Board of Trustees
Forty-ninth session
Committee on Finance
Second session

UNITAR/BT/CF/2010/1

23 June 2010

Original: English

For official use only

CONCLUSIONS AND RECOMMENDATIONS OF
THE SECOND SESSION OF THE COMMITTEE ON FINANCE
OF THE BOARD OF TRUSTEES

1. The Committee on Finance of the Board of Trustees of the United Nations Institute for Training and Research (UNITAR) convened in Geneva on 17 June 2010 for its second session.

2. The following members of the Committee and observers were present at the session:

Committee members:

Ms. Shirley FRANKLIN ……………………………………………..………... (United States)

Mr. Valery LOSHCHININ…………………………………………... (Russian Federation)

Mr. Jean-Baptiste MATTÉI (Chairman)……………………….…………………(France)

Ex Officio:

Mr. Carlos LOPES, Executive Director, UNITAR

Secretary:

Mr. Brook Boyer, UNITAR

Observer:

Mr. K. Offei DEI, Chief, Administration and Finance Section, UNITAR

3. The Chairman called the meeting to order and reviewed the five sub-items under item 5, Finance and Administration, of the provisional agenda of the 49th session of the Board. The Chairman proposed, and the Committee agreed, to proceed with the organization of work and debate on the five sub-items.

4. Before moving to sub-item 5a, the Chairman passed the floor to the Executive Director, who thanked Committee members for their presence and noted that while the session's agenda was short, the items were of importance.

5. **The Committee took note of the comments of the Executive Director.**

6. On sub-item 5a, Unaudited financial statements for the 2008-2009 biennium, the Chairman passed floor to the Chief of the Institute's Administration and Finance Section (AFS), who provided highlights of the 2008/2009 financial statements.

7. The AFS Chief indicated that total actual income for the 2008/2009 biennium was $34.2 million compared to projected total income of $35.7 million in the November 2009 estimate, a difference of 4 per cent or some $1.5 million. On the expenditure side, total actual expenditures of $35.0 million were off by 4 per cent of projected expenditures of $36.4 million for a difference of $1.4 million.

8. The Chairman invited members to comment. Making reference to the consequences of the economic crisis, members expressed the importance of decreasing expenditures for administrative purposes and that a degree of financial conservatism was in order. In congratulating the Institute for the quality of its management and for nearly balancing the budget, one member requested clarity on the shortfall of some $6.8 million from the expected income in the revised budget and actual income presented. One member questioned how realistic the budget increase from some $42 million to $47 million was, and what future indicators the Institute would use to attract new resources.

9. The Executive Director explained that the shortfall was based on the presentation in the budget revision and updated projections, as approved by the Board at its 48th session and figures which were previously provided to the Board at its 47th session. The Executive Director indicated that the Institute would be undertaking a mid-term revision for the current biennium in January 2011 and it was not necessarily an appropriate time to conduct such an exercise now. He said the Institute would take into consideration the Committee's concerns, however. While noting that some donors have indicated a decrease in contributions, the Executive Director emphasized that UNITAR was pursuing budget growth with caution and paying particular attention to individual donor preferences. He also emphasized that the business model focusing on self-generated income (SGI) was just beginning to be implemented and would require more time to reach the level of 15 per cent by the end of 2010.

10. The AFS Chief informed the Board that as of May 2010, the Institute's income was approximately $9 million. While noting that income does not follow a set trend, income was sufficient to implement budget as presented, although he noted that it was a bit early to draw conclusions.

11. With respect to the level of financial reserves, the AFS Chief stressed that the issue of reserves depends very much on the nature of an organization and that UNITAR needs to be distinguished from other international organizations.

12. The Executive Director underlined three "pressure points" in connection with the issue of reserves, the first being the earmarked nature of most of the Institute's funding through special purpose grants (SPGs) and that reserves must be covered by the General Fund, which only represents about six per cent of income. The second pressure point which was in the process of being resolved was the recurring budget deficit of the core diplomatic training programme. The third pressure point was information technology (IT), in which the Institute must make investments yet, despite much effort, has not be able to secure donor support. With the implementation of the new business model, the Institute expects to increase the institutional reserve.

13. One member requested the Chair or the Executive Director to review how the Institute would accomplish that within the next two to three years. The Executive Director informed the Committee that the Institute was following as closely as possible the paper that was presented at the Board's 48th session. This includes a slight reduction in the amount of reserves before entering entirely into the new business model.

14. **The Committee took note and invited the Board to take note of the Secretariat's presentation and comments.**

15. Under sub-item 5b, Report of the Advisory Committee on Administrative and Budgetary Questions, the Chair invited the AFS Chief to elaborate.

16. Following the review and elaboration, the Chief noted that all recommendations can be easily implemented. The Executive Director added that Institute would follow up on all recommendations.

17. The Chairman underlined that the ACABQ recommendations are an important and integral part of the Committee's work and that the Secretariat should take all necessary steps to ensure that budget is reviewed before adoption. On the issue of investments, the Chairman requested more information.

18. The Executive Director elaborated and noted that investments included four aspects, two of which were considered to be on track (creation of an online database/ catalogue of events and payment system). Two investments (accreditation system and office premises) were pending as more time was required to review accreditation systems and determine credit values for the Institute's current training offerings. The Executive Director also informed the Committee that the question of premises is a major issue which is not likely to have a simple solution and will not likely be resolved in 2010.

