



**CONCLUSIONS OF THE MEETING  
OF THE FINANCE AND BUDGET NETWORK**  
(PAHO, Washington, D.C., 1 - 2 September 2010)

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## INTRODUCTION

1. The Finance and Budget Network held its second session of 2010 on 1-2 September 2010 at PAHO Headquarters in Washington, D.C. The meeting was co-chaired by the Network's spokespersons, Mr. Gary Eidet, Director, Division of Budget and Finance, IAEA, and Mr. Jay Karia, Deputy Controller, United Nations. The agenda as adopted is provided in Annex I. The list of participants is in Annex II.
2. All documents related to the session are available on the FB Network website at: <http://www.unsceb.org/ceb/mtg/fb/september-2010>.

### I. Welcoming remarks

[Mirta Roses Periago, PAHO]

3. Dr. Mirta Roses Periago, Director of PAHO welcomed Finance and Budget Network members and participants from other UN system organisations. Reference was made to PAHO's efforts to adopt IPSAS as of 1 January 2010. Supported by their external auditors PAHO has started gradual implementation of individual IPSAS standards. A strong engagement in the implementation process by the member states was noted as an important condition for success.

### II. Follow-up to Task Force on Accounting Standards

[Jay Karia, Chairman of the Task Force on Accounting Standards]

*(Document: CEB/2010/HLCM/26)*

4. The latest Task Force meeting took place from 30 August to 1 September, 2010 in PAHO, Washington, D.C. just before and in parallel to the FB Network meeting. Following are the main highlights of Task Force meeting:
  - a) Five working groups were established to address specific questions of interest: employee benefits, inventories and PPE valuation, treatment of common services, accounting for controlled entities, and treatment of shared premises and right to use. Conclusions of these working groups will be brought to the Task Force for further decisions or actions.
  - b) Following certain changes to the IPSAS standards the Task Force meeting reviewed and agreed on five corresponding modifications to guidance policy papers.
  - c) Importance of continued engagement with the IPSAS Board was reemphasised. The UN system organisations through their two observer seats have a review and comment access to influence work of the IPSAS Board. The main current item on the IPSAS Board agenda is development of a conceptual framework.
  - d) Implementation progress was presented by five organisations and submitted in the latest IPSAS implementation report (CEB/2010/HLCM/26) for attention to the HLCM. Eight additional organisations are currently adopting IPSAS from 2010.
  - e) The meeting was presented with the initial findings of the UN system-wide IPSAS project external review. Main challenges identified were to ensure effectiveness of the Task Force in reaching its harmonization objective; credibility of financial reports under IPSAS; communication with External Auditors; and sustainability of the project team. Conclusions of the report should indicate directions of the system-wide project beyond

2011, main activities to be addressed by the project and the future of the Task Force. It is planned to present the final report to the HLCM in its first meeting of 2011 after its review by the Task Force and the FB Network.

5. The importance of the Task Force in future was stressed in providing for consistent application of IPSAS by the UN system organisations. 59 guidance papers that have been issued by the Task Force should be followed by all organisations to minimise differences of financial statements of the UN system.
6. Discussions during the Task Force meeting indicated that certain diversity will remain in some areas based on business models but it should be limited. It was agreed that in order to ascertain the full scale of diversity with a view to manage diversity, it is necessary to take stock of it. Project assets, FAFA income recognition, expense recognition and donated rights to use premises are some of the main areas where approaches still differ between organisations. Nevertheless, the commonality of financial statements remains an important target.
7. Staffing IPSAS teams in individual organizations remains a concern. Competition among organisations is increasing and therefore it is difficult to retain staff. There should be understanding among organisations in order to ensure integrity of implementation process in individual organisations. Bilateral discussions should be conducted to work out acceptable arrangements where key personnel are to be transferred from one organisation to another.
8. Another risk impacting IPSAS implementation is the level of engagement of external auditors with individual organizations. This has been raised with the Technical Group of Panel of External Auditors (TG). The auditors have invited a delegation from the Task Force to join their next Technical Group meeting.

