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**ACC**

**Administrative Committee  
on Co-ordination**

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**REPORT OF THE NINETIETH SESSION OF  
THE CONSULTATIVE COMMITTEE ON ADMINISTRATIVE QUESTIONS**

**(FINANCIAL AND BUDGETARY QUESTIONS)**

(New York, 30 August - 3 September 1999)

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## **ANNEXES**

- I. Agenda adopted by the Committee on 30 August 1999
- II. List of participants
- III. Revised texts of United Nations Accounting Standards, paragraphs 31, 32, 35, 48(iii) and 57

## INTRODUCTION

1. The Consultative Committee on Administrative Questions held its ninetieth session on financial and budgetary questions from 30 August to 3 September 1999 at United Nations Headquarters in New York. Mr. Abraham E. Espino (IAEA) was Chairman and Mr. Gary Eidet (WFP) 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**

2. On behalf of ACC, the Committee approved revisions in United Nations Accounting Standards (UNAS) 31, 32, 35, 48(iii) and 57. The revised text of these UNAS is given in Annex III. The Committee's considerations are covered in paragraphs 18 to 22 below. The Committee decided on a further meeting of the Working Party on Accounting Standards, to take place in June 2000 in New York.

3. The Committee decided that UNOPS should contribute to the costs of the jointly-financed activities based on the agreed cost allocation formulae. Accordingly the Committee approved the cost sharing allocations, including shares attributable to UNOPS, as given in the document before it. UNOPS reaffirmed its concerns regarding payments to jointly-funded bodies in which it has no membership. Noting that it could not presently justify the passing of such costs on to its clients, UNOPS confirmed none the less that it would take account of the Committee's conclusions in continuing discussions with the various interested parties. (See para. 17 below for further details.)

4. The Committee approved on behalf of ACC proposed programme budgets for 2000-2001 for the International Computing Centre (ICC) and the Sub-Committee on Nutrition (SCN). (See paras. 8 to 12 below for further details.)

5. The Committee unanimously recommended an extension of the appointment of its Secretary, Mr. Peter Leslie, to commence 1 January 2000 (see para. 55).

#### **Current Budgetary Pressures**

6. 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 2000-2001. Some voluntarily-funded organizations also reported a decline of funding. The level of arrears was discussed and information exchanged on recent steps taken with regard to incentives for prompt payment and sanctions (including loss of voting rights) for late payments.

7. Organizations reaffirmed their commitment to finding ways of improving productivity and cost-effectiveness and were pleased to note that the agenda items for the session were in large part concentrating on UN system reform initiatives, new ways of conducting business, and possibilities for productivity improvements, including use of information technology.

## **PART II - ACTION TAKEN AND DECISIONS ADOPTED BY THE COMMITTEE**

### **Programme and budget**

#### **Programme budget for 2000-2001: International Computing Centre (ICC)**

Documents: ACC/1999/FB/R.16  
ACC/1999/FB/90/CRP.9

8. The Committee considered a proposed programme budget for 2000-2001 amounting to 54,094,000 Swiss francs. 68% of this amount, or SFR 36,764,000, represented the proposed Regular Budget while the remaining 32%, or SFR 17,330,00, represented Extrabudgetary resources. The Committee noted that there had been a shortfall between income and expenditure in the original budget proposal discussed at the eighty-ninth session but that the gap had been closed as a result of discussions in the ICC Management Committee. The United Nations indicated that it wished to suggest minor editorial changes to the budget document before it was submitted to ACABQ but that these would be communicated directly to ICC.

9. On behalf of ACC, the Committee approved the ICC proposed budget for 2000-2001 in an amount of 54,094,000 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.

#### **Programme budget for 2000-2001: Sub-Committee on Nutrition (SCN)**

Document: ACC/1999/FB/R.17

10. The Committee reviewed a proposed programme budget for 2000-2001 for the Sub-Committee on Nutrition (SCN). The budget had been submitted based on an estimate of pledges totalling \$899,000, an increase from the level of pledges estimated for 1998-1999 of \$855,400. Any shortfall between proposed expenditure and voluntary contributions would be funded by the balance of funds carried forward at the end of 1999, estimated to total \$270,300. The host organization, WHO, indicated that, in addition to its voluntary contribution listed in Annex III of the budget document, it made significant "in-kind" contributions, valued at around \$200,000, including provision of services and premises. In future biennia it would probably charge the SCN for such services. Although it had not yet been agreed, this charge might possibly be offset by an increase in the level of voluntary contribution.

11. Organizations listed by SCN as pledging contributions were requested in the session to confirm the amounts listed in Annex III of the document, but in some cases were unable to do so. Certain organizations indicated that the amounts listed were higher than those budgeted by the participating organizations or, in some cases, that no contribution was to be expected in the biennium. Even if one

assumed receipt of the amounts listed but not yet confirmed by those organizations indicating that they hoped to contribute, the reduction in expected contributions was in excess of \$100,000.

12. The Committee felt that only part of this \$100,000 shortfall could be provided from the balance carried forward from 1998-1999, as an adequate carry-forward was essential to fund expenditures in the early part of 2000 before contributions for 2000-2001 were received. The host organization stated that it could not advance any working capital to SCN and urged all contributors to make their payments as early as possible. The Committee recommended a \$50,000 reduction of budgeted amounts for non-staff costs. It approved a reduced budget of \$811,000 subject to a proviso that the level of core expenditure would be maintained at all times within the level of available income. The Committee wished to remind the organization administering the SCN budget that due regard should be paid to the creation of any long term liabilities, such as for fixed term contracts for SCN staff, given the voluntary and fluctuating nature of the funding. The Committee questioned the SCN's practice of endorsing a programme of activity before confirmation of funding and strongly urged the Technical Secretary to check with the budget sections of those organizations making voluntary contributions before submitting a budget based on a list of expected contributions.

