



**CEB**  
Chief Executives Board  
for Coordination

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High-Level Committee on Management (HLCM)  
Finance and Budget Network

**Summary of the Finance and Budget Network (FBN) virtual meeting “Impact and Financial Management challenges in the current COVID-19 crisis”**

(Hosted on Microsoft Teams, May 8<sup>th</sup>, 2020)

## Executive summary

In response to the current situation and the challenges arising in Finance and Budget management functions across the UN system, the FBN Co-Chairs (Mrs. Chitra Narayanaswamy, WIPO and Mr. Darshak Shah, UNDP) decided to call for a virtual session with the title “Impact and Financial Management challenges in the current crisis” aiming at providing a forum to discuss the procedures that have been implemented in the controllers/accounting operations area, and any actions taken in financial management areas by UN System organizations as part of the COVID-19 response.

This virtual session took place on May 8th, 2020. the FBN meeting focused on knowledge sharing on the priority areas of collaboration and the challenges arising from:

1. Actions that have been implemented by the FBN members in financial policies/accounting/operations, as part of the COVID-19 response, including:
  - a. External/internal audit matters in the context of online/distance auditing, scope, etc.; including events after the reporting date note on COVID-19.
  - b. Challenges, time constraints, overlaps, gaps that the FBN members may have been able to help UN system overcoming the situation.
2. Anticipated funding challenges until year-end and potential impacts on the 2020 and 2021 budget.
3. Anticipated/already identified need for guidelines and common approaches of the FBN, sharing of best practices and collaboration among agencies if/where there is any space for joint work as a Network.

The meeting considered potential collaboration between the FBN and the HRN for the matters such as salary advances, cost reimbursement, and insurance. The FBN members shared their audits experience and acknowledged the need for a unified approach to audit issues common to the membership. The challenges of electronic signature and cyber criminality, in the context of remote working and anti-fraud measures, called for collective attention.

Challenges on funding and liquidity were discussed referring to increasing uncertainty about 2021 and beyond. The “return to the office” dialogue concluded with a recommendation to review arising best practices.

The FBN face-to-face session planned for July is cancelled, virtual meetings may be called to discuss urgent emerging matters.

## COVID-19 Impact on financial policies, accounting, operations, etc.

### **Background:**

The FBN held this virtual meeting in response to the need to discuss and share actions that have been undertaken in response to the COVID-19 crisis.

### **Discussion:**

**Presenter:** Mr. Chandramouli Ramanathan, Assistant Secretary-General, Controller, Dept. of Management Strategy, Policy & Compliance, United Nations.

The UN Secretariat provided its positive views on how the organization managed to continue working under the current circumstances and the overall telecommuting experience and highlighted that this experience would path a different UN going forward after COVID-19. Mr.

Ramanathan added that a very important point within the context of remote working is cyber security, how to have access to systems in a secure way.

As part of the discussions, FBN touched upon issues such as updating the existing telecommuting policies, reimbursement of home office costs, costs implications on office space and travel, performance management, and insurance. FBN members were informed that the HRN is actively looking at Telecommuting policies, so that a UN common system position and some common provisions can be developed.

Further discussions referred to the cultural change resulting from telecommuting as an opportunity to anchor other changes, reference was made to *future of workforce* under the HLCM to address the need of flexibility on contracting modalities. It was discussed that the FBN needs to work with HRN on this matter so that the potential financial impacts as a result of the change on contract modalities are considered in a holistic manner.

Mr. Ramanathan shared the experience with virtual meetings of governing bodies (ACABQ, Fifth Committee and silent procedure of GA) and explained that there was ongoing work on remote interpretation and voting, adding that two solutions are currently under assessment and may be ready by the end of the year. The topic of remote interpretation interested the participants who were informed that ITU is leading a working group on Virtual Meetings with interpretation, in the context of the Digital & Technology Network (DTN)<sup>1</sup>.

UN Secretariat shared issues with cash movements for Democratic Republic of the Congo, South Sudan and Sudan highlighting the need to have a UN System-wide coordinated approach with regard to salary advances (in close collaboration with HR function) as this is creating logistical pressure on local banking systems due to the large amount of cash requirements.

Mr. Ramanathan updated the FBN network on FAFA negotiations, it was explained that the EC requires the costs related to the mandatory pillar assessment to be paid by the UN and the official response is being prepared. The lack of agreement on the pillar assessment and on data protection requirements prevented the UN from signing the agreement.

### **Conclusions:**

The FBN Co-chair, Mr. Shah thanked Mr. Ramanathan acknowledging the importance of the many topics that were discussed.

Mr. Shah pointed out that the manner the governing bodies will work in the near future should be discussed during next FBN virtual or physical meeting. Collaboration with the HRN is necessary to tackle the issues of salary advances, cost reimbursement and insurance; and there is urgency for the commence of work on FAFA by FBN.

