

**Administrative Committee
on Co-ordination**

 ACC/1997/14
 18 September 1997

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

(New York, 25-29 August 1997)

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Introduction

1. The Consultative Committee on Administrative Questions held its eighty-seventh session on financial and budgetary questions from 25 to 29 August 1997 at United Nations Headquarters in New York. Mr. Abdelkhalek Tazi-Riffi (ITU) was Chairman and Mr. Abraham E. Espino (IAEA) was Vice-Chairman. The agenda adopted by the Committee, which also lists the documents submitted, may be found in annex I. A list of the participants appears in annex II.

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

Current Budgetary Pressures

2. The Committee had an extensive discussion of budgetary issues facing the organizations of the United Nations system. Organizations with assessed contributions continued to face considerable budgetary pressures, which were reflected in their budgets for 1998-1999. In many cases these budgets were based at best on zero nominal growth. For most organizations, non payment and/or delayed payment of assessed contributions continued to be a very serious problem. Voluntarily-funded organizations reported a lack of growth or decline of unearmarked funding, which is also negatively affected by the strength of the US dollar relative to the currencies of some major donors.

3. Many Executive Heads have attempted to limit the impact of budgetary restrictions on mandated programmes by further reducing administrative and support services. Many participants were concerned that administrative costs had already been reduced substantially in previous biennia and that the position was being reached where further cost reductions would affect adversely the integrity and/or quality of financial control systems. Indeed, some recent incidents involving apparent failure of controls might already reflect insufficient resources allocated to this area. The Committee expressed the view that continued cost reductions in the administrative area would inevitably have a negative impact on the delivery of mandated programmes and on the level of services provided. Accordingly, the Committee welcomed the position taken by several Executive Heads who were suggesting to legislative bodies that further reductions affecting capacity

for effective budgetary and financial controls and other administrative support were inappropriate. Organizations reaffirmed their commitment to finding ways of improving productivity and cost-effectiveness.

United Nations Accounting Standards

4. The Committee approved on behalf of ACC revised texts of paragraphs 32, 34 and 57 of the United Nations Accounting Standards (UNAS) with respect to provisions for delays in the collection of contributions, the recognition and valuation of contributions in kind, and liabilities for end-of service benefits, post-retirement benefits and annual leave. The revised texts are in Annex III to this report. Further discussion of the UNAS is in paragraphs 15 to 17 below.

After-service medical benefits

5. The Committee has identified that in many organizations there may be significant liabilities with respect to after-service health care and end of service benefits. These liabilities may be unfunded or inadequately funded and will be reviewed further by the Committee. See paragraph 40 below.

Programme and budget

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

6. The Committee reviewed the proposed programme budgets for 1998-1999 for the Subcommittee on Nutrition (SCN) and the International Computing Centre (ICC) and approved these on behalf of ACC, subject to the proviso with regard to the SCN budget, in the case of any shortfall in expected voluntary contributions to SCN, that the level of core expenditure would be maintained at all times within the level of available income. See paragraphs 7 to 12 below.

PART IIA - Action taken and decisions adopted by the Committee

Programme and budget

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

7. In accordance with agreed procedures (ACC/1995/20, para.5), the Committee had before it, for inter-organization financial review on behalf of ACC, proposed programme budgets for 1998-1999 for the Subcommittee on Nutrition (SCN) and the International Computing Centre (ICC).

Subcommittee on Nutrition (SCN)

8. The Committee reviewed the proposed budget for 1998-1999 for core expenditures of the SCN totalling \$ 976,000. Those participants whose voluntary contributions were identified in the budget document as unconfirmed were requested to inform the Committee of their current plans. Several organizations stated that they would be making no contributions and one organization reported that its contribution would be lower than the level indicated in the budget document. As a result, it appeared that proposed core expenditures of \$ 976,000 were well in excess of confirmed voluntary contributions by ACC member organizations, which totalled \$801,000.

9. The Committee recalled that in past budget cycles there were shortfalls in expected income which were subsequently offset by reductions in expenditure. In the biennium 1996-1997 such reduction was possible by keeping vacant for several months the post of Technical Secretary; this post was now filled. The Committee noted that the budget incorporated a proposal to increase meetings of the Advisory Group on Nutrition (AGN) from two in the biennium 1994-1995 to four in the biennium 1998-1999. In view of the shortfall in expected income, the Committee recommends a reduction in the number of meetings of the AGN to the 1994-1995 level and a reduction in the budget for travel of SCN staff from \$75,000 to \$50,000. Subject to these reductions and also to the proviso that expenditure at all times be maintained within the level of core income, the Committee approved the proposed budget on behalf of ACC. The Committee wished to remind the

organization administering the SCN budget that extreme care should be taken with regard to creation of any long term liabilities, such as for fixed term contracts for SCN staff, given the precarious nature of the funding.