### **Salary survey activities**

Document: ACC/1999/FB/R.18

13. The Committee reviewed and approved the proposed salary survey budget for 2000-2001 for a total of \$1,924,200, including "in-kind" contributions of staff by the United Nations, UNDP, UNHCR and WHO. The budget reflected the staffing levels agreed in earlier sessions of the Committee, and the allocation of the costs amongst organizations was in line with the cost-sharing formula endorsed previously by the Committee. UNIDO requested clarification of the allocation of a 4% share of costs given the substantial reduction in UNIDO staffing and was informed that the allocation was in line with the bands agreed by the Committee which took into account the large number of duty stations at which UNIDO staff were serving. The Committee confirmed that all organizations would be subject to a minimum 1% share of costs regardless of presence of staff in field locations.

14. The Committee was briefed by UNDP on the significant increase in the number of comprehensive salary surveys in recent years, covering a larger number of duty stations than was delivered at the beginning of the jointly-funded programme in 1985. Participants were given an indication of the magnitude of income earned from the provision of compensation consultations to organizations outside the United Nations system. UNDP stated that this income was used for the benefit of all participating organizations, on expenditures in support of the salary survey activity, including employment of two persons on ALD contract to support compensation systems development, website creation and maintenance, and database development. The Committee expressed the view that future budget proposals for the salary survey activities should include where possible a dollar estimate of such income earned and of the expenditures financed by this particular source of funds.

### **Cost-sharing for inter-organizational security measures**

Documents: ACC/1999/FB/R.19  
ACC/1999/FB/90/CRP.12

15. The Committee approved the costs to be charged to individual organizations for inter-organizational security measures in 1998, 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 1998 totalling \$637,662. The Committee also approved expenditure on malicious acts insurance for 1998 totalling \$1,309,593; this covered 25,361 staff members as well as consultants and experts on mission. The Committee was briefed by the Deputy United Nations Security Coordinator on the possibility of a partial refund of premium for the malicious acts insurance with regard to the last three years. In addition, in the absence of major problems in the second half of 1999, it was likely that the premium for next year would remain at current levels. Participants requested the United Nations to ensure that invoices with respect to 1999 costs were sent out in time to be reflected in organizations' financial statements for the financial period ending 31 December 1999.

16. The Committee was also advised of the latest status of plans for security training in high risk locations. A Trust Fund had been set up for donations to the cost of training and contributions in excess of \$1.1 million had been received so far. This had made possible security training for 1,348 staff in high risk duty stations at an average cost per staff member trained of approximately \$60. Further security and stress management training in 16 high risk duty stations was planned. With regard to funding security officers, the Deputy Security Coordinator reiterated previous requests for prompt response by organizations when asked to provide account codes.

#### **Cost allocations under the JIU and CCAQ formulae**

Document: ACC/1999/FB/R.20

17. The Committee reviewed the indicative figures for allocation of the 1998-1999 costs of jointly-financed activities based on the agreed formulae and approved programme budgets. It was noted that these indicative figures reflected the staffing statistics as at end December 1997. The question of the status of UNOPS and the appropriate share of costs to be allocated to it was also subject to further discussion. The UNOPS position was that, as an independent self-financing entity, it was unable to justify the assumption of costs of jointly-financed bodies, which it must pass on to its clients, without membership or representation in the bodies to which it is being asked to contribute. The Committee had been advised by the Secretary of ACC that there were other UN system organizations, such as UNU, which were not themselves members of the ACC, yet contributed to the funding of these bodies through the UN Secretariat. While UNOPS had been part of UNDP, UNDP had included the relevant OPS staffing and expenditure statistics in its submissions for cost allocation purposes and thus included the OPS share in its subsequent contributions to jointly-financed activities. The recent JIU report on UNOPS was cited as an indication that UNOPS was subject to the JIU Statute. The Committee also understood that UNOPS applied staff entitlements based on the UN system established by the ICSC. The Committee concluded its discussions by deciding that UNOPS should contribute to the costs of the jointly-financed activities based on the agreed cost allocation formulae. Accordingly the Committee approved the cost sharing allocations, including shares attributable to UNOPS, as given in the document. UNOPS noted the conclusions of the Committee in terms of both UNOPS position in regard to ACC and the basis for contributions to these jointly-funded bodies. UNOPS confirmed that it maintained its previously established position and that it would take account of the Committee's conclusions in continuing discussions with the various interested parties.

## **Accounting and financial reporting**

### **Accounting standards**

Documents: ACC/1999/FB/R.21  
ACC/1999/FB/90/CRP.4

18. The Committee reviewed the report of the Working Party on Accounting Standards, which had met in Geneva in June. The Committee felt that the use of lead agencies to undertake preparatory work had proved to be most constructive and was to be encouraged in the future. It expressed its appreciation to those who had so effectively carried out this work. It also requested the Chairman to write to Ms. Farrish-Walker of ILO to thank her for her excellent work as Chair of the Working Party. After discussion the Committee approved on behalf of ACC, and with some minor amendments, the Working Party's recommendations as to revisions in United Nations Accounting Standards (UNAS) 31, 32, 35, 48(iii) and 57. The revised text of these UNAS is given in Annex III. It also agreed that the next Working Party should be scheduled for June 2000; this should not be viewed as a precedent for regular annual meetings but in order to maintain momentum and to benefit from the experience of those who had participated in earlier working parties.

