

**Administrative Committee  
on Co-ordination**ACC/1998/6  
21 September 1998**REPORT OF THE EIGHTY-EIGHTH SESSION OF  
THE CONSULTATIVE COMMITTEE ON ADMINISTRATIVE QUESTIONS  
(FINANCIAL AND BUDGETARY QUESTIONS)**

(New York, 31 August - 4 September 1998)

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**ANNEXES**

- I. Agenda adopted by the Committee on 31 August 1998
- II. List of participants

## **Introduction**

1. The Consultative Committee on Administrative Questions held its eighty-eighth session on financial and budgetary questions from 31 August to 4 September 1998 at United Nations Headquarters in New York. Mr. Abdelkhalek Tazi-Riffi (ITU) was Chairman and Mr. Abraham E. Espino (IAEA) was Vice-Chairman. The agenda adopted by the Committee, which also lists the documents submitted, may be found in annex I. A list of the participants appears in annex II.

2. On the fourth day of the session participants were deeply saddened by the news of the tragic and premature death of Mr. Joachim Bilger while returning to Geneva. Mr. Bilger had participated actively in the Committee's discussions for the first three days and his contributions were most appreciated. Participants observed a minute of silence in his memory.

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

### **Election of Chairman and Vice Chairman**

3. The Committee unanimously decided on the election of Mr. Abraham E. Espino (IAEA) as Chairman and Mr. Gary Eidet (WFP) as Vice Chairman for a two-year period commencing with the Committee's next session. The Committee expressed its appreciation to Mr. Tazi-Riffi for his excellent work as Chairman during the past two years.

### **Current Budgetary Pressures**

4. The Committee had an extensive discussion of budgetary issues facing the organizations of the United Nations system. Organizations with assessed contributions continued to face considerable budgetary pressures, which were reflected in their budgets for 1998-1999. For most organizations, non payment and/or delayed payment of assessed contributions continued to be a very serious problem. Organizations were concerned that one major Member State which normally paid its contributions in a timely manner was in a number of organizations paying much later than usual with consequent impacts on organizations' cash flows. Some organizations reported an increase in the number of Member States which had lost voting rights or only maintained voting rights subject to agreement of , and subsequent compliance with, a payment plan with respect to arrears.

5. Most voluntarily-funded organizations also reported a decline of funding, which has been exacerbated by the strength of the US dollar relative to the currencies of some major donors. Participants exchanged information on constraints facing organizations wishing to increase funding from the private sector. They agreed that it would not be cost effective for most organizations to set up individual arrangements in a large number of countries in order to permit tax deductibility of private sector contributions. A concerted

United Nations system approach to this question should be explored. The Committee recommends that this possibility be drawn to the attention of ACC.

6. Concern was expressed about the increasing volatility in the global financial environment and the unpredictability of available resources both for the current biennium and for 2000-2001.

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.

### **Programme and budget**

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

8. The Committee reviewed and approved the proposed salary survey budget for 1998-1999 for a total of \$1,796,700. Further details are given in paragraph 10.

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

### **Programme and budget**

#### Revised programme budgets for 1998-1999: Subcommittee on Nutrition (SCN)

9. The Committee reviewed a revised programme budgets for 1998-1999 for the Subcommittee on Nutrition (SCN). The revision had been submitted based on a review of pledges totalling \$913,000, an increase of \$112,000 from the level of pledges confirmed at the last session of the Committee. Organizations listed by SCN as pledging contributions were requested in the session to confirm the new amounts, but in some cases were unable to do so. There was also a need to explore further the status of core contribution balances carried forward from the previous biennium. The Committee recalled its previous approval was only for a budget of \$801,000. Accordingly, the Committee noted the revised budget but repeated its previous proviso that, in the case of any shortfall in expected voluntary contributions to SCN, 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.

### Salary survey activities

10. The Committee reviewed and approved the salary survey budget for 1998-1999 for a total of \$1,796,700, 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. The Committee confirmed that all organizations would be subject to a minimum 1% share of costs regardless of presence of staff in field locations.

11. 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, for equipment, training and systems development, including an integrated salary survey software package. The Committee agreed that future budget proposals for the salary survey activities should be made more transparent by incorporating details on such income earned and on the expenditures financed by this particular source of funds.