International Computing Centre (ICC)

10. The Committee considered a proposed programme budget for 1998-1999 amounting to 44,675,000 Swiss francs, compared to revised estimates for 1996-1997 of 38,384,000 Swiss francs.

11. At its February 1997 session the Committee expressed some concerns and requested further clarification on a number of issues. Accordingly, the Committee while approving the proposed budget in principle, had requested that the issues be addressed before its next session when the budget could be further reviewed and approved. Clarification was provided in document ACC/1997/FB/R.21 and the Committee was able to give its final approval of the proposed budget. Further information identifying elements of ISCC work totalling \$640,800 in ICC's budget is given in Annex V. It was noted that the budget document stated that the income expected from the United Nations with respect to the transfer of mainframe operations from New York to Geneva was subject to finalization of a Memorandum of Understanding. This had since been done and the MoU covered the first year of operations, with charges for future years adjusted in line with actual workload.

12. The Committee approved the ICC proposed budget for 1998-1999 in an amount of 44,675,000 Swiss francs, noting that the dollar equivalent given in the budget document was for information only and that the budget approval was for the Swiss franc amount. The Committee requested clarification of some issues with regard to the currency of invoicing for ICC services. It was agreed that invoicing in Swiss francs would be the subject of bilateral discussions between WHO and interested organizations.

Cost-sharing for inter-organizational security measures

13. The Committee approved the costs to be charged to individual organizations for inter-organizational security measures in 1996, on the basis of a document prepared by the United Nations. This gave a breakdown of expenditures related to security measures incurred by the United Nations during 1996 totalling \$525,466. The Committee also approved expenditure on malicious acts insurance for 1996 totalling \$1,469,331 and noted that there would be a refund with respect to 1995 insurance amounting to \$367,509.90. Participants requested the United Nations to ensure that invoices with respect to these costs were sent out in time to be reflected in organizations' financial statements for the financial period ending 31 December 1997.

Budgeting methods

14. The Committee considered a report of an informal discussion group of organizations with assessed budgets which was hosted by WHO, acting as lead agency. The group had reviewed current practices with respect to the classification and identification of administrative costs with the programmes they support in budget formulation and financial reporting. Representatives of UNICEF, UNDP and UNFPA briefed the Committee on progress with the budget harmonization process with respect to the budgets proposed for 1998-1999. Taking into account the work already done by the above-mentioned organizations, the Committee agreed that it would be useful to undertake further work on the definition of management, administrative and programme support costs. It requested the secretariat to update the document on budgeting methods, paying special attention to Table 14 on Administrative and Support Services, which should in future incorporate information on voluntary-funded organizations. Organizations were requested to make available to the secretariat copies of their proposed or approved budgets for 1998-1999 as soon as they were available. Information was exchanged on the pros and cons of a move from annual to biennial budgeting.

Accounting and financial reporting

Accounting standards

15. The Committee considered the report of the Working Party on Accounting Standards, which took place at UNESCO in Paris from 23-25 June 1997. It accepted recommendations that revisions should be made to the text of paragraphs 32,34 and 57 of the United Nations Accounting Standards (UNAS) and approved the revised text on behalf of ACC, as contained in Annex III to this report. WIPO kindly volunteered to coordinate production of a French translation of the revised texts. The secretariat was requested to circulate to all members a revised text of UNAS. Organizations are encouraged to apply the revised UNAS to the presentation of their financial statements for the financial period ending 31 December 1997.

16. The Committee also approved the Working Party's recommendation (see para. 19 of ACC/1997/FB/R.22) as to a mechanism for handling the development of the standards in the future and considered that the list of subjects meriting further study was appropriate at this stage. The secretariat was requested to compile information on organization's experience with regard to the disclosure of liabilities in respect of after-service and termination benefits, including the basis of valuations used (see also para. 40 below).