19. The Committee welcomed Mr. David Woodward, Chairman of the Technical Group of the Panel of External Auditors who briefed participants on his participation in the meeting of the Working Party and his views on the revisions to the UNAS. Mr. Woodward also briefed the Committee on issues of interest to the Technical Group. He emphasized that the identification of issues meriting further review and refinement/clarification of the UNAS should in no way detract from the Committee's significant achievement in developing the Standards which were a "living document". He supported the view expressed in the report of the Working Party that development of the Standards should be ongoing and welcomed the Committee's decision to hold the next Working Party meeting in 2000. The Panel recognized that any further development of UNAS was the responsibility of the Committee, but members of the Panel stood ready to advise at all times.

20. The Committee expressed its appreciation to Mr. Woodward for his valuable contributions to the Working Party's discussions and for the work he had undertaken in compiling the list of issues. It was confident that its good working relations with the Technical Group and, in particular, with its Chairman would continue and it would, as appropriate, avail itself of the assistance offered. In particular it invited Mr. Woodward to communicate to the Committee the outcome of any discussions by the Technical Group at its next session, scheduled for December 1999.

21. The Committee decided that, in order to facilitate the work of the next Working Party on Accounting Standards, it would continue to use a lead agency approach to undertake preparatory work on the three issues identified by the Working Party as having the highest priority. The United Nations and WHO volunteered to act as lead agencies for a preparatory study of unliquidated obligations, including obligations for salaries. UNDP volunteered to act as lead agency for the preparatory study of the treatment and disclosure of other assets (UNAS 48 (iv) and UNAS 49); and FAO volunteered to act as lead agency for a preparatory study of further consideration of standards relating to the UNJSPF and of adequate disclosure in the statements of participating organizations. A possible addition to UNAS 33, as



suggested by Mr. Woodward, would also be reviewed by the Working Party. An informal Group of Geneva-based organizations would meet with the Secretary to review a possible list of accounting terms to be added to the CCAQ Glossary and thereafter give their suggestions to the Working Party.

22. The Committee accepted the kind invitation of UNICEF to host the next meeting of the Working Party in New York in June 2000 and agreed that Terms of Reference would be drawn up by the Secretary in consultation with the Chairman.

### **Long-term implications of after-service health insurance**

Document: ACC/1999/FB/90/CRP.11

23. The United Nations briefed the Committee on the recommendations by the Advisory Committee on Administrative and Budgetary Questions stating that the long term implications and impact of the growth to the cost of after-service health insurance benefits and the method of valuation of the liability relating to those benefits should be addressed on a system-wide basis along with practical indications on how the United Nations Secretariat proposes to address the issue. Following an exchange of views on this matter, the Committee agreed to establish a working group to address this issue and suggested that the United Nations should act as the lead agency. The United Nations indicated that in view of heavy workload it would not be possible to commence such a review until the end of the year 2000.

24. The Committee agreed that it would reconsider this question at its next session. In the interim organizations developing proposals in this area should provide details to the secretariat so that they could be disseminated via the CCAQ(FB) web site.

## **Management reforms and Productivity improvement**

### **Computer systems and information technology**

25. The Committee accepted the kind invitation of UNICEF to hold an afternoon session at UNICEF House dedicated to this subject. FAO provided a status report on their ORACLE-based system. Representatives of UNICEF and WFP made presentations on the status of their SAP-based projects. The United Nations briefed the Committee on the IMIS project, including the latest schedule for roll out of additional modules at present under development. IAEA reported on the latest status of its new system using Agresso software. Views were exchanged on the different methodologies organizations had used in selecting the principal software on which their new systems were based; the various methods of managing projects; and the costs of developing the systems as well as amounts budgeted for on-going operating and maintenance expenditures. Training staff on the new systems was a challenge as was recruiting good information system specialists. Participants also discussed their experience of moving from old systems to new, including the timing of the move in relation to the closure of a financial period and the time necessary to prepare "clean data" to feed in as initial balances in the new system. UNICEF provided a copy of its progress report on the UNICEF strategy and investments in information technology. This and other documents made available at the meeting would be incorporated into the pages on information technology on the CCAQ(FB) web site. Participants were encouraged to provide the Secretary with any other relevant background material on systems under development for dissemination using the CCAQ(FB) web site.

26. One common theme that emerged from the discussions was the complexity of United Nations system rules and regulations, particularly pertaining to entitlements and Payroll, such as the need to calculate retroactive salary increases and contributions to the Pension Fund. This was leading to high costs of systems implementation, as available commercial software packages could not meet these requirements without costly additional programming. The high costs of such programming and consequential delays might be reduced significantly if a simpler and more standard approach to administrative procedures were adopted. The Committee was briefed on a recent letter from CCAQ(PER) communicating the results of its consideration of entitlements and suggesting that joint work by FB and PER be undertaken. It was agreed that the Chairman would discuss with the Chairman of PER how to proceed, giving this issue a high degree of priority.

### **CCAQ(FB) Web site**

Document: ACC/1999/FB/90/CRP.2

27. A presentation was made on the CCAQ(FB) web site, covering what information was available for consultation on screen or for downloading, the advantages to Committee members of easier access to this information, and the cost savings associated with this new method of distributing session and other documents. Documents for the present session had been provided in Adobe Acrobat .ftp format, as would all future documents. This would facilitate printout of hard copies of documents by users, preserving the same format and page numbering as the official document. Organizations were encouraged to review the number of copies of documents in the official document distribution list. Some organizations indicated that they no longer required hard copy distribution but would rely on the web site. Plans for the future development of the site were discussed and it was agreed that the initiative undertaken by the

Committee's secretariat had been well worthwhile. It was agreed that development work should include creation of an index of issues with links to relevant sections of the CCAQ Handbook as well as to underlying documents and background material. In addition, a "chat room" section of the web site should be developed to enable inter-sessional discussion by Committee members of subjects of interest.

