

Executive Council

Ninetieth session
Mombasa, Kenya, 19-21 June 2011
Provisional agenda item 5(b)

CE/90/5(b)
Madrid, April 2011
Original: English

Administrative, financial and statutory matters

(b) Joint report by the Programme Committee and the Committee on Budget and Finance – Part II

1. The Committee on Budget and Finance (CBF) held its fifty-third meeting at the Organization's Headquarters in Madrid on 11 and 12 April 2011, under the chairmanship of Argentina, represented by Ms. Maya Gonzalez Bender. Delegations of the following Members participated in this meeting of the Committee: Bulgaria, Slovakia, Kenya, Lebanon, Malaysia, and South Africa. Also in attendance were the representatives of Affiliate Members Cámara Argentina de Turismo and ABTA.
2. The Annex to this document contains the list of participants in the fifty-third meeting of the joint Committee on Programme and Budget and Finance ¹.
3. As the session was held jointly with the 39th meeting of the Programme Committee, it was also attended by the following Members: Argentina, Benin, Bulgaria, Croatia, Indonesia, Lebanon, Malaysia, and Spain as observer, Associate Member the Flemish Community of Belgium, and Affiliate Members ABTA, AMFORT, Cámara Argentina de Turismo and Centro Español de nuevas profesiones.
4. On the part of the Secretariat, the Secretary-General, the Executive Director of Programme and Coordination, the Director of the Administration, and the Finance and IPSAS Managers also attended the session.
5. The Committee considered the following documents, which will be submitted to the Executive Council at its ninetieth session (19-21 June 2011):

ADMINISTRATIVE, FINANCIAL AND STATUTORY MATTERS

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| I- Report of the Secretary-General on the financial situation and plan of expenditure for 2011 | CE/90/5(a)
CE/90/5(a) Add.1 |
| II- Auditors' report and administrative accounts of the Organization for the financial year 2010 | CE/90/5(c) |
| III- Closing of the audited administrative accounts of the seventeenth financial period (2008-2009) | CE/90/5(d) |
| IV- Application of Article 34 of the Statutes and paragraph 13 of the Financing Rules attached to the Statutes | CE/90/5(e) |

¹ The list of participants of the Programme Committee is attached to document CE/90/4(b)

I. REPORT OF THE SECRETARY-GENERAL ON THE FINANCIAL SITUATION AND PLAN OF EXPENDITURE FOR 2011 [CE/90/5(a)] and [CE/90/5(a) Add.1]

1. The Committee examined the information submitted by the Secretary-General on the current financial situation of the Organization and the plan of expenditure for 2011 and the Progress report on the implementation of International Public Sector Financial Standards (IPSAS).
2. With regard to the plan of income and expenditure, prepared on the basis of the recommendation of the 18th General Assembly's for the General Programme of Work to be executed according to income received, the Committee noted the estimate made by the Secretariat limiting the plan of expenditure to EUR12,155,000 (95% of the budget) funded with the budgetary income projected to be received in 2011, which would amount to EUR11,233,000, of which EUR9,920,000 would correspond to contributions from Members, EUR840,000 to other budgetary income allocated by the General Assembly, and EUR1,200,000 of income from the payment of arrears corresponding to previous financial years.
3. It noted with satisfaction the good level of the income from contributions received as of February 28th, which came to EUR5,263,972.10 or 45 per cent of EUR11,723,765.12, the amount assessed for 2011. By the same time last year, 44 per cent of the amount receivable for that year had been collected. Budgetary expenditures amounted to 1,708,976 Euros, representing 13% of the approved budget, which is slightly lower than the percentage at the same date the previous year (14%). This plan of expenditure may be adjusted in the light of the income and expenditure over the course of the year and any priorities that may arise.
4. The Committee observed that graph 1, presented by the Secretariat and depicting the amount of contributions received in each of the past six financial years, revealed a stable trend of contributions with a high level of collection at around 89%, and the excellent performance in this regard during the past 2007 and 2009 financial years when the highest collection percentages in the UNWTO's history were achieved. The Committee considered justified the estimate made by the Secretariat for 2011, which is close to the average for the past six financial years.
5. Furthermore, the Committee recalled that EUR1,200,000 of arrears is expected to be collected in 2011, observing that 27 per cent of this amount had already been received by the date of the Committee's meeting (EUR319,179). According to graph 2 showing the amount of arrears of contributions received in the past seven years, total arrears receivable this year could reach 1,200,000 Euros an amount similar to the average of the period analysed.
6. It was also observed that estimated expenditure for 2011 had been established at 95 per cent of approved appropriations, in order to maintain an adequate financial balance with expected income, as recommended by the General Assembly. Likewise, it took note of the breakdown of appropriations and budgetary allocations for 2011, contained in Annexes III and IV of the document, in accordance with the new revised programme structure approved by the Executive Council in decision 6(LXXXIX).
7. It also took note of the Secretary-General's intention to reduce the amounts allocated to the 2011 budget coming from the sundry income reserve and the publications account, if possible, in light of contributions actually collected.
8. The Committee took note of the Secretary-General's intention to undertake a project for the improvement of the Organization's IT and wiring infrastructure amounting to approximately EUR300,000 to be funded with a provision already made for such purpose.