19. **The Chairman noted that the six ACABQ recommendations are reasonable and should be implemented. The Committee took note and invited the Board to take note of the Secretariat's observations.**

20. Under sub-item 5c, Update on the 2009 external audit, the Chairman invited the AFS Chief to elaborate. The Institute received a preliminary draft report which was circulated to Committee members as well as a second draft report, which UNITAR subsequently received from the Board of Auditors. He stressed that in the second draft, which included management's comments, there was a change from the existing unqualified opinion to an unqualified opinion "with emphasis of a matter" (thereby referring to uncertainties allegedly linked to After Service Health Insurance- ASHI). The Chief reviewed the recommendations and provided detail, mentioning that the internal audit (OIOS) did not perform an audit of UNITAR during the biennium due to the lack of resources; however; the Institute had indicated to OIOS that it was ready to pay for staff time and other expenses related to their audit work. He further

indicated that internal audit was supposed to perform a risk analysis of the Institute during March/April. However, the terms of reference of the risk analysis engagement were still pending. The Institute indicated that this Committee would need to approve the Terms of Reference of the engagement prior to OIOS undertaking the engagement. Out of the 12 recommendations by the External Board of Auditors from previous audits, ten have been implemented, one has become obsolete, and one will be implemented in the coming weeks.

21. The Chairman invited members to make observations. One member questioned whether or not there were difficulties with the observations. The Executive Director explained that the Institute's management noted the accuracy of the initial five recommendations, such as the Institute's relationship with UNOG and results-based management. However, the Executive Director expressed reservations to the audit reporting process when a second draft with an additional 24 paragraphs was included, which had not be previously shared with management. This new draft included inaccurate information related to ASHI and the change from an unqualified opinion to an unqualified option with emphasis of a matter was questionable.

22. The Chairman requested the Secretariat to commit itself to the implementation of the recommendations included in the report. **The Committee took note and invited the Board to take note of the recommendations. The Committee further requested the Secretariat to provide a timetable for implementation and to report to the Committee on implementation of the recommendations.**

23. Under sub-item 5d, Risk analysis for the Bergen and Brasilia offices, the AFS Chief elaborated on the initiatives to open two new offices, a project office in Bergen, Norway and a representational office in Brasilia. The Chief noted that the planned Bergen Office is an initiative to develop the Institute's Research Department and would undertake research activities examining the interplay among pressing global challenges. The planned Brasilia Office is an initiative with the objective of leveraging the Institute's leading edge and expertise in distance learning to help develop the capacities of the Brazilian government in a first stage, and then to extend activities to Latin American and Portuguese-speaking African countries in a cost-effective manner.

24. The Executive Director informed the Committee that the Brasilia Office may be opened later this year and the Bergen Office next year. One member asked for more details on the expected budget and staffing of the two offices. The Executive Director elaborated and indicated that with respect to Brasilia, an agreement has been signed with the Government of Brazil which covers installation, fixed (e.g. staffing, office rent and operations) and activity costs. The Bergen Office budget amounts to $1.7 million over the biennium, and includes costs for an estimated staffing of seven, in addition to office space, and computers and other required equipment.

25. Another member asked about the length of the commitment in connection with the planned offices. The Executive Director indicated that the Institute expects the two offices to be a long-term commitment, and mentioned that the agreement signed with the Brazilian government is long-term with an annual financial contribution expected to cover the office's fixed, operating costs and contributions towards activity costs. As for Bergen, the Executive Director informed the Committee that if the Institute did not receive the expected terms, it would not proceed with the establishment of the office.

26. The Chairman expressed some reservations on opening offices and questioned whether, for example, a staff of seven was required for Bergen at a time when international organizations should be downsizing. Moreover, he cautioned that

opening an office raised the specter of having to close it at a later stage, which often proved to be a costly and time-consuming task.

27. The Executive Director recalled the importance of the mandate of the offices in the field of training and noted that thousands of individuals would benefit from training delivered out of both locations through modern platforms. Moreover, the Executive Director noted the importance of the Brasilia Office as spelled out in the Strategic Plan which the Board welcomed at its 48th session.

28. One member made reference to training and capacity development needs in Africa and Latin America, and that the Committee may wish to return to review the issue at a subsequent session. The member also noted that at local levels, resources are being deployed much differently, and that the Committee may wish to make an assessment on such a decision two to three years from now. In response, the Executive Director noted that the Committee could review the establishment of offices at each biennium.

29. **The Committee took note and invited Board to take note of the Secretariat's comments.**

30. Under sub-item 5e, Update on the request for financing core diplomatic training, the Chairman invited the Executive Director to elaborate. The Executive Director informed the Committee that while a subvention was not accorded to the Institute despite the recommendation of the Secretary-General, and although all negotiating groups in the Fifth Committee saw merit in the Institute's core diplomatic training, there was a difficult issue of principle on whether the General Assembly should contribute to the financing of a voluntary-funded United Nations organization. The Executive Director informed the Committee that the final outcome was "a next best solution" since resolution 64/260 welcomed the Institute's Strategic Plan and new business model including a larger share of self-generated income. The Executive Director concluded his elaboration by mentioning UNITAR has moved out of a protracted situation and towards a new business strategy for core diplomatic training, which involves fee-based training services for high and middle income Member States and the establishment of a Fellowship Fund to subsidize participation from developing countries.

31. The Chair invited the Committee to comment. He noted that there were no comments, and concluded that the outcome provides clear indications that this strategy is helpful to the Institute.

32. **The Committee took note and invited the Board to take note of the Secretariat's observations.**

33. The session was adjourned.