

**UNITED NATIONS CHILDREN'S FUND**

---

**FINANCIAL REPORT**

**and**

**AUDITED FINANCIAL STATEMENTS**

**for the year ended 31 December 1985**

**and**

**REPORT OF THE BOARD OF AUDITORS**

**GENERAL ASSEMBLY**

**OFFICIAL RECORDS: FORTY-FIRST SESSION**

**SUPPLEMENT No. 5B (A/41/5/Add.2)**



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**UNITED NATIONS**

New York, 1986

#### **NOTE**

**Symbols of United Nations documents are composed of capital letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.**

[18 August 1986]

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## ABBREVIATIONS

AFESD	Arab Fund for Economic and Social Development
AGFUND	Arab Gulf Programme for the United Nations Development Organizations
EEC	European Community
FAO	Food and Agriculture Organization of the United Nations
OPEC	Organization of Petroleum Exporting Countries
PAHO	Pan American Health Organization
UNARDOL	United Nations Assistance for Reconstruction and Development in Lebanon
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Programme
UNDRO	Office of the United Nations Disaster Relief Co-ordinator
UNEP	United Nations Environment Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFPA	United Nations Fund for Population Activities
UNHCR	Office of the United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNRWA	United Nations Relief and Works Agency for Palestine Refugees in the Near East
WHO	World Health Organization

LETTER OF TRANSMITTAL

30 June 1986

Sir,

I have the honour to transmit to you the financial statements of the United Nations Children's Fund, including the Greeting Card Operation, for the financial period ended 31 December 1985, which were submitted by the Executive Director. These statements have been examined and include the audit opinion of the Board of Auditors.

In addition, I have the honour to present the report of the Board of Auditors with respect to the above accounts.

Accept, Sir, the assurances of my highest consideration.

(Signed) R. T. NELSON  
Auditor General of Ghana and Chairman of  
the United Nations Board of Auditors

The President of the General Assembly  
of the United Nations  
New York, NY



**PART ONE**

**UNITED NATIONS CHILDREN'S FUND**

Introduction

1. The Executive Director of the United Nations Children's Fund (UNICEF) submits herewith the annual financial report of the accounts of UNICEF for the year ended 31 December 1985, comprising six statements supported by ten schedules.
2. UNICEF's financial system is described in "An overview of UNICEF policies, organization and working methods" (E/ICEF/670/Rev.3). In addition, the medium-term plan for the period 1985-1989 (E/ICEF/1986/3) compares the actual 1985 figures with those previously planned for 1985 and shows the financial projections for future years. The financial report provides the details of the 1985 financial results of UNICEF activities. Highlights are summarized in the following paragraphs.

Income

3. UNICEF income in 1985 totalled \$375 million. Virtually all Governments of both the industrialized and the developing world contributed to UNICEF in 1985. Income comprised \$249 million for general resources and \$126 million from supplementary funds. This included \$48 million of contributions, mostly for the African emergency. According to the traditional sources of UNICEF income, 74 per cent (\$276 million) came from Governments and intergovernmental organizations, 18 per cent (\$67 million) from private sources as a result of fund-raising campaigns, greeting card profit and individual donations; 1 per cent (\$4 million) from the United Nations system and 7 per cent (\$28 million) from miscellaneous sources.

Expenditures

4. UNICEF expenditures in 1985 were \$390 million. This amount consisted of \$163 million for supplies and equipment, \$116 million for non-supply assistance (such as training grants, project personnel and local costs) and \$66 million for support of programmes. The remaining expenditures of \$45 million were for administrative services. After deduction of contributions from Governments towards local budget costs, staff assessment and other income from the budget, the net costs of programme support at field level were \$53 million and of administrative services were \$38 million.

Donations-in-kind

5. Donations-in-kind valued by donors at \$20 million were delivered by UNICEF during 1985 to projects. These deliveries are not reflected in the financial accounts of UNICEF, although they are handled through the administrative structures of the organization.

Funds-in-trust

6. Funds-in-trust not related to commitments approved by the UNICEF Executive Board are not entered into the financial accounts of UNICEF as income and

expenditures. These funds are used mainly to cover the cost of goods and services purchased and delivered on a reimbursable basis by UNICEF on behalf of Governments, other agencies in the United Nations system and non-governmental organizations. In 1985, UNICEF received cash or pledges of \$30 million for these funds-in-trust. Disbursements and obligations from them were \$28 million.

#### Liquidity provision

7. UNICEF does not have a statutory reserve and is not authorized to borrow. A cash provision is therefore necessary to absorb temporary within-year imbalances in cash flow and any adverse differences between the projected and the actual annual income and programme expenditures of general resources. The policy of UNICEF is to maintain, within the bounds of prudence, the lowest possible general resources cash balances so as to make the maximum use of the general resources that are received. This policy also allows 50 per cent of supplementary fund cash balances to support, on a temporary basis and in case of need, the general resources liquidity pending necessary corrections in planning. At the end of 1985, the total cash holding (\$111 million) included the UNICEF liquidity provision of \$50 million, which was made up of general resources cash (\$8 million) and half of the balance of the supplementary fund cash (\$42 million).

8. Total cash of \$111 million (which also includes unspent balances from funds-in-trust) was held with first-class banks in most countries where UNICEF operates. This amount comprised \$94 million on interest-bearing time deposit accounts and \$17 million in current bank accounts, many of them also interest bearing. The total cash holdings of UNICEF included \$9 million in currencies restricted for use in the donor countries for purchases and other local expenditures. This balance is almost at the same level as in previous years. Relatively large amounts of non-convertible currencies have been accepted from developing countries to finance procurement of vaccines and essential drugs. These currencies are accepted in a controlled manner and within UNICEF's possibility of using them over a short term. Problems of accumulation over the usable limits are not expected.

#### Programme commitments

9. During 1985, the Executive Board approved new programme commitments totalling \$452 million to programmes for children in 110 countries with which UNICEF co-operates, as well as regional and interregional projects. This total includes \$303 million in commitments from UNICEF general resources and \$149 million in projects that the Board "noted" as worthy of support and that were financed by pledges of supplementary funds made in 1985.

#### Prospects for 1986 and future years

10. In November 1985, at the United Nations pledging conference for development activities, 90 Governments announced pledges totalling \$139 million for the 1986 UNICEF general resources. Any industrialized and developing countries pledged increases in their national currencies for 1986 as compared with 1985. Past experience indicates that additional funds will be pledged in the months ahead, bringing the Governments' pledges for 1986 to UNICEF general resources to an estimated \$215 million.

11. Taking into consideration expected contributions from non-governmental sources, income from Greeting Card Operation and supplementary funds, total income for 1986 is projected to total \$399 million. Over the period 1986-1989, a 5 per cent nominal annual growth in income is assumed; expenditures would increase at about the same rate as income. General resources cash on hand will increase to the equivalent of one month's expenditures by 1989. Cash balances of supplementary funds are expected to increase slightly. As a result, the liquidity situation will be adequate to cover the forthcoming financial needs of UNICEF.

(Signed) James P. GRANT  
Executive Director of the  
United Nations Children's Fund

## II. REPORT OF THE BOARD OF AUDITORS

### Introduction

1. As required by General Assembly resolution 74 (I) of 7 December 1946, the Board of Auditor conducted an audit of the accounts of the United Nations Children's Fund (UNICEF), including the Greeting Card Operation, for the year ended 31 December 1985.
2. The examination was conducted in accordance with article XII of the Financial Regulations of the United Nations and the annex thereto and with the common auditing standards adopted by the Panel of External Auditors of the United Nations the specialized agencies and the International Atomic Energy Agency. The examination was conducted at the UNICEF and Greeting Card Operation headquarters in New York, at Geneva and Copenhagen, and at the field offices in India and the Philippines.
3. During the year under review, the Board of Auditors continued its practice of reporting the results of specific audits and issuing management letters containing detailed observations and recommendations to the Administration. This practice has helped greatly in maintaining a continuing dialogue with the Administration.
4. The following are the most significant matters arising from our examination. We have discussed these matters with the Administration, whose responses are incorporated in this report where appropriate.

### Summary of findings

5. Our review disclosed that although the Administration had the opportunity to submit revised budget estimates for the acquisition of computer equipment at the April 1985 session of the Executive Board, it failed to do so and opted instead to effect transfers from other budget lines to cover the additional requirements. We also observed that not all the costs of computer equipment acquisition were taken up as capital assets and a variety of accounts, including 1984 and 1985 budgetary obligations, current expenditures, administrative prepayments, accounts payable and programme accounts were utilized to book up the acquisition costs. Furthermore, contrary to the stated policy of spreading the cost of capital assets over a number of years, we observed that almost all of the reported acquisitions were expensed during the same year.
6. Two additional office buildings were acquired during the year at a cost of \$424,367, although no appropriation had been provided in either the original or the revised budget estimates for 1984-1985.
7. Expenditures for consultancy services, capital asset acquisitions and maintenance, travel, temporary assistance and overtime were authorized through transfers from the \$3.8 million budgetary reserves that the Advisory Committee on Administrative and Budgetary Questions had recommended to the Executive Board for approval on the basis of the Administration's representations that these reserves were to be utilized to absorb the probable effects of exchange rate fluctuations and for unforeseen and retroactive local salary scale adjustments.

8. Our analysis of unliquidated obligations revealed that the bulk of the 1983 balances that were transferred to accounts payable at the close of 1984 do not represent valid obligations because they have been retained beyond the requirements set forth in the United Nations financial regulations 4.3 and 4.4, \$342,005 of those balances had not moved over a 12-month period, and liquidations of these balances were made for administrative purchase orders raised only in 1984 and 1985.

9. Contrary to the provisions of General Assembly resolution 1798 (XVII) of 11 December 1962, UNICEF authorized the payment of travel costs for some delegates to the 1985 session of the Executive Board.

10. Our review of programme expenditures disclosed that the 1984-1985 expenditures of \$1.7 million for the production of the State of the World's Children Report, for which funds amounting to \$1.2 million had been provided in the regular budget, were taken up instead as charges against the general resource commitments for the Interregional Fund for Programme Preparation. Had the expenditures been charged properly against the regular budget, then the budgetary savings for the biennium 1984-1985 would have been \$6.4 million rather than the reported \$8.1 million.

11. Provisions for rental subsidies in 24 field offices were exceeded when obligations were raised in amounts far beyond budget estimates. In an extreme case, the obligation raised was almost six times the estimate. We also noted that in 13 cases the obligations were set up without the approved field office application and inappropriate charges were made to the account.

12. Our verification of repatriation grants and final settlements revealed that payments were made in the absence of an appropriate evidence of relocation, errors were committed in the computation of the 80 per cent advance, and amounts were paid in excess of entitlements.

13. Our field office audits disclosed that business class fares were allowed for travel on home leave and on education grant and that daily subsistence allowance at rates higher than those set by the International Civil Service Commission were granted.

14. During the year, three special service agreements were concluded with former staff members that provided for emoluments in excess of the \$12,000 ceiling set by the General Assembly in resolution 37/237 of 21 December 1982 (sect. VIII, para. 3).

15. Our evaluation of the procedures used in the combination of the 1985 accounts of UNICEF and the Greeting Card Operation disclosed a number of errors in the adjustments and eliminations that were carried over to the 1985 financial statements and schedules. We also observed that direct adjustments were made to the financial statements and schedules that were not reflected in the books of accounts.

16. We noted a number of errors in the revaluation of asset and liability accounts at year-end, including current bank accounts, the revaluation of which was supposed to have been automatically done by a computer programme.