17. With respect to proposing a standard with regard to the United Nations Joint Staff Pension Fund (UNJSPF), the Committee decided that this was the responsibility of the Pension Board, but noted that any finalized accounting standard proposed on this issue for incorporation in the UNAS must be submitted to the Committee for approval. The Committee noted, with an amendment, a text which might be included in a Note to the financial statements of member organizations in respect of participation in the UNJSPF. This text, which is contained in Annex III of this report, will be reconsidered when the UNJSPF submits its proposed accounting standards to the Committee.

18. The Committee expressed its appreciation to UNESCO for hosting the Working Party, to Mr. Mark Warren of UNESCO for chairing the meeting, and to all members of the Working Party for their valuable contributions to the development of the UNAS.

Audit opinions

19. The Committee reviewed a proposed revision to paragraph 5 of the additional terms of reference governing the external audit as incorporated in organizations' Financial Regulations. Most organizations indicated that they accepted the proposed text and stated that they would be taking steps, as appropriate, to initiate any necessary changes to their Financial Regulations to give effect to the revision. Several organizations reiterated their concern that the revised text might result in an audit opinion that would be weaker than the audit certification currently provided for in their Financial Regulations. These organizations indicated that they would retain their existing texts. The secretariat was requested to draft a reply on this matter to the Chairman of the Panel of External Auditors.

General financial systems

Management Reforms and Productivity Improvement

20. The Committee was briefed on the status of the ACC report on Reforms in the United Nations System that was currently being prepared, based on input provided to CCAQ by organizations. The Committee devoted considerable time at the session to these issues, especially to questions of cost recovery and information technology (see paras. 27-29 and 31-33 below).

Other financial and budgetary questions

United Nations operational rates of exchange

21. The Committee approved, on an interim basis, revised procedures (as detailed in Annex IV to this report) for establishing operational rates of exchange. It was agreed

that the revised procedures should take effect with respect to establishing the operational rates of exchange for January 1998, i.e. the rates would be established in late December 1997. Organizations' experience with the new procedures would be considered at the Committee's next session, at which time it would be necessary to take into account the possible introduction of the Euro as the currency of a number of Headquarters locations. The secretariat was requested to prepare, in consultation with interested organizations, a draft of proposed procedures with respect to the Euro rate, identifying, where appropriate, options.

Organizational questions

Time and place of the next session

22. The Committee agreed, under the new ACC arrangements, on the timing and location of its session in 1998. It decided that the eighty-eighth session would best be held in New York from 31 August to 4 September 1998 and accepted the kind invitation of the United Nations to host the meeting.

Work programme of the secretariat

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

(a) collection and compilation of data with respect to Cost of Health Insurance and issue of an updated biennial report showing the situation as at December 1997; collection and compilation of further data on costs of after-service medical schemes, the extent to which liabilities are funded or are on a pay-as-you-go basis, and methodology used by organizations for valuation of unfunded liabilities,

(b) collection and compilation of organization's expenditure statistics for 1996-1997 to be used for cost-sharing allocation, according to the JIU formula, for 1998-1999,

(c) preparation of a report showing cost-sharing allocations for 1998-1999 under the JIU and CCAQ formulas,

(d) collection of further information on organization's treatment of administrative and management costs as presented in their budgets for 1998-1999; compilation of a Conference Room Paper for the Committee's next session, to cover organizations' experiences, including definitions used with respect to administrative costs, programme support costs, management costs, etc.,

(e) updating of document ACC/1995/FB/R.49 - Budgeting Methods. Also preparation of a revised Table 14 of R.49 to incorporate information on voluntary-funded organizations,

(f) preparation of a paper covering a draft policy on charging cost recovery for services provided by one United Nations System organization to another,

(g) finalization of the document covering cost recovery and fees for services showing organizations' experiences and identifying key policy issues and opportunities for augmenting income,

(h) follow up to the JIU report on outsourcing,

(i) follow up to the ICSC report on travel standards and its consideration by the General Assembly,

(j) contribution of CCAQ(FB) sections of the ACC report on Productivity Improvements and Reform initiatives, setting up of database covering this area, and development of CCAQ Web site pages concerning productivity improvements and management reforms,

(k) preparation of reports on status of collections of contributions as at 30 June 1997, 31 December 1997 and 30 June 1998,

(l) updating of CCAQ Handbook to end of 87th session; production of FB sections of the CCAQ Handbook as Web Site HTML pages as well as production of files in different word processing document formats that can be downloaded from Web site,

