the United Nations its views on that budget, taking account of the recommendations made by CCAQ(FB).

## **Accounting and financial reporting**

### Accounting standards

6. The Committee had before it the report of the third meeting of its Working Party on Financial Statements, which had taken place from 26 to 28 June 1995, and the comments of the Panel of External Auditors thereon. A revised draft of the United Nations system accounting standards, which incorporated the recommendations of the Working Party on a harmonized presentation of financial statements, was attached to the report. The Chairman of the Technical Group of the Panel of External Auditors was present during the discussion of this item, together with other members of the Technical Group.

7. The Working Party had recommended to the Committee for approval, on behalf of ACC, the revised accounting standards which included recommended formats for financial statements. It had further recommended that organizations should be encouraged to apply the formats and revised standards to the presentation of their financial statements for financial periods ending in 1995. With these recommendations, the Working Party considered that it had completed the work assigned to it.

8. Bearing in mind that the standards were intended to be a “living document”, the Working Party had also addressed the issue of further work on the standards, particularly the report on the application and development of the standards which the General Assembly had requested for its fifty-first session. The Working Party believed that the work on formats for financial statements constituted a major development of the standards which could be reported to the General Assembly. It was also of the opinion that reactions of governing bodies to the introduction of these formats would be of significant importance in evaluating the formats. It would be premature to undertake another review of the standards until these reactions had been obtained, which would not be until the latter half of 1996. In these circumstances, and bearing in mind that the report to the General Assembly would need to be cleared by the fall 1996 session of CCAQ(FB), the Working Party had recommended that the report to the General Assembly should be an interim report, mentioning the major development of the financial statement formats, giving a general indication of organizations’ experience with the standards and attaching the present revision of the standards. In this case, a proposed work programme could consist of:

- (a) In the spring of 1996, organizations would be asked to report to the CCAQ(FB) secretariat general comments on or major problems with the application of the revised accounting standards (including the formats of financial statements).
- (b) A draft report to the General Assembly would be prepared along the lines outlined above, which would be cleared initially with former Chairmen of the Working Parties on Accounting Standards and Financial Statements and presented to the fall 1996 session of CCAQ(FB) for clearance.
- (c) CCAQ(FB) could decide at that time whether it wished to constitute another Working Party on Accounting Standards, to meet during 1997, to carry out a review of the standards, based on experience and including subjects carried forward and the reactions of governing bodies.

9. Finally, the Working Party had referred to the Committee further comments made by the Panel of External Auditors on the subject of a Statement of Director-General's Responsibilities, since the Committee had already decided<sup>1</sup>, at its last session, that such a statement should not be regarded as being obligatory and should be considered as a matter for individual organizations to resolve with their external auditors.

10. The Committee expressed appreciation for the excellent and rapid work done by the Working Party. The Chairman of the Technical Group also expressed satisfaction with the progress made and emphasized the constructive dialogue with the Working Party, which had agreed with a number of the points made by the Panel, incorporating these into the revision of the standards and the formats. As the Panel also considered the standards to be a "living document", the Chairman of the Technical Group encouraged the Committee to bear in mind the other issues raised by the Panel in its comments on the third report of the Working Party<sup>2</sup>, during future work on the standards.

11. The Committee then turned to an examination of the revised standards. It considered that the

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<sup>1</sup> ACC/1995/6, paragraph 37.

<sup>2</sup> ACC/1995/FB/R.38, paragraphs 5 and 6 of the attachment.



obligatory Note 1 to the financial statements, which, it had been suggested, would describe an organization's objectives and activities, should encompass only an organization's objectives, since a description of an organization's activities would be too voluminous to be included in such a Note if it were to be meaningful. **With this amendment, the Committee adopted the revised standards, attached as annex III, on behalf of ACC, and decided that these could be issued as a formal CCAQ document when they had been presented to the General Assembly and approved translations prepared.**

12. The Committee also approved the Working Party's recommendations concerning the application of the formats and revised standards to the presentation of financial statements for financial periods ending in 1995, and the future programme of work on the accounting standards.

13. As regards the issue of the Statement of Director-General's Responsibilities, the Committee requested information about the practice of including such statements, and ascertained from the Chairman of the Technical Group that there was no International Accounting or Auditing Standard which made provision of a Statement of Director-General's Responsibilities mandatory for organizations. In these circumstances, the Committee decided to maintain its previous decision that such a statement should not be regarded as being obligatory.

#### Arrangements concerning financial reports

14. At the request of the Organizational Committee, the Committee considered the need for and feasibility of an overall review of the ACC standard classification in the light of requirements for follow-up and reporting on a number of recent and forthcoming global conferences. The Committee was informed that the matter had also been referred to the Consultative Committee on Programme and Operational Questions (CCPOQ) which had carried out a survey, the results which indicated that there was a need for redefinition of the subsectors. CCPOQ had accordingly agreed that, while an overall review of the classification was not necessary, a review of the subsectors should be carried out. It proposed that work on the revision should be initiated later this year under the overview of CCPOQ.

15. In examining the request, participants emphasized that a change in the coding structure of the

subsectors necessarily involved organizations in considerable manual work in recoding existing programmes and projects in order to provide comparable data from one period to another. **The Committee accordingly requested CCPOQ to bear the above comments in mind when carrying out the revision.**

### **Organizational questions**

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

16. The terms of office of the present Chairman and Vice-Chairman of the Committee extend up to the opening of its first regular session of 1996. The Committee was therefore called upon at its present session to recommend the appointment of new officers. Bearing in mind that the present Secretary would be leaving at the end of 1995, and that ACC's procedures for the election of chairpersons recommended that generally the terms of office of chairperson and secretary should not coincide so that a degree of continuity could be ensured<sup>3</sup>, the Committee considered that it would be preferable if the present officers could continue in their functions, in the best interests of the work of the Committee. **The Committee accordingly recommends to ACC that the terms of office of Mr. Daniel Daly, Chairman (UNESCO), and Mr. Olivier Tayar, Vice-Chairman (ICAO), be extended for another year.**

#### Time and place of the next session

17. The Committee recalled that its spring session was normally held in a European city and accepted the kind invitation of FAO to act as host in Rome for the forthcoming eighty-fourth session.

18. As regards the dates of the session, participants were advised that the dates for the spring meeting of the Organizational Committee had not yet been decided. FAO had indicated that the week **beginning 12 February** would be preferable, which was a date which appeared to be acceptable to most organizations in view of the closure of financial accounts which would be taking place in the early months of the spring. **The Committee accordingly agreed that its eighty-fourth session would best be held in that week.**

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

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ACC/1994/FB/R.21, paragraph 12 of the attachment.

**Programme and budget**

Cost-sharing: Salary survey activities

19. At its last session, the Committee had examined a proposal by the United Nations for a new methodology for sharing the cost of salary survey activities, to be applied from 1996. The methodology proposed had taken account in a quantifiable way of three new elements. These were:

- (a) The number of National Officers, since scales also had to be established for these staff.
- (b) The number of duty stations at which each organization had staff, since these gave an indication of an organization's use of salary scales.
- (c) The contributions of organizations in the form of costs of posts devoted to salary surveys, other than the jointly-financed staff.

20. The scale proposed consisted of utilization bands based on the number of General Service and National Officer staff which an organization maintained in field duty stations and the number of duty stations at which staff were present. The resulting percentages were then applied to the total cost of salary survey activities, including the contributions referred to in (c) above. These contributions would then be regarded as contributions in kind to be offset against the total share calculated for that organization.

21. Members of the Committee had agreed that the proposed methodology was more logical and straightforward than that previously used and had requested the United Nations to present a further proposal which would redefine the number of bands to make finer distinctions. It now had before it the refined proposal together with the comments of CCAQ(PER) thereon which indicated that members either supported or had no comments upon the proposal.

22. After some explanations about the methodology, notably about the relationship between the relative

effects of both the number of duty stations and the number of staff on the percentages to be used for organizations, the Committee decided to adopt the new methodology with effect from 1996.

Proposed programme budgets for 1996-1997

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

23. The Committee had before it a revised programme budget for 1996-1997 for the secretariat of the ISCC which had now been considered by the ISCC and which took account of the comments made by CCAQ(FB), at its last session, concerning zero budget growth. It also had indicative information on the budgetary performance of ISCC in 1992-1993 and 1994-1995, and on the apportionment of the costs involved.

24. The Committee was briefed on the comments that had been made during the consideration of this budget by the Advisory Committee on Administrative and Budgetary Questions (ACABQ), particularly on the relationship of ISCC with the International Computing Centre (ICC). A number of participants were concerned that the budget did not clearly reflect the real programme changes and asked that future presentations should do so. With these comments, the Committee approved, on behalf of ACC, the proposed programme budget for the ISCC for 1996-1997 in the amount of \$1,233,100.