### **Performance indicators**

Document: ACC/1999/FB/90/CRP.3

28. The Committee exchanged information on organizations' recent experience in developing and using performance indicators. UNIDO had reduced the previous large number of indicators to 9 key ones. More detailed indicators at the programme level would be developed for internal use only. Other organizations discussed their approach to development of indicators, including the use of consultants and/or specialists on loan from Member States. UNDP indicated that it had provided the Secretary with relevant documents for incorporation into the CCAQ(FB) web site. The Committee understood that CCPOQ might be undertaking a review of performance indicators and requested its Secretary to keep in touch with the Secretary of CCPOQ to ensure a coordinated approach between budget and programme staff.

### **Video Conferencing**

29. The Committee discussed the recent experience of Video Conferencing, which was used to link four duty stations (New York, Geneva, Rome and Vienna) to discuss Year 2000 issues. There were certain disadvantages which partially offset the substantial savings of time and travel costs and the process did not readily allow for a free exchange of views if a large number of staff were involved in multiple locations. The number of locations that could be linked effectively by video was limited but additional locations might participate by audio links. While the Committee agreed that Video Conferencing was unlikely to be a viable substitute for formal sessions of the Committee, lessons could be learned from the first use by the Committee of this technology and further experimentation with Video Conferencing was to be encouraged when appropriate. IAEA indicated that it had successfully used this technology for recruitment interviews.

### **Common Services**

Document: ACC/1999/FB/R.22

30. The Committee noted that the ACC comments on the JIU report on common services in Geneva had been drafted based on inputs received from organizations and that these had been cleared by correspondence and submitted to the United Nations for finalization as a General Assembly document. The United Nations briefed the Committee on the progress made by the Common Services Project. A change in working culture was evident, with a move from an “organization-centric” culture to one of cooperation fostered by the mutual benefits arising from common arrangements. The Strategy Framework of the Common Services Task Force contained four elements: Improvement of Central Services, Implementation of Common Service Approaches, Coordination of Activities, and Promotion of the Common Services beyond New York. The implementation and coordination of common services in Geneva and Vienna were under the direct leadership of the Directors-General of UNOG and UNOV respectively.

31. An approach involving demand-driven processes, rather than “top-down” management had facilitated exchanges of information and the identification of “best/good practices”. Under these arrangements, emphasis had been on attaining quality, efficient and effective substantive results, with less emphasis on the establishment of common service *facilities*, although this was continually given due consideration. Establishment of a common UN Archives and Research Center was underway. Inter-organization seminars on Y2K contingency plans and alternative Energy Sourcing had been held involving participants from both the public and private sector. Information on improved security measures on cash management had been disseminated and plans for a joint Treasury Unit were under review. A combined Central and Common Service governance arrangement for IMIS had been agreed upon by the participating organizations. Plans for implementation were underway. Plans to establish a common PABX and Directory Services for New York were being developed, which was expected to result in immense savings for participating organizations. A semi-final draft on the revised Financial Regulations and Rules on Procurement had been completed and was under review. Linkages with the IAPWG had been further strengthened particularly in the areas of staff professionalism, common Supply Database, joint Procurement services and Long-term Agreements. Joint procurement arrangements of office supplies and other equipment for HQS were under implementation. A study on the Lump-Sum Home Leave modality with the various incentive options had been completed and participating UN organizations had been surveyed on the possible use of UN Printing Services as an outsource option. It was agreed that in future the Common Service project would provide general updates to the High Level CCAQ, while technical updates would be provided as appropriate to CCAQ(FB) and CCAQ(PER).

32. The Committee welcomed the briefing on these initiatives and encouraged other organizations to share information on similar initiatives by sending relevant material to the Secretary for incorporation in the CCAQ(FB) web site.

### **Electronic commerce**

33. The Committee reviewed organizations’ experience in developing electronic sale and distribution of material or services. ILO indicated that it had agreed with ITU to use ITU’s Electronic Bookshop facility for sale of ILO publications. Organizations discussed the advantages and disadvantages of using the Internet to attract contributions from individuals and from the private sector. It also considered the issues of electronic acceptance of credit cards and the public listing of bank accounts specifically established to receive contributions. It was agreed that links to the relevant web site pages of those organizations using the Internet in this way would be included on the CCAQ(FB) web site.



### **Use of secure E mail**

Document: ACC/1999/FB/90/CRP.7

34. UNDP briefed the Committee its plans to introduce secure E mail - including electronic authentication of payment requests and use of encryption to prevent interception by third parties. The Committee welcomed UNDP's initiative in attempting to improve security and to reduce the possibility of frauds but expressed caution about the cost and complexity involved in introducing and maintaining certificate authority. It agreed that further work on developing a policy and a framework for procedures would be necessary before the proposed secure E mail could be used on a system-wide basis.

### **Cost recovery for services**

Document: ACC/1999/FB/R.27

35. UNDP briefed participants on a proposed draft policy on cost recovery and the Committee expressed its appreciation for the work undertaken. One organization expressed its concern about the complexity of the methodology to calculate the costs for each service provided, as reflected in the example in UNDP's discussion paper. Another participant added that his organization was not necessarily concerned with the calculation of underlying costs but preferred a fixed schedule of fees of rates for particular services. UNDP explained that clients and service providers would have the flexibility to find the right balance between complexity, accuracy and transparency in accordance with the needs of all parties involved. Given the variety of services and differences in price levels between countries, the paper had made an effort to identify on the type of cost items rather than on specific reimbursement levels. The Committee decided to return to this question at its next session.