➤ **Conclusions and Action Points**

9. The FB Network took note of the progress of IPSAS implementation by the UN system organisations and various risks that need to be addressed by individual organisations on their way towards IPSAS compliance; and encouraged timely completion of the external review of the UN system-wide IPSAS project.

### **III. Personal Financial Disclosure Programmes**

[Joan Dubinsky, UN Ethics Office; Armands Cakss, CEB Secretariat]

*(Presentations: CEB/2010/HLCM/FB/24; CEB/2010/HLCM/FB/13;*

*Document: CEB/2010/HLCM/FB/17)*

10. Ms. Dubinsky, Director of the UN Ethics Office discussed why organizations adopt financial disclosure programmes. They are a mark of good governance, enhance public trust, help to manage certain type of operational and reputational risk, and accountability. Such programmes however are generally not designed to directly detect fraud. Programme design is based on three principles: disclose in confidence, independent review, and provision of advise on personal conflicts of interest.
11. Details of the UN Secretariat financial disclosure programme were presented in terms of the scope and detail of required submissions and procedures undertaken by the UN Ethics Office. The UN Secretariat programme was launched from 2005, and as of 2009 featured a compliance rate of 99.6%.

The programme was originally designed for 1,000 staff and has grown to estimated 4,100 people for 2010 season. The majority of US\$1.3 million costs were directed to contract consultants reviewing the programme and to some of the IT system costs. The UN General Assembly has recently enquired about the feasibility of bringing the entire programme in-house.

12. The CEB Secretariat conducted survey during July 2010 on the financial disclosure programme within the UN system organisations. Out of 16 respondent organisations, about 70% had PFDPs operational in their organisations. The content and scope of PFDPs was primarily similar to those of the UN Secretariat but differed in how the programmes were administered due to their smaller scale.
13. The Network discussed their main concerns and ideas related to the Programme:
  - a) The approach taken by the UN Secretariat may be too detailed and exhaustive. Rather the programmes should focus on high risk areas of organisations considering their specific context and avoid targeting all staff. For instance, an area of review could be relationships of family members to specific “risk” industries, such as tobacco or pharmaceuticals. Travel and personal usage of office phones were also identified as specific risk areas. High level of interest exists in external expert advice on some sensitive and strategic issues. However, the detection and remediation of the personal conflict of interest should be balanced to avoid policing staff on a daily basis.
  - b) While accuracy of the exercise can be satisfied to some extent, can completeness of the disclosure be assured? The financial disclosure programme is predicated on the honour staff; staff are trusted to disclose completely and honestly. For example, the programme cannot capture all family assets that can be hidden in the name of relatives or through trust funds. Also, submissions reflect assets and liabilities as of a certain date, ignoring activity over the rest of the year.
  - c) Efficiency of the programme could be questioned considering the low number of historical conflict cases documented and remediated. Is the mandatory approach appropriate? Would a mix of mandatory and voluntary disclosures be better suited?
  - d) The UN Ethics Office stated the UN does not share a clear understanding of the risks of personal conflicts of interest. Once the risks are specifically defined, the programme can be re-constructed or adjusted.
  - e) An approach by one of the organisations after review of the UN Programme was to implement a simplified programme with much smaller or zero budget requirement, concentrating on personal conflicts of interests such as receipt of gifts or supplements, while requesting no disclosures of personal assets and liabilities.

➤ **Conclusions and Action Points**

14. The FB Network took note of the experiences of PFDPs operating in the UN Secretariat and other UN-system organisations. Based on shared experiences the FB Network acknowledged the role of the financial disclosure programmes and recognized that the programmes may need modifications to ensure the best value for money by targeting specific risk areas of an organisation.