17. Our audit also revealed that the reconciliation of the inventory accounts with UNIPAC was not fully and properly supported and errors were noted in the analysis of the account for unpaid supplies and replenishment.

18. Furthermore, we noted inconsistencies in the treatment of cash discounts and abnormal debit balances for unliquidated obligations.

19. At one field office our audit revealed that the internal accounting system uses an accounts classification scheme that is not compatible with the system employed at headquarters. As a result, transactions originated from other offices could not readily be entered into the local accounts and these accounts could not be reconciled with the accounts maintained at headquarters.

20. Our electronic data-processing general controls review at headquarters disclosed that the comptroller's system was being run by the systems development group, a formal contingency plan was not available, and back-up procedures were inadequate.

21. Our review of supply operations at Copenhagen revealed improper payments for freight on purchases made under c.i.f. and c & f delivery terms and cases where payments were made on the basis of pro forma invoices rather than the final invoices submitted by suppliers. We evaluated a number of electronic data-processing applications and observed that, due to errors in programme specifications and logic, the accounting for inventories, freight and price variance was incorrect and the valuation of issue orders packed ranged from a low of 100 per cent to a high of 148.15 per cent of the standard material cost. This value, which is supposed to be equal to 116.6 per cent of the standard material cost, is used in charging UNICEF country programmes and reimbursable procurement. The computerized numbering system for such documents as purchase orders, warehouse receipts and issue orders was found to be defective since gaps were discovered in the numbered series. The plan to revise the accounting system at UNIPAC in order to make it compatible with the accounts classification at headquarters has not yet been implemented.

22. Our audit of the accounts of the Greeting Card Operation gave rise to the following significant observations:

(a) The general ledger system records transactions only at fixed budgeted exchange rates set about six months before the commencement of the campaign year and not also at actual exchange rates, a situation that leads to the reporting of unrealistic financial information particularly during periods of material changes in the exchange rates;

(b) Inadequate accounting controls such as the failure to perform reconciliation of accounts, significant delays in the recording of transactions, backdating of transactions and improper cut-off procedures at financial reporting dates have affected the reliability of the three most significant accounts in the operations of the Greeting Card Operation, namely, receivables from consignees, inventories and accounts payable;

(c) Income on royalties from flag stamps earned during the campaign years 1980 to 1984 and amounting to \$569,168 was taken up in the accounts only during the 1984 campaign;

(d) Our financial analysis of operations disclosed that during the 1984 campaign year commissions and direct office expenses in three regional markets could have been reduced by as much as \$1.4 million had the targeted ceiling for these expenses of 25 per cent of gross sales been achieved;

(e) Our analysis of the card sales to supply ratio showed that globally the Greeting Card Operation sold one card for nearly every two cards on hand;

(f) Our review of computerization efforts at the Greeting Card Operation in New York provided strong indications that these efforts and resources could have been better managed.

### Capital assets

#### Computer equipment

##### Budget transfers

23. At its session in April 1985, the Executive Board approved a revised estimate for 1984-1985 of \$2,227,900 and a budget estimate for 1986-1987 of \$1,537,700 for the acquisition of computer equipment or a total of \$3,765,600 over the four-year period. Since computer equipment expenditures in 1984 amounted to \$1,395,500, only a total of \$2,370,100 of appropriations was available for 1985, 1986 and 1987 or an amount of \$832,400 for 1985 alone.

24. On 10 June 1985, an accounting instruction was issued, which stated, among other things, that the Budget Review Committee had authorized "the purchase of computer equipment with a pre-established global list of equipment for 1985, 1986 and 1987 for a total amount of \$5.0 million to be amortized for five years by a yearly budgetary provision of 20 per cent of the cost starting in 1985". Thus, barely two months after the 1985 session at which the Executive Board approved the revised budget for 1984-1985 and the budget for 1986-1987, UNICEF, through the Budget Review Committee, decided on a spending ceiling for the same purpose and over the same three-year period that was \$2.6 million higher or more than double the amount appropriated.

25. Our review of 1985 transactions disclosed an allotment of \$1.0 million and total obligations incurred for computer equipment of \$1.2 million. The over-expenditures were covered by transfers of \$243,074 from the unallotted reserve and from savings in other budget lines.

26. We indicated to the Administration that, while we acknowledge its authority to effect transfers between budget lines within each category of expenditures, we strongly believe that this was intended to provide flexibility for situations that could not have been reasonably foreseen when the budget was prepared or revised. UNICEF's computerization programme was planned before the 1984-1985 revised budget was approved in 1985, hence, these additional expenditures should have been included in the revised budget submitted to the Executive Board.

27. In its reply the Administration again invoked its authority to transfer appropriations between categories of expenditures and between budget lines within each category.

#### Charges to other accounts

28. In the financial schedule on capital assets, the total acquisition cost of computer equipment was reported at \$1,029,945, of which \$1,013,521 was amortized, thus leaving an unamortized balance of only \$16,424. This, we were informed, was in line with UNICEF's policy to capitalize and amortize the cost of computer



equipment over a five-year period. Further verification disclosed that the administrative purchase orders raised in 1985 for computer equipment reached a total of \$1,733,765, of which \$1,390,472 were paid in 1985. According to the accounting instruction, purchase orders for computer equipment were not to be obligated. Instead, the total allotment for the year was to be obligated and payments were to be recorded in the capital asset account. Our review, however, showed that not all payments for computer equipment were taken up as capital assets. The accounts charged varied from 1984 and 1985 budgetary obligations to direct charges against the current budget, administrative prepayments, accounts payable-general and various programme accounts.

29. We expressed our reservations on the budgetary and accounting procedures relating to computer equipment and recommended that UNICEF re-examine these procedures to ensure that the full costs of estimated acquisitions during the budget period are reflected in the proposed budget for the biennium and actual expenditures are fully reflected in the financial statements and schedules.

30. In its reply, the Administration reiterated its policy of amortizing the acquisition costs of capital assets over a period of several years. Reference to schedule 10, which shows that the stated total acquisition cost in 1985 of \$1,029,945 was almost fully amortized also in 1985, runs counter to the stated policy objective. Moreover, the various ways in which the expenditures were taken up in the books put into question the real objective of the newly enunciated policy on computer equipment capitalization and amortization, as stated in the summary of significant accounting policies.

#### UNICEF buildings

31. During 1985 UNICEF reported the acquisition of office buildings at two locations at a cost of \$424,367. Our review of the approved revised budget estimates for the biennium 1984-1985 disclosed that the budget did not include a provision for the acquisition of office buildings. Funds from general resources must have been utilized for these acquisitions since, through its policy of amortizing the acquisition cost of the capital asset over the estimated useful life, appropriations are subsequently provided in the administrative budget. Based on this arrangement, therefore, funds are used for the acquisitions of buildings without legislative authorization and then appropriations are provided in later periods.

32. Although planned acquisitions were reported in the medium-term plan for the period 1984-1985 (E/ICEF/1985/3 of 28 January 1985), we are of the opinion that approval of the plan did not constitute an appropriation of funds. In this connection, we wish to point out that the reference under paragraph 94 of E/ICEF/1985/3 to paragraph 195 of E/ICEF/633 as the basis for the authorization by the Executive Board in 1974 of the acquisition of office buildings is not appropriate.

33. We recommended that the Administration should submit for the review by the Advisory Committee on Administrative and Budgetary Questions (ACABQ) and the approval by the Executive Board the full costs of capital asset acquisitions planned for a given biennium.

34. The Administration informed us that information about planned building acquisitions has in recent years been provided to the Executive Board through the medium-term plan and the annual financial reports. In addition, the Administration

stated that it had completed the draft of UNICEF's financial regulations, which include provisions relating to acquisition and amortization of capital assets.

### Budgetary controls

#### Budgetary/unallotted reserves

35. The revised budget estimates for the biennium 1984-1985 included an amount of \$3.8 million for budgetary or unallotted reserves. In its report on the review of UNICEF's revised budget estimates for 1984-1985, ACABQ allowed the provision of these reserves on the basis of UNICEF's representation that \$2 million of the reserve under staff costs was intended to cover possible fluctuations in exchange rates and unforeseen and retroactive local salary scale adjustments, while the balance of \$1.8 million under general operating costs was intended to compensate for possible fluctuations in exchange rates.

36. Our analysis of the budgetary reserve account, however, disclosed major expenditures effected through transfers from this account to other budget lines for the purpose of defraying the costs of consultancy services, building acquisition, rental and maintenance, travel, temporary short-term staff, overtime, acquisition of computers, office and transportation equipment and their maintenance, and various other types of expenditures.

37. Since the reserves were set up for specific purposes, subject to the condition that any unexpended balance was to be reverted to the general resources, we recommended that the Administration should exercise sound budgetary control by restricting the utilization of these reserves to the purposes for which they were approved. We are of the opinion that unless the Executive Board explicitly overrides the recommendation of ACABQ, the approval by the Executive Board is assumed to carry with it the conditions contained in ACABQ's recommendations.

38. The Administration stated that, when the financial results of operations in 1985 were analysed, it was established that a total of \$3.3 million was incurred to meet mandatory salary increases. These cost increases were absorbed by the regular budget through budgetary savings that had not been anticipated at the time the revised budget estimates for 1985 were prepared. During the year-end closing of the accounts, according to the Administration, the observed transfers from the unallotted reserves were no longer adjusted since all budgetary savings had to be reverted to general resources.

#### Retention of 1983 budgetary obligations

39. Our review disclosed that of the \$3,421,340 ending balance for accounts payable-general reported at the close of 1984, \$937,690 or 27.41 per cent pertained to balances of 1983 budgetary obligations. These 1983 unliquidated obligations were not cancelled but were instead reclassified as accounts payable-general in violation of United Nations financial regulations 4.3 and 4.4, which stipulate that unliquidated obligations may be retained only for a period of up to 12 months beyond the end of the financial period to which they relate. Further verification also revealed that a portion of these 1983 budgetary obligations remained unliquidated and continued to form part of the accounts payable account as at 31 December 1985.

40. Of the 1983 budgetary obligations transferred to accounts payable on 31 December 1984, \$342,005 had not moved since 1 January 1984, an indication that these may not have been covered by valid obligations in the first place. A review of some payments made in 1985 against these 1983 obligations also showed liquidations for administrative purchase orders issued only in 1984 and 1985.

41. We recommended and the Administration agreed to refrain from transferring budgetary obligations to other accounts for the purpose of retaining such unliquidated obligations beyond the stipulated 12-month period. We also recommended and the Administration agreed that all remaining unliquidated obligations pertaining to 1983 and prior years be cancelled immediately and that all current obligations be taken up as charges against current appropriations.

#### Travel costs of members of the Executive Board

42. In our review of the budget transfers made in 1985, we noted that \$40,000 was transferred from the unallotted reserve to the budget line on travel on official business for the office of the Secretary to the Executive Board. The amount, we learned, was intended to cover the travel costs for some delegates or government representatives to the 1985 regular session of the Executive Board.

43. Upon further verification, we were able to determine that of the total allotment of \$69,517,000 for travel for the office of the Secretary to the Executive Board (inclusive of the \$40,000 budget transfer), the amount of at least \$19,598 had actually been disbursed to defray the cost of plane tickets and other travel expenses of some delegates to the 1985 meeting of the Executive Board.

44. We brought to the attention of the Administration General Assembly resolution 1798 (XVII) of 11 December 1962, which stipulates that neither travel nor subsistence expenses shall be paid in respect of members of organs or subsidiary organs of the United Nations who serve as representative of Governments except in very specific instances cited in paragraph 3 of the resolution. Since to our thinking the above expenditures were in violation of the General Assembly resolution, we recommended that these unauthorized exceptions be reported to the General Assembly.

