



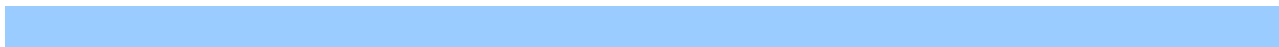
**CONCLUSIONS OF THE MEETING  
OF THE FINANCE AND BUDGET NETWORK**  
(Videoconference, 3 March 2005)

**CONTENTS**

	<u>Paragraph/s</u>
<b>Introduction .....</b>	<b>1</b>
<b>A. Progress reports on the activities of the FB Network Working Groups:</b>	
<b>(a) Accounting standards .....</b>	<b>2 – 9</b>
<b>(b) Fraud prevention.....</b>	<b>10 – 15</b>
<b>(c) Support costs on extrabudgetary activities.....</b>	<b>16 – 20</b>
<b>(d) Inter-agency reporting.....</b>	<b>21 – 22</b>
<b>(e) EC-UN financial and administrative framework agreement.....</b>	<b>23 – 25</b>
<b>(f) Results Based Budgeting.....</b>	<b>26 – 27</b>
<b>(g) Common principles and policies for investments.....</b>	<b>28 – 29</b>
<b>(h) Tax reimbursement.....</b>	<b>30 – 32</b>
<b>(i) Total expenditure on security.....</b>	<b>33 – 35</b>
<b>(j) Cost sharing formulas for Field-related security costs and         for Salary survey activities .....</b>	<b>36 – 38</b>
<b>B. Date and location of the next session of the FB Network .....</b>	<b>39 – 40</b>
<b>C. Any other business .....</b>	<b>41</b>

**Annex 1 – Agenda**

**Annex 2 – List of Participants**



## **Introduction**

1. The FB Network videoconference was held on Thursday, 3 March 2005 (9:30h EST / 15:30h CET). The meeting was chaired by Ms. Hilary Wild. The agenda as adopted is provided in Annex I. The list of participating Organizations and their representatives is provided in Annex II.

### **A. Progress reports on the activities of the FB Network Working Groups**

#### **(a) Accounting standards (CEB/2004/HLCM/28, paras. 16-17)**

2. The Chairman of the Task Force on Accounting Standards, Mr. Karia, briefed participants on the meeting held in Paris on 8-10 December 2004, which included a meeting with the Technical Group of the Panel of External Auditors, as well as a presentation by Mr. Philippe Adhemar, Chairman, International Public Sector Accounting Standards Board on International Public Sector Accounting Standards.

3. The final report from the meeting is contained in CEB/2005/HLCM/R.5/Rev.1.

4. Mr. Karia indicated that dialogue with auditors had been extremely productive. He also said that recruitment of the external consultant to the Task Force had been finalized and Ms. Gwenda Johnson was taking over her duties as of 7 March.

5. Mr. Karia informed the audience that the issuance of the report on funding of ASHI had been delayed to end of March/early April 2005.

6. Mr. Sharma of WFP informed the audience that WFP was studying the implications of the adoption of IAS or IPSAS, as mandated by the Governing Body after its deliberation on a report by the External Auditors. ACABQ had seen the report and had called WFP for coordination with the Task Force on Accounting Standards in any follow up to the report. WFP would share the report with the FBN members. Mr. Sharma indicated that the possibility for WFP to adopt IAS or IPSAS was not under consideration before 2006-2007. Mr. Karia appreciated this comment, in view of the agreed objective of the Task Force to define standards applicable to the widest possible number of UN system organizations.

7. Mr. Shah said UNDP had agreed with their Auditors to cross-reference their different financial reports, but not to produce additional ones. He also stressed the fact that the issue of governance was one of a management nature, rather than purely financial, and it was therefore not appropriate for it to be addressed in simple financial terms by finance offices.