#### **IV. Update from the joint FB/HR networks Working Group on Compensation for Service Incurred death, injuries and illnesses (Appendix D)**

[Raj Rikhy, UN]

*(Presentation: CEB/2010/HLCM/FB/14; Document: ST/SGB/Staff Rules/Appendix D/Rev.1)*

15. The main objective of this WG is to review the entitlements and administration of the compensation arrangements, with the view of updating their provisions, and related administrative processes to better align them with the best industry practices and economic conditions; and to revise Appendix D.
16. The work, which was done with the assistance of PricewaterhouseCoopers is currently reaching final stages with review still expected from OLA and endorsement from the Management Committee. Proposals for a revised Appendix D were reviewed by the HR Network in their July meeting. Since the UN Staff Regulations and Rules apply to the Funds and Programmes the changes will also have an impact on them and would make a good reference point to the rest of UN system. The recommendations include an enhanced death benefit and enhanced permanent disability benefits. For the UN Secretariat, this would result in an increase in overall Appendix D costs of about 30% (from \$2.9 million to \$3.8 million per year, with death benefits up 61% and permanent disability benefits up 7%).
17. Coverage of consultants and other non-staff employees was an issue, which was strongly advocated by HR representatives. It was decided to keep it separately and to accommodate under other arrangements that do not apply to staff, which are governed by the staff rules. Additional area of questions related to coverage while commuting. The solution was to provide more clarity around these questions. However, HR policies defining these conditions need to be established first.
18. There are currently three interlinked working groups looking at staff entitlements: UN Secretariat led WG on Appendix D; UNDP led WG on security of national staff; and WG on compensation to staff and non-staff in the case of malicious act. The CEB Secretariat has engaged an HR expert to look at consolidated results from the three WGs and overall financial implications.

#### **➤ Conclusions and Action Points**

19. The FB Network took note of the current progress reached by the Working Group, noted steps to finalize the work and recognized potential financial implications of the recommendations to specific organisations.

#### **V. UN operational rates of exchange**

[Carlos Perrone, UN]

*(Presentation: CEB/2010/HLCM/FB/21; Document: CEB/2010/HLCM/FB/22)*

20. The last document (ACC/1998/FB/88/CRP.10) issued on the UN operational rates of exchange (UNORE) by CCAQ dated 1998. The UN Treasurer reviewed and updated Working Guidelines for the UN Operational Rate of Exchange after technical feedback received on the Treasury Discussion Forum from the UN system organisations. Revisions to the guidelines were targeting more

predictability and transparency in setting the exchange rates. Mid-month revision thresholds were reduced to 3% from 4% for major currencies, and for UNON, ESCAP and ECLAC currencies to 6% from 10%. The revised guidelines eliminated ad hoc changes beyond the mid month reset, precisely defined terms and a procedure for setting rates.

21. Change of the mid-month rate triggers was discussed considering analysis of 2009 fiscal year accounting transactions of the UN Secretariat. The analysis showed that application of the UNORE yielded immaterial difference from the spot rate requested by the IPSAS, however changes at the lower rate triggers would allow UNORE more closely trail the spot rate. It was noted that reduction of threshold may result in more frequent mid-month rate changes and increased occurrences of months were payroll runs should be repeated due to the exchange rate being reset.
22. It was understood that even if the procedures to set operational rates of exchange are changed, to prove compliance with IPSAS 4 requirements organisations may still have to provide the spot rate to the UN operational rate of exchange loss/gain sensitivity analysis to their external auditors.

➤ **Conclusions and Action Points**

23. The FB Network approved the updated Working Guidelines for the UN Operational Rate of Exchange (CEB/2010/HLCM/FB/22).

## **VI. Interim results from the Working Group on Safety and Security Costs**

[Sean O'Brien, WFP]

*(Presentation: CEB/2010/HLCM/FB/28; Document: CEB/2010/HLCM/FB/25;*

*Reference material: CEB/2010/HLCM/FB/11; CEB/2010/HLCM/FB/29; CEB/2010/HLCM/FB/12)*

24. The WG was established as a result of the recommendations of the Operational Working Group on Staff Safety and Security to HLCM. The primary outlined concept was “no programme without security”. CEB agreed in October 2008 that the staff safety should be mainstreamed at all levels within the UN system. The mandate of the WG was to review the current cost-sharing formula for the UNSMS with a view to ensuring that it was fair, transparent and based on objective parameters. As a result the WG was established at the May 2009 FB Network meeting with the key objectives defined as the need to carry out a harmonized approach to include safety and security related resources in programme costs and to review the 2010-2011 budgetary requirements for the UNSMS. Two additional guiding principles for the work were later defined as “those benefiting from security services should pay for those services” and “security cost charges should have sufficient transparency to ensure effective resourcing”. However it was recognised that these principles had to be balanced with the need to ensure the current predictability of DSS resources is maintained.
25. The Working Group held two meetings in 2010. According to the agreed strategy a survey was launched to identify security costs related issues as perceived by the organisations. Further, interviews were held with representatives of UNDSS and security personnel in other organisations involved in the joint funding mechanism. An issue catalogue and UNDSS information sheet are outcomes of that work.