45. The Administration informed us that UNICEF's decision to defray the cost of travel of some delegates to the 1985 regular session of the Executive Board was made in order to ensure the availability of the individuals concerned as advisers on UNICEF's strategy in Africa, in negotiations on supplementary funding for various country programmes and in discussions regarding the expanded programme on immunization. The Administration also stressed that the decision should be seen in the light of the urgency of strengthening UNICEF's capacity in Africa and gave further assurance that there is no intention of letting this become a precedent for similar action in future years.

#### Transfer of expenditures from budget to programme

46. Our review of programme expenditures disclosed that \$1,753,004 was incurred in 1984 and 1985 for the production of the State of the World's Children Report. Of this amount, \$1,270,918 was spent in 1985 and \$482,086 in 1984. These expenditures were charged against the general resource commitments approved by the Executive Board in 1983 for the Interregional Fund for Programme Preparation. Our verification of the project components of the Fund, however, disclosed that the recommendations approved by the Executive Board for 1984 and 1985 did not specifically include expenditures on promotional activities relating to the Report.

47. On the other hand, our review of the 1984-1985 regular budget revealed that the publication was part of the approved budget of the Division of Communication and Information. The budget was revised and increased to \$550,000 and \$616,000 for 1984 and 1985 respectively or a total of \$1,666,000. We further noted that the \$482,000 expenditures incurred in 1984 were initially charged to the budget and it was only at the end of 1984 that the expenditures were transferred to the programme.

48. We pointed out that had the 1984 and 1985 actual expenditures for the Report been retained and properly charged to the regular budget, a deficit of \$586,000 would have been incurred for this particular project for the two-year period. In addition, the declared budgetary savings for the biennium 1984-1985 of \$8,134,202, as reported in statements IV and VI, would have been reduced by the total expenditures for the Report of \$1,753,004 to only \$6,381,198.

49. In the absence of an Executive Board approval, we questioned the basis for which the 1984 and 1985 budget expenditures for the Report were charged to the programme. Although we are aware of the subsequent reports made to the Executive Board with regard to the charging of these expenditures to the Interregional Fund for Programme Preparation, we believe that these reports do not serve as adequate justification for shifting funding from the budget to the programme without prior Board approval.

50. The Administration explained that the Report has grown to become a most powerful and effective organ of advocacy for children of the world. Its role was reappraised and it was felt that it had really developed into a programme promotions tool. In view of its increased expenditure due to its wide outreach and development and because it has become a programme activity, it was decided that the cost incurred would be charged to the Interregional Fund. According to the Administration, this was reported to the Board and was accepted and therefore presumed approved post facto.

#### Rental subsidies

51. In our interim audit of rental subsidies, we noted over-expenditures in 24 field offices caused mainly by the raising of miscellaneous obligating documents far in excess of the budget estimates for those offices. For instance, in the case of two offices, the miscellaneous obligating documents raised were \$107,000 and \$100,000 compared to estimates of \$18,690 and \$42,476 respectively.

52. Present procedures also require that miscellaneous obligating documents for rental subsidies are to be raised by the Budget Section on the basis of field office applications approved by the Administrative Services Section. Our review disclosed that miscellaneous obligating documents for 13 field offices were issued without the approved field office applications.

53. In addition, our examination of charges against the miscellaneous obligating documents of the 24 field offices for which over-expenditures were reported disclosed that in 4 offices charges were made for expenditures that were not within the concept of rental subsidies as defined in the 1984 budget instructions of UNICEF.

54. We recommended that the Administration should institute appropriate measures to ensure that its budgetary control policies and procedures are functioning effectively. In addition, we recommended that review procedures at headquarters be strengthened so that improper charges made by field offices can be detected and corrected.

55. The Administration stated that, due to significant cost increases in several locations that had not been anticipated, budget transfers had to be made to cover these unavoidable costs at year-end. Although prescribed procedures were not observed, the Administration assured us that the 13 miscellaneous obligating documents that were raised were for bona fide transactions based on actual entitlements of the staff in the offices concerned.

#### Repatriation grants and final settlements

56. We reviewed 21 cases of staff members separated from UNICEF in 1985 to whom repatriation grants had already been paid. Our review disclosed three cases where, except for the notation on the form that relocation had been verified, the files did not contain the evidence of relocation.

57. Our examination also disclosed two errors in the computation of the 80 per cent advance granted to separated staff members. In this connection, we likewise noted that in four instances the computation sheets did not bear the initials of the reviewer to indicate that the review was performed. Finally, our review also revealed that in two cases overpayments were made on final settlement due to errors in the amounts shown as receivables from the staff.

58. We recommended that more effective supervisory controls be exercised in order to prevent overpayments on final settlement. The Administration informed us that it would review the nature of the evidence on relocation that should be considered acceptable and that supervisory controls would be strengthened.

#### Travel

59. Our verification of expenditures for travel on home leave and on education grant in one field office disclosed laxity in the approval of entitlements. As a consequence, we observed cases where business class fares were allowed for both types of travel, advances were made by the office for the additional cost of expanded itineraries, and more than one round trip within one scholastic year was granted.

60. We recommended and the Administration agreed that measures be instituted to ensure that limitations on entitlements are adhered to. Furthermore, we recommended that the full amount of the advance made by the office on account of the expanded itinerary of the staff member be recovered immediately.

61. Our audit of one field office revealed that in some cases the daily subsistence allowance paid was in excess of the amounts set by the International Civil Service Commission. We recommended and the Administration agreed that the approval process needed to be strengthened to ensure that these excessive payments do not recur.

#### Consultants

62. Our follow-up on our 1984 audit observation concerning UNICEF's failure to comply with General Assembly resolution 37/237 of 21 December 1982 (sect. VIII, para. 3) disclosed that during 1985 contracts were entered into with three former staff members for amounts in excess of \$12,000 for the 1985 calendar year. In two cases, the special agreements were entered into after we had brought the matter to the attention of the Administration during the 1984 year-end audit. The third case

involved a consultant whose services were contracted prior to 1985. However, upon completion of his services at headquarters, he was contracted anew on 9 October 1985 to undertake work at the UNICEF Procurement and Assembly Centre at Copenhagen. The Administration informed us that the relevant General Assembly resolution would be adhered to as far as practicable.

### Accounting and financial reporting

#### Combination of UNICEF and Greeting Card Operation accounts

63. Our review of the year-end procedures followed in the combination of UNICEF and Greeting Card Operation accounts as at 31 December 1985 disclosed a number of errors and inconsistencies.

64. A major weakness noted was the inconsistency in the application of the adjustment procedure with respect to the inventory at consignees account. In the case of the Greeting Card Operation New York account the adjustment completely zeroed out the account while the Greeting Card Operation Geneva adjusted balance came close to the balance of the cost of goods delivered. The latter, we believe, meets the objective of the accounting policy on the combination process to remove the unrealized components from the account balances.

65. We also observed that the exchange rate loss was erroneously written off to the inventory at warehouse account instead of against the accounts to which it relates, namely, the deliveries, returns and losses and commission accounts. Other reported expenses were also eliminated in the combination process when these should have been reclassified and presented as deferred charges.

66. Our review of the reversing entries made to the deferred income account from regular Greeting Card Operation product sales at the start of 1985 disclosed that the adjustments at the close of 1984 were not completely reversed. We also noted that an inter-office account between Greeting Card Operation New York and Geneva, which was reported as an accounts payable, was not eliminated in the combination process.

67. In view of these observations we recommended that the Administration formulate clearly the year-end adjustment procedures to ensure that the policy objectives relative to the combination of UNICEF and Greeting Card Operation accounts are met and that the adjustment process is followed consistently. We also recommended for Greeting Card Operation New York and Geneva (through the New York Operation) to perform the adjustments on their respective accounts for submission and review by UNICEF headquarters since more complete information is available at those offices as a basis for the adjustments.

68. In its reply, the Administration agreed to formulate year-end adjustment procedures to be applied for the consolidation of Greeting Card Operation accounts. The Administration also stated its preference for Greeting Card Operation New York to provide the consolidated trial balance at year-end to ensure compatibility of the accounts for both offices.

## Reports vs. books of accounts

69. In our review of the accounts we noted instances when the figures reported in the financial statements and schedules as at 31 December 1985 did not agree with the amounts reflected in the books of accounts. A case was also noted where printed reports did not conform with the official records in the form of a microfiche.

70. This occurred in the cash holdings account where certain revaluation adjustments were made to cash items in schedule 3 of the financial report, but which were not taken up in the books as of final closure. In the process of adjusting the schedule, however, other cash items were omitted, thereby understating the cash holding account per books and per schedule.

71. This was also noted in various programme commitment accounts whose general ledger account balances were misstated as a result of double adjustments and erroneous coding of transactions as to source of funds. These errors were not corrected as of the final closure of accounts although the corresponding balances in the financial statements were reflected correctly.

72. We recommended that the Administration re-examine its year-end procedures and practices leading to the preparation of the annual financial statements and schedules to ensure that the general ledger reflects the correct and final figures of accounts. These final balances would then be the basis for the preparation of the financial statements.

73. We also pointed out the case of the 1985 programme expenditures where the printed report of the general ledger differed materially from the financial statements although the latter conformed with the microfiche produced for the same account. We requested the Administration to investigate the cause for the discrepancy and to correct a possible weakness in the system.

74. The Administration replied that, since the amount involved in the revaluation adjustment of some bank accounts was not material, it was decided to proceed with the finalization of the financial statements without adjusting the books. The Administration also stated that the required adjustments or corrections in the programme accounts have been made in 1986.

## Revaluation of accounts

75. It is the stated policy of UNICEF to recognize, for accounting purposes, the effects of currency fluctuations in its multi-currency asset and liability accounts using the prevailing United Nations operational rates of exchange. We noted, however, that at the close of 1985 the revaluation of certain current bank accounts, which was supposed to have been automatically handled by a computer programme, was not properly done, resulting in understatements in the cash holdings and the net change in the value of assets and liabilities. We also observed the same situation in the revaluation of accounts receivable, advances and deposit accounts. Our test of transactions disclosed that a majority of these accounts were not analysed and revalued properly.

76. We recommended the review of the system of effecting currency revaluations and particularly the computer programme on automatic revaluation of accounts for possible modification so as to avoid similar problems in the future.

77. The Administration replied that ongoing analysis of accounts is made throughout the year and that necessary steps have been taken to modify the computer programme for automatic revaluation.

#### Inventory of the UNICEF Procurement and Assembly Centre

78. Our review of the Centre's inventory account disclosed that the amount of inventory reflected in schedule 6 did not agree with the Centre's inventory listing and general accounting ledger balance as at 31 December 1985. It was evident from the reconciliation statement of the inventory account balances submitted by the Procurement and Assembly Centre to UNICEF headquarters that the Centre was unable to account fully and properly for the discrepancy.

79. We recommended that UNICEF re-examine its procedures in translating the Centre's accounting data to UNICEF headquarters accounts, in transmitting the data to the comptroller's system, the proper interpretation and classification of the data in the books of UNICEF headquarters and to identify the causes for the non-reconciliation of the Centre's and UNICEF headquarters inventory accounts.

80. The Administration informed us that continuous efforts are being exerted by UNICEF headquarters and the Centre to ensure that the accounts are reconciled and that systems enhancements in translating the Centre's accounting data to UNICEF headquarters accounts is presently being looked into.