36. With regard to the invoicing of services with an invoice value of less than \$200, UNDP reiterated its previous position that, given the large number of country offices and the number of agencies requesting services from each country office, it could not afford to absorb costs under \$200. Nor could UNDP set up individual control accounts for each user of services in each office in order to collect details of individual services which in aggregate would exceed \$200 over several months. Accordingly UNDP country offices would continue to invoice services as costs were incurred.

## Supporting documentation for IOVs

Document: ACC/1999/FB/90/CRP.8

37. UNDP provided a discussion paper in which it suggested changing the procedures on supporting documentation requirements for IOVs submitted by UNDP country offices to other UN system organizations. Organizations welcomed UNDP's initiative, which was intended to speed up the IOV process as well as to reduce the high costs of copying, sending and storing such supporting documentation. However, some participants considered that many of the delays in processing IOVs were due to incorrect coding or missing information and that in many cases such errors could be corrected most effectively by referring to the supporting documentation. If this were to be eliminated, greater attention would have to be paid to the accuracy and completeness of IOV information. An electronic approach to IOVs would be welcome, provided that built-in validation routines and ability to refer to the requesting organization's authorization to pay were developed. It was essential to create an effective system of unique reference numbers for requests to avoid fraudulent payment requests. After discussion, the Committee agreed that it was premature to agree to a system-wide acceptance of a new policy but that it was appropriate to undertake further work, including testing on a bilateral basis with interested organizations. Organizations urged UNDP to cut down the response time of country offices in dealing with IOV queries.

### Cash management

#### Year 2000 issues

Document: ACC/1999/FB/R.24

38. The Committee recalled that it had discussed at its last session potential problems arising from the failure of non-Y2k-compliant systems. Subsequently the High Level CCAQ, at its meeting in March 1999, had decided that CCAQ(FB) should, in consultation with personnel colleagues, when necessary, develop system-wide guidelines for dealing with payroll and banking matters which may arise from the Year 2000 "bug". **The Committee was briefed on the creation of CCAQ(FB) web site pages (see document R.24- Annexes III-IV) covering links to key articles and resources and updated on a regular basis to include "Current News". Recent developments included the update of information from the Gartner Group that identified countries at high risk of disruption. The Treasurer of the United Nations briefed participants on the outcome of the Video Conference on the subject which had taken place in June 1999 and the Deputy Security Coordinator of the United Nations informed the Committee about the country risk analysis currently under way as well as the plans that the U.S and other governments had with regard to publicly identifying high risk countries. After discussion, the Committee concluded that it was not appropriate for the United Nations to identify specific high risk countries, but that a general policy could be recommended that paid special attention to the likely problems in non-Headquarters duty stations.**

39. Accordingly, with regard to Payroll matters, it recommended the following:

- *For duty stations in the following countries: United States, Canada, United Kingdom, Denmark, Netherlands, France, Germany, Italy\*, Switzerland, Austria, Japan, Australia*

*No special arrangements with regard to salary advances for the month of January 2000; salary payments for December to be paid earlier than usual to enable sufficient time for staff to transact any banking business before the end of 1999.*

*\* Note re Italy : one organization located in Rome indicated that for operational reasons it would most probably be providing in December advances to all staff with respect to January salary*

- *For other duty stations:*

*Salary payments for the month of December 1999 to be paid earlier than usual to enable sufficient time for staff to transact any banking business before the end of 1999. Advances equivalent to 80% of January 2000 salaries to be provided to all locally recruited staff. Each organization could decide for itself whether or not to provide advances for January 2000 to internationally recruited staff. Any organization electing not to provide such advances should communicate this fact to the internationally recruited staff sufficiently early for them to undertake their own contingency planning with regard to cash availability.*

40. In order that staff be given adequate notice of the decision, the above recommendation would be communicated to CCAQ(PER) in accordance with the decision of the High Level CCAQ that personnel colleagues should be consulted. The recommendation would be submitted on 17 September to the Chairman of the High Level CCAQ for final approval by 24 September; organizations would be informed immediately after this final approval is received.

41. After discussion of other banking-related issues identified in the report of the Video Conference, participants agreed that there were sufficient variances between the requirements of different organizations to make a common system-wide policy inappropriate. Accordingly each organization would decide whether or not it wished to:

- bring forward to 1999 purchases and payments which might otherwise have taken place in the first quarter of 2000;
- build up or minimize funds in certain duty stations, bearing in mind that, in the event of a disruption to local banking facilities, alternative ways of supplying cash (e.g. using courier services) might not be available;
- keep cash in office safes or rely on banks, bearing in mind the security issues of keeping large amounts of cash in country offices. In this regard, attention was drawn to the “best practices for banknotes” a copy of which has been posted on the CCAQ(FB) web site.

42. It was agreed that the secretariat would continue as a clearing house for information on the Year 2000. Organizations were urged to provide the Secretary with any relevant material for dissemination using the web site.

#### **Deposit and investment arrangements**



43. 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, with particular emphasis being placed on the impact of the Year 2000 problem on banks. Considerable caution should be exercised in that some banks in developing countries might be severely impacted by telecommunications or power problems in addition to the effects of failure to change to Year 2000-compliant software. One could not totally exclude similar problems in some developed countries. Information was exchanged on current practices with regard to movements of cash and the need to maintain the highest standards with regard to security and welfare of staff involved.