26. The catalogue of issues presents a problem statement and it is categorized in five groups of issues:
- 1) Cost-Specification: specifying overall security costs by type of service and location;
  - 2) Cost-Attribution: specifying how costs are attributed to organizations by type of service used;
  - 3) Funding Mechanisms: the need to take into account both predictable and volatile funding requirements;
  - 4) Budget processes: the need for a robust budget review/performance process; and
  - 5) Organizational Accounting Policies: to take into account the different mandates, funding mechanisms and financial regulations of the agencies.
27. The main themes of issues were summarised as
- a lack of overview on total security costs;
  - cost attribution modality not seen as distributing costs equitably; and
  - existing funding modalities do not suit the current volatile security cost needs.
- The interim conclusion reached therefore was that the current cost sharing mechanism is no longer representative of the existing security environment. The funding model needs to be reviewed and aligned to changes in the security environment.
28. A strategy of going forward was presented in the discussion paper, which outlines the type and magnitude of changes needed to address the identified issues. Four main change areas were identified as
- Cost and beneficiaries of JFA;
  - Local cost-share (LCS) budgeting with respect to transparency, predictability and consistency;
  - The budget process; and
  - Funding mechanisms.
29. The discussion paper had identified key concepts – a set of conceptual propositions to address identified issues. It was suggested that these concepts would serve as primary directions for the future work of the WG. The recommendations proposed could trigger significant changes in UNDSS Executive Office procedures. E.g. country specific level of details would be needed from the UNDSS Executive Office.
30. In response to the discussion paper proposal to use regular budget (RB) to fund the core share of the security budget, the meeting was informed that on two occasions RB funding was already requested from the General Assembly to support security costs provided to the UN system organisations. Both requests had been rejected and it was unrealistic to keep suggesting the RB as an option for future funding of a part of JFA.
31. UNDSS assured that it is extremely difficult if not impossible to provide cost attribution of different DSS services. The reason for this is the dynamic nature of security, which also more recently involves significant resources devoted to information analyses and risk assessment type of activities. There are also services where resources are pulled together on an ad-hoc basis requiring unpredictable redeployments based on the prevailing security situation in the locations of the requesting and the providing offices. These frequent changes in the cost structure do not allow setting a standard cost per service per country.
32. UNDSS clarified a number of issues contained in the discussion paper including that JFA funding is specifically used to support field activities, the issue of cross-subsidisation of security services within the UN system organisations and the administration modalities for local cost-shared security (LCS)

budgets. The meeting was also informed of the control procedures within the UNDSS Executive Office that ensure charges were accounted for correctly for the LCS and JFA budgets.

33. The meeting supported the idea that in future specific security costs should be identified and charged to the programmes (wherever feasible). This requires that costs be clearly identified, otherwise the security services cannot be charged to the programmes. Organisations noted that so far they are unable to identify costs attributable to a specific location and also between JFA and LCS components. Notably, difficulties were cited in not being able to anticipate, control or approve charges arising from LCS budget.
34. Some of the directions for future work of the WG could be to look at funding mechanisms and alignment of processes for JFA and locally cost-shared budgets. A consideration should be given to have distinct funding mechanisms for the 'predictable' programmes and for the emergency/volatile locations, where a surge capacity funding mechanism are needed. UNDSS and the WG were in agreement that the emergency funding mechanism is a high priority, particularly considering strong donor support to emergency operations.
35. Concerns were raised by smaller agencies that are not generally using services they are paying for according to the cost sharing formula. In addition, UNWTO is providing the designated security coordinator for Spain without being compensated for it. The cost of maintaining this service is material for UNWTO.
36. IOM shared their approach of funding security costs. All IOM projects are passing on 1% share of project costs from its overhead charge (PSC) to fund the "Staff Security Mechanism", which is used to fund their share in JFA budget. Accordingly, a suggestion was made for the WG to review the possibility to expand on this methodology for other organizations. It was highlighted that, if DSS costs are embedded within Programmes then this could provide scalability to the resources that are made available to DSS to address sudden 'surge' needs such as for the recent floods in Pakistan.