#### Procurement and Assembly Centre - unpaid supplies and replenishment account

81. In our review of the Centre's unpaid supplies and replenishment account we noted that the nature of this account requires that both the debit and credit balances be reported individually since the debit balance represents supplies paid but not yet received while the credit balance represents supplies received but not yet paid.

82. Our analysis of the account disclosed that \$637,714 of the debit balance of \$181,122 of the credit balance related to purchase orders with zero local currency balances, signifying that the supplies ordered have all been received and fully paid. The dollar equivalent of the supplies received and the payments made for each purchase order were not the same in these cases due to fluctuations in the currency exchange rate between the time of receipt and the time of payment.

83. We recommended that a thorough analysis of these accounts be made and the corresponding adjustments effected so that these accounts reflect their proper balances. To facilitate and lessen the manual adjustments to be made, we further recommended that a computer programme could be designed to adjust consistently and automatically all transactions or purchase orders with zero local currency balances but with dollar amounts.

84. The Administration informed us that a joint review of this account by UNICEF headquarters and the Centre was started in 1985 and that a detailed analysis of the debit and credit balances is presently being undertaken by the Centre and subsequent adjustments are made accordingly. The Administration also mentioned that the feasibility of writing a computer programme to adjust the purchase orders automatically when transactions are completed would be studied carefully, taking into consideration organizational priority.



## Bank reconciliation

85. Our review of bank reconciliation statements prepared as at the close of 1985 disclosed that these were generally in order except for the reconciliation of a zero balance current account. In this case, the reconciliation made was between the total cheques cashed per bank statement and the total cheques issued per UNICEF cash summary. This method only reconciled the transactions during the month and did not show whether the balance appearing in the books of accounts was correctly stated.

86. We recommended and the Administration agreed that a reconciliation between the bank balance and the sub-ledger balance be made for this particular bank account in order properly to identify the reconciling items that need to be corrected or adjusted.

## Inconsistency in the treatment of cash discounts

87. As stated under existing accounting policies and procedures, cash discounts allowed to UNICEF for prompt settlement of invoices are to be considered as income. Our tests of transactions disclosed, however, that cash discounts availed of from administrative procurement were either reflected as direct deduction from the purchase cost or as other income.

88. In view of this observation we recommended and the Administration agreed to take the necessary steps to ensure that the organization's accounting policy on cash discounts is adhered to and is consistently applied.

## Unliquidated obligations with debit balances

89. Our review of unliquidated obligations as at 31 December 1985 showed debit balances amounting to \$94,301. Further review of the unliquidated obligations as at 19 March 1986 likewise disclosed payments charged against obligations that had already been closed as at 31 December 1985. This resulted in debit balances amounting to \$126,294.

90. Our examination of the underlying transactions disclosed that the existence of debit balances in the budgetary obligations accounts were caused mostly by errors made in the processing and coding of payment transactions that could have been avoided or detected earlier by closer review and supervision.

91. We recommended that a review of outstanding obligations be made regularly to ensure that they continue to represent valid obligations and that the proper obligation accounts are being charged for payments or amendments made. This review is particularly important for the year-end balances that are reported in the financial statements.

92. The Administration stated that the review of outstanding obligations is a continuing process and special efforts are made at year-end to ensure proper presentation of the organization's liability. Although there are cases when charges are incorrectly identified, every reasonable effort is made so that the accounts are properly reported.

## Accounting controls

93. In the validation of account balances in one field office we noted that the beginning account balances in the general ledger were not in balance. We also observed that two different systems were utilized in coding transactions. One system is the headquarters accounts classification and the other serves the field office internal accounting system where the imbalance was noted. These two systems, however, are not completely compatible, such that the periodic reconciliation of the two sets of accounts has not been made.

94. We recommended that the Comptroller's Division at headquarters evaluate the internal system at this field office in order to enhance its usefulness in meeting the financial information requirements of both the field office and headquarters. In addition, we recommend that headquarters define minimum standards that local systems must meet and provide for a review by headquarters of the local system before it is declared operational.

95. The Administration informed us that its Chief Accountant had recently visited the field office concerned, problems of systems' compatibility were identified and discussed, and a decision was reached to re-design the local accounting system.

## Computer operations and electronic data-processing systems

### Comptroller's system

96. Our review of the comptroller's system during the 1985 interim audit disclosed that the system was being run by the systems development group, the same group that maintains the system. This arrangement failed to provide a fundamental control in an electronic data-processing environment regarding the appropriate segregation of functions and thereby unduly exposes the system to unauthorized changes.

97. We recommended that the production run of the comptroller's system should be turned over to the operations group in order to meet the control requirement on the segregation of functions. The Administration acknowledged this control weakness and subsequently implemented the audit recommendation.

### Contingency plan and back-up procedures

98. Our electronic data-processing general controls review disclosed that no written contingency plan had been developed to guide recovery activities in the event that disruptions in electronic data-processing operations should arise. A plan in writing that is properly communicated to and understood by those who will participate in recovery work provides a good basis for an organized and rapid recovery.

99. Our review of existing back-up procedures disclosed that back-up disks are kept in the computer room in a cabinet that is not fireproof, an off-site back-up location is not maintained, and an alternate back-up system has not been identified. In this connection, we wish to point out that had the fire that occurred late last year in the computer room been a major one, the UNICEF files could have been completely destroyed.

100. We recommended that the Administration should draw up in writing a contingency plan that is communicated to and understood by the staff who have a part to fill in

the recovery work. In addition, we recommended that steps be taken to overcome the deficiencies noted in existing back-up procedures.

101. The Administration agreed on the need for a written contingency plan and informed us that the specific deficiencies have been and are being reviewed, alternatives have been considered and certain decisions have been taken. During our final audit we were furnished a copy of written instructions and procedures on operator functions and system back-up, the initial step undertaken by management towards the development of a complete contingency plan. We were also informed that the plans for UNICEF House include other storage sites within the building and that as an interim measure steps have been taken to prepare another room at the present building as a storage facility for back-up disks.

### UNICEF Procurement and Assembly Centre

#### Cash management

#### Additional freight paid for c.i.f. and c & f deliveries

102. When goods are purchased under either c.i.f. or c & f delivery terms, the cost of transporting the goods from the point of origin to the specified destination forms part of the invoice and purchase order price. Under existing practice the destination may be the Centre's warehouse or a train station, shipping port or an airport; however, every purchase order issued specifies the destination point. Consequently, even when the terms of delivery are either c.i.f. or c & f, additional freight costs may have to be paid when the specified destination is a station other than the Centre's warehouse.

103. Our examination of 20 purchase orders disclosed 9 cases where a separate freight invoice was paid for purchase orders with either c.i.f. or c & f delivery terms. In these nine instances we were able to establish that the amounts paid covered the cost of delivery from the point of origin to the Centre's warehouse.

104. We recommended and the Administration agreed that freight invoices be reviewed and checked against the related purchase orders before payment is effected. Furthermore, we recommended that where payments have been made for freight costs that, according to the terms of the purchase order, were for the account of the supplier, as in the nine cases cited above, a claim for reimbursement be made with the suppliers concerned.

#### Payments based on pro forma invoices

105. Our verification of payments made against 20 purchase orders disclosed 4 cases where payments were effected on the basis of pro forma invoices and before the receipt of the final invoice. In one case, involving an amount for \$23,892, a second payment was made on the basis of the final invoice. This duplicate payment was subsequently recovered through an adjustment of the supplier's claim on other deliveries. The other three payments amounting to \$115,342 were made to one supplier.

106. Since pro forma invoices do not represent valid claims, we recommended and the Administration agreed that payments should only be made on the basis of final invoices. In this connection, the Administration should also consider the opportunity cost of premature payments.

## Electronic data-processing and accounting controls

### Accounting for inventories and freight

107. Our review disclosed errors in electronic data-processing procedures that have an impact on the accounts. As a consequence, no equivalence exists between the recorded dollar amount and the local currency amount for two inventory accounts. The dollar amount does not include the cost of freight, whereas, the local currency amount does. Since these recorded amounts are utilized in the computation of the 6 per cent freight cost, the resulting freight cost computation in local currency is accordingly overstated.

108. The existing accounting instruction requires the computation of freight cost equivalent to 6 per cent of the cost of shipments received whenever the delivery terms are either c.i.f. or c & f. The freight computation is handled by a programme that generates and posts accounting entries to the general ledger. Our review of the computer programme, however, revealed that freight is computed only for c.i.f. transactions. Hence, freight costs for c & f transactions have not been recorded in the appropriate accounts since the programme went into production in 1980.

109. In our test of the invoice versus warehouse receipt matching electronic data-processing programme, we observed that, due to an error in the programme logic, the processing leads to results that are contrary to the policy of carrying the inventory account for goods purchased under c.i.f. and c & f delivery terms at an amount net of the freight costs.

110. We recommended and the Administration agreed that appropriate programme revisions should be made. During our final audit, we observed that the first two programmes errors had already been corrected.

### Valuation of issue orders packed

111. Under existing policy, issue orders packed are valued at standard material costs plus a 10 per cent surcharge to cover packing and warehousing costs and a freight charge of 6 per cent or a total billing price equivalent to 116.6 per cent of standard material cost. This is the value at which UNICEF country programmes and reimbursable procurement are charged.

112. Our review of the application of this policy disclosed that, due to a rounding-off feature in the programme, actual billings ranged in value from 100 to 148.15 per cent of the standard material cost. These percentages are significantly different from the standard of 116.6 per cent.

113. Because of the significant impact of programmed procedures on the amounts charged to country programmes and reimbursable procurement, particularly when large order quantities are involved, we recommended that appropriate modifications be made to the programme. The Administration accepted our observations and recommendation; however, it informed us that the modifications could not be implemented immediately since many programmes would be affected.

### Document numbering

114. The generation and assignment of numbers to documents such as purchase orders, warehouse receipts, issue orders and clearance orders are done by the computer.

The programmes processing the various transactions access the table of document numbers and update the same by incrementing the document number by one.

115. Our tests of completeness of documents, however, disclosed gaps or unused numbers in the series used for purchase orders, warehouse receipts and issue orders. The gaps in the series may be attributed to the following causes:

- (a) Cancellation of a transaction before a record is created in the file;
- (b) Abnormal termination of a programme;
- (c) Programmed procedure of handling the document number;
- (d) Technical problems.

116. Although the missing number remain unused in the system, there is, however, no record that a transaction has been cancelled. Consequently, the completeness of recorded transactions cannot readily be ascertained. In addition, control over documents would be difficult since no record of unused document numbers is maintained.

117. We recommended that modifications be made to the programmes in order to maintain an unbroken series of documents numbers. Furthermore, we recommended the introduction of a record of cancelled documents in the files. The Administration assured us that an immediate review and revision of the affected programmes would be made.

#### Approval of accounting entries

118. Our review of the disbursement system disclosed that the Finance Section performs the functions of prioritizing and making payments as well as the posting of these transactions to the general accounting ledger. A review of the accounting entries is made by the Accounts Section only after the posting has been completed.

119. In order to eliminate or lessen keying and account classification errors as well as double posting, we recommended that the Accounts Section should approve accounting entries before posting. The Administration agreed to effect the transfer of the approval function as recommended immediately.

#### Accounting system

120. In our 1984 report we brought out the problems arising from the use by the Procurement and Assembly Centre of a system of accounts classification that differs from the system employed by UNICEF headquarters. During our final audit, our overall review of the accounting system revealed the need for a formal accounting system at the Centre that is compatible with the headquarters' accounting system. Not only will this bring the benefits of a subsidiary control accounting system at the Centre, but it could also enhance the reliability and accuracy of the "official" general ledger balances at headquarters and possibly eliminate the costs associated with the coding of transactions twice. The UNICEF Administration's position that the accounts maintained at the Centre are memorandum records only tended to undermine the necessity for complete, reliable and reconciled accounting records at the Centre. While errors and weaknesses observed in the Centre's accounts and accounting system were addressed, the reply of the Administration of

the Centre always appeared to be qualified by the assertion that the official accounts were those maintained at headquarters.