### Resource guidance levels for 2000-2001 budgets for jointly-financed bodies

12. Following the procedures agreed at its 83rd session, the Committee considered resource guidance levels for the jointly-financed bodies. In the light of the continuing budgetary pressures facing the UN system it was important that the jointly-financed activities be run with maximum attention to cost-effectiveness and to productivity improvement. Therefore the budget proposals for 2000-2001 should, at a minimum, show no increase in staffing levels and costs should be maintained within current levels subject only to adjustment for currency fluctuations and statutory salary increases. The two bodies with the larger budgets, ICSC and the JIU, should seek further productivity gains with a view to achieving additional savings. It was noted that staffing levels of the jointly-financed ACC machinery (CCAQ, CCPOQ and ISCC) were already at a minimal level relative to the significant work load that had been imposed on them. Nevertheless, the Committee was hopeful that further savings in non-staff costs could result from the co-location of these bodies at the Palais des Nations. CCAQ and CCPOQ were already co-located and the move of ISCC to the Palais was imminent.

### Preparation for review of jointly-financed budgets for 2000-2001

13. The Committee recalled that its review of the proposed budgets for 1998-1999 had been greatly facilitated by work undertaken prior to the session by informal groups in New York and Geneva which had examined the proposed budgets and, where appropriate, met with the relevant secretariats to seek clarification or additional information. It was agreed that such informal groups would again meet in 1999 to prepare for the

Committee's review at the Spring session of proposed 2000-2001 budgets. UNICEF volunteered as lead agency to coordinate the informal group in New York, to review the ICSC budget, and ITU agreed to act as lead agency for the informal group reviews in Geneva.

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

14. The Committee was pleased to note that the "Security in the Field" Handbook, which had been financed by the United Nations budget, had been distributed. It approved the costs to be charged to individual organizations for inter-organizational security measures in 1997, 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 1997 totalling \$653,335. The Committee also approved expenditure on malicious acts insurance for 1997 totalling \$1,037,253; this covered 25,022 staff members as well as consultants and experts on mission. The Committee was briefed by the Deputy United Nations Security Coordinator on the possible impact of incidents which had already occurred in 1998 on the level of insurance premiums.

15. The Committee was also advised of the latest status of plans for security training in high risk locations. While a Trust Fund has been set up for donations to the cost of training, only one significant contribution has been received so far. Organizations should, therefore, still plan to contribute their shares to the total of \$600,000 earmarked for security training activities in 1998-1999. However, because the start of training had been delayed, they should expect that the major part of the expenditure would now take place in 1999. Participants requested the United Nations to ensure that invoices with respect to 1998 costs were sent out in time to be reflected in organizations' financial statements for the financial period ending 31 December 1998.

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

16. 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 were subject to change when the staffing statistics as at end December 1997 are available. The question of the status of UNOPS and the appropriate share of costs to be allocated to it was also subject to further clarification. Thus the indicative shares for other organizations might be reduced marginally after UNOPS figures are included in the expenditure and staffing totals. An updated document will be available for the Committee's next session.

#### Budgeting methods

##### *Strategic/Results-based budgeting and Harmonization of budgets*

17. The Committee was briefed by the United Nations on the current status of the proposal to introduce Results-Based Budgeting for the biennium 2000-2001. It also discussed the experience of WIPO in introducing a Results-Based Budget for 1998-1999

and the issues involved in establishing appropriate Performance Indicators and systems for monitoring and measurement of results. UNICEF briefed the Committee on the experience in applying harmonized formats for 1998-1999 and the process of developing revised formats for harmonized budgets for 2000-2001.

18. Participants discussed the apparent wide divergence of various new approaches to budgeting by several organizations. In addition to differences in methodology, new terminology had been introduced in some cases; in other cases the same terms were used but with apparently different definitions. The budget harmonization efforts of UNICEF, UNDP and UNFPA had incorporated agreed definition of key terms. While agreement on common terminology for these organizations had been the result of extensive consultation, this was an essential item in any harmonization process. It was noted that the Committee had in the past agreed a glossary of finance and budget terms, but that this had not been updated for many years. The Secretary was requested to add such an update to the work programme of the secretariat and to report to the next session on what terms and definitions are currently being used by organizations, with special emphasis on the terms used in the budget area.