➤ **Conclusions and Action Points**

37. The FB Network expressed strong support for the work of the WG and underscored that current environment is supportive of introducing greater transparency, accountability and management reforms.
38. The FB Network agreed to drop the option of requesting the regular budget to fund the shared security services.
39. The FB Network looks forward to recommendations from the Working Group after full discussion of all the issues raised.

## VII. Common Services Centres

[Cihan Terzi, JIU; Rossella Pagliuchi-Lor, UNHCR]

*(Presentations: CEB/2010/HLCM/FB/23; CEB/2010/HLCM/FB/26; Document: JIU/REP/2009/6)*

40. JIU shared observations from their review "Offshoring in United Nations System Organizations" (JIU/REP/2009/6). During its review the JIU team visited UN system established offshore service centres to assess policies, practices, experiences and to identify best practices and lessons learned. The Inspector highlighted conditions leading to the offshoring decision and gave recommendations



on successfully establishing the service centres. Special attention was devoted to challenges during rollout of offshoring projects including impact on staff as well as planning and managing transfer of functions. The Inspector concluded that inter-agency shared service centres should be considered as efficiency and cost savings strategy for the future and a common offshoring policy may need to be developed as a basis.

41. UNHCR presented experience of their Global Service Centre in Budapest where they have concentrated global services for personnel administration and payroll, supply management and logistics, finance functions and global learning centre. Some of the highlighted success factors were outposting of business units with their managers, setting clear reporting lines and investment in communications. Though UNHCR had consulted with FAO prior to the move, and maintains close contacts for the purpose of information-sharing at all levels, UNHCR has not specifically sought to establish an inter-agency angle of the service centre in the belief that the conditions such as they exist in Budapest are not suitable to this kind of arrangements. The speaker stressed the need for a careful cost-benefit analysis prior to any decision to share services, in light of experiences showing certain potential negative effects, such as loss of control by organisations over the quality and timeliness of services outsourced to another organisation.
42. IOM also shared their experience with service centres, which IOM has in Manila and Panama. IOM had outposted certain services without a specific advanced plan, and lessons learned were that synergies should be planned in advance. A significant challenge is simultaneous management of two service centres when core responsibilities remained centralised.
43. The meeting discussed the characteristics of functions that could be outposted and reasoned that the best suited functions could be described as the ones having voluminous, repetitive and rules based tasks, as they can be standardised, easily trained and their productivity can be measured. Examples of these functions are payroll, some financial processes and procurement among others. As for the business functions that could be outsourced to other organisations, the UN system already has examples of the ICC dealing with IT related services and the common treasury services that are currently being explored. Limiting factors for the choice are diverse ERP systems and differences in business models.
44. Having some 5 service centres already operating the organisations could study an opportunity to build on the existing service centres. This option could be developed further through collaboration with other Networks. The overall belief was that the UN system organisations will eventually move towards common service centres, however this may take reasonably long time. Various ideas were expressed on how to move forward: an active promotion through a working group involvement was rejected, while majority supported a natural incremental growth through bilateral agreements between organisations.

➤ **Conclusions and Action Points**

45. The FB Network acknowledged progress reached by the organisations having developed delocalised service centres; and encouraged UN system organisations to embark on using existing service centres based on individual, natural, incremental growth needs and through bilateral agreements with service providing organisations.