121. We reiterated earlier recommendations and we were informed that UNICEF headquarters had noted our recommendation and that the Comptroller's Division in New York is presently considering a revision of the accounting system.

### Greeting Card Operation

#### General ledger system

#### Basis of accounting

122. The comparison of the Greeting Card Operation's official income statement for the campaign year ended 30 April 1985 with the combined income statement prepared on the basis of the final trial balances of the New York and Geneva offices disclosed material differences between the two sets of figures. Our examination disclosed that these differences were due to the use of fixed budgeted exchange rates in the general ledger system. For the campaign year ended 30 April 1985, the system utilized the operational exchange rates in effect during the month of October 1983 in converting revenues and expenses carried in local currencies into dollars. Because of the significant variations in the exchange rates during the period, the proper interpretation of revenues and expenses as reported in the monthly income statement became more difficult for users. In this connection, we wish to point out that budgeted rates constitute one of the principal tools for managerial control. However, in the case of foreign exchange rates that are not subject to management control, it is preferred practice to utilize rates for budgetary purposes that provide reasonably close approximations to actual rates.

123. Another consequence of this basis of accounting is the need to convert revenues and expenses at the end of the campaign year from the fixed budgeted to actual exchange rates for purposes of preparing the income statement. We noted that this conversion process was manually done and was time-consuming.

124. We recommended a re-evaluation of the present basis in accounting for revenues and expenses because the financial data prepared on the basis of these dated exchange rates could be misleading rather than informative.

125. The Administration informed us that when the original accounting system was developed it was decided to ignore the impact of changes in exchange rates since these are not subject to management control. In this manner, report users would be provided a common basis to compare "absolute" performance with the work plan. However, the excessive exchange rate variances in recent years have brought about a change in the Administration's thinking and it has decided that all financial and management reports would show operating results at both budgeted and actual rates. This systems change, according to the Administration, was expected to be completed before the close of the 1985 campaign on 30 April 1986.

#### Accounting period

126. In its statement of significant accounting policies, the Greeting Card Operation maintains that its accounting period consists of the 12 months from 1 May to 30 April of the following calendar year. Our examination, however, revealed

that this policy was not consistently observed with respect to income measurement. We have noted that deliveries, returns, gross sales, commissions and production costs are accounted for on the calendar year-basis, while all other revenues and expenses are reported on the basis of the stated fiscal year.

127. We recommended the revision of internal accounting practices to ensure that all financial accounts are maintained in a manner that is consistent with the fundamental accounting standard on the accounting period.

128. The Administration stated that use of the fiscal year for reporting purposes was intended to allow for the lag in the receipt of sales reports from national committees and Greeting Card Operation field offices after the close of the calendar year. However, the Administration assured us that the audit recommendation would be pursued in discussions with national committees and other sales partners before a final decision is made.

### Accounting controls

#### Receivable from consignees

129. During the audit last year we brought to the attention of the Administration the failure to reconcile the balances of receivable from consignees accounts. Reconciliation is a basic accounting control designed to ensure the reliability of the affected accounts. Our follow-up review disclosed that no serious efforts were taken to implement the recommendation. In this connection, we pointed out that further delay could only render reconciliation work more difficult and time-consuming.

130. Our examination also disclosed that during the last completed campaign year there were significant delays in the recording of receivables from consignees. By as late as November 1985, or 6 months after the close of the fiscal year, only 2 of 70 cash accounting reports that have been received had been taken up in the accounts. This delay not only adversely affects the timeliness of the accounts but also triggers yet another delay in booking up remittances from consignees. Consequently, in lieu of a fairly straightforward system of recording, deferred income accounts have been utilized for recording collections. These accounts also had to be introduced because, as the Board of Auditors reported last year, there were a great number of cash receipt vouchers that failed to indicate the campaign year for which the remittances were made. Our audit this year revealed that this situation had not improved. For this reason, we suggested for the consideration by the Administration of a simpler and more efficient method whereby remittances will be applied against the outstanding receivables on a first-out basis. The Administration agreed to adopt the recommended method when the campaign year to which a remittance pertains has not been specified.

131. We also recommended and the Administration agreed that the recording of consignees accounts should be made soon after sales reports have been received and reviewed.

#### Inventories at consignees

132. The Greeting Card Operation's income statement and accompanying notes state that the cost of all goods delivered during the period was charged against the revenues of the period. Hence, the existing accounting policy treats as period

costs not only the cost of goods delivered and sold but also the cost of goods delivered but unsold. Following this accounting treatment, the inventory at consignees account should, therefore, have a zero balance on balance sheet date.

133. The balance sheet of the Greeting Card Operation as at 30 April 1985, however, shows an inventory of \$9.2 million, including \$1.6 million of inventories at consignees. Thus, contrary to its stated accounting policy and generally accepted accounting standards, the same cost element was reported twice, as an expense and as an asset.

134. In response to the observation, the Administration stated that the amount shown as inventory at consignees is actually part of the total accounts receivable. Since the financial report for the 1984 campaign had already been issued, the Administration assured us that the restatement would be made in the comparative statements for the 1985 campaign year that closed on 30 April 1986.

135. Our analysis of the 31 December 1985 balances of the inventories at consignees and related valuation accounts revealed unrecorded shipments to various consignees totalling \$3.26 million. Of this amount, \$2.4 million represented shipments made in October, November and December 1985. However, these shipments were invoiced only at the end of January 1986.

136. We recommended and the Administration agreed that invoicing be done promptly and the recording be kept up-to-date in order to minimize work backlog and to ensure that available information is current.

#### Inventories - others

137. Our verification of the combined balance of raw materials, work-in-process and finished goods inventories as at 31 December 1985 disclosed that the amount reported to UNICEF was overstated by a little over 1 million dollars. This overstatement was due mainly to adjustments made at the close of January 1986 that were made retroactive to the period May to December 1985. Our review also revealed that the validity of these adjustments could not clearly be established because the journal vouchers had either incomplete or no supporting documents.

138. We recommended and the Administration agreed that the backdating of transactions should be stopped and that the review process be strengthened to ensure that supporting documents are complete and valid before entries are made in the accounts.

139. Our review of the physical inventory conducted on 15 April 1985 revealed that due to serious deficiencies in the count, the results could not be relied on as a basis for adjusting the accounts. The inventory count results, had these been reliable, could have helped partially in resolving other problems that we brought to the attention of the Administration during our audit of the 1984 accounts and that we observed during the last audit to have continued. These problems are the increasing number of negative inventory balances in the inventory management records (inventory management file) and the differences between the inventory management file balances and the general ledger. We noted, for instance, that between December 1985 and April 1986 there was a 68 per cent rise (from 373 to 525) in the number of items with negative balances. Further verification disclosed that a major reason for the abnormal inventory balances and the unreliability of the inventory management file was the control breakdowns in the operations department.



Among these weaknesses were the transfer or movement of stock from one location to another without the required documentation, erroneous coding of source documents and incorrect data entries. With respect to the second problem, we noted that as at the 31 December 1985 financial statements the general ledger inventory balance was \$1.4 million higher than the inventory management file balance.

140. Inventories lie at the core of the Greeting Card Operation's activities. Consequently, accounting controls should be most effective over this asset. The Administration informed us that the monthly reconciliation of the inventory management file and the general ledger had been started in January 1986 and that changes in existing procedures would be made in order to minimize the negative inventory balances. Finally, the Administration informed us that a physical inventory count has been scheduled for August 1986 and that this count would be carefully planned and participants would be properly instructed and supervised.

#### Production centres

141. Our review of accounting procedures relative to the operations of the Canada Production Centre revealed that procedures are inefficient and fail to provide adequate management information as a basis for evaluating the Centre's financial performance and the comparative cost advantage of having the printing done in Canada rather than in New York.

142. In this connection, we present two alternatives for the consideration of the Administration. One alternative was to treat the Centre as a real production centre in the accounting system so that separate accounts would be provided for it. The second alternative was to consider the Centre as another Greeting Card Operation outside printer, in which case shipments to it would be accounted for as a transfer between production centres.

143. The Administration opted for the first alternative and decided on its immediate implementation. Furthermore, the Administration informed us that this policy would be extended to other production centres outside New York such as Brazil and Singapore.

#### Accounts payable

144. Our analysis of the accounts payable balances disclosed unrecorded liabilities as at 31 December 1985 because of delays in the update of the inventory management file. We also noted a payable to Geneva arising from importations for which there was no corresponding receivable balance in the Geneva accounts. Finally, due to incorrect journal entries the receivable and payable accounts with UNICEF for the Greeting Card Operation payroll and the related accounts were overstated as follows: accounts payable - \$240,520, accounts receivable - \$256,406, payroll expenses - \$64,094, and staff assessments - \$80,000.

145. We recommended and the Administration agreed that accounting controls be strengthened to ensure that accounts are properly stated, particularly on financial reporting dates.

#### Special programmes

146. Our review of special programmes revealed that an amount of \$569,168, consisting of royalties from flagstamps earned during the 1980 to 1984 campaign years, was recognized as income only during the 1984 campaign.

147. We recommended and the Administration agreed that cut-off procedures at campaign year-end need to be improved and strengthened.

### Profitability analysis

#### Commissions and direct expenses

148. Our analysis of financial operations disclosed that total commissions and direct expenses of field offices during the 1984 campaign were equivalent to 26.7 per cent of gross sales. The organization's objective is to keep these expenses down to at most 25 per cent of gross sales. We noted that the Greeting Card Operation has in fact managed to keep these rates at less than 10 per cent in two regional markets.

149. However, we observed that in the regional markets of North America, South America and Asia these expenses were significantly above the targeted ceiling. Our analysis indicated that had these expenses been kept within the targeted maximum, the Greeting Card Operation could have reduced expenses by as much as \$1.4 million. At the country level, our analysis disclosed that in 11 cases these expenses were at least 30 per cent of gross sales, with the 2 highest being 65.6 and 53.3 per cent.

150. We recommended that the Greeting Card Operation look into the causes for these abnormally high levels of commissions and direct office expenses so that measures can be taken to contain these expenses within the targeted ceiling. The Administration informed us that negotiations with a North American committee are continuing to bring down the 40.1 per cent rate of commissions. In the case of South America, the excess was due mainly to additional expenses incurred in building up Brazil as a regional production centre and the impact of severe inflationary trends in the region. In the Asian region, according to the Administration, the sales organizations for Japan and Korea had to be built up, with the expectation of generating higher sales from those markets.

#### Card sales and supply

151. During the 1984 campaign, the Greeting Card Operation sold a total of 111.47 million cards from a total supply of 198.23 million cards. This translates to a sales to supply ratio of 1:1.77 or sales equivalent to 56 per cent of supply. On the average, therefore, a consignee sold only one card for nearly every two cards on hand.

152. Our analysis at the level of the regional market disclosed that the North American and South American regions had the worst sales to supply ratios (percentage) of 1:21 (47 per cent) and 1:2 (50 per cent) respectively. The South-West Pacific region had the best sales to supply ratio at 1:1.32 (75 per cent).

153. At the country level we limited our analysis to the 24 countries that reported gross sales of at least \$500,000 each during the 1984 campaign. Our analysis revealed that six countries had sales to supply ratios worse than 1:2 (50 per cent), with the lowest being 1:3.51 (28.4 per cent).