25. As regards the indicative information on the apportionment of the costs involved, the Committee noted that the share attributed to the United Nations would be apportioned between the United Nations and its subsidiary programmes in a manner to be determined between them.

*ACC Subcommittee on Nutrition (SCN)*

26. Under the new reporting arrangements for the SCN, the Committee had been presented with a proposed programme budget for 1996-1997 for the SCN totalling \$1,070,000, which had been reviewed by CCPOQ, after having been examined and approved by the Subcommittee itself.

27. CCPOQ had reviewed and endorsed the proposed programme budget; however, during the review,

UNDP had informed CCPOQ that it was unable at that time to confirm its proposed contribution and WHO had advised that it would be able to confirm its proposed contribution only at the time of the CCAQ(FB) meeting.

28. During the Committee's discussion of the budget, UNDP and FAO stated that they might be unable to make the contribution proposed in the budget document. WHO confirmed that it would be making the proposed contribution and UNESCO also confirmed that it would be making a contribution. In these circumstances, the Committee was prepared to agree to the proposals with the proviso that the level of core expenditure would be maintained at all times within that of confirmed income.

*International Computing Centre (ICC)*

29. A Panel of members of CCAQ(FB) representing user organizations of the ICC met during the Committee's session to consider a proposed programme budget for 1996-1997 for the Centre amounting to 38,878,000 Swiss francs. The Panel recalled that, during its consideration of the proposed programme budget for 1994-1995 for the Centre, it had requested that future budgets should be presented in Swiss francs, with indicative figures in United States dollars to facilitate the evaluation of the budget by organizations which expressed their budget in the latter currency. The present proposals had not been presented in that way and the Panel accordingly reiterated its request. It also looked forward to receiving, in future proposals, budgetary tables which would analyse the proposals in programme terms as indicated in paragraph 5(e) of this report.

30. Members of the Panel expressed concern about the significant increase in resources for travel which had not been justified; they noted moreover that it was planned that all meetings of the Management Committee were to be held outside Geneva and considered that this should not be necessary given that the Centre was situated in Geneva and that a number of major users were located in that city. Some members of the Panel were also concerned about the increase in the number of filled posts. Finally, the Panel recalled that the implementation of the Centre's budget at the proposed level would depend on organizations utilizing its services as indicated, while most organizations' budgets were experiencing major downward trends. On the understanding that the Management Committee would look into these matters, the Panel approved the revised budget subject to the Management Committee's eventual approval.

*Salary survey activities*

31. The Committee had before it a proposed programme budget for salary survey activities for 1996-1997 which was based on the new cost-sharing arrangements and which therefore took into account the contributions in kind of those organizations which carried out salary survey activities. It noted that although the budget had as a result increased considerably, the cost of surveying salaries in over 140 duty stations was now reflected. While the budget was composed of five different sources (the jointly-financed posts and contributions in kind from four organizations), the activity was in fact well-coordinated and there was no duplication of work. The Committee accordingly approved, on behalf of ACC, the budget for salary survey activities for 1996-1997 estimated at \$1,738,350, and consisting of the activities shown in annex IV.

### **Payment of salaries and allowances**

#### Convertibility of local currency on departure

32. At its last session, the Committee had decided to abolish the system of a standard formula for currency of salary payments effective 1 April 1995. In doing so, it noted that consideration should be given to amending the special provisions concerning convertibility of local currency upon departure of a staff member from a duty station since these were closely linked to the obligatory payment of a portion of salary in that local currency. It had requested CCAQ(PER) to review this matter at its next session in order that it could examine the issue again at its current session.

33. The Committee noted that, at its 70th session (March 1989), it had endorsed the position that guidelines established by UNDP set a standard that it was desirable to follow for all staff; these included the provision that no conversion facility should be offered to staff assigned to countries falling into the convertible currency category. As regards the review by CCAQ(PER), members thereof had been requested either to advise their organization's representative at CCAQ(FB) of their position, or to advise the secretariat of CCAQ(PER) directly of any general position of their organization. The Committee had accordingly been provided with those views of CCAQ(PER) members which had been received by the secretariat.

34. The Committee recognized that while it might no longer be necessary to maintain conversion facilities related to salaries, some need would remain to retain such facilities for capital assets such as

household goods and vehicles. In addition, concern was expressed that the limits expressed in the UNDP guidelines might no longer be realistic. It was also confirmed that CCAQ(FB) had not taken any position on the currency of payment of terminal emoluments<sup>4</sup>. The Committee accordingly decided to defer to its next session a decision on whether to maintain or change the present system, thus giving organizations the opportunity to further determine what the effects of such a change might be. In the meantime, the present system would be maintained, and UNDP was requested to review the limits and to make proposals at the Committee's next session for any necessary changes in these.

### **General financial systems**

#### Support costs

35. Pursuant to a previous suggestion from CCPOQ on the establishment of a standing Joint CCPOQ/CCAQ(FB) Task Force on Support Costs, the Committee had been informed of a further suggestion made by the present CCPOQ Task Force on Support Costs that it would propose meetings with CCAQ(FB) on an *ad hoc* basis on specific items of common interest. The Committee supported this approach.

36. On the matter of support costs paid by UNDP, the Committee received a briefing by the representative of UNDP on the new system of resource allocation which replaces the former IPF system. It appeared that the change in itself would have no effect on the system of support costs.

#### Productivity improvement: travel arrangements

37. At its last session, the Committee had considered a proposal for a global travel managers' meeting and had concluded that further information was required before it could decide whether such a meeting would be of benefit. An initial step would be for organizations in the same region to meet informally to discuss common problems and to examine what other problems might be better discussed in a global meeting. WHO had kindly agreed to host such a meeting and to report at the current session on the results of the meeting. The Committee had also decided that data on travel arrangements should be collected by the secretariat to assist it in taking a decision on the global travel managers' meeting.

38. The Committee thus now had before it a report on the results of a meeting of European-based travel

managers which was held at WHO in Geneva on 19 and 20 June 1995. It also had received, for information, data collected on travel arrangements, including measures taken to rationalize work flows, lump sum arrangements, and computerization.

39. Organizations which had participated emphasized the usefulness of the regional travel managers' meeting and considered that such meetings at both the regional and local levels should continue to take place on a regular basis. The Committee as a whole supported this view and believed that, until a number of these local and regional meetings had taken place, there was not a need to take a decision on a global travel managers' meeting.

40. In accordance with its decision, taken in 1990, to review the standard rate for reimbursement of terminal expenses annually, the Committee was informed by the United Nations that no change to the standard rate was proposed.

41. A number of participants also raised the issue of the continued unreliability of UNDICS data related to DSA rates; the Committee requested organizations to provide the UN Coordinator with specific examples in order that this matter could be raised with the International Civil Service Commission (ICSC).

#### Computer systems

42. The Committee had been seized of this subject as a result of a suggestion by UNESCO under the proposal, at the Committee's last session, to hold regular discussions on management subjects. It had before it three papers on the subject: the original background paper by UNESCO, a paper with suggestions from the secretary of ISCC on future action which the Committee might take on the use of the Internet and on the maintenance of a data base on computer systems, and a paper by ITU offering CCAQ(FB) the use of free-of-charge E-mail list server facilities at ITU, with the Committee's secretary as moderator, in the context of its offer of these services to ACC and the Organizational Committee .



43. This initial discussion on the subject concentrated on the introduction of integrated systems in organizations, and participants exchanged information on past experience and present and planned action in this area. The need for feasibility studies, sound financing, and the commitment of “owners” of systems and top management were emphasized by participants as being absolutely essential for the successful introduction of such systems. Members of the Committee were briefed by the Chief of the United Nations IMIS project on the current situation of the project and on the project’s evolution in the context of the above comments. The Secretary of the United Nations Joint Staff Pension Fund also briefed participants on recent developments in the computerized systems of the Fund.

44. The Committee considered that the discussion had been extremely useful and decided to examine the subject of general administrative computer systems on a regular basis at each of its sessions. As regards the suggestion of the secretary of the ISCC concerning the maintenance of a data base, the Committee believed that, for the present, such a data base could be established and maintained by its secretariat. Finally, the Committee accepted with pleasure the offer of ITU to establish and maintain E-mail list server facilities for CCAQ(FB), and to set up a training session on the use of the facilities at a future session of CCAQ(FB).