8. On the issue of governance, Mr. Takizawa asked if the Auditors had provided any clarifications on the request formulated by the HLCM at its eighth session (CEB/2004/6 para. 60) for a review of the UN system's governance structure. Mr. Karia said that this will have to be thoroughly discussed at the next HLCM meeting, based on the recent GA resolution on the subject (Resolution number A/RES/59/264, paragraphs 9 and 10).

9. **Follow-up action:** the Task Force would finalize a shorter version of the report from the Paris meeting for submission and discussion at HLCM meeting of 4-5 April 2005 (**done**).

**(b) Fraud prevention**

(CEB/2004/HLCM/12/Rev.1, para. 23)

10. The Chairman of the working group, Mr. Nicholas Nelson of FAO, updated participants on the progress of work on the subject. A work plan had been drafted and submitted to members of the WG for comments in December 2004. The next step would be to organize a teleconference with the working group members to finalize the work plan, define responsibilities and discuss initial key issues.

11. Mr. Nelson indicated that work was being carried out in consultation with the Internal Audit and Legal Offices of FAO, and it was agreed that similar feedback should be sought from corresponding functions of organizations participating in the working group.

12. Mr. Karia suggested that the recent World Bank report on fraud prevention could serve as a useful reference for work on this subject.

13. There was consensus on the fact that further activities of this working group would proceed in close collaboration with the Task Force on Accounting Standards, so as to take into consideration the broader emerging issue of transparency and accountability.

14. **Follow-up action:** HLCM to be made aware of the work of the Finance and Budget Network in respect of transparency and accountability.

15. **Follow-up action:** FAO would circulate the work plan once again and invite comments so as to prepare a brief status report on this working group topic for the HLCM meeting of 4-5 April (**done**). The working group would also seek feedback on whether it can commit to completing a plan of work by June 2005, in order for a report to be submitted to the next FB Network session.

**(c) Support Costs on Extrabudgetary activities**

(CEB/2004/HLCM/12/ Rev.1. para. 15 and CEB/2004/HLCM/28, para. 5);

16. The Chairperson of the working group, Ms. Yolande Valle of UNESCO, updated participants on the progress of work on the subject.

17. UNESCO had prepared a study of the costs it incurs in providing support to extra-budgetary financed activities. As part of the development of the study, UNESCO had reviewed materials provided to the working group by FAO, WFP, UNICEF and UNDP, as well as reports of previous multi-agency cost measurement studies and information from some international NGO's.

18. In view to obtain additional information concerning charges related to extra-budgetary projects and activities, UNESCO had finalized a survey to be circulated to the FB Network (CEB/2005/HLCM/FB/INF.1 and INF.2).

19. UNFPA informed participants that the subject of cost recovery was also being investigated in the context of UNDG. It was agreed that the two working groups would coordinate to share approaches and conclusions, as well as to avoid duplication of work.

20. **Follow-up action:** FBN members would provide feedback to UNESCO on proposed survey by Friday 11 March, so that UNESCO could send the survey out the following week (**done**).

**(d) Inter-agency reporting**  
(CEB/2004/6, para. 21-24 and CEB/2004/HLCM/28, para. 3-5)

21. UNFPA informed that a progress report on the subject had been presented by Mr. Barr at the Paris meeting on Accounting Standards (para. 39 of CEB/2005/HLCM/R.5/Rev.1).

22. **Follow-up action:** UNFPA would draft a revised work plan of the working group and circulate it to the FB Network by Friday 25 March.

**(e) EC-UN financial and administrative framework agreement**  
(CEB/2004/HLCM/28, para. 21-23)

23. Chris Kirkcaldy of UNCTAD briefed participants on the outcome of the last meeting of UN-EC Working Group created by Article 13.1 of the UN-EC Financial and Administrative Framework Agreement (FAFA), held in Brussels on 19-20 January 2005.

24. The subjects raised during the video conference are discussed in detail in CEB/2005/HLCM/FB/INF.3, which is a preliminary draft version of the operational conclusions from the Brussels meeting.