154. We recommended that the causes for the abnormally low sales to supply ratios be looked into so that appropriate steps can be taken to improve the ratios in a manner that will bring about a favourable impact on the gross profit on sales.

155. The Administration informed us that the improvement in the sales to supply ratio is another marketing objective and that the medium-term plan shows an improving trend starting with the 1986/87 campaign year. In various countries, according to the Administration, a large volume of sales is carried out by post offices and banks. Due to the enormity of the sales network it may not always be possible to monitor sales trends for each outlet effectively. On the other hand, according to the Administration, because the networks are so extensive they represent potentials that the Greeting Card Operation continues to capture.

#### Electronic data-processing controls

#### Electronic data-processing steering committee

156. Our review of computerization efforts at the Greeting Card Operation in New York provided strong indications that these efforts and resources could have been better managed. Among our more significant findings are the following:

(a) In connection with the acquisition of software packages from a supplier, we observed that the selection criteria and the results of the evaluation of the packages were not formally presented to the Administration for review and approval;

(b) Competitive bidding was not resorted to in the acquisition of these packages;

(c) The general ledger system required extensive modifications by the Greeting Card Operation's electronic data-processing unit because the package could handle only one currency, did not provide for dollar and non-dollar fields, was not integrated with the inventory system and did not provide for a document number and document type;

(d) Two of the packages, the procurement system and the sales order system, were never utilized;

(e) Modifications to the general ledger, accounts receivable and accounts payable software packages were designed and developed without the involvement of the Finance and Budget Section.

157. We recommended and the Administration agreed that an electronic data-processing steering committee be constituted in order that standard policies and guidelines can be provided to the computerization efforts and to ensure that these policies and guidelines are followed.

#### Systems development process

158. Our examination of the procedures followed in the systems development process revealed that users' acceptance at the systems design, development and testing stages were not formalized.

159. In order to ensure a more effective systems implementation, it is important that users and systems analysts/programmers be afforded the opportunity to review together the results of each stage in the systems development process. We recommend and the Administration agreed on the need to involve users in the different phases of systems development.

### Application controls

160. Our evaluation of the manual interface of the inventory management system with the general ledger system disclosed that backdated corrections to production reports cannot be taken up in the books of accounts. Our analysis of 19 corrected production reports revealed that 18 of these reports with corrections affecting data on quantities were never taken up in the accounts. As a consequence, the balance of the inventory management system does not reconcile with the general ledger balance, with the latter balance in error.

161. We recommended that the Finance and Budget Section should undertake a detailed analysis of all corrected production reports for all document types and reflect all corrections in the accounts. In addition, we recommended that backdating of corrections to production reports of prior months should never be allowed. If corrections have to be made to production reports of prior months, we recommended that these corrections be entered and treated as new transactions during the month when these are made so as to enable the Finance and Budget Section to enter these corrections in the accounts.

162. The Administration informed us that effective 9 January 1986 programming changes were implemented that render it impossible to backdate data for the inventory management system into a prior month.

### Write access controls

163. Our review of the requests for access authorization revealed that four staff members in the Finance and Budget Section have been granted write access to the inventory management system. This situation allows staff from the section to update inventory records that are the responsibility of personnel in operations and does not provide for the appropriate segregation of functions.

164. We recommended and the Administration agreed that the access rights granted to staff in finance be rescinded.

### Write-offs of receivables and losses

165. The Administration informed us that, after due consultation with UNICEF offices and, where appropriate, with donors, governmental and non-governmental receivables amounting to \$8,954,370.17 were written off in 1985. Of this amount, \$3,611,880.58 were from general resources and \$5,342,489.59 were from supplementary funds. In addition, we were informed that losses of cash amounting to \$3,333.34 and obsolete supplies at the Procurement and Assembly Centre amounting to \$272,878.32 were written off during the year.

### Comments on matters dealt with in the report for the year 1984

166. Our follow-up on matters raised in the Board's report for 1984 1/ disclosed that they have either been dealt with to our satisfaction or are covered again in this report. We have provided recommendations again in the areas of budgetary, accounting and electronic data-processing controls, the use of consultants, air travel accommodation and the rates of the daily subsistence allowance.

Acknowledgement

167. The Board of Auditors wishes to express its appreciation for the co-operation and assistance extended by the Executive Director, his officers and members of their staff.

(Signed) R. T. NELSON  
Auditor General of Ghana

(Signed) A. DEFOY  
Senior President of the Court  
of Accounts of Belgium

(Signed) Teofisto T. GUINGONA, Jr.  
Chairman, Commission on Audit,  
The Philippines

### III. AUDIT OPINION

We have examined the following appended financial statements, numbered I to VI, properly identified, and relevant schedules of the United Nations Children's Fund for the financial period ended 31 December 1985. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances. As a result of our examination, we are of the opinion that the financial statements present fairly the financial position as at the end of the period and the results of its operations for the period then ended. The financial statements were prepared in accordance with the stated accounting principles, which were applied on a basis consistent with that of the preceding financial period, and the transactions were in accordance with the Financial Regulations and legislative authority.

(Signed) R. T. NELSON  
Auditor General of Ghana

(Signed) A. DEFOY  
Senior President of the Court  
of Accounts of Belgium

(Signed) Teofisto T. GUINGONA, Jr.  
Chairman, Commission on Audit,  
The Philippines

30 June 1986

IV. OBSERVATIONS OF THE EXECUTIVE DIRECTOR OF UNICEF ON THE  
COMMENTS AND RECOMMENDATIONS OF THE BOARD OF AUDITORS

Introduction

1. The report of the Board of Auditors is reproduced in section II above. In as much as the audit findings and recommendations as well as the Administration's replies are included as part of the Board of Auditor's report, the Executive Director makes observations only to those points where further clarification can be useful.
2. Many of the audit findings, especially on computer systems, reflect the depth of the technical review performed and specific actions that are being taken to correct them.
3. Adjustments to balances and strengthening of procedures and controls are also being made as indicated by the Administration on each item.

Capital assets (audit, paras. 23-34)

4. UNICEF is authorized to acquire and hold property (General Assembly resolution 59 (I)). Over a period of many years buildings for staff housing as well as office space have been acquired and their cost amortized by earned rent or yearly charges to the budget. The same procedure has been applied for other capital assets intended for long-continued use such as warehouse equipment, machinery and computer hardware. This policy and procedure have been confirmed on more than one occasion by the UNICEF Executive Board through the medium-term plan.
  5. The recommendation by the Auditors to submit to the Advisory Committee on Administrative and Budgetary Questions and to the Executive Board the planned acquisition of capital assets in a more formalized manner instead of through the medium-term plan is being considered with all its implications for future application.
  6. Computer equipment acquired for the use of the secretariat in the past have been charged to the budget for its total cost. In 1984, a plan to expand the use of computers was reported to the Executive Board. This gave rise to the policy of capitalizing computer acquisition and was covered by accounting instruction 85/6. On the recommendation of the Auditors the accounting procedures were refined and accounting instruction 86/5 was issued to amortize the cost of such acquisition over a period of five years.
  7. Computer equipment purchased by UNICEF and provided to projects are accounted for as programme expenditures for its total cost.
- Budgeting controls (audit, paras. 35-41)
8. The Administration agrees with the Auditor's recommendation that expenditures be charged against the current budget when the related obligations have lapsed in accordance with the United Nations Financial Regulations. Other recommendations for tightening controls in settling travel claims, rental subsidies and repatriation grant have already been instituted.

Travel costs of members of the Executive Board (audit, paras. 42-45)

9. UNICEF defrayed the travel and subsistence costs of attendance to the 1985 session of the Executive Board for one government delegate from each of nine African countries on a special basis when there was a need to ensure the vitally important availability outside the Executive Board context of the individuals concerned as advisors on UNICEF strategy in Africa, in negotiations on supplementary funding for various country programmes and in discussions regarding the expanded programme on immunization. In one case the presence of the supported individual played a significant role in the subsequent funding of a \$2,000,000 water project.

10. Furthermore, extensive discussions outside the Executive Board context were held with some of the supported individuals on the goal of universal child immunization by 1990. The importance of these deliberations is underlined by the fact that 1986 has been declared the Africa Year of Immunization.

11. The above decision to support African individuals should be seen in the light of the urgency of strengthening UNICEF's capacity in Africa at a time of widespread emergency - over the past few years a prime preoccupation of the organization. There is no intention of letting it become a precedent for similar actions in future years.

Transfer of expenditures from budget to programme (State of the World's Children Report) (audit, paras. 46-50)

12. In 1983, the budget proposal for the next biennium submitted to the Executive Board included the estimated cost of producing the State of the World's Children Report as part of the budget for the Division of Communication and Information.

13. Since then the Report has grown to become a most powerful and effective organ of advocacy through which political authorities, national leaderships and people in various walks of life were motivated and mobilized for and on behalf of the survival and development of children. It has been translated into 31 languages with worldwide circulation. With its increasing outreach, the role of the report was appraised and it was felt that it had developed into a programme promotion tool. This was reported to the Executive Board. The change in nature of the related expenditures, in view of the Executive Board acceptance, made it a proper charge and within the commitment approved for Interregional Fund for Programme Preparation. The corresponding funding in the budget for the biennium 1984-1985 for the report that was not utilized was cancelled as part of the budget savings.

Consultants (audit, para. 62)

14. In accordance with the Auditors' recommendation, the use of former staff members as consultants has in 1986 been limited to what is allowed by the General Assembly resolution 37/237 of 21 December 1982 (sect. VIII, para. 3), except in the one case noted below.

15. In 1985 the Advisory Committee on Administrative and Budgetary Questions and the Executive Board of UNICEF recommended the formulation of a set of financial regulations appropriate for UNICEF's requirements. After giving due consideration to all the options, it was decided that this task could be by far the best accomplished by a staff member who has recently retired after 25 years of service in UNICEF in the field of finance. This decision was considered an exceptional case and will be limited to the completion of this specific task.



## Accounting and financial reporting (audit, paras. 63-121)

16. In the recent past the information system of UNICEF was changed from a centralized information under the Comptroller's Division where the Accounts Section was the largest user, to a distributed data processing located in functional areas in headquarters as well as at the Procurement and Assembly Centre and at New Delhi. The change, when completed, will result in a network of integrated information systems where data can be transferred from and to the various sub-systems.

17. As noted by the Auditors, various difficulties have been encountered with the interfacing of sub-systems with the Comptroller's main accounting system at headquarters. These sub-systems had been developed primarily to satisfy local management needs. For reasons of expediency and economy, temporary adaptations were made to the sub-systems to enable them to transfer data to the Comptroller's system but not the reverse way, thus making the Comptroller's data bank the only one that contained complete accounting information. The technical adaptations were also found not to be very effective.

18. As recommended by the Auditors, plans are being made to revise both the sub-systems as well as the Comptroller's system to make it more compatible and effective. The speed of the revision would, however, depend on available resources.

19. Reconciliations and adjustments are also being made on the various accounts mentioned by the Auditors.

## Greeting Card Operation accounting period (audit, paras. 126-128)

20. The Auditors have pointed out difficulties resulting from different reporting periods between the Greeting Card Operation and UNICEF.

21. With the change in accounting format in the Greeting Card Operation because of its commercial nature, the consolidation of its income and expenditure statement at mid-term with UNICEF's accounts at the end of the calendar year gave rise to many of the Auditor's findings on consistency.

22. The recommendation will be pursued by the Administration in discussion with national committees and other sales outlets. Meanwhile, steps have been taken to ensure consistency in the treatment of various transactions and in consolidation with UNICEF accounts.