#### Inter-organization charges

45. In the context of the Committee’s discussion of management subjects, ILO had raised the issue of the increasing number of requests from UNDP field offices for the recovery of costs. There appeared to be no uniform approach to or formula for calculating these. These disparate requests therefore had to be dealt with on a case-by-case basis at a time when many organizations were having to reduce, simplify and rationalize administrative operations.

46. While appreciating the work done by UNDP field offices for other organizations, a number of participants confirmed ILO’s comments and were able to give examples of requests for cost recoveries which were either unjustified or for exceedingly small amounts. The Committee recalled that it had taken a decision, at its fifty-ninth session (September 1983), that the amount below which services rendered between organizations would not be invoiced would be set at \$50, on the understanding that certain types of transactions, including those related to staff members’ payments or the distribution of communication costs,

would continue to be regarded as falling outside the agreement<sup>5</sup>. After discussion, it decided that this amount could be raised to \$200, while maintaining the same understanding regarding certain types of transactions. As regards the requests for cost recoveries by UNDP field offices, UNDP undertook to investigate the matter and to report back to the Committee at its next session.

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

#### Health insurance: Long-term care

47. Several organizations had requested that the Committee should be apprised of the current situation regarding a decision by CCAQ(PER) to look into the matter of the extent to which organizations have a responsibility towards ensuring against long-term care costs through arrangements which would supplement current health insurance schemes. CCAQ(PER) had decided to do so through the establishment of a small task force which would meet in early October and report thereon at a forthcoming session.

48. While generally supporting the idea of such a study, participants believed that the costs of such care could not be financed from organizations' budgets which were being substantially cut back in many cases. The Committee asked that this concern be transmitted to CCAQ(PER) so that the task force could bear in mind these financial constraints in considering the problem. It decided to return to the issue at its next session when the results of the task force's deliberations would be available.

49. Turning to other issues related to health care, members of the Committee had an extensive discussion on the liability of organizations for after-service health care.. The Committee recalled that, at its eighty first session (August - September 1994), when it had last considered the regular biennial report<sup>6</sup> which it received on the cost of health care, it had received a special report<sup>7</sup> which included *inter alia* information on after-service health insurance arrangements; it had decided at that time that such information could usefully form part of the standard package of information in the report in the future. It further recalled that, at the same

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<sup>5</sup> CCAQ Handbook, section 20.4, paragraph 5.

<sup>6</sup> ACC/1994/FB/R.25.

<sup>7</sup> ACC/1994/FB/R.34.

time, it had also requested its secretariat to make proposals, at its first session in 1996, on other improvements which might be made in the regular biennial report, after consultation with insurance services of organizations.

#### Other questions

50. At its last session, the Committee had decided that it should hold regular discussions on management issues and accordingly had requested organizations to make proposals for subjects to enable it to set up a work programme for such discussions at its current session. The subjects proposed by organizations were listed in the paper before the Committee.

51. A number of these subjects had already been examined by the Committee at its current session<sup>8</sup>, and decisions had been taken to continue some of these discussions at the next session when more information would be available. The Committee then examined the remaining items which had been suggested - decentralization of financial controls to field offices, and programming and budgeting methods. In the case of decentralization of financial controls to field offices, the Committee noted a communication from the Secretary of CCPOQ indicating the interest of that Committee, and decided to examine the subject in depth at its next session on the basis of information to be presented by organizations with decentralized structures.. In the case of programming and budgeting methods, the Committee decided to begin the discussion at its next session, concentrating on the methods of organizations with voluntarily-financed budgets. Input would be requested from these organizations.

52. The Committee also decided to examine, at its next session, two subjects which had been raised during the current session - accountability, and productivity improvements in conference services and

document distribution. In both cases, background papers would be presented by organizations which had

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<sup>8</sup> CCAQ(FB) consideration of budgets for jointly-financed bodies (paragraphs 2 to 5 of this report).  
Computer systems (paragraphs 42 to 44 of this report).  
Inter-organization charges (paragraphs 45 to 46 of this report).  
Health insurance (paragraphs 47 to 49 of this report).  
Time reporting (paragraph 67 of this report).

recently introduced measures related to these subjects. Participants would also be expected to provide information on measures taken to reduce interpretation and translation costs.

### **Organizational questions**

#### CCAQ affairs

53. The Committee had noted that the term of appointment of its Secretary would cease at the end of 1995 and had been informed in a communication from its Chairman that the present Secretary had indicated that she would not be available for reappointment.

54. In view of the need to select a Secretary as rapidly as possible, and having reviewed and approved a notice of vacancy, the Committee decided on the following procedures which would be undertaken very rapidly to accelerate the process:

- (a) A Selection Committee, to be chaired by Mr. Tony Keefer (WIPO) and to meet in Geneva, would oversee the selection of a new Secretary. Membership in the Selection Committee would be open to all organizations.
- (b) The Committee strongly recommended that the vacancy announcement be issued by the United Nations as soon as possible, with a closing date of 16 October 1995 at the latest. The candidacies received would be circulated to organizations for review.
- (c) The Selection Committee would meet to establish a short list of candidates. Organizations which were unable to attend could provide written comments on the candidacies.
- (d) The Selection Committee would then arrange for short-listed candidates to sit a written examination, designed to test analytical and drafting ability, and to be interviewed. It would then draw up a report, containing its recommendations, which would be confidentially circulated to all voting members of CCAQ(FB) for majority approval. The outcome would then be notified to the Secretary of ACC.

55. Since it might not be possible for the new Secretary to take up his or her duties by 1 January 1996, the Committee delegated to its Chairman the authority to take the necessary action to ensure that the work of the Committee's secretariat continued, particularly with regard to the preparations for the next session of the Committee which was scheduled to begin on 12 February 1996.

Work programme of the secretariat

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

- (a) Completion of the updated version of Volume II of the JIU study on budgeting methods;
- (b) Preparation of proposals for a new format for the biennial report on the cost of health insurance, including the collection of suggestions thereon from organizations;
- (c) Work in connection with the selection of a new Secretary;
- (d) Collection of information and papers on the following management subjects to be discussed by the Committee at its next session (decentralization of financial controls to field offices; programming and budgeting methods; accountability; conference services and document distribution);
- (e) Work on the reissuance of the CCAQ Handbook;
- (f) Preparation of computer files and requests for the next edition of the ACC statistical report on the budgetary and financial situation of organizations of the United Nations system;
- (g) Establishment of an E-mail list server facility with ITU;
- (h) Work as required on the revision of the ACC standard classification.

## **Programme and budget**

### **Budgeting methods**

57. At the request of IAEA, the Committee exchanged information on methods of budgeting for common staff costs. It was agreed that organizations would provide IAEA with more detailed information directly.

## **Payment of salaries and allowances**

### **Income tax matters**

58. The Committee took note of the text of a tax-reimbursement agreement recently concluded between IMO and the United States Government. The participants 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**

59. In accordance with standing arrangements, the Committee reviewed the current financial position and outlook of organizations of the system. The United Nations reported that the financial situation had not improved and indeed in some respects had worsened, particularly in respect of the payment of contributions for peacekeeping operations. In view of the serious financial situation, the General Assembly had established two working groups.

60. The first, the Ad Hoc Intergovernmental Working Group on the Implementation of the Principle of Capacity to Pay, had completed its work and produced a report containing substantive recommendations concerning changes in the methodology for the establishment of the scale of contributions. The second, the High-level Open-ended Working Group on the Financial Situation of the United Nations, had been meeting

intensively throughout 1995, discussing all aspects of issues bearing on the financial situation including *inter alia* payment of contributions in full and on time; the problem of arrears in the payment of contributions; the cash flow situation; the procedure for the approval of peace-keeping budgets and appropriations; and the methods of calculating the scale of assessments. It was expected that the High Level Working Group would continue its work, with a view to making recommendations to the General Assembly at its fiftieth session.

61. As regards the regular budget for 1996-1997, the United Nations had proposed negative growth of 4.2 per cent, with a reduction of 135 posts. The negative growth resulted mainly from efficiency gains and the termination of activities which were completed or which did not have a continuing mandate.

62. Most organizations with assessed budgets reported continuing problems with the collection of contributions, particularly from their major contributor. In many organizations, these problems had led to cash flow difficulties and programme reductions. As regards programme budgets for 1996-1997, a number of organizations with assessed budgets reported that there had been considerable pressure from some member States for absorption of cost increases. Organizations were examining measures to reduce costs; two of these were general downsizing of the organizations' programmes resulting in staff reductions, and transfer of administrative functions to less expensive locations.