### **Accounting and financial reporting**

#### **Accounting standards**

19. The Committee recalled that it had previously agreed a mechanism (see para.19 of ACC/1997/FB/R.22) for handling the development of the standards in the future and had endorsed a list of subjects meriting further study. The Committee was due to review at its Spring session in 1999 the issues raised in connection with the financial statements for the financial period ended December 1997 at which time the review by Governing Bodies would have taken place. In the meantime, the Committee welcomed Mr. David Woodward, Chairman of the Technical Group of the Panel of External Auditors who briefed participants on 5 major issues raised during the course of audits. He emphasized that the identification of issues requiring further refinement/clarification of the Accounting Standards should in no way detract from the Committee's significant achievement in developing the Standards. The Panel recognized that any further development was the responsibility of the Committee but members of the Panel stood ready to advise at all times. The Committee expressed its appreciation to Mr. Woodward for the work he had done in compiling the list of issues and for his valuable contributions to the Committee's discussions. 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. The Committee was briefed by Professor Bruce Chase of Radford University on the status of his study on the UN Accounting Standards.

20. The Committee decided that, in order to facilitate the work of a future Working Party on Accounting Standards, it should agree on a lead agency approach to undertake preparatory work on certain subjects which had been identified during the discussions. Such work would be without prejudice to the decisions to be taken at the next session as

to the terms of reference and work programme of the future Working Party. After discussion of the issues previously identified as high priority and taking into consideration the issues identified by the Chairman of the Technical Group, the United Nations volunteered to act as lead agency for a preparatory study of the provisions for delays in payment of contributions. ILO volunteered as lead agency for the preparatory study of after-service benefits and UNHCR volunteered to act as lead agency for a preparatory study of the matching of income and expenditure with regard to voluntary contributions, focusing on the full accrual of income. The lead agencies would present a progress report at the Spring session of the Committee.

#### UNJSPF accounting standards

21. The Committee decided to refer to a future session of a Working Party the proposal to establish a standard covering the actuarial methodology used by the United Nations Joint Staff Pension Fund (UNJSPF) for valuations. The Working Party would also review an appropriate disclosure statement to be used by participating organizations in respect of participation in the UNJSPF.

#### Timing of submission of final accounts

22. The Committee was provided a draft compilation of data concerning the timing of submission of final accounts. This document would be finalized after the session when all organizations had provided relevant data.

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

#### United Nations operational rates of exchange

23. The Committee discussed organizations' experience with the new procedures for establishing operational rates of exchange which were introduced, on an interim basis, effective 1 January 1998. It approved continued use of the revised procedures (as detailed in Annex IV to the report of the 87th session).

24. The Committee also discussed the introduction of the Euro as the currency of a number of Headquarters locations, effective January 1999. It was agreed that the procedure at present used by the United Nations for establishing the UN rate for the ECU should be followed in respect of the Euro, which would be replacing the ECU on a one-to-one basis. The rate would be communicated to affected organizations as soon as possible after fixing. The rate would be fixed to three decimal places and would only be changed for movements in excess of one half cent.

25. United Nations rates of exchange would be established for those 11 currencies which would continue for an interim period to be used as "expressions" of the Euro. As the official conversion factors would not be known until 31 December 1998, the UN rate for the Euro would be fixed on 31 December 1998 and the rate for the "expressions" of the Euro after publication of the official conversion factors. These rates would reflect the



established Euro rate multiplied by the relevant fixed conversion factors for each “expression” of the Euro, the rate for each expression to be fixed using six digits. It was recognized that not all organizations would be able to implement six digit rates immediately and that accordingly organizations would be free to round. If the sixth digit were a 5, rounding would be to the nearest possible even. The new procedures for the Euro and related expressions would be reviewed at the Committee’s next session.

### **Organizational questions**

#### Time and place of the next session

26. The Committee agreed, under the new ACC arrangements, on the timing and location of its session in 1999. It decided that the eighty-ninth session would best be held in Rome from 15 to 19 February 1999 and accepted the kind invitation of the World Food Programme to host the meeting.