## **Audit perspective of COVID-19**

### **Background:**

In the context of online/distance auditing, the FBN Co-Chairs identified the need to discuss experiences and issues related to external/internal audit matters including Events after the reporting period note disclosure on COVID-19, audit scope, etc.

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<sup>1</sup> IAEA informed the use of Interprefy, while WHO and UNESCO are assessing this same solution. IFAD is using Zoom, and WMO tried KUDO. Attached as annex DTN survey results on interpretation platforms.

### **Discussion:**

**Presenters:** Mrs. Magdolna Bona, Chief Finance Officer, UNESCO; Mrs. Helen Hall, Chief of Financial Performance Management and Reporting, UNDP; and Adnan Chughtai, Treasurer and Financial Comptroller, ILO.

UNESCO shared its experience with external audit which was performed remotely without major issues except for the provision of information which only exists on paper files. On the other hand, the board communicated difficulties with meeting deadlines due to the remote working conditions and related challenges. In addition, the board requested to have introduced a note on COVID-19 as an event after reporting date which was done on a very general terms as it was too early to assess/know the implications in the different areas of UNESCO's operations.

UNDP added that its Financial Statements included a comprehensive note on events after the reporting date covering the potential future financial impact of the COVID-19, while there is no impact of COVID-19 on UNDP's financial assets at the reporting date on which the financial statements were authorized for issue. UNDP explained that its FS are issued later than most entities and therefore there was more information available at the time. In addition, it was noted that FBN members that a questionnaire may be requested by the United Nations Board of Auditors on COVID-19 to determine whether this refers to adjusting events and what impact on business models and operations has been identified.

During the discussions, several organizations confirmed that their audits were conducted remotely without major problems, though some shared issues related to physical verifications, spot checks for implementing partners, time extensions and delays on the performance of the audits. Few entities had their audit performed on site and some others had a mix. ILO's audit by the Philippines team was delayed due to travel restrictions and country's complete lock down. Regarding the COVID-19 note as event after reporting date, the discussions included a mix of experiences, some entities included such a note in its FS while others did not.

### **Conclusions:**

FBN members took note of the board of auditors' questionnaire on COVID-19 and acknowledged that organizations should follow a unified approach in respect to any issues related to audits common to the membership. The matter of the COVID-19 restrictions on travel limiting the execution of audits and reviews to implementing partners (IPs) was raised as a common concern as reliance increases on IPs for implementation.

## **Challenges, Opportunities, Constraints, Overlaps, Gaps, & Internal Control Environment**

### **Background:**

FBN members to discuss and share challenges and opportunities to help UN system to overcome the COVID-19 crisis.

### **Discussion:**

**Presenter:** Mr. Hans Baritt, Controller and Director, Division of Financial and Administrative Management, UNHCR.

UNHCR shared its views on experiencing additional pressure for field-based agencies to deliver even faster including increasing demands for procurement actions. This compounded with new working arrangements put pressure on the internal control environment (not to

mentioned fraud attempts). UNHCR response was to put out an information package to remind finance community of all COVID related emergency procedures but also highlighting awareness on controls and fraud.

Mr. Baritt stated that UNHCR faced several issues related to travel, office equipment for staff telecommuting, and suppliers having financial difficulties, adding that there will probably be a delayed effect on the budget implementation. With the existing conditions and increasing demands, the work to be done might need to be outsourced, but this brings the challenge of performing audits to implementing partners.

During the discussions other organizations voiced similar concerns. WFP stated that as a result of the significant increase in needs and adjustments to priorities the organization's risk profile is now higher.

Further discussions focused on the different FBN members' responses to COVID-19 crisis, including expeditiously issuing SOPs for those processes not covered by their ERP under the new circumstances, and SOPs to guide field-based operations complemented by risk based periodic compliance reviews, as well as putting additional controls on payments and cash transfers.

FBN members acknowledged that working remotely required changes in business practices, for instance eliminating any remainder paper-based processes and replacing them by electronic/automated ones, this highlighted two main and common challenges: (i) electronic signatures, and (ii) cyber threats. FBN members shared the different solutions currently in use regarding electronic signatures with a call for further review, including looking at the matter of some jurisdictions not accepting e-signatures on Contracts, POs, etc.

UN Secretariat expressed concerns about difficulties bringing on board new finance staff, including inter-agency transfers and call for a joint effort to avoid unnecessary delays. Some entities informed successful experiences with onboarding of staff done remotely, and WHO stated that the new auditors will be onboarded virtually too.

On the one hand, opportunities have also been identified, such as at the time of planning for the "return to the office", to look into which of those recently introduced changes in business practices and processes should be maintained and adopted as best practices once the crisis is over.

### **Conclusions:**

The main challenges identified were on Electronic signature and cyber criminality, the latter requiring collectively attention. Regarding electronic signature, the FBN can start with an inventory of which tools are currently in use as well as any documents or SOPs.

The FBN recommended that organizations incorporate in their "return to the office" plans a review of the newly developed business practices, processes, internal control, etc.; for a determination of which ones are to be maintained and adopted as best practices.