63. Participants from organizations financed from voluntary contributions reported that the situation had not improved. UNDP noted that cuts in the administrative budget had been proposed for the third consecutive biennium. In other cases, while pledges had not diminished, payments were slow. Donors were also increasingly concerned with the cost of supporting programmes; a number of organizations were accordingly also involved in cost cutting exercises similar to those of organizations with assessed budgets.

#### Deposit and investment arrangements

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

### **General financial systems**

#### Extrabudgetary activities financed by the Commission of the European Union and the World Bank

65. The Committee continued its regular discussions on relations with the Commission, both with regard to negotiations of general agreements and individual project agreements. It was also briefed on the status of current negotiations between a number of organizations and the World Bank on a new standard pro forma agreement. A meeting had been held between representatives of the Bank and organizations with substantial Bank programmes, and it was expected that a revised pro forma agreement, based on the results of that meeting, would be circulated in the near future.

#### Internal controls

66. The Committee held a private discussion related to the detection and prevention of fraud, and to other internal control matters. It was also briefed by a representative of the World Bank on the integrated control framework which was being introduced at the Bank. It hoped to be informed by the representative of the Bank on progress on the framework at its next session.

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

#### Other questions

67. As decided at its last session, the Committee concluded its exchange of information on organizations' experience in introducing time reporting systems by function for Professional staff.

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**ANNEX I**

**Agenda**  
**adopted by the Committee on 28 August 1995**

<b><u>Item</u></b>	<b><u>Document</u></b>
1. Adoption of the agenda	ACC/1995/FB/R.32/Rev.3
2. Programme and budget	
2.1 Cost sharing: Salary survey activities	ACC/1995/FB/R.23 ACC/1995/FB/R.23/Corr.1 ACC/1995/FB/R.40
2.2 Proposed programme budgets for 1996-1997	
2.2.1 Secretariat of the Information Systems Coordination Committee (ISCC)	ACC/1995/FB/R.24 ACC/1995/FB/R.34
2.2.2 ACC Subcommittee on Nutrition (SCN)	ACC/1995/FB/R.29 ACC/1995/FB/R.37
2.2.3 International Computing Centre (ICC)	ACC/1995/FB/R.39
2.2.4 Salary survey activities	ACC/1995/FB/R.41
2.3 CCAQ(FB) consideration of budgets of jointly-financed bodies	ACC/1995/FB/R.27 ACC/1995/FB/R.33
2.4 Budgeting methods	-
3. Accounting and financial reporting	
3.1 Accounting standards: Working Party on Financial Statements	ACC/1995/FB/R.31 ACC/1995/FB/R.38
3.2 Arrangements concerning financial reports	ACC/1995/FB/R.30
4. Payment of salaries and allowances	
4.1 Convertibility of local currency on departure	ACC/1995/FB/R.42 ACC/1995/FB/R.45
4.2 Income tax matters	ACC/1995/FB/R.21

<u>Item</u>	<u>Document</u>
5. Cash management	
5.1 Current financial situation of organizations of the system	-
5.2 Deposit and investment arrangements	-
6. General financial systems	
6.1 Extrabudgetary activities financed by the Commission of the European Union and the World Bank	-
6.2 Support costs	ACC/1995/FB/R.43
6.3 Internal controls	-
6.4 Productivity improvement: Travel arrangements	ACC/1995/FB/R.36 ACC/1995/FB/83/CRP.1
6.5 Computer systems	ACC/1995/FB/R.26 ACC/1995/FB/R.44 ACC/1995/FB/83/CRP.3
6.6 Inter-organization charges	ACC/1995/FB/R.28
7. Other financial and budgetary questions	
7.1 Health insurance: Long-term care	ACC/1995/FB/R.22
7.2 Other questions	ACC/1995/FB/R.25
8. Organizational questions	
8.1 CCAQ affairs	-
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	-
9. Adoption of the report of the session	ACC/1995/FB/83/CRP.4

## ANNEX II

### List of participants

Chairman: Mr. Daniel Daly  
Vice-Chairman: Mr. Olivier Tayar  
Secretary: Ms. Barbara Farrish-Walker

#### Representatives of member organizations:

United Nations

Ms. Susan R. Mills,  
Director, Financial Management Office,  
Department of Administration and Management (DAM)

Ms. Carol R. Thompson  
Director of Support Services and Deputy to the  
Assistant Secretary-General for Conference and Support  
Services, DAM

Mr. David Wengert  
Director, Accounts Division, Office of Programme Planning,  
Budget and Accounts, DAM

Mr. Mark Gilpin  
Chief, Contributions Service, Financial Management Office, DAM

Mr. Gian Piero Roz  
Chief, Integrated Management Information Systems Project  
Office of Conference and Support Services, DAM

Ms. Suzanne Bishopric  
Deputy Treasurer  
Financial Management Office, DAM

UNICEF

Mr. J. Louis Bradley  
Deputy Director, Division of Financial Management

UNDP

Mr. Peter Leslie  
Director, Division of Finance

Mr. Alan Potter  
Chief, Accounts Section, Division of Finance

UNFPA	Mr. Gary L. Cookhorn Acting Chief, Finance Branch
WFP	Mr. Gary A. Eidet Director, Finance and Information Systems Division
UNRWA	Mr. Ulrich Kalbitzer Comptroller
UNHCR	Mr. Wolfgang Milzow Treasurer
ITC	Mr. Joseph Smadja Chief, Budget
ILO	Mr. Anees Ahmad Treasurer and Financial Comptroller Assistant Director-General
	Mr. John D. Hunt Director, Financial Services Department
FAO	Mr. N.M. Hla Chief Payments Service, Finance Division
UNESCO	Mr. Daniel Daly Comptroller
ICAO	Mr. Olivier Tayar Chief, Finance Branch
WHO	Mr. Edward Uhde Comptroller and Director, Division of Budget and Finance
	Mr. Chand N. Kaul Chief, Finance
ITU	Mr. Abdekhalek Tazi-Riffi Chief, Finance Department
WMO	Mr. Thomas Joel Chief, Finance and Budget Division
IMO	Mr. Dayasiri Muthumala Head, Finance and Budget Section

WIPO Mr. Tony Keefer  
Controller and Director, Budget and Finance Department

UNIDO Mr. Andrew Ingram  
Director, Financial Services Division

IAEA Mr. Abraham E. Espino  
Director, Division of Budget and Finance

WTO Mr. Jacques E. Chabert  
Director, Finance and General Services Division

Observers:

UNJSPF Mr. Raymond Gieri  
Secretary

World Bank Mr. George West  
Senior Manager, Central Services, Controller's Office

Mr. Kah Hie Lau  
Trust Fund Administrator

OAS Mr. Sergio E. Martinez  
Chief of Accounting

Other representatives:

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

Mr. Andre Parsons  
Vice-Chairman, Technical Group of the Panel of External Auditors

Mr. Graham Miller  
Technical Group of the Panel of External Auditors

CCAQ Ms. Barbara Farrish-Walker  
Associate Secretary

**ANNEX III**

**UNITED NATIONS SYSTEM ACCOUNTING  
STANDARDS**

**REVISION 1**

## UNITED NATIONS ACCOUNTING STANDARDS

### Preface

The common inter-organization accounting standards set out in this document have been approved by the Administrative Committee on Coordination (ACC) in response to a request by the United Nations General Assembly, in its decision 46/445 of 20 December 1991, that the Secretary-General should "propose a set of accounting standards for common application to the United Nations system". The standards have been developed by accounting specialists of organizations of the system under the auspices of ACC's Consultative Committee on Administrative Questions (CCAQ), in consultation with the Panel of External Auditors of the United Nations, the Specialized Agencies and the International Atomic Energy Agency, for presentation to the General Assembly at its forty-eighth session.

The primary objective of the standards is to provide a framework for accounting and financial reporting in the United Nations system which reflects generally accepted accounting principles, while taking account of the specific characteristics and needs of the system. A further objective is to promote consistent accounting and financial reporting practice between the organizations.

Underlying these objectives are needs for governments and other contributors to the organizations to have the means to judge the manner in which resources made available by them are used, and for the management of each organization to demonstrate that it has fulfilled its responsibility for stewardship and accountability in respect of such resources.

Accounting and financial reporting in accordance with the standards should among other things assist those concerned:

- (i) To ensure consistent and transparent treatment and disclosure of financial transactions;
- (ii) To assess the financial position and its evolution over time;
- (iii) To ascertain the sources from which income has been derived and the ways in which it has been used; and

- (iv) To judge financial performance under approved budgets.

It is the intention of ACC that the standards should be applied throughout the system. In conjunction with organizations' financial regulations and relevant decisions of their legislative authorities, the standards should form the basis for the accounting policies of each organization, and thereby guide its accounting practice in all matters of material significance.