(m) attendance at Oversight seminar, Montreux, October 1997,

(n) acting as clearing house for exchange of information with regard to special requirements (e.g. audit access, tied procurement, tied recruitment, etc.) that are conditions of proposed contributions by certain donor governments or organizations (e.g. European Union),

(o) Preparation of a Conference Room Paper for the Committee's next session covering policy implications resulting from the introduction of the Euro,

(p) Preparation of the ACC statistical report on the budgetary and financial situation of organizations of the United Nations system as at end 1997,

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

(r) Update of information on organizations' procurement policies and procedures including changes affecting local contract committees,

Renewal of appointment of Secretary

24. The Committee agreed unanimously to the extension of the term of the Secretary, Mr. Peter Leslie, for a further period of two years, commencing 1 January 1998.

PART IIB - Other items discussed

Accounting and financial reporting

Agency financial and audit reporting to UNDP

25. UNDP briefed the Committee on the status of the proposed simplification of financial reporting of expenditures relating to UNDP-funded projects. There should be few problems in accepting simplified reporting from those organizations applying the UNAS with respect to a columnar format for audited financial statements in which UNDP-funded expenditures are clearly identified. Discussions with the Technical Group of the Panel of External Auditors were on-going with respect to the text of a letter of reliance which would be essential for the submission of UNDP's financial statements to UNDP's External Auditor. This letter of reliance would normally be needed before the completion of organizations' audited statements. The Committee welcomed the progress made.

Management reforms and Productivity improvement

ACC overview report on Reform in the United Nations system

26. The Committee was briefed on the status of the ACC report which was being prepared based on input received from CCAQ as a Whole members. The report would most likely be completed in late September, for review by the Organizational Committee in October prior to submission to ACC at its October 1997 session.

Cost recovery and charging fees for services

27. The Committee decided at its previous session that it would focus on this subject at the present session. Accordingly, there was an in depth discussion of opportunities to augment income by charging fees for services or increasing cost recovery. Organizations exchanged information on experiences in identifying value-added services, such as processing of international applications for patents and registration of trademarks, satellites and Freephone numbers where the services rendered were valuable to recipients

and where a substantial income might be generated by charging fees, especially to the private sector. It was recognized, however, that there were major differences between organizations' mandates which means that application of the cost recovery principle in one organization would not be relevant to another organization. The mandate of some organizations essentially precluded activities of a commercial nature. Caution was necessary in using private fund-raising mailing organizations which might promise, but fail to produce, large private sector contributions. The Committee accepted UNICEF's offer to make a presentation at its 1998 session on the financial management and internal control implications of private sector fund-raising.

28. With regard to cost recovery, it was essential to separate cost recovery from sister organizations and cost recovery for services rendered to third parties (Member States, NGOs, etc.). Cost recovery within the United Nations system should be based on reasonable charges, including prior consultation and agreement. The Committee noted the issues raised by the action of the United Nations in increasing cost recovery from the United Nations Joint Staff Pension Fund (see discussion below). It was increasingly important for those organizations recovering costs from other organizations to agree on a suitable methodology for measuring and then allocating costs. It would be desirable if work could be undertaken on a policy paper covering the issues involved in inter-organization charges, taking into account organizations' experience in this area. The secretariat was requested to add this to the work programme.

29. With regard to cost recovery from third parties, this offered some potential to defray costs by, inter alia, a more equitable sharing with donors of the costs of support for operational activities. Organizations should bear in mind that the incremental costs of any necessary systems to measure costs and to invoice and collect charges can sometimes be high in relation to the costs to be recovered. Organizations should continue to exchange information in order to benefit from each other's positive experience and to avoid some of the pitfalls encountered when entering unfamiliar territory.

Services provided to the UNJSPF

30. The Committee considered the information contained in document ACC/1997/FB/R.21 with respect to the significant increase in charges by the United Nations for, inter alia, computer mainframe services and external audit examination. It expressed concern at the manner in which the United Nations increased the charges, as reported in its proposed budget for 1998-1999, and was of the opinion that such material changes should have been subject to prior consultation and agreement. Members of the Pension Fund Secretariat provided further information with respect to the 6 August 1997 letter from the Secretary of the Pension Board requesting data on services provided by member organizations in support of the administration of the Pension Fund through local staff pension committees. Participants reaffirmed their organizations' commitment to continued provision of staffing and other resources as required. After discussion, it was agreed that organizations would provide to the Secretary of the Pension Board information on staffing (giving work months, for Professional and General Service staff separately) and all other services provided in accordance with article 4 (a) and 15 (c) of the Pension Fund Regulations.