## VIII. Progress report from the Working Group on Common Treasury Services

[Nick Jeffreys, WHO; Munehiko Joya, IFAD]

*(Presentations: CEB/2010/HLCM/FB/19; CEB/2010/HLCM/FB/20)*

46. The working group on Common Treasury Services was constituted in the September 2008 with the aim to gather and exchange information about treasury processes where increased administrative efficiency could be achieved through a common approach and joint operations. Following the survey of current practices of the UN system organisations, the work continued in two projects: the Treasury Community of Practice – a web-based knowledge sharing platform to allow data exchange and communication between treasury specialists in the UN system; as well as the Feasibility Study for Common Treasury Services to identify opportunities for developing harmonized treasury practices across the UN system, and to prioritise common service options. Implementation of both projects is supported by the HLCM Trust Fund for implementation of the Harmonized Business Practices. The co-chairs of the WG: IFAD and WHO briefed the Network on both projects of the WG.
47. The Treasury Community of Practice project started in June 2009 with support from several agencies. The web-based platform was launched in October 2009 with more organisations joining January 2010. Since early 2010 the platform has become an important and popular communication channel among the UN system treasuries, which exchange information on operational, technical and strategic treasury related questions. The content of the platform is managed by IFAD. The issue for further research remain the funding for the web-based platform beyond implementation of the HLCM Trust Fund supported projects. An option was discussed for the CEB Secretariat to explore possibilities to fund maintenance and content management of the site.
48. IFAD supported by the Steering Committee (SC) of the WG is implementing procedure for selecting consultants to conduct the Feasibility Study. The process is almost complete, and the SC is working to resolve budgetary concerns. Negotiations with the potential consultant are proceeding to optimize their proposal and fees while assuring no changes in TOR for the project. Once a contract with the selected consultants is signed, the feasibility study should be completed within six months. The SC will keep monitoring progress and direction of the Study. The Study once completed will yield recommendations to the attention of the FB Network before being taken to the HLCM.

### ➤ **Conclusions and Action Points**

49. The FB Network took note of the progress of the WG projects and encouraged the organisations to provide the consultants with support needed to complete the Feasibility Study within the established timeframe.

## IX. Progress report from the Working Group on Financial Reporting

[Hans Barritt, WHO; Armands Cakss, CEB Secretariat]

*(Presentations: CEB/2010/HLCM/FB/27; CEB/2010/HLCM/FB/15;  
Document: CEB/2010/HLCM/FB/18)*

50. IPSAS implementation had prompted questions in respect of harmonized reporting formats within the UN system (interagency) and to donors. Respectively the WG of financial reporting was established at the February 2010 FB Network meeting. Its objectives were twofold: review existing expense categories used in interagency reports targeting a single reporting standard and agree uniformed expense coding system; and attempt similar exercise also for donor reporting. Among others, harmonization of the reporting would also facilitate compiling of the UN system-wide financial statistics by the CEB Secretariat.
51. WHO led the effort interviewing participants of WG to agree uniformed expense categories. Currently the main interagency reporting standards were set by MDTF/UN CERF, UN Secretariat and UNDP. Existing September 2006 “Harmonized Financial Reporting to Donors” (MDTF) expense categories are used in joint programmes and for UN CERF financed interagency projects, however, these categories did not meet requirements of all organisations and had some inconsistencies in mappings. The survey and interviews resulted in agreeing the “7+1” revised interagency harmonised expense categories. The revised categories would be effective for interagency reporting starting 1 January 2012.
52. Donor reporting in the IPSAS context faced more challenges as there are already four identified key areas of differences between organisations - project assets, encumbrances and commitments, revenue recognition and overall format of donor reports. Each of these issues may need to be resolved individually and a common solution on how to accept different approaches would need to be reflected in the common reporting standard. There was also a belief that standardising donor reporting will be more difficult as these reports are driven by individual donors rather than IPSAS requirements.
53. The CEB Secretariat briefed on the UN System-wide Financial Statistics Database and Reporting System project, which is funded by the HLCM Trust Fund for implementation of the Harmonized Business Practices and led by the CEB Secretariat. The core objectives of the project are to enhance the scope and detail of UN system-wide financial statistics; to develop a comprehensive UN system-wide financial database; and to develop an advanced and easy-to-use on-line means for the compilation, reporting and analysis of UN system-wide data. The project implementation had not yet formally started at a full speed; however, a selection of a finance-project manager who will lead the project has now been completed with some formalities remaining to be finalized. Once fully launched, the project is estimated to last two years. Sustainability of the project was highlighted as an important aspect.