## **General financial systems**

### **Extrabudgetary activities**

Documents: ACC/1999/FB/90/CRP.1, Add.1 and Add.2

44. The Committee was briefed on the recent signature of a framework agreement (and side letter) between the United Nations and the European Commission. It recalled that from the beginning this had been a joint inter-organization process and that participants had in several earlier sessions agreed that the United Nations would continue to act as focal point on this matter. This was with the understanding that the concerns of member organizations would be taken into consideration and that organizations would be kept fully informed of the status of negotiations, with prior consultation as appropriate. While noting in the case of the current negotiations that the United Nations funds and programmes, which were covered by the agreement, had been involved, the representatives of several funds and programmes felt that their concerns had not been adequately reflected in the framework agreement. Some specialized agencies indicated that while they had specifically communicated to the United Nations the key issues of concern to their organizations and their interest in being kept informed of developments, with prior consultation as appropriate, their concerns had not been addressed and prior consultation had not occurred.

**45. The Committee noted that the United Nations Under-Secretary-General for Management intended to travel in early September to Brussels with the Special Envoy of the Secretary-General to discuss with the European Commission the immediate establishment of the EC-UN working group referred to in a side-letter to the agreement.**

46. Some organizations that had not concluded agreements with the Commission considered that it was essential, even at this late stage, that they should be invited to participate in this process in order that their concerns be fully taken into account. Although, on a strictly legal basis, the framework agreement did not cover organizations other than the United Nations, Funds and Programmes, it would be unrealistic to expect that such a framework agreement would not set a precedent for any future agreement between the European Commission and other UN system organizations. The Committee therefore urged that the United Nations include interested specialized agencies in its negotiations with the European Commission, especially if it were the intention of the Commission to apply any agreement concluded with the United Nations, Funds and Programmes to those agencies that did not already have the benefit of a formal agreement with the Commission. This might be done by including one representative of the interested organizations in any working group being set up.

47. The Committee noted that paragraph 4 of the side-letter indicated that the “verification” agreement concerning audit access remained in force and recalled that the successful negotiation of that agreement had required the involvement of all organizations, presenting a common position vis-à-vis European Commission demands. A similar concerted approach to negotiations was essential at this time. One organization briefed the Committee on a recent visit of auditors from the Commission who had been refused access to conduct an “audit”. The Committee reiterated the importance of being consistent in interpreting and applying the “verification” agreement, which did not cover any financial audit nor permit direct access to organizations’ records.

48. The Committee also exchanged information about how different organizations had met, or proposed to meet, World Bank “audit” requirements. It recalled the “single audit” policy, which had been officially endorsed by the Board of Auditors, ACC, ACABQ and the General Assembly, and urged all organizations to ensure that this policy was followed strictly.

### **Internal controls**

Documents: ACC/1999/FB/R.25  
ACC/1999/FB/90/CRP.5

49. The Committee held a private discussion related to the detection and prevention of fraud and to other internal control matters. It also reviewed a document and background material on the question of financial training for non-financial managers and agreed that the secretariat should be used as a clearing house for material on this subject. It also welcomed the possibility of developing some “best practices” and checklists to be used when appointing staff to areas involving financial responsibility.

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

#### **Financial Regulations: review of amendments**

Document: ACC/1999/FB/R.23

50. The Committee was briefed on changes or proposed changes to the financial regulations of: the United Nations, UNFPA, ILO, FAO, ICAO, WHO, WMO and IAEA. These are listed in document ACC/1999/FB/R.23. It was also informed that the United Nations, UNICEF, UNHCR, UNDP, WHO were undertaking extensive reviews of existing Financial Regulations and Rules and developing changes to reflect new ways of doing business. Organizations planning changes were encouraged to inform the Secretary as soon as such changes were approved in order that a page on the CCAQ(FB) web site could include these changes.

## CCAQ Glossary of Financial and Budgetary Terms

Document: ACC/1999/FB/90/CRP.10

51. The Committee was briefed on the status of work on updating the Glossary. Such an update had not been undertaken since 1983 and the number of changes proposed by organizations was considerable. The JIU was in the process of writing a report on UN system organizations' experience with Results-Based Budgeting. The JIU was recommending that, in order to assure appropriate guidance from Member States in resolving the problem of the lack of agreed definitions in this area, the updated Glossary should be reviewed and commented upon by the appropriate bodies of the UN system organizations. The Committee felt that it was premature to take any decisions on likely input to ACC comments on this report and that this should wait until organizations had received and reviewed the final report. While eventual harmonization of terms in the budgeting area was a worthwhile goal, achieving this would be complicated by the history of each organization working with its own governing body to agree new budgetary approaches, many of which used totally new terms or applied existing terms but with new meanings. While a working party might possibly be appropriate to address the issue of harmonization, a decision on setting up such a working party could await finalization of ACC comments on the JIU report. Meanwhile the Secretary should undertake informal consultation with the Secretary of CCPOQ.

### Other questions

**52. The Committee discussed the definition of non-convertible currency and its presentation in financial statements. Information was exchanged on practices with regard to micro-credit loan schemes. The Committee also discussed a questionnaire recently received from a Member State with regard to revenue from fees and expenses related to borrowing. Suggestions were made covering possible improvements to the work of the Committee. These included greater inter-sessional use of conference calls and video links, a "chat room" on the web site, and dissemination of as much information as possible using the web with a view to eventual elimination of hard copy distribution of documents by the secretariat.**

### Organizational questions

#### Time and place of the next session

53. The Committee agreed on the timing and location of its session in 2000. It decided that the ninety-first session would best be held in Montreal from 28 August - 1 September 2000 and accepted the kind invitation of ICAO to host the meeting.

#### Work programme of the secretariat

54. The Committee agreed that the work programme of its secretariat up to the next session would need to include the items below. Further items could be added as requested by organizations, after consultation with the Chairman.