25. **Follow-up action:** UNODC would circulate to FB Network before issuance the draft report from a recent EC verification carried out in India.

**(f) Results Based Budgeting**  
(CEB/2004/HLCM/28, para. 19-20)

26. Ms. Giovane Biha of UNDP introduced the conceptual paper on Results Based Budgeting in the organizations of the United Nations System (CEB/2005/HLCM/R.6), as finalized at the last meeting of the working group on 10 December 2004. The paper's main conclusions are the following:

- Activity based costing is not required to do RBB. The RBB working group should follow up with the Task Force on Accounting Standards and integrate any recommendation that would address the costing issue.

- The proposed flexible approach, once cleared by the FB Network, should be submitted to HLCM for endorsement as the common framework for RBB for the organizations of the United Nations system.

27. **Follow-up action:** UNDP would obtain feedback on the draft RBB paper from the Task Force on Accounting Standards and other members of the FB Network, so to finalize it for submission and discussion at HLCM meeting of 4-5 April 2005 (**done**).

**(g) Common principles and policies for investments**  
(CEB/2004/HLCM/28, para. 18)

28. Ms. Suzanne Bishopric of the UN described the current status of the discussion on this subject. She identified the main issues currently on the table, indicating the ones that are still very controversial and the ones where the room for agreement is broader.

- **Non controversial issues:** (a) use of outside credit ratings, (b) definition of appropriate time horizons, (c) listing of investment instruments and corresponding most appropriate investment scenarios.
- **Controversial issues:** (d) use of financial instruments for risk management of exchange rates; (e) accounting impact of any use of such financial instruments for risk management of exchange rates; (f) appropriate staffing and organization of investment units.

29. **Follow-up action:** Ms. Bishopric would draft a revised work plan of the working group and circulate it to FBN by Friday 25 March.

**(h) Tax Reimbursement**  
(CEB/2004/6, para 58)

30. Mr. Gary Eidet of IAEA introduced a brief survey (CEB/2005/HLCM/FB/INF.4) that IAEA planned to conduct among organizations that have a “first income” TRA with the US, to verify their reaction to the ILOAT decisions.

31. The ILOAT decisions essentially declared that the “first income” method of tax reimbursement, based on tax reimbursement agreements (TRAs) between various organizations and the United States Government, were no longer valid for the organizations concerned.

32. **Follow-up action:** the CEB Secretariat would circulate the IAEA survey. FBN members should reply to the survey by Friday 11 March. IAEA & CEB Secretariat would compile results and prepare a report for submission and discussion at HLCM meeting of 4-5 April 2005 (**done**).

**(i) Total expenditure on security**  
(CEB/2004/3, para. 16 and A/C.5/59/L.33, para 55)

33. Mr. Remo Lalli of the CEB Secretariat briefed participants on the progress of work on this subject. He said that only three organizations had replied to the survey launched on 20 October

2004. Nevertheless, respondents had indicated that the agreed framework to collect relevant data – the UNHCR framework – seemed appropriate for such objective.

34. It was agreed that the CEB Secretariat would re-launch the survey, compile results and present them in a comprehensive manner.

35. **Follow-up action:** the CEB Secretariat would re-circulate survey based on UNHCR framework by Friday 11 March (**done**).

**(j) Cost sharing formulas for Field-related security costs (CEB/2003/5, CEB/2004/6, para. 8-12 and A/RES/59/276) and for Salary survey activities (CEB/2004/3, para. 48 and CEB/2004/HLCM/26, para. 19)**

36. Mr. Remo Lalli of the CEB Secretariat briefed participants on the recent discussions on cost sharing formulas for the above activities.

37. He informed that the HLCM technical meeting of 3-4 February 2005 had agreed on a proposed new formula for the apportionment of field-related security costs, which would be submitted for approval at HLCM meeting of 4-5 April 2005.

38. He also said that the cost sharing formula for salary-survey activities was still under discussion within the HR Network and would be submitted to the FB Network for review once finalized.