## Financial regulations

23. The formulation of a set of financial regulations most appropriate for UNICEF's requirements was recommended by the Advisory Committee on Administrative and Budgetary Questions in 1985 and by the UNICEF Executive Board in 1986. The recommendation of the UNICEF Executive Board has been favourably considered by the Economic and Social Council at its second regular session of 1986 and in this regard a decision of the Economic and Social Council has been made. Should the General Assembly approve the decision of the Economic and Social Council the UNICEF Financial Regulations will be submitted for review and approval at the 1987 session of the UNICEF Executive Board.

## Acknowledgement

24. The Administration wishes to express its appreciation for the constructive co-operation extended by the audit team in the course of their work.

**V. FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1985**

## STATEMENT I

## COMPARATIVE STATEMENT OF INCOME AND EXPENDITURES FOR THE YEAR ENDED 31 DECEMBER 1985

(United States dollars)

1984		1985
INCOME		
General resources		
185 014 725.03	Contributions from Governments	(Schedule 1) 190 569 198.37
6 394 911.77	Contributions from non-governmental sources	(Schedule 1) 19 241 110.56
14 768 080.99	Greeting Card and related operations	10 058 264.08
<u>27 534 810.00</u>	Other income	(Schedule 2) <u>27 706 045.75</u>
233 712 527.79	Total general resources	247 574 618.76
Supplementary funds		
78 379 786.14	From Governments	(Schedule 1) 85 338 852.80
25 228 582.89	From non-governmental sources	(Schedule 1) 37 343 386.75
<u>5 143 740.43</u>	From the United Nations system	(Schedule 1) <u>3 703 621.08</u>
108 752 109.46	Total supplementary funds	126 385 860.63
342 464 637.25	TOTAL INCOME	373 960 479.39
(10 742 451.60)	Net change in value of assets and liabilities due to exchange rates	<u>827 605.43</u>
331 722 185.65	NET INCOME	374 788 084.82
EXPENDITURES		
For programme co-operation from:		
153 241 665.29	General resources	161 025 516.16
85 175 825.62	Supplementary funds other than United Nations system	(Statement IV) 112 277 637.92
5 931 750.10	United Nations system	(Statement IV) 5 273 546.97
<u>59 514 139.05</u>	Programme support services	(Statement VI) <u>66 354 745.05</u>
303 863 380.06	Total programme co-operation	344 931 446.10
<u>40 901 738.45</u>	Administrative services	(Statement VI) <u>44 878 875.48</u>
344 765 118.51	TOTAL EXPENDITURES	(Statement V) <u>389 810 321.58</u>
(13 042 932.86)	INCOME OVER (UNDER) EXPENDITURE	<u>(15 022 236.76)</u>

Statements III to VI and notes 1 to 20 form an integral part of this statement and should be read in conjunction with it.

(Signed) Karin LOKHAUG  
Comptroller

(Signed) James P. GRANT  
Executive Director

## STATEMENT II

## COMPARATIVE STATEMENT OF ASSETS, LIABILITIES AND THE FINANCIAL POSITION AS AT 31 DECEMBER 1985

(United States dollars)

1984			1985
<b>ASSETS</b>			
139 576 760.17	Cash holdings	(Schedule 3)	110 730 537.70
	Contributions receivable:		
119 145 016.80	For current and prior years	(Schedule 4)	135 346 629.12
17 656 381.97	For future years	(Schedule 7)	40 434 483.84
	Deposits with governmental agencies and suppliers		
16 355.13	Accounts receivable, advances and deposits	(Schedule 5)	25 966 715.19
25 500 988.97	Inventories	(Schedule 6)	39 353 732.50
36 550 156.28	Capital assets	(Schedule 10)	3 160 390.33
3 059 583.87			
<u>341 505 243.19</u>			<u>354 992 488.68</u>
<b>LIABILITIES</b>			
	Contributions for following years pledged and received in advance	(Schedule 7)	41 711 428.76
19 115 907.20	Greeting Card and related operations income received in advance		10 765 874.27
6 268 880.52	Accounts payable and other unliquidated obligations	(Schedule 8)	30 815 689.39
30 794 789.55	Trust funds:		
	Reimbursable procurement and other services	(Schedule 9)	24 862 356.27
23 443 597.00	Maurice Pate Memorial Fund		22 705.28
45 397.45	Reserve for insurance		200 000.00
200 000.00			
<u>79 868 571.72</u>			<u>108 378 053.97</u>
<u>261 636 671.47</u>	<b>EXCESS OF ASSETS OVER LIABILITIES</b>		<u>246 614 434.71</u>

Statements III to VI and notes 1 to 20 form an integral part of this statement and should be read in conjunction with it, especially with regard to outstanding commitments. Statement IV shows \$878 million of commitments to be financed from future income.

(Signed) Karin LORBAUG  
Comptroller

(Signed) James P. GRANT  
Executive Director

## STATEMENT III

## STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 1985

(United States Dollars)

1984		1985
<b>SOURCES OF FUNDS</b>		
331 722 185.65	Total income for the year	374 788 084.82
	(Statement I)	
8 125 444.52	Increase in trust funds	1 396 067.10
9 159 936.05	Decrease in contributions receivable: For future years	
	Increase in contributions for following years pledged and received in advance	22 595 521.56
867 055.62	Decrease in deposits with governmental agencies and suppliers	16 355.13
2 739 034.61	Increase in Greeting Card and related operations income received in advance	4 496 993.75
<u>7 974 133.74</u>	Increase in accounts payable and other unliquidated obligations	<u>20 899.84</u>
<u>360 587 790.19</u>	<b>TOTAL FUNDS PROVIDED</b>	<u>403 313 922.20</u>
<b>APPLICATION OF FUNDS</b>		
344 765 118.51	Total expenditures for the year	389 810 321.58
	(Statement I)	
897 611.29	Increase in contributions receivable: For current and prior years	16 201 612.32
	For future years	22 778 101.87
8 391 559.69	Decrease in contributions for following years pledged and received in advance	
3 193 149.30	Increase in inventory	2 803 576.22
1 151 709.20	Increase in accounts receivable advances and deposits	465 726.22
<u>156 169.06</u>	Increase in capital assets	<u>100 806.46</u>
<u>358 555 317.05</u>	<b>TOTAL FUNDS USED</b>	<u>432 160 144.67</u>
<u>2 032 473.14</u>	<b>INCREASE (DECREASE) IN CASH AND INVESTMENTS</b>	<u>(28 846 222.47)</u>

## STATEMENT IV

## COMMITMENTS IN 1985 (SUMMARY OF STATEMENT V)

(United States dollars)

	From general resources	From supplementary funds		Total
		Government and others	United Nations system	
Unspent balance of commitments as at 1 January 1985	614 433 414.09	192 762 422.68	11 351 758.94	818 547 595.71
Approved at the Executive Board session a/				
New commitments	555 572 885.00			555 572 885.00
Savings and deficits	30 970.05			30 970.05
Made between Executive Board sessions		144 907 574.97	4 000 882.00	148 908 456.97
Adjustments to commitments:				
Budget savings for 1984 and 1985	(8 134 201.97)			(8 134 201.97)
Other		(30 410.08)		(30 410.08)
	1 161 903 067.17	337 639 587.57	15 352 640.94	1 514 895 295.68
Expenditures	<u>272 259 136.69</u>	<u>112 277 637.92</u>	<u>5 273 546.97</u>	<u>389 810 321.58</u>
Unspent balance of commitments as at 31 December 1985	889 643 930.48	225 361 949.65	10 079 093.97	1 125 084 974.10
Excess of assets over liabilities	<u>51 980 942.89</u>	<u>187 251 766.85</u>	<u>7 381 724.97</u>	<u>246 614 434.71</u>
To be financed from future income	<u>837 662 987.59</u>	<u>38 110 182.80</u>	<u>2 697 369.00</u>	<u>878 470 539.39</u>

## STATEMENT V

## PROGRAMME CO-OPERATION

STATEMENT OF COMMITMENTS, EXPENDITURES AND UNSPENT BALANCES OF COMMITMENTS TO BE FINANCED FROM GENERAL RESOURCES, SUPPLEMENTARY FUNDS AND FUNDS-IN-TRUST FROM THE UNITED NATIONS SYSTEM FOR THE YEAR ENDED 31 DECEMBER 1985

(United States dollars)

Area and country assistance	Unspent balances of commitments 1 January	New commitments	Total	Expenditure	Unspent balances of commitments 31 December
<b>AFRICA</b>					
Angola	4 875 553.04	3 235 012.00	8 110 565.04	4 126 632.52	3 983 932.52
Benin	4 197 076.54		4 197 076.54	991 705.33	3 205 371.21
Botswana	1 160 331.69		1 160 331.69	182 368.53	977 963.16
Burkina Faso	7 216 820.04	1 440 345.00	8 657 165.04	3 250 851.03	5 406 314.01
Burundi	3 293 351.19	1 348 592.00	4 641 943.19	2 700 360.44	1 941 582.75
Cameroun	1 068 908.36	3 606 453.00	4 675 361.36	432 847.68	4 242 513.68
Cape Verde	530 265.50	181 441.00	711 706.50	104 975.42	606 731.16
Central African Republic	4 167 611.21	260 468.00	4 428 079.21	855 430.55	3 572 648.66
Chad	4 191 699.04	8 424 550.00	12 616 249.04	3 367 360.62	9 248 888.42
Comoros	276 676.08	200 000.00	476 676.08	72 287.05	404 389.03
Congo	240 700.18		240 700.18	124 665.22	116 034.96
Côte d'Ivoire	1 727 381.63	1 998 000.00	3 725 381.63	739 343.20	2 986 038.43
Djibouti	1 042 368.53	446 550.00	1 488 918.53	1 020 764.91	468 153.62
Equatorial Guinea	285 995.28		285 995.28	166 044.26	119 951.02
Ethiopia	31 418 485.76	15 741 348.00	47 159 833.76	20 359 115.66	26 800 718.10
Gambia	929 625.02	13 457.00	943 082.02	429 786.62	513 295.40
Ghana	1 818 970.56	9 611 748.00	11 430 718.56	1 879 664.56	9 551 054.00
Guinea	445 186.75	1 861 000.00	2 306 186.75	905 894.42	1 400 292.33
Guinea-Bissau	2 661 356.89		2 661 356.89	688 972.39	1 972 384.50
Kenya	4 049 597.57	6 366 000.00	10 415 597.57	1 330 259.88	9 085 337.69
Lesotho	1 333 528.36	86 046.00	1 419 574.36	423 233.29	996 341.07
Liberia	357 669.44		357 669.44	451 356.97	(93 687.53)
Madagascar	917 584.56	5 518 529.00	6 436 113.56	1 048 675.79	5 387 437.77
Malawi	5 919 628.50		5 919 628.50	1 003 844.17	4 915 784.33
Mali	9 057 806.02	3 113 816.00	12 171 622.02	3 346 616.71	8 825 005.31
Mauritania	2 766 770.67	1 279 323.00	4 046 093.67	1 581 332.55	2 464 761.12
Mauritius	283 071.34		283 071.34	71 659.41	211 411.93
Mozambique	3 598 455.02	19 570 271.00	23 168 726.02	4 203 991.42	18 964 736.60
Niger	4 351 190.25	8 491 635.00	12 842 825.25	3 304 238.74	9 538 586.51
Nigeria	5 022 287.70		5 022 287.70	6 246 818.62	(1 224 530.92)
Sierra Leone	1 631 202.14		1 631 202.14	1 001 931.88	629 270.26
Sao Tome and Principe	37 319.49		37 319.49	19 521.08	17 798.41
Senegal	3 591 395.68	721 225.00	4 312 620.68	1 843 383.75	2 469 236.93
Seychelles	110 103.26		110 103.26	59 039.57	51 063.69
Sierra Leone	945 988.51	4 456 000.00	5 401 988.51	502 146.29	4 899 842.22
Somalia	7 480 676.89	1 124 744.00	8 605 420.89	3 002 574.37	5 602 846.52
Swaziland	646 962.07	30 201.00	677 163.07	172 978.31	504 184.76
Togo	3 997 424.99		3 997 424.99	426 582.83	3 570 842.16
Uganda	10 193 172.87	14 810 708.00	25 003 880.87	7 549 540.05	17 454 340.82
United Republic of Tanzania	35 712 323.70	563 155.00	36 275 478.70	9 150 873.55	27 124 605.15
Zaire	8 193 419.06		8 193 419.06	2 367 571.98	5 825 847.07
Zambia	1 334 170.15		1 334 170.15	471 166.70	863 003.45
Zimbabwe	5 557 791.58	1 955 064.00	7 512 855.58	1 274 214.54	6 238 641.04
Regional	4 389 845.74	422 081.00	4 811 926.74	1 861 332.66	2 950 594.08
Area total	193 027 746.91	116 877 764.00	309 905 512.91	95 113 975.73	214 791 537.18
<b>EAST ASIA AND PAKISTAN</b>					
Bangladesh	64 161 866.54	4 466 544.00	68 628 410.54	12 626 079.74	56 002 330.80
Burma	28 545 375.47	2 830 834.00	31 376 209.47	8 701 813.32	22 674 396.15
China	60 458 737.66	413 639.00	60 872 376.66	6 657 676.01	54 214 700.65
Indonesia	6 624 826.13	46 965 432.00	53 590 258.13	7 562 267.49	46 027 990.64
Kapucheas	7 101 167.35	3 196 096.00	10 297 263.35	4 201 119.30	6 096 144.05
Kapucheas relief	217 250.84		217 250.84	(50 862.41)	268 113.25
Laos People's Democratic Republic	3 385 808.69	1 242 022.00	4 627 830.69	1 312 328.54	3 315 502.15
Malaysia	622 426.00		622 426.00	270 127.42	352 298.58
Pakistan	16 643 588.98	1 296 542.00	17 940 130.98	7 925 111.11	9 915 019.87
Papua New Guinea	531 323.12		531 323.12	51 227.62	480 095.50