## **Anticipated funding challenges until year-end and potential impacts on the 2020 & 2021 budgets**

### **Background:**

COVID-19 pandemic has put pressure on funding as donors review priorities and shift resources to immediate needs and has challenged UN system entities' ability to deliver their mandates under the exceptional circumstances.

## **Discussion:**

**Presenter:** Mrs. Magdolina Bona, Chief Finance Officer, UNESCO.

UNESCO explained that there is a close monitoring and analysis of trends, with focus to 2-3 key large contributors to manage its exposure to liquidity risk if Member States do not make timely payments. On voluntary contributions the additional risk is donor re-prioritization as resources could be re-directed to cater for different needs. On project implementation, delays caused by postponement of large meetings may generate further challenges for funding as well as delivery.

FBN members expressed similar situation and concerns to UNESCO's. Delays on implementation are already experienced and this will have a negative impact on resource mobilization, increase on project costs (fix costs) and reduction on cost recovery funding. A major concern is funding shifting as this adds to the uncertainties of the COVID-19 crisis, especially for 2021.

Additional discussion focused on the growing liquidity problem already faced by some entities as certain member states have not been paying their contributions and others, due to COVID-19, might not be able to continue paying. UN Secretariat shared its experience on strict cash management supported by newly developed tools for daily monitoring and cash predictions, as well as other measures put in place such as freezing recruitment and postponement of payments with focus on delivering to maintain credibility with donors.

FBN members responses include reorganizing their existing funding and reprogramming funding agreements, as well as reprioritizing. Some have engaged with donors to negotiate flexibility, while others are working on scenario-based analysis for considerations on internal borrowing. Successful stories of accelerated collection were shared; however, it was highlighted that this would only assist the current year situation, while the major concern is 2021.

UNIDO opened the discussions on additional/unbudgeted expenditure related to COVID-19 and the ways other organizations are handling it. FBN members confirmed that indeed there are many unexpected expenditures such as medical supplies, mental support, setting up of staff to work from home, etc. Reprioritization and reprogramming of existing resources to accommodate those unbudgeted expenses was necessary. There was a call to coordinate a system response on monitoring and reporting COVID-19 expenditures (not related to programmed activities).

## **Conclusions:**

During the COVID 19 discussion, Controllers across the system, in particular those of Organizations depending significantly on voluntary contributions anticipating risks and challenges to funding. In this context one Organization shared their best practice of proactively reaching out to donors and Member States to ensure engagement and minimum disruption to funding.

Diversion and reprioritization of funding while addressing higher demands on delivery of mandates is a common challenge and will be affecting the UN system beyond 2020. It is therefore important to adapt and learn how to navigate in this environment: sharing experiences and strategies are without a doubt means to respond efficiently and effectively to the new challenges. This item will remain in the FBN agenda for future meetings.

## Brief introduction of UN-system wide Medevac taskforce

**Presenter:** Mr. Darshak Shah, Chief Finance Officer, UNDP

Mr. Shah provided an introductory briefing of the Medevac taskforce to FBN members, with a view to sharing ongoing UN-System-wide discussions emanating from the COVID-19 pandemic, while acknowledging that it is still an early stage; and WFP complemented with general details. There was no discussion on this matter.

## Anticipated needs for guidelines and common approaches, best practices, and collaboration among entities

### **Background:**

FBN to identify needs for collaboration, guidelines, best practices, with the aim to decide on whether there is any space for joint work as a network.

### **Discussion:**

**Presenter:** Mrs. Chitra Narayanaswamy, Director, Program Planning and Finance, WIPO.

Mrs. Narayanaswamy, highlighted the points that through the virtual meeting arose as areas of common interest to the FBN for further discussions and collaboration, being in her view the matter of cybersecurity and fraud, especially within the working-from-home scenario. These items could be addressed via a dedicated session to share best practices, potentially with the presence of external speakers.

Mr. Shah added the matters of e-signature and e-certification for future focused discussions to reach a common UN approach (with some variations to meet entities' business model), specially in the context of country level operations, as some jurisdictions do not accept e-signatures. In connection with audit, depending on how the COVID-19 situation evolves, there will be a call for a UN system position to put forward with the Panel and Board of Auditors. Another matter where there is the need to start working together on a common position is FAFA. Finally, it was suggested that it may be prudent to have a joint discussion with HRN for some topics (e.g., Salary advance, Medevac, etc.).

### **Conclusions:**

FBN members were invited to send their input for consideration. The FBN Co-chairs and CEB Secretariat will discuss on how to proceed and how to structure the topics going forward in this year.

## Any other business

The FBN face-to-face meeting in July is postponed. The FBN Co-Chairs expressed their appreciation to ICAO for agreeing on hosting the meeting and added that a face-to-face session in September may be considered if the situation improves. This would also provide an opportunity to follow-up on the FBN earlier discussions on *Future of work* and *Innovation*. The FBN Co-Chairs may call for more virtual discussions on any matter requiring urgent attention, if needed.