#### Work programme of the secretariat

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

- (a) finalization of the ACC statistical report on the budgetary and financial situation of organizations of the United Nations system as at end 1997;
- (b) survey of organizations’ intentions as to continued use of UNDIS;
- (c) collection and compilation of organizations’ comments on the JIU report on oversight, preparation of draft ACC comments and clearance by correspondence;
- (d) finalization of the biennial report on Cost of Health Insurance as at December 1997;
- (e) update of information on organizations’ procurement policies and procedures including changes affecting local contract committees;
- (f) update of the CCAQ glossary;
- (g) preparation of reports on status of collections of contributions as at 30 June 1998, 31 December 1998;
- (h) coordination of work of informal group on review of proposed 2000-2001 budgets for jointly-financed bodies;

- (i) collaboration with UNDP, as lead agency, in preparation of a draft policy on charging cost recovery for services provided by one United Nations System organization to another;
- (j) finalization of the document on indicative cost-sharing allocations for 1998-1999 under the JIU and CCAQ formulas;
- (k) finalization of a document showing schedules for submission of financial statements to auditors and governing bodies;
- (l) updating of CCAQ( FB) sections of the ACC report on Productivity Improvements and Reform initiatives, and further development of CCAQ Web site pages concerning productivity improvements and management reforms;
- (m) 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 extra-budgetary funding imposing special requirements (e.g. audit access, tied procurement, tied recruitment, etc.)
- (n) updating of CCAQ Handbook to end of 88th session; production of FB sections of the CCAQ Handbook as Web Site HTML pages as well as production of files in different word processing document formats that can be downloaded from the CCAQ(FB) Web site.
- (o) further development of the Web site to incorporate items of general interest including links to Web sites of CCAQ member organizations.

## **PART IIB - Other items discussed**

### **Accounting and financial reporting**

#### Agency financial and audit reporting to UNDP

28. UNESCO and UNDP briefed the Committee on the simplification of financial reporting of expenditures relating to UNDP and UNFPA-funded projects. Discussions with the Technical Group of the Panel of External Auditors had been successful with respect to the text of a letter of reliance from the Auditor of the executing organization which was essential for the submission of UNDP's financial statements to UNDP's External Auditor. The Committee expressed its satisfaction with the successful outcome of this initiative which had been brought to the Committee by UNESCO and which demonstrated the ability of organizations to work effectively together to improve productivity.

### **Management reforms and Productivity improvement**

#### United Nations Development Account

29. The Acting Director of the United Nations Management Policy Office briefed the Committee on the Secretary-General's proposals for a Development Account. The proposals call for streamlining the administrative bureaucracy through the simplification of rules, processes and procedures; greater delegation of authority to programme managers; enhancing quality of common and central services; and increased use of modern technology with a view to creating an "e-UN". The intention is to improve efficiency and generate savings for redeployment to the economic and social sector. Work had been undertaken on the identification of types and areas of efficiency measures to be implemented throughout the Secretariat together with estimates of the amounts and percentages of the possible savings to be achieved. Verification of gains was necessary before any resources could be transferred to the Development Account. Major types of efficiency measures had been identified in Annex I of document A/52/1009 and areas for possible utilization of the Development Account had been identified in Annex II of the same document. The United Nations Management Policy Office, under the direction of the Under-Secretary-General for Management, would monitor progress on productivity improvement and hold process simplification workshops.

30. Participants discussed the sustainability of the Development Account and the extent to which savings could be carried forward from one biennium to the next. It was agreed that the initiative was one of great interest to the Committee and that it would revert to this question at the next session by which time there would have been further consideration of the Development Account by the General Assembly.

### Procurement

31. At its last session the Committee had chosen to concentrate at its 88th session on procurement questions as a main item in its consideration of Productivity Improvement issues. The Committee welcomed the United Nations Assistant Secretary-General for Central Support Services who is also the Executive Coordinator for Common Services. He presented a comprehensive overview of initiatives being undertaken by the Task Force on Common Services through ten working groups, including a Working Group on Procurement which has been developing harmonized regulations and rules on procurement activities to facilitate joint procurement activities based on efficiency and transparency. In addition, the Common Services project is now embarking on Phase II of its activities whereby linkages with the United Nations Development Group project initiatives would be established. He encouraged other organizations, particularly those outside of New York locations, to participate in this Common Services effort.