## **B Date and location of the next session of the FB Network**

39. It was agreed that the next FB Network face to face meeting would be hosted by the UN in New York and should take place in June/July 2005.

40. The CEB secretariat would contact FBN members and propose a tentative date shortly.

## **C. Any other business**

41. Mr. Karia reminded organizations to complete any pending payments to jointly financed activities.

## Annex 1 – Agenda

1. Progress reports on the activities of the FB Network Working Groups:
  - (a) J. Karia on "**Accounting standards**" (CEB/2005/HLCM/R.5/Rev.1, CEB/2004/HLCM/28 (paras. 16-17))
  - (b) Y. Valle on "**Support Costs on XB activities**" (CEB/2005/HLCM/FB/INF.1 & INF.2, CEB/2004/HLCM/12/ Rev.1 (para. 15), CEB/2004/HLCM/28 (para. 5))
  - (c) N. Nelson on "**Fraud prevention**" (CEB/2004/HLCM/12/Rev.1 (para. 23))
  - (d) IAEA on "**Tax Reimbursement**" (CEB/2005/HLCM/FB/INF.4, CEB/2004/6 (para. 58))
  - (e) S. Bishopric on "**Common principles and policies for investments**" (CEB/2004/HLCM/28 (para. 18))
  - (f) CEB Secretariat on "**Total expenditure on security**" (CEB/2004/3 (para. 16) and A/C.5/59/L.33 (para. 55))
  - (g) CEB Secretariat on **cost sharing formulas** for "**Field-related security costs**" (CEB/2003/5, CEB/2004/6 (para. 8-12)) and for "**Salary survey activities**" (A/RES/59/276, CEB/2004/3 (para. 48), CEB/2004/HLCM/26 (para. 19))
  - (h) G. Biha on "Results Based Budgeting" (CEB/2005/HLCM/R.6, CEB/2004/HLCM/28 (para. 19-20))
  - (i) R. Barr on "**Relationship between regular and voluntary funding**" (CEB/2004/6 (para. 21-24), CEB/2004/HLCM/28 (para. 3-5))
  - (j) C. Kirkcaldy on "**EC-UN financial and administrative framework agreement**" (CEB/2005/HLCM/FB/INF.3, CEB/2004/HLCM/28 (para. 21-23))
2. Inclusion of FB-related items into HLCM next session agenda
3. Date and location of the next session of the FB Network
4. Any other business

## Annex 2 – List of Participants

United Nations	Mr. Jayantilal Karia Mr. Warren Sach Ms. Suzanne Bishopric
FAO	Mr. Nicholas Nelson Ms. Charlotta Oqvist Ms. Mina Dowlatchahi
UNESCO	Mr. Getachew Engida Mr. John Haigh Ms. Birgitte Moller Ms. Yolande Valle Ms. Géraldine de St Pern
WHO	Ms. Hilary Wild
UNIDO	Ms. Amita Misra Mr. George Perera
IAEA	Mr. Gary A. Eidet Mr. Douglas Moore Mr. Arch Roberts Mr. Howard Nielson-Sewell Mr. Richard Hilliard
UNCTAD	Mr. Oluseye Oduyemi Mr. Chris Kirkcaldy
UNDP	Mr. Walter Gore Mr. Darshak Shah Ms. Giovannie Biha
UNHCR	Mr. Saburo Takizawa Ms. Carmen Hett Mr. Brian Vaughan Mr. Offei Dei
UNICEF	Mr. Terry Brown Mr. Louis Bradley
UNFPA	Mr. Subhash K. Gupta
WFP	Mr. Suresh Sharma Ms. Kawinzi Heinemann Mr. Armando Diaz
UNOV/UNDCP	Mr. Kenneth Eriksson



UNAIDS	Mr. Eddy Haarman
UNOPS	Ms. Sally Neal
CEB Secretariat	Mr. Remo Lalli Mr. Jaime Sevilla
IOM (Observer)	Ms. Jane Stewart