Computer systems and information technology

31. The Director of the International Computing Centre (ICC) made a presentation on key information technology issues with special reference to planning for the Year 2000 issue, which affects most organizations. Participants were interested in access to a list of commercially available software which is Year 2000 compliant. The secretariat was requested to liaise with ICC to identify specific Web sites which members could use as a source for this information. The Secretary of ISCC advised the Committee that the United Nations had requested the Gartner Group to undertake a risk assessment review of plans for the Year 2000 compliance. ISCC agreed to keep members informed of system-wide involvement of the Gartner Group, via the CCAQ secretariat.

32. Representatives of the United Nations made presentations on the IMIS project which covered problems that have arisen in implementation, issues with regard to interface with other information systems and the latest schedule for roll out of additional

modules at present under development. Release IV of IMIS, the Payroll module, was scheduled for end 1998. The importance of adequate training and the establishment of a dedicated implementation team was stressed. The Committee was assured that IMIS was Year 2000 compliant.

33. Representatives of UNICEF made presentations on the status of the SAP project which would interface with a new field office system and with the Personnel and Payroll modules of IMIS. Information was also exchanged on the status of FAO's Oracle project, including lessons to be learned from FAO's previous experiences. Information was also exchanged on development of financial systems by ITU (with respect to its SAP project), WFP and UNHCR. It was emphasized that in all systems development work the prerequisites for successful implementation included top management support and commitment to provision of adequate funding; early participation of end users in the planning process and clear ownership of the project; and a dedicated end user team for testing applications as they are developed and before they are put into production.

Draft JIU report on outsourcing

34. The Committee considered a draft of a JIU report entitled "The Challenge of Outsourcing for the United Nations System". It noted that the report had not yet been officially submitted but that it was scheduled for consideration at the forthcoming session of the General Assembly at the same time as an earlier report on the same subject by the United Nations Office of Internal Oversight Services. The secretariat was requested to follow up on the consideration of this report by the General Assembly and to keep the Committee informed of developments.

Cash management

Deposit and investment arrangements

35. 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. The United Nations, UNICEF and UNDP briefed the Committee on the software used by them for Treasury management and control.

Borrowing by organizations

36. The Committee noted information provided in document ACC/1997/FB/R.30 on the use of internal and/or external borrowing to meet cash flow problems and the extent to which such borrowing was permitted by their governing bodies or by financial rules and procedures. Organizations were requested to keep the secretariat informed of any changes proposed and/or approved.

Voting rights

37. The Committee considered information provided in document ACC/1997/FB/R.31 summarizing replies to a questionnaire on this subject. Organizations were requested to keep the secretariat informed of any changes proposed and/or approved.

General financial systems

Extrabudgetary activities

38. The Committee was briefed on recent correspondence between the United Nations and the European Commission. It noted that there continued to be pressure from some donors whose contributions were subject to conditions governing such matters as audit access, tied procurement or tied recruitment, staggered payment schedules and holdback provisions, and that it was necessary for organizations to present an united front in negotiations. It was agreed that the United Nations would continue to act as focal point on the above issues. As there would only be one session of the Committee in 1998, it was more important than ever that members keep each other informed of any developments, using the secretariat as a clearing house. It was agreed that the subject would be considered again at the Committee's next session.

Internal controls

39. The Committee held a private discussion related to the detection and prevention of fraud and to other internal control matters. In particular, the Committee considered measures to ensure tight controls over electronic payment transfers. Some organizations with substantial field-based activities reported that they had modified procedures for their local contracts and procurement committees to provide more flexibility. In this regard the Secretary was requested to update the records on the organizations' practices with regard to procurement and contracts committees, including local procurement.

Other financial and budgetary questions

Health insurance

40. At the request of FAO, the Committee discussed organizations' experience with after-service medical benefit schemes, including any actuarial studies undertaken, the existence of any funding mechanisms, the present level of any unfunded liabilities, and the accounting treatment followed with regard to expenses and other disclosures. It was noted that there was a wide range of practices followed by organizations in this area and that there might well be substantial liabilities which were either totally unfunded or only partially funded. The Committee encouraged organizations to disclose information on this in their financial statements in line with revised UNAS paragraph 57 and in consultation, as appropriate, with their External Auditors. The Committee welcomed the initiative by FAO to host an informal meeting on cost of after-service medical benefits and will consider the report of the informal meeting at its 1998 session. As part of the work programme until the next session, the secretariat was requested to collect information on organizations' experiences with regard to accounting treatment and any proposals to deal with unfunded liabilities.