32. The Chairman of the Working Group on Procurement then reported to the Committee on the status of the work in this area. Development of common Financial Regulations covering procurement had been undertaken with the assistance of the Office of Legal Affairs and these would shortly be submitted to the Executive Board of UNDP and UNFPA. Thereafter common Procurement Rules could be finalized and relevant procurement procedures and instructions drawn up. These common Regulations and Rules could then be adopted by other organizations and customized as appropriate. Long term contracts were being examined with a view to permitting one UN system organization to take advantage of contracts negotiated by another UN system organization. Such "master" contracts might offer considerable economies of scale.

33. The UN Common Supplier Database (UNCSD) was launched in May 1998 as a joint venture of 12 organizations and is expected to provide a single gateway for potential suppliers to the UN system and will permit sharing of supplier information and performance evaluation capabilities among UN organizations. The UNCSD already contained details on some 6-7,000 suppliers.

34. The Committee expressed its appreciation for the most interesting presentations made by the Assistant Secretary-General and by the Chairman of the Working Group on Procurement and his colleagues. It congratulated the Working Group on an excellent initiative in the context of UN system reform and was happy to note the large number of organizations already participating in the UNCSD project. It welcomed the clear statement by the Assistant Secretary-General that the participation by other organizations in the UN system in the initiatives will be based solely on the organizations' specific requirements and their own assessment of the potential benefits.

35. The Committee discussed briefly the apparent widely divergent dollar thresholds used by different organizations with regard to submission of contracts to Headquarters and local contracts committees. It agreed that the Secretary should add to the work programme for the next session an update of the CCAQ(FB) document covering this

issue. The Committee agreed to discuss guidelines for sound financial management in this area at its next session.

#### ACC overview report on Reform in the United Nations system

36. The Committee was briefed on the status of the ACC report which was being finalized and should be published shortly. The report covered a large number of initiatives in the finance and budgetary area being undertaken by organizations and would serve as a useful reference source for the future. Updates to the report would be best effected by organizations submitting additional information to the secretariat for incorporation in the "Productivity Improvement" pages on the CCAQ(FB) Web site.

#### Cost recovery for services

37. UNDP briefed the Committee on the work it was undertaking with regard to charging for the provision of services in country offices. Responding to ever-increasing budgetary pressures and to the requirements of its Executive Board that "core" funds should not be used to subsidize "non-core" activities, UNDP was turning to higher levels of cost recovery from UN system organizations than in the past. UNDP explained the rationale for not imposing a uniform rate on a world-wide basis but emphasized that wherever possible charges to UN system organizations were assessed on an incremental cost basis.

38. In subsequent discussions the Committee agreed that it was increasingly important for those organizations recovering costs from other organizations to agree on a suitable methodology for measuring and then allocating costs. It would be desirable if work could be undertaken on a policy paper covering the issues involved in inter-organization charges, taking into account organizations' experience in this area. The Committee decided that UNDP would act as lead agency in working with the United Nations and UNICEF and interested organizations on a policy paper on this subject, to be discussed at the Committee's next session. The Secretary was requested to participate in this work and to add it to the secretariat work programme.

#### UNJSPF administrative expenses

39. The Committee was briefed by the Secretary of the United Nations Joint Staff Pension Fund on the negotiations that had taken place on the cost sharing of services provided by the United Nations and on the agreement that was being submitted to the General Assembly for approval. He also provided an update on the status of the Pension Fund Secretariat's compilation of data on services provided by member organizations in support of the administration of the Pension Fund through local staff pension committees.