### ➤ **Conclusions and Action Points**

54. The FB Network acknowledged the progress of the WG on Financial Reporting and approved harmonised expense categories for interagency reporting effective 1 January 2012.

55. The Network mandated the WG to prepare a guidance note and transition arrangements for implementation of the revised expense categories; and to continue working on harmonizing donor reporting.

## **X. Presentation of the UN System Financial Statistics 2010**

[Armands Cakss, CEB Secretariat]

*(Presentation: CEB/2010/HLCM/FB/16)*

56. New set of the UN System Financial Statistics were just compiled covering financial data for the biennium 2008-2009. The report is pending publishing at the end of September 2010 (A/65/187). The statistics followed the previously enhanced structure and is last manual compilation of the kind. The next set data for current biennium are planned to be collected on the automated platform to be developed by HBP supported Financial Statistics Database and Reporting System project. Samples of data collected and submitted for publishing were presented for attention of the Network. Graphical analysis and presentation of the compiled financial statistics will be posted on the CEB Secretariat website.

### **➤ Conclusions and Action Points**

57. The FB Network noted completion of the biennial UN System Financial Statistics report for the biennium 2008-2009 and endorsed publication of the statistics on the CEB Secretariat website.

## **XI. Progress report from the Working Group on Harmonized Financial Rules and Regulations**

[Jay Karia, UN] *(Oral Presentation)*

58. Over the last year the WG consisting of UN funds and programmes continued its work with good involvement of OLA. The product – revised Harmonised Financial Rules and Regulations (FRRs) is prepared, but still needs to be finalised. Now the final meeting is scheduled for October 2010. The open remaining question is the effective date for changes to take place. Before the final product is approved it will still have to go through reviews by external auditors, the ACABQ and the Executive Boards adding timing uncertainty. One of the options to race the time is to go ahead from 2011 with only IPSAS related part of the FRRs.
59. The Programme Planning and Budget Rules (PPBRs) were planned to be included in the overall work under the FRRs, however it was realised that the enlargement of the scope may cause additional delays. Nevertheless, the General Assembly has recently requested to also address the PPBRs and this work will be managed under separate arrangements.
60. A number of organisations shared their experience in modifying their FRRs in line with IPSAS requirements. Vast differences were observed to exist between FRRs of the agencies and the UN funds and programmes. WFP pointed out that their regulatory environment differed from the one UN & UNDP had making changes to their FRRs difficult to implement. This as well as a couple of other conditions led the WFP to formally pull out the WG.

➤ **Conclusions and Action Points**

61. The FB Network took note of the current progress of the WG.

## **XII. Update on current status of US income tax reimbursement arrangements**

[Gary Eidet, IAEA] (*Oral Presentation*)

62. The meeting was briefed by the IAEA on the current status of the long lasting dialog with US authorities regarding the issue of tax reimbursement arrangements for US citizen staff members. A core principle is to ensure equal treatment of all staff members given that US citizens are required to pay US income tax on UN emoluments, while for the other nationalities these emoluments are tax exempt. UN system organisations are obligated to reimburse staff members for taxes paid on UN emoluments even if equivalent compensation is not received from a member state – in this case, the US. This situation has resulted in build up of deficit balances in most organisations. (For organisations without tax equalization funds, reimbursements by the US government have been made on a “first income” basis, while organisations have been reimbursing staff members on a “last income” basis.) This difference will likely have to be absorbed by the respective organizations’ budgets and, in effect, by other member states. To understand the magnitude of the issue, a suggestion was made to quantify the US government tax reimbursement gap on a system-wide basis. A survey could be done by the CEB Secretariat in coordination with IAEA who are leading a follow-up on the issue.

➤ **Conclusions and Action Points**

63. The FB Network requested the CEB Secretariat in coordination with IAEA to conduct a UN system wide survey on the non-refunded US tax reimbursement balance.