Research on medical standards policy

41. The Committee noted the decision of CCAQ(PER) to undertake research on the cost implications for benefits and insurance schemes of any changes to policy with regard to

medical standards for the recruitment of new staff. The secretariat was requested to follow up on this subject and to keep the Committee informed of any developments.

Long-term care insurance

42. The Committee noted the decision of CCAQ(PER) to proceed with development of a framework which would provide for a long-term insurance scheme. The secretariat was requested to follow up on this subject and to keep the Committee informed of any developments.

Standards of accommodation for air travel

43. The Committee noted the reports of ICSC and of CCAQ(PER) on their consideration of this subject. It requested the secretariat to follow up developments, in particular consideration of this matter by the General Assembly.

Financial Regulations: review of amendments

44. The Committee was briefed on the changes to the financial regulations of UNFPA and ITU.

Role and function of CCAQ(FB) in the Reform process

45. Following an exchange of views on its role, function and working methods, the Committee decided to revert to this subject at its 1998 session and invited contributions to a paper, to be coordinated by UNDP, which would be considered at that time. In the meantime the secretariat will circulate to new participants the appropriate documentation on this subject.

ANNEX I

Agenda adopted by the Committee on 25 August 1997

<u>Item</u>	<u>Document</u>
1. Adoption of the agenda	ACC/1997/FB/R.26/Rev.1
2. Programme and budget	
2.1 Budgetary pressures and current financial situation of organizations of the United Nations system	-
2.2 CCAQ(FB) consideration of 1998-1999 budgets of jointly-financed bodies	-
2.2.1 Subcommittee on Nutrition (SCN)	ACC/1997/FB/R.25
2.2.2 International Computing Centre (ICC)	ACC/1997/FB/R.11 ACC/1997/FB/R.23
2.3 Cost-sharing arrangements	
2.3.1. Inter-organizational security measures: - Malicious Acts Insurance for 1996 - Security measures in 1996	ACC/1997/FB/R.17
2.4 Budgeting methods	
2.4.1 Outcome of informal group meeting on administrative costs	ACC/1997/FB/87/CRP.5
2.4.2 Status report on harmonization	-
2.4.3 Biennial budgeting	-
3. Accounting and financial reporting	
3.1 Accounting standards	ACC/1997/FB/R.22
3.2 Agency financial reporting to UNDP	ACC/1997/FB/87/CRP.6
3.3 Audit opinion	ACC/1997/FB/R.24
4. Management reforms and Productivity improvement	
4.1 ACC overview report on Reform in the United Nations system	-
4.2 Cost recovery and charging fees for services	ACC/1997/FB/R.21 & Corr.1 ACC/1997/FB/R.27 ACC/1997/FB/87/CRP.3

<u>Item</u>	<u>Document</u>
4.3 Computer systems and information technology	ACC/1997/FB/87/CRP.1
4.4 Draft JIU report on outsourcing	ACC/1997/FB/87/CRP.2
5. Cash management	
5.1 Deposit and investment arrangements	-
5.2 Borrowing by organizations	ACC/1997/FB/R.30
5.3 Voting rights	ACC/1997/FB/R.31 ACC/1997/FB/87/CRP.4
6. General financial systems	
6.1 Extrabudgetary activities financed by the Commission of the European Union and the World Bank	-
6.2 Internal controls	-
6.3 Accountability	-
7. Other financial and budgetary questions	
7.1 Health insurance: cost of after-service medical benefits	ACC/1997/FB/R.32
7.2 Research on medical standards policy	ACC/1997/FB/R.19
7.3 Long term care insurance	ACC/1997/FB/R.20
7.4 Standards of accommodation for air travel	ACC/1997/FB/R.18
7.5 UN operational rates of exchange	ACC/1997/FB/R 28
7.6 Financial Regulations: review of amendments	ACC/1997/FB/R.29
7.7 Other questions	-
8. Organizational questions	
8.1 Time and place of the next session	-
8.2 Work programme of the secretariat	ACC/1997/FB/87/CRP.7
9. Adoption of the report of the session	ACC/1997/FB/87/CRP.7