- (a) preparation for, and participation as Secretary in, the next Working Party of Accounting Standards, scheduled for late June 2000;
- (b) acting as clearing house for exchange of information with regard to negotiation of agreements with the Commission of the European Union and other sources of extrabudgetary funding imposing special requirements (e.g. audit access, tied procurement, tied recruitment, etc.);
- (c) acting as clearing house for Year 2000 issues, including posting of relevant information on the FB web site;
- (d) collection and compilation of organizations' comments on the JIU report on Results-Based Budgeting, preparation of draft ACC comments and clearance by correspondence;
- (e) update of the CCAQ glossary, including liaison with CCPOQ on terms used in Results-Based Budgeting;
- (f) preparation of reports on status of collections of contributions as at 31 December 1999 and 30 June 2000;
- (g) preparation of the document on indicative cost-sharing allocations for 2000-2001 under the JIU and CCAQ formulas;
- (h) further development of CCAQ Web site pages concerning productivity improvements and management reforms;
- (i) updating of CCAQ Handbook to end of 90th session; production of FB sections of the CCAQ Handbook as Web Site HTML pages as well as production of Handbook files in PDF (Adobe Acrobat) formats that can be downloaded from the CCAQ(FB) Web site;
- (j) further development of the Web site to incorporate an index, items of general interest including links to Web sites of CCAQ member organizations, and creation of a "chat room" page to enable inter-sessional discussions;
- (k) ongoing review of International Accounting Standards (IAS) to identify those that should or should not be taken into consideration in developing the United Nations Accounting Standards;
- (l) liaison with CCAQ(PER) on examining possibilities for simplification of entitlements;
- (m) development of "best practices" and checklists for non-financial managers assuming financial responsibilities;
- (n) liaison with CCPOQ on performance indicators.

- (o) compilation on background material on organizations' treatment of after-service health insurance.

**Secretariat affairs**

55. The Committee agreed unanimously to a two-year extension for its Secretary, Peter Leslie, to commence 1 January 2000. It expressed its appreciation to Mr. Leslie for his proactive approach, as reflected in particular by his initiative in developing the CCAQ(FB) web site. Use of the web and other modern communications technology had greatly assisted the work of the Committee.

## ANNEX I

### Agenda adopted by the Committee on 30 August 1999

<u>Item</u>	<u>Document</u>
<b>1 Adoption of the agenda (Proposed programme of work)</b>	<b>ACC/1999/FB/R.15 ACC/1999/FB/90/CRP.6</b>
<b>2 Programme and Budget</b>	
<b>2.1 Budgetary pressures and current financial situation     of organization of the United Nations system</b>	
<b>2.2 CCAQ(FB) consideration of 2000-2001 budgets     of jointly-financed bodies</b>	
<b>2.2.1 ICC budget proposal for 2000-2001</b>	<b>ACC/1999/FB/R.16 ACC/1999/FB/90/CRP.9</b>
<b>2.2.2 SCN budget proposal for 2000-2001</b>	<b>ACC/1999/FB/R.17</b>
<b>2.2.3 Salary survey activities</b>	<b>ACC/1999/FB/R.18</b>
<b>2.3 Cost-sharing arrangements</b>	
<b>2.3.1 Cost of inter-organizational security measures</b>	<b>ACC/1999/FB/R.19 ACC/1999/FB/90/CRP.12</b>
<b>2.3.2 Indicative shares of 1998-1999 costs</b>	<b>ACC/1999/FB/R.20</b>
<b>3 Accounting and financial reporting</b>	
<b>3.1 Accounting standards</b>	<b>ACC/1999/FB/R.21 ACC/1999/FB/90/CRP.4 ACC/1999/FB/90/CRP.11</b>

<b><u>Item</u> (cont'd)</b>	<b><u>Document</u></b>
<b>4 Management reforms and Productivity improvement</b>	
<b>4.1 Computer systems and Information technology</b>	
<b>4.1.1 Financial information systems under development</b>	
<b>4.1.2 CCAQ(FB) Web Site</b>	<b>ACC/1999/FB/90/CRP.2</b>
<b>4.1.3 Performance Indicators</b>	<b>ACC/1999/FB/90/CRP.3</b>
<b>4.1.4 Video-conferencing</b>	
<b>4.2 ACC comments on the JIU report on Common Services</b>	<b>ACC/1999/FB/R.22</b>
<b>4.3 Electronic commerce</b>	
<b>4.4 Use of secure e-mail</b>	<b>ACC/1999/FB/90/CRP.7</b>
<b>4.5 ACC comments on JIU report on ACC and its machinery</b>	
<b>4.6 Cost recovery</b>	<b>ACC/1999/FB/R.27</b>
<b>4.7 Supporting documentation for UNDP IOVs</b>	<b>ACC/1999/FB/90/CRP.8</b>
<b>5 Cash management</b>	
<b>5.1 Deposit and investment arrangements</b>	
<b>5.2 Report of Y2K Working Group on Year 2000 Issues</b>	<b>ACC/1999/FB/R.24</b>
<b>6 General financial systems</b>	
<b>6.1 Extrabudgetary activities financed by the Commission of the European Union and by the World Bank</b>	<b>ACC/1999/FB/90/CRP.1 and Add.1 and Add.2</b>
<b>6.2 Internal controls - Financial Training for Non-Financial Managers</b>	<b>ACC/1999/FB/R.25</b> <b>ACC/1999/FB/90/CRP.5</b>
<b>7 Other financial and budgetary questions</b>	
<b>7.1 Financial Regulations: review of amendments</b>	<b>ACC/1999/FB/R.23</b>
<b>7.2 CCAQ Glossary</b>	<b>ACC/1999/FB/90/CRP.10</b>
<b>7.3 Other questions</b>	
<b>8 Organizational questions</b>	
<b>8.1 Time and place of the next session</b>	
<b>8.2 Work programme of the secretariat</b>	<b>ACC/1999/FB/90/CRP.13</b>
<b>8.3 Secretariat affairs</b>	
<b>9 Adoption of the report of the session</b>	<b>ACC/1999/FB/90/CRP.13</b>