Given the wide range of mandates of the organizations, their structures and methods of operation are very diverse. Their individual legislative authorities have ultimate responsibility for deciding on the orientation and conduct of their work and the related financial arrangements. In these circumstances the regulations, rules and decisions adopted may in some cases involve variations from common approaches as exemplified in the standards. 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.

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## UNITED NATIONS SYSTEM ACCOUNTING STANDARDS

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Appendix IIIB:	Format for the Statement of Assets, Liabilities and Reserves and Fund Balances (Statement II) - Option B
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Appendix V	Statement/Schedule of Appropriations (Statement IV or Schedule 1.1)

### Foreword

1. The accounting standards agreed for application in organization of the United Nations system are based to a large extent on relevant International Accounting Standards promulgated by the International Accounting Standards Committee, to which appreciation is expressed for its permission to draw upon its texts, as listed in appendix I. Where differences from the International Accounting Standards exist, it is mainly because of the essentially non-commercial nature of the organizations' activities. A further important factor is the central place of approved budgets in the organizations' operations, which makes it necessary to focus on accounting for income and expenditure in the framework of those budgets.

2. By their nature, the standards have to be open to modification, development and refinement as accounting principles evolve and new needs emerge in the system itself. They will accordingly continue to be reviewed on a periodic basis through the same procedures as those through which they have been established.

3. 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

4. Going concern, consistency and accrual are fundamental accounting assumptions, which are described below as they apply in the United Nations system. Where fundamental accounting assumptions are followed in financial statements, disclosure of such assumptions is not required. If these fundamental accounting assumptions are not followed, that fact should be disclosed together with the reasons.

- (i) Going concern - The organization is normally viewed as a going concern, that is, as continuing in operation for the foreseeable future. It is assumed that the organization has neither the intention nor the necessity of liquidation or of curtailing materially the scale of its operations;
- (ii) Consistency - It is assumed that accounting policies are consistent from one financial period to another;

- (iii) Accrual - The accrual basis of accounting for revenue in each financial period means that income is recognized when it is due and not when it is received. Accrual of expenditure in each financial period means that costs are recognized when obligations arise or liabilities are incurred and not when payments are made.

5. Prudence, substance over form and materiality, as described below, should govern the selection and application of accounting policies:

- (i) Prudence - Uncertainties inevitably surround many transactions. This should be recognized by exercising prudence in preparing financial statements. Prudence does not, however, justify the creation of secret or hidden reserves;
- (ii) Substance over form - Transactions and other events should be accounted for and presented in accordance with their substance and financial reality and not merely with their legal form;
- (iii) Materiality - Financial statements should disclose all items which are material enough to affect evaluations or decisions and all material information which is necessary to make the statements clear and understandable.

6. 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.

### Financial Statements

7. The objective of financial statements is to provide information about the financial position and performance of the organization, changes in its financial position, and compliance with legislative and other authorities. Notes to the financial statements are an integral part thereof and should be grouped together in one place. A complete set of financial statements<sup>1</sup> subject to audit should in all cases include: a statement

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<sup>1</sup>

The term “financial statements” should hereafter be taken to mean all financial statements and schedules which are subject to audit.

of income and expenditure and changes in reserves and fund balances (Statement I), a statement of assets, liabilities, and reserves and fund balances (Statement II), a statement of cash flow (Statement III), Note 1 to the financial statements comprising a statement of the organization's objectives, and Note 2 to the financial statements comprising a statement of significant accounting policies. For organizations with assessed budgets, the audited financial statements should also include a statement or schedule of appropriations (Statement IV or Schedule 1.1) and a detailed schedule of assessed contributions outstanding for the regular budget. Individual organizations might wish to present additional information in the financial statements or schedules or in information annexes, but should maintain the principle that information subject to audit should be presented in statements or schedules while information not subject to audit should be presented in annexes.

8. The complete set of financial statements referred to in paragraph 7 above should be presented in the formats shown in:

- (i) Appendix II<sup>2</sup> (statement of income and expenditure and changes in reserves and fund balances - Statement I);
- (ii) Appendix III<sup>2</sup> (statement of assets, liabilities, and reserves and fund balances - Statement II);
- (iii) Appendix IV (statement of cash flow - Statement III);
- (iv) Appendix V (statement or schedule of appropriations - Statement IV or Schedule 1.1).

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Excluding the first two columns on the left of the appendix which refer to the relevant paragraph in these standards (column 1); and to the further explanations attached to the formats (column 2).

9. Where organizations feel it inappropriate to present combined data, Statements I and II should be presented in the columnar format shown in appendices IIA and IIIA. Where combined data is presented, organizations should use the format in appendices IIB and IIIB. These columnar formats are designed to distinguish the different types of funds which are managed by the organization. In presenting data in the columns, organizations should show clearly which funds are at the disposal of the member States of the organization (e.g. regular budget, working capital funds, etc.), and which are not (e.g. funds received from donors to finance projects).
10. Further guidance on the use and degree of disclosure of each of the line items in these statements/schedules is given in the explanations attached to each format (see also paragraph 24 below).
11. Financial statements should have the qualitative characteristics required to make the information provided useful to readers. The four principal qualitative characteristics are understandability, relevance, reliability (accuracy, neutrality and completeness), and comparability over time. Compliance with the principal qualitative characteristics and appropriate accounting standards normally results in financial statements that convey what is generally understood as a true and fair view of, or as presenting fairly, the financial position of the organization at the end of the financial period, the results of its operations for that period, and changes in its financial position. In the interests of comparability, line descriptions in the financial statements and in annexes thereto, which have not already been defined, should preferably use the terms contained in the CCAQ Glossary of financial and budgetary terms.
12. Financial statements may be presented in thousands or millions of the currency of account, whichever is appropriate.
13. Financial statements should include as Note 1 a statement of the organization's objectives.
14. Financial statements should include clear and concise disclosure of all significant accounting policies which have been used.

15. The disclosure of the significant accounting policies used is an integral part of the financial statements. The policies should be disclosed in Note 2 to the financial statements, with cross-references as necessary to individual statements.

16. Wrong or inappropriate treatment of items in the financial statements is not rectified either by disclosure of accounting policies used or by notes or explanatory material.

17. Unusual items or prior period items should be disclosed if they have a material effect on the financial statements or schedules. Such items should be either:

- (i) Reported by adjusting opening balances in the financial statements for the current period and amending the comparative information in respect of prior years which is included in the financial statements; or
- (ii) Separately disclosed in the current financial statements.

In either case the disclosure relating to these items should be adequate to facilitate comparisons of the figures for the periods presented.

18. A change in accounting policy should be made only if the adoption of a different accounting policy is required by resolution of the competent legislative authority or by the present accounting standards (endorsed as necessary by legislative authority), or if it is considered that the changes would result in a more appropriate presentation of the financial statements .

19. If there is a change in accounting policy that has a material effect in the current period, or may have a material effect in subsequent periods, the effect of the changes should be disclosed and quantified, together with the reason for the changes.

20. A change in an accounting estimate should be accounted for as part of income or expenditure relating to the ordinary activities of the organization in:

- (i) The period of change if the change affects that period only; or
- (ii) The period of change and future periods if the change affects both.

Revision of an estimate that relates to an item that was treated as an unusual item should itself be reported as unusual.

21. Contingent gains or losses, or events occurring after the end of the financial period, should be disclosed in the financial statements if they are considered to be of such importance that non-disclosure would affect the ability of users of the financial statements to make proper evaluations and decisions. If disclosure is necessary, the following information should be provided:

- (i) The nature of the contingency or event and factors that may affect any future outcome;
- (ii) An estimate of the financial effect, or a statement that such an estimate cannot be made.

22. For organizations with assessed budgets, the statement or schedule of appropriations (Statement IV or Schedule 1.1) should relate actual expenditure to budgeted expenditure for the period. At the summary level, the statement of income and expenditure and changes in reserves and fund balances (Statement I), the statement of assets, liabilities, and reserves and fund balances (Statement II), and the statement of cash flow (Statement III) should show corresponding figures for the preceding period<sup>3</sup>.

23. The name of the organization, the date of the end of the financial period, and the period covered by financial statements and the currency in terms of which they are expressed, should be stated.

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Exceptionally, for the first financial period in which the formats are used, the presentation of corresponding figures for the preceding period is not obligatory.

24. The amounts and classifications of items should be supplemented by any additional information required to make their meanings clear. Significant items should not be included with, or offset against, other items, without separate identification (see also the further explanations attached to the formats in appendices II to V, for guidance on disclosure).