ANNEX II

List of participants

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

Representatives of member organizations:

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Mr. Jayantilal Karia
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Ms. Suzanne Bishopric
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Ms. Diana Russler
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Mr. Anton Bronner
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Office of Central Support Services

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Mr. Raymond Gieri
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Ms. Veronique Lavorel
Director, Division of Finance, Bureau for Finance and Administration

Mr. Alan Potter
Chief, Accounts, Division of Finance
Bureau for Finance and Administration

Mr. Walter Gore
Treasurer, Bureau for Finance and Administration

UNFPA

Mr. Martin Fianu
Chief, Finance Branch

Mr. Jose-Manuel Jimeno
Chief, Budget and Management Analysis Section, Finance Branch

Ms. Linda Kintzios
Finance Officer

WFP

Mr. Gary Eidet
Director, Finance and Information Systems Division

UNHCR	Ms. Raymonde Vander Goten Head, Financial Services Mr. Wolfgang Milzow Treasurer
ITC	Mr. Joseph Smadja Director, Division of Administration
UNRWA	Mr. William Lee Chief, New York Liaison Office
ILO	Mr. Anees Ahmad Treasurer and Financial Comptroller Assistant Director-General Mr. D. Colin McLean Director, Financial Services Department
FAO	Mr. Michael Ruddy Interim Director, Finance Division
UNESCO	Mr. Daniel Daly Comptroller
ICAO	Mr. John Maguire Chief, Finance Branch
WHO	Mr. Edward Uhde Comptroller and Director Division of Budget and Finance Mr. Sova Bhandary Chief, Finance and Chief, Accounts
World Bank	Mr. James Garfield Chief, Clients Service Section, Trust Funds Division
UPU	Mr. Thierry Beaucent Head of Finance Section
ITU	Mr. Abdelkhalek Tazi-Riffi Chief, Finance Department
WMO	Mr. Ah-Kim Lee Choon Chief, Finance and Budget Division

IMO	Mr. Dayasiri Muthumala Head, Finance and Budget Section
WIPO	Mr. Tony Keefer Assistant Director-General
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

Other representatives:

ICC	Dr. Eduardo Gelbstein Director
CCAQ	Peter Leslie Associate Secretary
ISCC	Mr. John Northcut Secretary

ANNEX III

Revised text of United Nations Accounting Standards paragraphs 32, 34 and 57

32. Income from assessed contributions represents a legal obligation of contributors as from the date when it becomes due payable. Such income should be accordingly recognized as at that date. However, provision may be made for delays in the collection of the income so recognized and disclosed in accordance with the formats of the financial statements. Such provision shall be 100 per cent of the unpaid contributions at the date of the financial statements at the end of the financial period.”

34. Significant voluntary contributions in kind, which can be used in the normal course of an organization’s programme activity, and provided that a fair value can be reasonably estimated, should be reported in the organization’s financial statements. An organization may choose to recognize these contributions on the face of the statements or disclose them as a Note. Such contributions should be valued at a fair value, including donor’s valuation if appropriate, as best determined by the organization and the basis for such valuation should be disclosed.

57. Liabilities for end-of-service benefits, post-retirement benefits and annual leave should be provided for in the financial statements 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 estimated liabilities quantified where possible, showing the basis of valuation.

* * *

Disclosure as to participation in the UNJSPF

_____ is a member organization participating in the United Nations Joint Staff Pension Fund (UNJSPF) which was established by the United Nations General Assembly to provide retirement, death, disability and related benefits. The Pension Fund is a funded defined benefit plan. The financial obligation of the organization to the UNJSPF consists of its mandated contribution at the rate established by the United Nations General Assembly together with its share of any actuarial deficiency payments which might become payable pursuant to Article 26 of the Regulations of the Fund.

ANNEX IV

United Nations operational rates of exchange

1. The operational rates of exchange of the United Nations between the US dollar and other currencies are established by the Under-Secretary-General for Management or by the Treasurer. Each of the specialized agencies has the authority to establish its own rates. However, common rates are agreed among the organizations in practice and in the interests of uniformity. Field area rates are determined by the Treasurer on the basis of information received from UNDP, the regional commissions, peace-keeping operations, and other market sources. For actively traded currencies, (as determined by the Treasurer in consultation with organizations) an independent information source reflecting current market exchange rates is used. The rates at 9:00 a.m. New York time, two business days before month-end, as posted by Telerate, Reuters or other independent market sources are used. The rate quoted is the average of the buying and selling spot rate at that time and the rates are quoted based on market convention for the specific currency (e.g., the Japanese yen is normally rounded to two (2) decimal points).