## **XIII. Any Other Business**

[Jay Karia, UN] (*Oral Presentation*)

### **i. Update on other activities**

64. UNDG-HLCM WG on Cost Recovery has been looked at by the HLCM in the context of changing approach to involve high level representation. The first meeting considering the proposed WG structure is yet to be convened.
65. WG on Capital Budgeting was projected to assess progress made in implementing a conceptual framework for the introduction of capital budgeting in about 18 months from its roll out. The item could be included in the next FB Network meeting agenda provided the assessment takes place before the end of 2010.

## **ii. Discussion on experiences in ERP implementation for IPSAS**

66. Specific ERP related issues of interest to the FB Network may need to be brought to attention of the ICT Network, which is the best forum to deal with these issues. One of the areas of interest is licensing costs of ERP packages – ERP providers are charging organisations for the solutions that are already before provided to other organisations, while there is also a cost sharing option possible.

## **iii. Nomination of the FB Network Co-Chair**

67. Gary Eidet – a co-chair of the FB Network is retiring shortly and is stepping down from his current role. Gary was thanked for his involvement and support to the FB Network over his co-chairmanship.
68. Informal consultations were conducted before the meeting on possible nomination of Nick Jeffreys, Comptroller, WHO as a successor to Gary Eidet. No objections for Nick's nomination were pronounced by consulted parties and by the FB Network meeting participants.

## **➤ Conclusions and Action Points**

69. The FB Network nominated Nick Jeffreys, WHO as a co-chair of the FB Network, replacing Gary Eidet, IAEA.

## **Annex 1 – Agenda**

- 1) **Opening of the meeting**
- 2) **Follow-up to IPSAS Task Force**
  - *Document: CEB/2010/HLCM/26 IPSAS adoption progress report*
- 3) **Personal Financial Disclosure Programmes (PFDP)**
  - *Documents: CEB/2010/HLCM/FB/24 Presentation of the UN Ethics Office*  
*CEB/2010/HLCM/FB/13 Survey on PFDP Implementation Status*  
*CEB/2010/HLCM/FB/17 Fact Sheet – UN PFDP*
- 4) **Update from the joint FB/HR network Working Group on Compensation for Service Incurred death, injuries and illnesses (Appendix D)**
  - *Documents: CEB/2010/HLCM/FB/14 Presentation of the Working Group*  
*Draft ST/SGB/Staff Rules/Appendix D/Rev.1 Appendix D provisions*
- 5) **UN operational rates of exchange (UNROE)**
  - *Documents: CEB/2010/HLCM/FB/21 Presentation by the UN Secretariat Treasurer*  
*CEB/2010/HLCM/FB/22 Working Guidelines for the UNROE*
- 6) **Interim results from the Working Group on Safety and Security Costs**
  - *Documents: CEB/2010/HLCM/FB/25 Discussion Paper - WG on Safety and Security Costs*  
*CEB/2010/HLCM/FB/11 Issues Catalogue and Issues Analogies*  
*CEB/2010/HLCM/FB/12 UNDSS Information*
- 7) **Common Services Centres**
  - *Documents: CEB/2010/HLCM/FB/23 Presentation by JIU*  
*JIU/REP/2009/6 JIU report - Offshore Service Centres*  
*CEB/2010/HLCM/FB/26 Presentation by UNHCR*
- 8) **Progress report from the Working Group on Common Treasury Services**
  - *Documents: CEB/2010/HLCM/FB/19 Presentation - Treasury Community of Practice*  
*CEB/2010/HLCM/FB/20 Presentation - Feasibility Study for Common Treasury Services Project*
- 9) **Progress report from the WG on Financial Reporting**
  - *Documents: CEB/2010/HLCM/FB/27 Presentation of the Working Group*  
*CEB/2010/HLCM/FB/18 Progress Report of the Working Group*  
*CEB/2010/HLCM/FB/15 Update on the UN System-wide Financial Statistics Database and Reporting System project*
- 10) **Presentation of the UN System Financial Statistics 2010**
  - *Document: CEB/2010/HLCM/FB/16 Presentation - UN System Financial Statistics 2010*
- 11) **Progress report from the WG on Harmonized Financial Rules and Regulations**
- 12) **Update on current status of US income tax reimbursement arrangements**
- 13) **Any other business**

## Annex 2 – List of Participants

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