### Computer systems and information technology

40. The Committee accepted the kind invitation of UNICEF to hold an afternoon session at UNICEF House dedicated to this subject. Representatives of UNICEF made presentations on the status of the SAP project which will interface with a new field office system and with the Personnel and Payroll modules of IMIS. Representatives of the United Nations made presentations on the IMIS project which covered issues with regard to interface with other information systems and the latest schedule for roll out of additional modules at present under development, in particular Release IV of IMIS, the Payroll module. FAO provided a status report on their Oracle system. IAEA reported on a new system called "Agresso"; WFP briefed the Committee on their plans for implementation of SAP; ITU reported on the implementation of SAP in time for the start of the 1998-99 biennium. To enhance cooperation and to avoid duplication of efforts, organizations were encouraged to exchange information on implementation of their respective information software packages. One common theme that emerged from the discussions was that the complexity of United Nations system rules and regulations, particularly pertaining to entitlements, and other administrative requirements was leading to high costs of systems implementation and consequential delays which in many cases appeared to be avoidable and unnecessary if a simpler and more standard approach to administrative procedures were adopted.

41. The United Nations has requested the Committee to review the use of UNDICS by organizations and the necessity for urgent action to make UNDICS Year 2000 compliant if organizations wish to continue its use. The Secretary was requested to undertake a survey of organizations using UNDICS before December 1998 so that appropriate measures can be taken in time.

### JIU report on outsourcing

42. The Committee noted that the ACC comments on the JIU report on outsourcing had been drafted based on inputs received from organizations and that these had been cleared by correspondence and submitted to the General Assembly. The General Assembly had not as yet taken up the ACC comments but had requested the Secretary-General to provide to the 53rd session a comprehensive report on outsourcing practices, taking into account the reports of the JIU and the Office of Internal Oversight Services. This comprehensive report will be produced by the end of 1998; the ACC comments on the JIU report would probably be considered when the General Assembly considers the new report.

### Travel standards

43. The Committee noted that the ICSC continued to consider the question of travel standards and other entitlements and requested the Secretary to keep it informed of any developments in this area.

## **Cash management**

### **Deposit and investment arrangements**

44. 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 global economic situation on the credit ratings of some major banks. Caution should be exercised in that some highly rated banks might not have a direct exposure to countries or currencies with severe problems but could well be affected by their lending to other institutions with major exposure in the affected areas. 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**

45. The Committee was briefed on the status of negotiations between the United Nations and the European Commission. It recalled that it had earlier been agreed that the United Nations would continue to act as focal point on this matter and noted that the negotiations between the European Commission and the United Nations had been conducted. This did not include the participation of any specialized agencies. It was also noted that there was a tentative schedule for a meeting with the European Commission in September. Some organizations which had not concluded agreements with the Commission were of the opinion that high priority should be given to concluding these negotiations but that it was essential that they should be invited to participate in such a meeting in order that their concerns be taken into account. It was requested 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, which did not already have the benefit of a formal agreement with the Commission.

### **Internal controls**

46. The Committee held a private discussion related to the detection and prevention of fraud and to other internal control matters.

### **Accountability**

47. The Committee welcomed the Under-Secretary-General for Internal Oversight Services who briefed participants on the challenges faced in establishing and staffing an effective oversight function. There was general agreement with the conclusions arising from the Montreux Symposium on oversight which he and a number of members of the Committee had attended in late 1997. Participants also shared his views that accountability involved delegation of authority commensurate with the responsibility

which must be clearly assigned and that managers must have adequate human and financial resources to carry out tasks assigned to them. It was a widespread misconception that accountability primarily meant that “people have to pay for their mistakes”. While the existence of an oversight unit must also have a deterrent effect that was not its sole purpose; the advisory role, helping management to do a better job, was equally important. Participants stressed that managers provided the first line of oversight, internal control and defence against irregularities and that the concept of accountability in the main aimed at management culture change. Simplification of financial regulations and rules was imperative in making managers more effective. Additional work was necessary on the issues of monitoring and evaluation, the establishment of useful performance indicators and appropriate performance measurement and reporting systems.

48. The Committee noted that the JIU had issued a report entitled “More Coherence for Enhanced Oversight in the United Nations System”. Some organizations had not received the report sufficiently early to enable them to provide a cleared organizational response at the session. The Committee agreed that, in line with the methodology for preparing ACC comments on the JIU report on outsourcing, organizations would be requested to submit their comments to the secretariat for compilation of replies and subsequent drafting of ACC comments which would then be sent to each ACC member organization for final clearance.