25. All income and expenditure of the organization, whatever the source of funds, should be reported. The extent of combination, whatever the source of funds, should be reported. The extent of combination of income and expenditure in respect of different sources of funds (regular budget, extrabudgetary and any other resources) is a matter of judgement and depends on the extent to which it is meaningful and useful (see also paragraph 9 above).

#### Currency Questions

26. The accounts of the organizations are maintained, and their financial statements are presented, in the currency or currencies best suited to their operations. Where a transaction occurs in a currency other than the currency of account, it should be recorded in the organization's accounts and reflected in its financial statements in the currency of account.

27. A transaction in a currency other than the organization's currency of account should be recorded in the currency of account by applying (i) the United Nations operational rate of exchange, (ii) the budget rate of exchange or other rate of exchange approved by the legislative authority of the organization, or (iii) the actual rate of exchange yielded at the time of the transaction. The United Nations operational rate of exchange should be the benchmark rate of exchange for the determination of exchange gains and losses.

28. Where organizations enter into forward exchange contracts or other financial instruments for hedging against currency fluctuations, they should disclose in their financial statements the value of outstanding contracts, together with the basis used for measuring and reporting the transactions.



29. Differences on exchange and income or expense relating to forward exchange contracts or other financial instruments should be cleared into income or expenditure or into an authorized reserve account in the financial period in which they arise.

30. In the statement of assets, liabilities and reserves and fund balances (Statement II), for the purpose of reporting items denominated in currencies other than the currency of account:

- (i) Monetary items (that is, money held and assets and liabilities and reserves and fund balances to be received or paid in fixed or determinable amounts of money) should be reported using the United Nations operational rate of exchange in effect at the reporting date. Where changes in market rates of exchange are such that the use of this rate would cause a material discrepancy in the valuation of such items, the operational rate of exchange for the subsequent month (reflecting the market rate at the end of the financial period) may be used, subject to disclosure;
- (ii) Non-monetary items which are carried in terms of historical cost should be reported using the United Nations operational rate of exchange at the date of the transaction; and
- (iii) Non-monetary items which are carried at fair value should be reported using the United Nations operational rate of exchange in effect at the reporting date in determining their value.

#### Income and Expenditure

(a) Income

31. Income for a financial period is defined in the United Nations system as money or money equivalent received or accrued during the financial period which increases existing net assets. The following are the main types of income received by the organizations:

- (i) Contributions assessed under
  - regular budgets, or

- special accounts;
- (ii) Voluntary contributions pledged
  - in cash, or
  - in kind;
- (iii) Voluntary contributions received to fund specific activities under trust-fund and other arrangements;
- (iv) Other/miscellaneous income.

32. Income from assessed contributions represents a legal obligation of contributors as from the date when it becomes due payable. Such income should accordingly be recognized as at that date. However, in the interests of prudent financial management, provision may be made as appropriate for delays in the collection of the income so recognized and disclosed in accordance with the formats of the financial statements.

33. Voluntary contributions formally pledged represent a good-faith commitment of the contributor for the period and/or programme to which they relate. Such income should accordingly be recognized in that period. However, in the interests of prudent financial management, provision may be made as appropriate where the collection of the income so recognized is considered doubtful. In specific cases, where the pledge is deemed uncollectible, write-off action will be required. Alternatively, the income may be recognized only when funds are received.

34. Voluntary contributions in kind, if the particular nature of the organization's operations so requires, should be recorded in the books of account. Where circumstances so warrant, contributions in kind should be disclosed in a note to the financial statements. Such contributions should be valued at the donor's valuation, fair market value or budgeted value, whichever the organization considers to be most appropriate. The basis of valuation should be disclosed. The recording of voluntary contributions in kind as income and expenditure should take place simultaneously.

35. Voluntary contributions received to fund specific activities represent monies received in advance for the execution of those activities and held in trust. Such contributions are accordingly recorded only when received.

36. Other/miscellaneous income is defined in the United Nations system as income other than (i) the value of assessed or voluntary contributions and (ii) such other income items as may be excluded under the organization's financial regulations and rules. Other/miscellaneous income includes inter alia those items shown under that title in appendix II (statement of income and expenditure and changes in reserves and fund balances - Statement I). Other/miscellaneous income should be recorded on an accrual basis.

(b) Expenditure

37. Expenditure for a financial period is the sum of the disbursements and valid unliquidated obligations made against the appropriation/allocation of the period. The main types of expenditure incurred by the organizations are (i) expenditure under assessed regular or special budgets, which is governed by organizations' financial regulations, and (ii) expenditure under voluntary contributions, which may be governed either by the organizations' financial regulations or by separate rules established in accordance with those regulations.

38. Obligations are amounts of orders placed, contracts awarded, services received and other transactions which involve a charge against the resources of the current financial period and which will require payment during the same or a future period. Obligations under assessed regular or special budgets are maintained for the period specified in the organizations' financial regulations. Obligations charged to voluntary contributions may be maintained either for that period or until liquidated or cancelled.

39. Obligations may be increased during the financial period to which they relate according to the same rules as those applying to their establishment. During their period of validity they should be reduced as soon as they come to represent a decreased charge against the resources of the organization, and cancelled as soon

as they no longer represent such a charge; in these cases the accounts should be adjusted in accordance with the organization's financial regulations and rules.

40. Obligations unliquidated at the end of a financial period which continue to represent a charge against the resources of the organization should be maintained if the relevant regulations or rules so permit, and shown as a liability in the accounts. Any other remaining unliquidated obligations should be cancelled. Where obligations remain a valid charge but are required to be cancelled because of time limits under the relevant regulations or rules, corresponding new obligations should be established against the resources of the current financial period.

41. Where commitments are incurred against future financial periods, they should be recorded in the organization's accounts or disclosed in a note to the financial statements. Disbursements against such commitments should be recorded as deferred expenditure.

42. The costs of non-expendable equipment, furniture and motor vehicles should be charged to expenditure on purchase.

43. Losses represent other items that meet the definition of expenses and may, or may not, arise in the course of the ordinary activities of the organization. Losses, which include for example losses or thefts of cash, stores or other assets, are not different in nature from other expenses.

44. Transfers to reserve accounts should be fully disclosed.

#### Assets, Liabilities and Reserves and Fund Balances

45. Assets, liabilities, and reserves and fund balances are the elements directly related to the measurement of organizations' financial position. They are defined as follows:

- (i) An asset is a resource owned by or due to the organization as a result of past events.
- (ii) A liability is a present obligation of the organization arising from past events, the settlement of which is expected to result in an outflow of resources from the organization.

- (iii) Reserves and fund balances represent the difference between the assets and liabilities of the organization.

46. The amount at which an asset or liability is stated in the financial statements should not be reduced by the deduction of another liability or asset unless a legal right of set-off exists and the offsetting represents the expectation as to the realization of the asset or settlement of the liability.

47. The statement of assets, liabilities and reserves and fund balances (Statement II) presents the financial position of the organization at a given moment in time. Information to be disclosed in the statement is set out in the following paragraphs.

(a) Assets

48. Assets to be disclosed include, amongst others, the items mentioned below. They should be listed in descending order of liquidity and any restrictions on title should be indicated:

- (i) Cash and term deposits including cash on hand, current and call accounts and term deposits with banks. Separate disclosure should be made of any amounts held in non-convertible currencies;
- (ii) Investments. The market value should be disclosed if it is different from the carrying amount in the financial statements;
- (iii) Accounts receivable, including contributions receivable from member States, inter-fund balances receivable, and debit balances and advances under other accounts (excluding those shown under other assets). There should be disclosure in the statement of assets and liabilities, or in supporting schedules, of current contributions outstanding, arrears of contributions and contributions payable in instalments, with detailed listings by member States;
- (iv) Other assets, including inter alia inventories (other than non-expendable equipment, furniture and motor vehicles), and deferred charges;

- (v) Land and buildings. The value of such property should be disclosed, and the method of valuation (cost, valuation or nominal) should be clearly stated.

49. The inventory value of non-expendable equipment, furniture and motor vehicles should be disclosed and the method of valuation (cost or valuation) should be clearly stated in a note to the financial statements.

50. The costs incurred during construction or major long-term acquisitions which extend over more than one financial period should be accumulated and disclosed in a separate account. The sources of financing of the operation should be disclosed separately. On completion the construction or acquisition should be brought to account at final cost, and any remaining liability for the financing thereof should be separately shown.

51. Separate disclosure should be made of the amounts and timing of commitments for acquisition of land or buildings.

(b) Liabilities

52. Liabilities to be disclosed include, amongst others, the items mentioned below. They should be listed in the order of increasingly distant due dates, and any security given in respect of them should be disclosed.