2. In Headquarters Currency countries, one designated organization will communicate this rate to the UN Treasurer after consultation with other organizations in the country. The minimum move necessary for any change in a Headquarters Currency is as follows:

French franc: one centime
Swiss Franc: two centimes
Italian lira: fifteen lira
Austrian schilling: ten groschen
Pound sterling: 0.5 p
Canadian dollar: one cent

3. As regards the methodology applied by the United Nations:

(a) For those currencies which are actively traded in the international exchange markets, fluctuations and trends are kept under constant review, and the operational rates are revised, as warranted, in consultation with the specialized agencies and UNDP. A fluctuation of 10% or more in the value of an actively traded currency could constitute a significant change for the purposes of a mid-month revaluation.

(b) For those currencies whose values are tied to other currencies, the operational rates are revised when the rate of the basis-setting currency is revised.

(c) For those currencies whose exchange rate is fixed and controlled by the government and for which no official parallel market exists, the operational rate is revised only when the rate is officially changed by the government.

(d) For those currencies which are not actively traded in international markets and are exchanged in the country of issue through the banking system, revisions are made on the basis of the actual rate legally obtained on conversion.

4. Revisions in operational rates are made at the beginning of a month unless a significant change has occurred during the month. For currencies of field duty stations, specifically, normal revisions are made at the beginning of every month. A significant change is defined as one in which the currency value changes by more than 10% whether as a result of official revaluation by the government or by market forces. For currencies falling under (c) above, revisions are made upon notification of official changes and as soon thereafter as possible.

5. For currencies that are not actively traded, UNDP, in consultation with other UN agencies and peace-keeping operations in the field, will recommend rates. For currencies of field duty stations, in particular, this means that the recommended rate is based on the actual rate available for conversion at the time, whether determined by references to an independent market source or information received from the field office. The procedure for receipt of information from UNDP field offices is described below.

6. In this connection, the instructions to Resident Representatives provide that they are to cable the following information to UNDP Headquarters in time for it to arrive by the 23rd of each month, if this falls on a working day or, if not, by the preceding working day:

- (a) The average buying and selling market exchange rates against the US dollar during the reporting period;
- (b) The daily buying and selling rates for the last week of the period;
- (c) The trend (upward, downward, stable) during the period;
- (d) Any official currency devaluation or revaluation.

This information is, however, not required for countries in the CFA franc area, the Comoros or New Caledonia, whose currencies are linked to the French franc.

7. For currencies affected by substantial day-to-day depreciation, the operational rate is revised under an exceptional procedure involving the projection of mid-month market rates, with a view to following the market as closely as possible and avoiding subsequent adjustments.

ANNEX V

ISCC budget in ICC
For the biennium 1998-1999

ASSIGNED RESPONSIBILITY	EXPENDITURE	DESCRIPTION	AMOUNT IN USD
TF/LIB	Contractual Services	Production of World Wide Web via Internet	20,000
TF/NET	Contractual Services	Establishment of pilot systems including telecommunications access via Internet	10,000
TF/LIB	Contractual Services	Establishment of pilot systems including telecommunications access via Internet for enhanced access by small libraries	15,000
ICC on behalf of ISCC (for approved services)	General Temporary Assistance	Provision for two professionals and one half-time general service staff	424,800
	Contractual Services	Data processing expenses for systems in production at the ICC on behalf of ISCC primarily related to systematic updating of systems such as the UNCAPS	30,000
	Rental and Maintenance of Data Processing Equipment	Maintenance agreement of the Internet server	25,000
	Communications	Video conferencing facilities and for additional bandwidth for Internet access	30,000
	Acquisition of Equipment and software	Purchase of additional equipment and software	62,000
	Communications	Video conference services (Ref. E-mail of Mr. Northcut to the ICC Deputy Director on 3/12/96)	24,000
Total in USD			640,800
Total in SFR (Amount indicated in the ICC Funding, Table 9 of the Proposed 1998-1999 Budget)			756,144

Note: Exchange Rate used in USD 1.00 = SFR 1.18.