9. With regard to the new salary scale applicable to staff of the professional and higher categories, the Committee was informed of the recommendation of the International Civil Service Commission (ICSC) to adjust the "base salary" of such officials upwards by 1.37 per cent in accordance with the "no loss-no gain" principle for salaries and to apply such salary scale effective 1 January 2011. Likewise it was informed of the cost-of-living survey carried out by the ICSC in Madrid in 2010, whose result was a 0.92% increase in the Post-Adjustment classification for Madrid. The Committee recommended the Executive Council to take note of the new salary scale approved by the United Nations and applied by the Secretary-General with effect from 1 January 2011 in accordance with Staff Rule 33(1) and of the result on the Madrid cost-of-living survey conducted by the ICSC.

10. The Committee recommended the Executive Council to take note of the information on the financial situation and of the plan of expenditure for 2011.

11. With regard to the forthcoming adoption of the International Public Sector Accounting Standards (IPSAS), the Secretariat presented in an addendum to this document the progress report for the implementation of the IPSAS in the Organization. The Committee took note of the progress report and of the favourable opinion of the external auditors, supported the implementation of IPSAS by the Secretariat and underlined the importance of carrying out the application of these standards. The Committee agreed that the necessary modifications to the regulations should be made in order to adapt them to the IPSAS standards. The Committee recommended the Executive Council to take positive note of the modifications to the Financial Regulations proposed by the Secretary-General and specified in Addendum I of this document.

12. Likewise, it recommended the Council to continue supporting the progressive implementation of IPSAS and to encourage the Secretary General to move forward on the proposed plan for its implementation contained in document CE/90/5(a) Add.1.

II. AUDITORS' REPORT AND ADMINISTRATIVE ACCOUNTS FOR THE FINANCIAL YEAR 2010 [CE/90/5(c)]

13. The Committee heard the presentation of the report by the Spanish Auditor prepared in cooperation with the Auditor from India concerning the accounts for the financial year 2010. It noted the remarks contained in the report, in particular the recommendation made to improve the accounting and management of extrabudgetary funds.

14. The Committee took note of the explanations given by the Secretariat regarding the accounts for the financial year of 2010, which have been closed. The Secretariat informed the Committee of the budgetary results for 2010, pointing out that thanks to the level of budgetary income received, including income from the payment of contribution arrears, it had been possible to execute 97% of the approved budget and to reduce by EUR50,000 each of the planned allocations from the sundry income reserve and the publications account, thus achieving an income/expenditure balance of zero, in accordance with the recommendation of the General Assembly in resolution A/RES/567(XVIII). The Committee also noted that, charged against the budget for the financial year, the amount of EUR50,000 was allocated to the Fixed-Asset Replacement Fund and a provision of EUR180,000 was made for the holding of World Tourism Forum 2011, co-financed by the Government of Andorra (please refer to annex in document CE/90/6(b)).

15. The Committee agreed to the transfers of appropriations between sections of the same part of the budget, made by the Secretary-General at the close of the accounts for 2010 with the prior authorization of the Chairman of the Committee on Budget and Finance in accordance with Financial Regulation 5.3(a) and 5.3(b) and Council decision 6(LIII). It recommended the Executive Council to approve the aforementioned transfers.

16. Noting that the accounting procedures and records, as well as the financial transactions for the year, were in accordance with the Financial Regulations and other applicable directives, the Committee recommended the Executive Council to authorize the accounts.

17. With regard to the fund in trust that finances the Permanent Secretariat of the Affiliate Members (table 8), it was pointed out that there exists an agreement between the General Secretariat of Tourism of the Ministry of Industry, Tourism and Trade and the UNWTO whereby the host state provides an amount of funding for the proper operational functioning of such Secretariat of the Affiliate Members, as well as the corresponding human resources. It was also pointed out that while the JIU (recommendation 1 of JIU/REP/2009/1) suggested that the funding and the selection of the Executive Secretary be segregated, in light of the advisability of maintaining the aforementioned fund in trust in accordance with the established practice with the donor, it was decided to maintain as a reasonable compromise the Secretary-General's discretion in the appointment of the Executive Secretary of the Affiliate Members from among the options proposed by the donor.