## ANNEX II

### List of participants

**Chairman:**           **Mr. Abraham E. Espino**  
**Vice-Chairman:**   **Mr. Gary A. Eidet**  
**Secretary:**         **Mr. Peter M. Leslie**

#### Representatives of member organizations:

United Nations       Mr. Bertrand J. De Fondaumière  
Director, Management Policy Office, Department of Management

Ms. Diana Russler  
Principal Officer and Deputy Security Coordinator

Ms. Suzanne Brishopric  
Treasurer

Mr. Gian Piero Roz  
Director, Information Technology Services Division

Ms. Gladys Terry  
Deputy Director, Accounts Division

Mr. Thomas Bieler  
Chief, Insurance Claims and Compensation Section

Mr. Luis Mendez  
Project Coordinator for Common Services

Ms. Mary Ughetta  
Programme Planning and Budget Division

Mr. Jerald Simkin  
Insurance Claims and Compensation Section

Ms. Mya Mya Than  
Contributions Service

Mr. Pedro Guarda  
Chief, Business Analysis and Programming Unit



United Nations  
(cont'd)

Mr. Michael Clark  
Coordinator for Budget and Finance

Mr. Vladimir Malinov  
System Analyst for Support Services Area

Ms. Shari Klugman  
Coordinator for Payroll

Mr. Christopher Kirkcardy  
Office of Programme Planning, Budget and Accounts

Ms. Michiko Kuroda  
Management Policy Office

UNICEF

Ms. Ellen Yaffe  
Comptroller

Mr. Terry Brown  
Treasurer

Mr. Louis Bradley  
Director, Accounting Services

Ms. Lily Vuong  
Director, Budget

UNDP

Mr. Romesh Muttukumar  
Director, Office of Budget, BPRM

Mr. Jan Huisman  
Deputy Director, Office of Budget, BPRM

Mr. Fikret Akcura  
Director, Division of Information Management and Analysis, BPRM

Mr. Gary McGillicuddy  
Chief, Policy, Compensation and Administration  
Office of Human Resources, BPRM

Mr. Alan Potter  
Senior Advisor and Coordinator  
Bureau for Financial and Administrative Services (BFAS)

Mr. Lawrence Yeung  
Chief, Technology Services Division, BFAS

UNOPS	Mr. Martyn Evans Assistant Director, Finance, Control and Administration Division
	Ms. Anna Chang Chief, Finance and Budget Division
UNFPA	Mr. Sethuramiah Rao Director, Division for Finance, Administration and Management Information Services
	Mr. Kok Cheng Tan Chief, Finance Branch
WFP	Mr. Gary Eidet Director, Finance and Information Systems Division
UNRWA	Mr. William Lee Chief, New York Liaison Office
UNHCR	Mr. Wolfgang Milzow Treasurer
ITC	Mr. Joseph Smadja Deputy Executive Director Office of the Executive Director
ILO	Mr. Anees Ahmad Executive Director Treasurer and Financial Comptroller
	Mr. D. Colin McLean Director, Financial Services Department
FAO	Mr. Michael Ruddy Interim Director, Division of Finance
UNESCO	Mr. Mark Warren Comptroller
ICAO	Mr. John Maguire Chief, Finance Branch
WHO	Ms. Hilary Wild Director, Financial Services
WMO	Mr. Ah Kim Lee Choon

Chief, Finance and Budget Division

IMO

Mr. Dayasiri Muthumala  
Head, Finance and Budget Section

WIPO

Mr. Joachim Müller  
Controller and Director, Office of Internal Oversight and Productivity

Mr. Philippe Favatier  
Director, Division of Finance

IFAD

Mr. My Huynh Cong  
Comptroller

Ms. Anna Sayagh  
Y2K Coordinator

Mr. Muntasir Labban  
Assistant Treasurer

UNIDO

Mr. Saburo Takizawa  
Controller  
Finance and Administrative Control

IAEA

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

WTO

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

Other representatives:

Panel of External  
Auditors

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

CCAQ(FB)

Mr. Peter M. Leslie  
Secretary

### ANNEX III

#### **Revised texts of the United Nations Accounting Standards** **Paragraphs 31, 32, 35, 48(iii) and 57**

##### **UNAS 31**

- (ii) Voluntary contributions formally pledged
  - in cash, or
  - in kind;
  
- (iii) Voluntary contributions received under arrangement other than (ii) above.

##### **UNAS 32**

Income from assessed contributions based on legislative resolutions represents a legal obligation of contributors to the organization as from the date when it becomes due and payable. Such income shall be accordingly recognized as at that date. Based on its policy, the organization may make a provision for delays in the collection of the outstanding contributions. The policy regarding provision for delays in the collection of the outstanding contributions shall be stated in the notes to the financial statements.

##### **UNAS 35**

Voluntary contributions not formally pledged are recorded only when received.

##### **UNAS 48 (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 installments, with detailed listings by member States. An aged analysis of outstanding assessed contributions shall be made in the financial statements or the notes thereto.

##### **UNAS 57**

Liabilities for annual leave, end-of-service benefits, and post-retirement benefits, including after-service medical benefits, 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 showing the basis of valuation. As far as after-service medical benefits are concerned, such liability should normally be determined by actuarial evaluation.