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

#### Financial Regulations: review of amendments

49. The Committee was briefed on changes or proposed changes to the financial regulations of: UNDP, UNFPA, UNHCR, WFP, FAO, ICAO, ITU, WMO, IMO, WIPO, IFAD, UNIDO. The United Nations indicated that a review of regulations was under way, with specific attention being paid to procurement regulations with the aim of harmonizing procurement in the United Nations, Funds and Programmes. Proposed changes would be submitted to the General Assembly in 1999.

### **Organizational questions**

#### Attendance of observers

50. The Committee confirmed that it will apply the decisions of ACC with regard to the attendance of observers. Specifically, observers will only be invited to attend in connection with specific agenda items where their contribution will enhance the work of the Committee.

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## ANNEX I

### Agenda adopted by the Committee on 31 August 1998

<u>Item</u>	<u>Document</u>
1. Adoption of the agenda	ACC/1998/FB/R.5
2. Programme and budget	
2.1 Budgetary and financial situation of organizations of the United Nations system	-
2.2 CCAQ(FB) consideration of budgets of jointly-financed bodies	-
2.2.1 Salary survey activities	ACC/1998/FB/R.7
2.2.2 Resource guidance levels for 2000-2001	ACC/1998/FB/R.12
2.2.3 Sub-Committee on Nutrition (SCN)	ACC/1998/FB/R.10
2.3 Cost-sharing arrangements	
2.3.1 Apportionment of costs under the JIU and CCAQ formulae	ACC/1998/FB/R.3
2.3.2 Security costs	ACC/1998/FB/R.2 ACC/1998/FB/R.2/Add.1
2.4 Budgeting methods	
2.4.1 Budget harmonization	ACC/1998/FB/88/CRP.6
2.4.2 Strategic/Results-based budgeting	ACC/1998/FB/88/CRP.7
3. Accounting and financial reporting	
3.1 United Nations Accounting Standards	ACC/1998/FB/88/CRP.4 ACC/1998/FB/88/CRP.9
3.2 Agency financial and audit reporting to UNDP	-
3.3 Timing of submission of final accounts	ACC/1998/FB/88/CRP.16
3.4 UNJSPF Accounting Standards	ACC/1998/FB/88/CRP.14

<b><u>Item</u></b>	<b><u>Document</u></b>
4. Management reforms and Productivity improvement	
4.1 ACC overview report on reform in the United Nations system	ACC/1998/FB/88/CRP.5
4.2 Cost recovery and charging fees for services	
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4.2.2 UNJSPF administrative expenses	ACC/1998/FB/88/CRP.8
4.3 Computer systems and Information technology	ACC/1998/FB/88/CRP.13
4.4 ACC comments on the report of JIU on outsourcing	ACC/1998/FB/R.9
4.5 Travel standards	ACC/1998/FB/R.4
4.6 Procurement	ACC/1998/FB/88/CRP.12
5. Cash management	
5.1 Deposit and investment arrangements	-
6. General financial systems	
6.1 Extrabudgetary activities financed by the Commission of the European Union and the World Bank ACC/1998/FB/88/CRP.11	
6.2 Internal controls	-
6.3 Accountability	ACC/1998/FB/88/CRP.2 ACC/1998/FB/88/CRP.3
7. Other financial and budgetary questions	
7.1 UN operational rates of exchange	ACC/1998/FB/88/CRP.10
7.2 Financial Regulations: review of amendments	ACC/1998/FB/R.8
7.3 Other questions	-
8. Organizational questions	
8.1 Election of Chairman and Vice-Chairman	-
8.2 Time and place of the next session	-
8.3 Work programme of the secretariat	ACC/1998/FB/88/CRP.17
8.4 CCAQ affairs - attendance of observers	ACC/1998/FB/88/CRP.1
9. Adoption of the report	ACC/1998/FB/88/CRP.17

## ANNEX II

### List of participants

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

#### Representative of member organizations:

United Nations

Mr. Karl Theodore Paschke  
Under-Secretary-General for Internal Oversight Services

Mr. Toshiyuki Niwa  
Assistant Secretary-General for Central Support Services;  
Executive Coordinator for Common Services