- (i) Contributions or payments received in advance;
- (ii) Borrowings payable within one year;
- (iii) Unliquidated obligations;
- (iv) Accounts payable including inter-fund balances payable and other accounts payable;
- (v) Other funds and special accounts;

(vi) Other liabilities;

(vii) Borrowings payable after one year.

53. Separate disclosure should be made of any secured or unsecured borrowings, and a summary of the interest rates and repayment terms should be provided.

(c) Reserves and Fund Balances

54. Reserves and fund balances include, amongst others, the following items:

(i) Operating reserves;

(ii) Other reserves;

(iii) Balances relating to projects funded by donors;

(iv) Working capital funds;

(v) Capital funds relating to land and buildings;

(vi) Surpluses and deficits.

55. The nature of each capital fund and reserve account, the authority for establishing it, its authorized level, its source of funding, and movements in its constituent funds should be separately disclosed.

56. The value of any accumulated surplus or deficit should be separately disclosed. Surpluses under assessed regular budgets should be disclosed in such a manner as to enable users of the organization's financial statements to ascertain the amounts actually available for distribution under the provisions of its financial regulations which relate to the surrender of such surpluses.

57. Liabilities for end-of-service benefits (and post-retirement benefits) should be provided for in the accounts to the extent required by the financial policies of the organization. In so far as such liabilities are not fully provided for, appropriate disclosure should be made in the notes to the financial statements and the total estimated liabilities quantified where possible.



## APPENDIX I

### **Accounting Standards of the International Accounting Standards Committee drawn upon in developing the United Nations system accounting standards**

#### Framework for the Preparation and Presentation of Financial Statements

IAS 1	Disclosure of Accounting Policies
IAS 5	Information to be Disclosed in Financial Statements
IAS 7	Statement of Changes in Financial Position
IAS 8	Unusual and Prior Period Items and Changes in Accounting Policies
IAS 10	Contingencies and Events Occurring after the Balance Sheet Date
IAS 13	Presentation of Current Assets and Current Liabilities
IAS 16	Accounting for Property, Plant and Equipment
IAS 17	Accounting for Leases
IAS 18	Revenue Recognition
IAS 21	Accounting for the Effects of Changes in Foreign Exchange Rates
IAS 27	Consolidated Financial Statements and Accounting for Investments in Subsidiaries
E 44	The Effects of Changes in Foreign Exchange Rates (Exposure Draft)



**APPENDIX IIB (option B)**  
**STATEMENT OF INCOME AND EXPENDITURE AND CHANGES IN RESERVES AND FUND BALANCES (Statement I)**  
for the period ending [date]  
(Expressed in [currency of account])

References	Accounting Standards	Comments and further disclosure <sup>1</sup>	Heading	Schedule or Note Reference <sup>2</sup>	General Fund (and related funds)	Other Activities			Eliminations	Total	
						1	2	3 etc.		[Current ]	[Prior]
			<b>INCOME:</b>								
	31(i), 32	1	Assessed contributions								
	31(ii), 33-35	2	Voluntary contributions								
	31(iv), 36	3	Other/Miscellaneous income								
		4	Revenue producing activities								
		5	Funds received under inter-organization arrangements								
		6	Allocations from other funds								
		7	Jointly-financed activities								
		8	Income for services rendered								
		9	Interest income								
			Currency exchange adjustments								
			Other/Miscellaneous								
			<b>TOTAL INCOME</b>								
			<b>EXPENDITURE</b>								
	37-40, 42-44	10	Expenditure								
			<b>TOTAL EXPENDITURE</b>								
			<b>EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE</b>								
			Prior period adjustments								
		11	Provision for delays in the collection of contributions								
		12									
			<b>NET EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE</b>								
			Savings on or cancellation of prior periods' obligations								
		13	Transfers to reserves								
		14	Transfers from reserves								
			Transfers to/from other funds								
			Credits to member States								
			Other adjustments to reserves and fund balances								
		15	Reserves and fund balances, beginning of period								
			<b>RESERVES AND FUND BALANCES, END OF PERIOD</b>								

<sup>1</sup> Comments and information on further disclosure on page 52.

<sup>2</sup> This column is optional when the references cannot pertain to all columns shown.

## STATEMENT OF INCOME AND EXPENDITURE AND CHANGES IN RESERVES AND FUND BALANCES (Statement I)

## COMMENTS AND FURTHER DISCLOSURE

Number	Comments	Disclosure by schedule or note or on the financial statements	
		Obligatory	Optional
General	In accordance with paragraph 5(iii) of the Accounting Standards, all items which are material enough to effect evaluations or decisions should be disclosed in footnotes.		
1/2	Contributions may be broken down by main components to meet Organization's reporting requirements (e.g. Government/non-Government, cash/in kind, pledged/voluntary contributions).		For regular budgets, disclose income from member States (together with contributions outstanding - see obligatory disclosure for contributions receivable). For voluntary contributions, disclose amounts brought to account (together with expenditure where appropriate).
3	Other income items may be shown separately or grouped under the major heading "other/miscellaneous" as prescribed by the basic texts or resolutions, or depending on materiality.		Where such income is shown only in total, disclose breakdown by component.
4	Shown on gross basis unless otherwise indicated.	Where exceptionally shown on net basis, disclose gross income and related costs.	
5	Funds received from UNDP/UNFPA etc. to meet expenditure.		
6	Income received from other funds managed by the organization.		
7	Cost-sharing contributions to meet expenditure provided for on a gross basis in the appropriation (otherwise such items should be handled through the receivable accounts).		
8	Project servicing costs, management fees, etc.		
9			Disclose nature of adjustment.
10	Show total expenditure or high level breakdowns (such as programme/administrative; disbursements/unliquidated obligations) or matching to categories of income where appropriate.	For regular budgets, must agree with Statement/Schedule of appropriations. Disclose individual transfers to reserves provided in appropriation.	For expenditure financed from voluntary contributions, cross-reference to Summary Schedule (see optional disclosure for voluntary contributions receivable).
11	To include items not charged to current budget; e.g. writes-off of pledges of prior periods.		
12	To reflect the movement on the provision set up against contributions receivable.		
13	To be disclosed as stipulated in basic texts, or included in calculation of miscellaneous income when determining level of assessed contributions.		
14		Indicate individual transfers, including reserving funds to implement approved programmes in the subsequent biennium.	
15		Provide details of adjustments.	

**APPENDIX IIIA (option A)**  
**STATEMENT OF ASSETS, LIABILITIES, AND RESERVES AND FUND BALANCES (Statement II)**  
as at [date]  
(Expressed in [currency of account])

References	Accounting Standards	Comments and further disclosure <sup>1</sup>	Heading	Schedule or Note Reference <sup>2</sup>	General Fund (and related funds)			Other Activities				
					[Financial Period]		[Financial Period]		[Financial Period]		[Financial Period]	
					[Current]	[Prior]	[Current]	[Prior]	[Current]	[Prior]	[Current]	[Prior]
			<b>ASSETS</b>									
	48(i)	1	Cash and term deposits									
	48(ii)	2	Investments									
	48(iii)	3	Accounts receivable									
	32	4	Assessed contributions receivable from member States									
	33		Voluntary contributions receivable									
	32-33		Other contributions receivable									
		5	Less provision for delays in the collection of contributions									
		6	Inter-fund balances									
		7	Other assets									
	48(iv)	8	Land and buildings									
	48(v), 50, 51		(Note to the accounts concerning non-expendable equipment, etc.)									
	49	9										
			<b>TOTAL ASSETS</b>									
	52, 57	10	<b>LIABILITIES</b>									
		11	Contributions or payments received in advance									
	53	12	Borrowings payable within one year									
		3	Unliquidated obligations									
		13	Accounts payable									
		14	Inter-fund balances									
		15	Other									
		16	Other funds and special accounts									
		17	Other liabilities									
	53		Borrowings payable after one year									
			<b>TOTAL LIABILITIES</b>									
		18	<b>RESERVES AND FUND BALANCES</b>									
	54-56		(For example)									
			Operating reserves									
			Other reserves									
			Balances relating to projects funded by donors									
			Working Capital Funds									
			Capital funds relating to land and buildings									
			Surplus (deficit)									
			<b>TOTAL RESERVES AND FUND BALANCES</b>									
			<b>TOTAL LIABILITIES, RESERVES AND FUND BALANCES</b>									

<sup>1</sup> Comments and information on further disclosure on page 55.

<sup>2</sup> This column is optional when the references cannot pertain to all columns shown.