18. With regard to the consolidation of the satellite entities of the UNWTO in the accounts of the Organization and the responsibility acquired by the UNWTO relative to the management of these same satellite entities, the following clarifications were provided:

19. UNWTO has conducted a legal analysis of the relationship between the Secretariat and its satellite entities and has developed a model of governance based on other UN existing models that could be applied to UNWTO. In order to implement this model, guidelines have been developed for controlled and non-controlled entities and could be applied once a decision has been taken on whether each of the satellites should be maintained as or converted into a controlled or non-controlled entity.

20. As part of the IPSAS project, the Secretariat produced a gap analysis containing an initial review of the control and governance of current satellite entities meeting the IPSAS criteria as "controlled entities". As a result of this initial analysis, IPSAS 6 (Consolidated and Separate Financial Statements) would appear applicable to some of the current UNWTO satellites, so to be considered "controlled entities" as per IPSAS criteria. In order to confirm this initial analysis and determine the scope of consolidation for the preparation of consolidated financial statements at UNWTO, a paper including a detailed review of the control and governance of current satellite entities based on the IPSAS 6 "power and benefit indicators to determine whether control exists for financial reporting purposes" will be developed as part of the IPSAS work plan. Nevertheless, the mentioned Standard will only be applicable once a decision on maintaining the apparently current controlled entities or reformulating them into non-controlled entities is taken.

21. It was also clarified that no satellite entities received funds from UNWTO regular budget with the only exception of the Themis Foundation in the context of the implementation of UNWTO's programme of work in education and training.

22. It further recommended the Council to endorse the appeal made by the Auditors to all Members to pay their contributions to the budget within the time-limits prescribed in Financial Regulation 7(2).

23. The Committee expressed its gratitude to the Auditors (India and Spain) for their excellent work.

III. CLOSING OF THE AUDITED ADMINISTRATIVE ACCOUNTS OF THE SIXTEENTH FINANCIAL PERIOD (2008-2009) [CE/90/5(d)]

24. The Committee took note of the surplus balance in the General Fund from the financial period 2008-2009, amounting to EUR485,419.96.

25. The Committee recalled that the Executive Council, in decision 6(LXXXVIII), authorized the Secretary-General to include this surplus in the "Special Contingency Fund", in accordance with the criteria established in resolution A/RES/572(XVIII) and with the terms stipulated in Annex 4 of document A/18/15.

26. The Committee noted that the mentioned amount has been allocated to the Special Contingency Fund, regarding which the Secretary-General will present concrete proposals, in due time, for its application.

IV. APPLICATION OF ARTICLE 34 OF THE STATUTES AND PARAGRAPH 13 OF THE FINANCING RULES ATTACHED TO THE STATUTES [CE/85/5(e)]

27. The Committee observed that the provisions of paragraph 13 of the Financing Rules attached to the Statutes were applied to four Full Members and Article 34 of the Statutes to twenty-two including the Associate Member Netherlands Antilles.

28. It recommended the Executive Council to again urge all Members in arrears to discharge their debts to the Organization as soon as possible and noted that the total arrears of the Full Members to which the aforementioned provisions are applied amount to EUR7,907,904.59, and EUR183,646.86 among the Affiliate Members, while the total arrears owed to the Organization by the Full and Associate Members, as of 28 February 2011, amount to EUR13,624,350.17 and, in the case of the Affiliate Members, EUR612,344.62.

29. The Committee took note with satisfaction that the Full Member Yemen had scrupulously complied with the commitments acquired with regard to the payment of their contributions up to and including the current year.

30. The Committee also took note of the twenty year long payment plan submitted by Gambia to the Executive Council for approval.

31. With respect to Iraq, the Committee recalled that the temporary exemption from the application of the provisions of paragraph 13 of the Financing Rules and Article 34 of the Statutes had been extended until the nineteenth session of the General Assembly by the Executive Council at its eighty-ninth session [CE/DEC/7(LXXXIX)] subject to the approval of a payment plan starting 1st January 2014.

ANNEX

CBF/53/LIST.PART
Madrid, abril / April / avril 2011

COMITÉ DE PRESUPUESTO Y FINANZAS
COMMITTEE ON BUDGET AND FINANCE
COMITÉ DU BUDGET ET DE FINANCES

Quincuagésimo-tercera reunión / Fifty-third meeting / Cinquante-troisième réunion

LISTA DE PARTICIPANTES
LIST OF PARTICIPANTS
LISTE DES PARTICIPANTS

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II. MIEMBROS/MEMBERS/MEMBRES

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Mr. Michael Basson
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Embassy of South Africa in Madrid

III. **REPRESENTANTES DE LOS
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REPRESENTATIVES OF THE
AFFILIATE MEMBERS/
REPRESENTANT DES
MEMBRES AFFILIÉS**

Sr. D. Carlos Gerbi
Directivo y Representante de la Cámara
Argentina de Turismo ante la OMT

Mr. Martin Brackenbury
Permanent Representative of ABTA in UNWTO

IV. **INTERVENTORES DE CUENTAS/
AUDITORS /
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Mundial del Turismo