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Acting Director, Management Policy Office  
Office of the Under-Secretary-General for Management

Mr. Vladislav Guerassev  
Chief, Oversight Support Unit  
Office of the Under-Secretary-General for Management

Mr. Bruce Rashkow  
Director, General Legal Division

Ms. Frances Zainoeddin  
Special Assistant to the Controller

Mr. Mark Gilpin  
Chief, Contributions Services

Mr. Jay Karia  
Director, Accounts Division  
Office of Programme Planning, Budget and Accounts

Ms. Suzanne Bishopric  
Treasurer

Ms. Diana Russler  
Principal Officer and Deputy Security Coordinator

UN (cont'd)      Mr. Gian Piero Roz  
Chief, Integrated Management Information System Project  
Office of Central Support Services

Mr. Wolfgang Fuerst  
Chief, Information Management Service  
Information Technology Services, Office of Central Support Services

Mr. Sanjaya Bahel  
Officer-in-charge, Procurement Division

Mr. Anton Bronner  
Officer-in-Charge, Travel and Transportation Service  
Office of Central Support Services

UNICEF      Ms. Ellen Yaffe  
Comptroller

Mr. Terry Brown  
Director, Financial Services

Mr. Louis Bradley  
Director, Accounting Services

Ms. Lily Vuong  
Director, Budget

UNDP      Mr. Alan Potter  
Senior Advisor and Coordinator  
Bureau for Financial and Administrative Services

Mr. Walter Gore  
Treasurer, Bureau for Financial and Administrative Services

Mr. Peter Adler  
Senior IAPSO Advisory

Mr. Jim Provenzano  
Chief, Policy and Control Unit  
Bureau for Financial and Administrative Services

Ms. Joy Duncan-Witter  
Chief, Headquarters Section, Office of Budget  
Bureau for Personnel Resource Management

Mr. Romesh Muttukumar  
Chief, Country Office Unit, Office of Budget, BPRM

UNOPS      Mr. Martyn Evans  
Assistant Director, Finance, Control and Administration Division

Mr. Henry Nardi  
Assistant Director, Division for Policy and Contracts

Ms. Anna Chang  
Chief, Finance and Budget

UNFPA      Mr. Sethuramiah Rao  
Director, Division for Finance, Administration and Management  
Information Services

Mr. Martin Fianu  
Chief, Finance Branch

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

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Mr. Michael Usnick  
Director, Office of Budget

UNHCR      Mr. Wolfgang Milzow  
Treasurer

Mr Kwabena Offei Dei  
Finance Officer

ITC      Mr. Joseph Smadja  
Deputy Executive Director, Office of the Executive Director

UNRWA      Mr. William Lee  
Chief, New York Liaison Office

ILO	Mr. Anees Ahmad Treasurer and Financial Comptroller Assistant Director-General  Mr. D. Colin McLean Director, Financial Services Department
FAO	Mr. Plato Kastanias Chief, Accounting, Reporting and Control
UNESCO	Mr. Daniel Daly Comptroller
ICAO	Mr. John Maguire Chief, Finance Branch
WHO	Ms. Cecilia Rose-Oduyemi Administrative Officer WHO Liaison Office, New York
ITU	Mr. Abdelkhalek Tazi-Riffi Chief, Finance Department
WMO	Mr. Ah-Kim Lee Choon Chief, Finance and Budget Division
IMO	Mr. Dayasiri Muthumala Head, Finance and Budget Section
WIPO	Mr. Joachim Bilger Controller and Head, Office of Internal Oversight and Productivity  Mr. Philippe Favatier Director, Finance Division
IFAD	Mr. My Huynh Cong Comptroller
UNIDO	Mr. Eric Whiting Officer-in-charge, Financial Services Branch and Chief, Budget Section

IAEA Mr. Abraham E. Espino  
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Director, Finance and General Services Division

Observers:

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Budget and Internal Oversight Officer  
International Seabed Authority

OPCW Mr. Horst Becker  
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Organization of Prohibition of Chemical Weapons

Other representatives:

UNJSPF Mr. Raymond Gieri  
Secretary

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

Radford University Prof. Bruce Chase  
Department of Accounting

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