**APPENDIX IIIB (option B)**  
**STATEMENT OF ASSETS, LIABILITIES, AND RESERVES AND FUND BALANCES (Statement II)**  
as at [date]  
(Expressed in [currency of account])

Accounting Standards	References Comments and further disclosure <sup>1</sup>	Heading	Schedule or Note Reference <sup>2</sup>	General Fund (and related funds)	Other Activities			Eliminations	Total [Financial Period]	
					1	2	3 etc.		[Current]	[Prior]
		<b>ASSETS</b>								
48(i)	1	Cash and term deposits								
48(ii)	2	Investments								
48(iii)	3	Accounts receivable								
32	4	Assessed contributions receivable from member States								
33		Voluntary contributions receivable								
32,33	5	Other contributions receivable								
	6	Less provision for delays in the collection of contributions								
	7	Inter-fund balances								
	8	Other assets								
48(iv) 48(v),50,51	9	Land and buildings								
		[Note to the accounts concerning non-expendable equipment, etc.]								
		<b>TOTAL ASSETS</b>								
		<b>LIABILITIES</b>								
52, 57	10	Payments or contributions received in advance								
53	11	Borrowings payable within one year								
	12	Unliquidated obligations								
	13	Accounts payable								
	14	Inter-fund balances								
	15	Other								
	16	Other funds and special accounts								
53	17	Other liabilities								
		Borrowings payable after one year								
		<b>TOTAL LIABILITIES</b>								
		<b>RESERVES AND FUND BALANCES</b>								
54-56	18	[For example] Operating reserves Other reserves Balances relating to projects funded by donors Working Capital Funds Capital funds relating to land and buildings Surplus (deficit)								
		<b>TOTAL RESERVES AND FUND BALANCES</b>								
		<b>TOTAL LIABILITIES, RESERVES AND FUND BALANCES</b>								

<sup>1</sup> Comments and information on further disclosure on page 55.  
<sup>2</sup> This column is optional when the references cannot pertain to all columns shown.

STATEMENT OF ASSETS, LIABILITIES, AND RESERVES AND FUND BALANCES (Statement II)

COMMENTS AND FURTHER DISCLOSURE

Number	Comments	Disclosure by schedule or note or on the financial statements	
		Obligatory	Optional
General	In accordance with paragraph 5(f)(ii) of the Accounting Standards, all items which are material enough to effect evaluations or decisions should be disclosed in footnotes.		
1		Disclose material amounts held in non-convertible currencies.	Breakdown by cash, bank-current/deposit, location, etc. Breakdown by currency held.
2		Disclose market value if different from carrying amount.	
3	Other accounts receivable or accounts payable may be shown separately or grouped under the major heading "other" as prescribed by the basic texts or resolutions or depending on materiality.		
4		For the general fund, for assessed contributions receivable from member States, provide detailed listing by member State, identifying arrears including those payable in instalments.	
5	Balances due from other funds managed by the organization.		
6			Detailed schedule or note.
7	Includes inventories (other than non-expendable equipment etc.) and deferred charges.	Disclose on statement or by schedule or note depending on materiality.	
8		Disclose value of such property and the method of valuation (cost, valuation or nominal). Disclose costs incurred during construction, etc. (as per paragraph 50 of the Accounting Standards). Disclose amounts and timing of commitments for acquisition of land or buildings.	
9		Disclose inventory value of non-expendable equipment, furniture and motor vehicles and the method of valuation (cost or valuation).	
10			Detailed schedule or note, by member State.
11		Disclose secured/unsecured borrowings with a summary of interest rates and repayment terms.	Disclose authority.
12	To be defined in statement of significant accounting policies (Note 2).		Specify according to period and type.
13	Balances due to other funds managed by the organization.		
14			Detailed schedule or note.
15		Give summary of movements on major funds and special accounts.	
16		Disclose on statement or by schedule or note depending on materiality.	
17		Disclose secured/unsecured borrowings with a summary of interest rates and repayment terms.	
18		Disclose: The nature of each capital fund and reserve account, the authority for establishing it, its authorized level, its sources of funding and the movements in its constituent funds. The value of any accumulated surplus or deficit, including, for organizations with assessed budgets, identifying the amounts actually available for distribution.	

## APPENDIX IV

**STATEMENT OF CASH FLOW (Statement III)**  
**[Indirect method]**  
**for the period ending [date]**  
 (Expressed in [currency of account])

	[Financial Period]	
	[Current]	[Prior]
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net excess (shortfall) of income over expenditure (Statement I)		
(Increase) decrease in contributions receivable		
(Increase) decrease in other accounts receivable		
(Increase) decrease in other assets		
Increase (decrease) in contributions or payments received in advance		
Increase (decrease) in unliquidated obligations		
Increase (decrease) in accounts payable		
Increase (decrease) in other liabilities		
Less: Interest income		
Plus: Interest expense		
Currency exchange adjustments [optional, offset by similar category below]		
<b>NET CASH FROM OPERATING ACTIVITIES</b>		
<b>CASH FLOWS FROM INVESTING AND FINANCING ACTIVITIES:</b>		
(Increase) decrease in investments		
(Increase) decrease in inter-fund balances receivable		
Increase (decrease) in inter-fund balances payable		
Increase (decrease) in balances on funds and special accounts		
Increase (decrease) in borrowings		
Plus: Interest income		
Less: Interest expense		
Currency exchange adjustments [optional, offset to similar category above]		
<b>NET CASH FROM INVESTING AND FINANCING ACTIVITIES</b>		
<b>CASH FLOWS FROM OTHER SOURCES:</b>		
(Increase) decrease in land and buildings		
Savings on or cancellation of prior periods' obligations		
Transfers (to) reserves		
Transfers from reserves		
Transfers (to)/from other funds		
Credits to member states		
Other adjustments to reserves and fund balances		
<b>NET CASH FROM OTHER SOURCES</b>		
<b>NET INCREASE (DECREASE) IN CASH AND TERM DEPOSITS</b>		
<b>CASH AND TERM DEPOSITS, BEGINNING OF PERIOD</b>		
<b>CASH AND TERM DEPOSITS, END OF PERIOD</b>		



**APPENDIX V**  
**STATEMENT/SCHEDULE OF APPROPRIATIONS**  
for the period ending [date]  
(Expressed in [currency of account])

Description of appropriation section or programme <sup>1</sup>	Appropriations				Expenditure			Balance <sup>5</sup>
	Original	Supplementary/ Other adjustments <sup>2</sup>	Transfers <sup>3</sup>	Revised	Disbursements	Unliquidated obligations <sup>4</sup>	Total <sup>4</sup>	

<sup>1</sup> To be presented in same detail as approved budgets.

<sup>2</sup> For use according to the requirements of the organization. "Other adjustments" could include such items as other credits, tax equalization transfers, etc.

<sup>3</sup> Provide explanatory notes.

<sup>4</sup> For use according to the requirements of the organization. "Unliquidated obligations" should include accounts payable amounts which have been expensed.

<sup>5</sup> For use according to the requirements of the organization.

ANNEX IV

**SALARY SURVEY ACTIVITIES  
PROPOSED 1996-1997 PROGRAMME BUDGET (1)**  
(In United States dollars)

	1996	1997	Total
<b>Current jointly-funded activities</b>			
1 P4 post (new York)	135 700	138 200	273 900
1 G4 post (New York)	55 000	56 700	111 700
Travel	56 000	57 700	113 700
<b>Total current jointly-funded activities</b>	<b>246 700</b>	<b>252 600</b>	<b>499 300</b>
<b>Contributions in kind</b>			
<b>United Nations-funded posts:</b>			
1 P4 post (New York)	135 700	138 200	273 900
1 G5 post (New York)	61 500	63 500	125 000
<b>Total</b>	<b>197 200</b>	<b>201 700</b>	<b>398 900</b>
<b>UNDP-funded posts:</b>			
1 P4 post (New York)	135 700	138 200	273 900
1 G5 post (New York)	61 500	63 500	125 000
<b>Total</b>	<b>197 200</b>	<b>201 700</b>	<b>398 900</b>
<b>UNHCR-funded posts:</b>			
1 P4 post (New York)	135 700	138 200	273 900
<b>WHO-funded posts:</b>			
½ P4 post (Geneva)	82 800	84 550	167 350
<b>Total contributions in kind</b>	<b>612 900</b>	<b>626 150</b>	<b>1 239 050</b>
<b>Total proposed budget</b>	<b>859 600</b>	<b>878 750</b>	<b>1 738 350</b>

(1) Based upon budget estimates provided by the UNDP Division of Finance.