## STATEMENT V (continued)

Area and country assistance	Unspent balances of commitments 1 January	New commitments	Total	Expenditure	Unspent balances of commitments 31 December
<b>EAST ASIA AND PAKISTAN</b>					
(continued)					
Philippines	10 208 433.85	823 645.00	11 032 078.85	3 331 234.46	7 700 143.99
Republic of Korea	1 383 482.23		1 383 482.23	558 565.14	824 917.09
Thailand	14 910 528.26	4 852 228.00	19 762 756.26	4 676 634.49	15 086 121.77
Viet Nam	25 692 531.80	2 297 081.00	27 989 612.80	5 432 199.08	22 557 413.72
Pacific island countries	795 358.20	246 404.00	1 041 762.20	431 257.69	610 504.51
Regional	<u>265 543.23</u>		<u>285 543.23</u>	<u>140 747.32</u>	<u>144 715.91</u>
Area total	<u>281 638 248.15</u>	<u>68 630 467.00</u>	<u>350 268 715.15</u>	<u>63 828 646.72</u>	<u>286 440 068.63</u>
<b>SOUTH CENTRAL ASIA</b>					
Afghanistan	5 590 894.90		5 590 894.90	1 777 022.61	3 813 872.29
Bhutan	4 087 941.67	4 156 681.15	8 244 622.82	909 367.76	7 335 253.06
India	42 792 161.63	157 668 193.00	200 460 354.63	31 884 641.95	168 575 712.68
Maldives	1 233 362.05	205 356.00	1 438 718.05	308 761.40	1 129 956.65
Mongolia	31 715.84		31 715.84	3 527.00	28 188.84
Nepal	12 272 015.06	3 841 048.00	16 113 063.06	4 857 049.82	11 256 013.24
Sri Lanka	<u>15 118 307.32</u>	<u>1 213 576.00</u>	<u>16 331 883.32</u>	<u>3 145 940.32</u>	<u>13 185 943.00</u>
Area total	<u>81 126 398.47</u>	<u>167 084 854.15</u>	<u>248 211 252.62</u>	<u>42 886 312.86</u>	<u>205 324 939.76</u>
<b>MIDDLE EAST AND NORTH AFRICA</b>					
Algeria	417 838.95	135 000.00	552 838.95	180 681.45	372 157.50
Bahrain	241 576.90		241 576.80	106 532.83	134 643.92
Democratic Yemen	326 298.79	4 560 893.00	4 887 191.79	694 635.87	4 192 555.92
Egypt	11 544 402.40	368 117.00	21 912 519.40	5 286 253.68	16 626 265.72
Iran (Islamic Republic of)	16 996.86		16 996.86	74.31	16 922.55
Jordan	328 851.07		328 851.07	230 298.69	98 552.38
Lebanon	14 675 045.32	4 813 686.00	19 488 731.32	5 443 062.95	14 045 668.37
Lebanon rehabilitation	5 270 457.85	(2 950 452.18)	2 320 005.67	1 008 055.33	1 311 950.34
Morocco	4 597 970.59		4 597 970.59	1 190 473.84	3 407 496.75
Oman	735 867.29	700 000.00	1 435 867.29	516 189.35	919 677.94
Sudan	11 532 171.60	8 590 804.00	20 122 975.60	7 618 931.17	12 504 044.43
Syrian Arab Republic	929 178.84		929 178.84	515 205.48	413 893.36
Tunisia	2 181 348.59		2 181 348.59	663 278.68	1 518 069.91
Turkey	667 231.92		667 231.92	332 671.29	334 560.63
Yemen	4 382 586.33	1 822 267.00	6 204 853.33	1 250 185.45	4 954 667.88
Palestinian children and mothers	3 330 066.06	393 908.00	3 723 974.06	957 270.02	2 766 704.04
Regional	<u>34 062.43</u>	<u>44 904.62</u>	<u>78 967.05</u>	<u>44 928.48</u>	<u>34 038.57</u>
Area total	<u>71 211 951.69</u>	<u>18 479 127.44</u>	<u>89 691 079.13</u>	<u>26 039 208.92</u>	<u>63 651 870.21</u>
<b>EUROPE</b>					
Poland	<u>30 410.08</u>	<u>(30 410.08)</u>			
Area total	<u>30 410.08</u>	<u>(30 410.08)</u>			
<b>THE AMERICAS</b>					
Antigua and Barbuda	42 429.20		42 429.20	24 195.17	18 234.03
Argentina		2 180 782.00	2 180 782.00	497 615.44	1 683 166.56
Barbados	792.94		792.94		792.94
Belize	608 610.11	314 557.00	923 167.11	485 655.59	437 511.52
Bolivia	5 016 997.71	1 075 647.00	6 092 644.71	3 272 463.32	2 820 181.39
Brazil	2 350 477.00	780 981.00	3 131 458.00	1 144 224.20	1 987 233.80
Chile	3 826.55	333 199.00	337 025.55	188 249.70	148 775.85
Colombia	5 225 375.87	2 637 339.00	7 862 714.87	2 200 938.04	5 661 776.83
Costa Rica	169 949.29	277 331.00	447 280.29	114 127.18	333 153.11
Cuba	236 938.71		236 938.71	103 516.63	133 422.08
Dominica	66 739.70	(480.00)	66 259.70	21 248.57	45 011.13
Dominican Republic	1 399 672.51		1 399 672.51	447 262.81	952 409.70
Ecuador	512 065.79		512 065.79	491 068.81	20 996.98
El Salvador	252 818.86	852 000.00	1 104 818.86	210 458.33	894 360.53



## STATEMENT V (concluded)

Area and country assistance	Unspent balances of commitments 1 January	New commitments	Total	Expenditure	Unspent balances of commitments 31 December
<b>THE AMERICAS (continued)</b>					
Grenada	7 100.81		7 100.81		7 100.81
Guatemala	1 751 889.23	621 739.00	2 373 628.23	687 792.80	1 685 835.43
Guyana	253 449.74		253 449.74	96 921.22	156 528.52
Haiti	3 683 589.70	993 343.00	4 676 932.70	1 603 122.18	3 073 810.52
Honduras	1 541 410.85		1 541 410.85	586 012.53	955 398.32
Jamaica	418 444.70	199 020.00	617 464.70	107 779.27	509 685.43
Mexico	492 079.32	3 089 095.00	3 581 174.32	1 093 099.43	2 488 074.89
Nicaragua	2 573 442.69	1 000 000.00	3 573 442.69	860 132.39	1 713 310.30
Panama	2 780.86	147 000.00	149 780.86	30 573.36	119 207.50
Paraguay	311 603.86	989 000.00	1 300 603.86	479 989.34	1 020 614.52
Peru	3 258 476.29	324 172.00	3 582 648.29	1 578 089.53	2 003 778.76
Saint Christopher and Nevis	4 164.45		4 164.45		4 164.45
Saint Lucia	97 964.07		97 964.07	58 903.67	39 060.40
Saint Vincent and the Grenadines	2 879.98		2 879.98		2 879.98
Suriname	26 779.45		26 779.45	19 544.27	7 245.18
Regional	4 218 238.99	2 186 907.32	6 405 146.31	2 207 230.81	4 197 915.50
Area total	34 530 989.23	18 001 632.32	52 532 621.55	19 410 984.59	33 121 636.96
Total for all areas	661 565 746.73	389 043 434.83	1 050 609 181.56	247 279 128.82	603 330 052.74
<b>GENERAL ASSISTANCE</b>					
Food and nutrition surveillance	101 828.72		101 828.72		101 828.72
International Children's Centre	201 954.38		201 954.38	210 000.00	(8 045.62)
Regional women's projects	173 119.13	(26 555.89)	146 563.24		146 563.24
Project preparation and training	10 920 560.97	18 025 000.00	28 945 560.97	6 890 807.60	22 054 753.37
Emergency reserve a/	(262 638.00)	1 427 100.00	1 164 462.00		1 164 462.00
Training of communicators for child survival and development		693 720.00	693 720.00	459 010.14	234 719.86
Reduction of infant and child mortality	11 989 217.07	35 331 798.00	47 321 015.07	17 512 828.04	29 808 187.03
Joint WHO/UNICEF nutrition support programme	8 595 484.21	7 916 972.00	16 512 456.21	5 115 383.15	11 397 073.06
Essential drugs for primary health care in Africa	5 894 500.00	(480 000.00)	5 414 500.00	1 109 353.30	4 304 946.70
General assistance total	37 614 026.48	62 888 034.11	100 502 060.59	31 297 572.23	69 204 488.36
Programme support services	64 969 560.95	150 958 617.10	215 928 178.05	66 354 745.05	149 573 433.00
Total assistance	764 149 334.16	602 890 086.04	1 367 039 420.20	344 931 446.10	1 022 107 974.10
Administrative services	54 398 261.55	93 457 613.93	147 855 875.48	44 878 875.48	102 977 000.00
Grand total	818 547 595.71	696 347 699.97	1 514 895 295.68	389 810 321.58	1 125 084 974.10

a/ In 1985, the Executive Director made a total allocation of \$1,959,800 from the emergency reserve as follows: \$15,000 to Djibouti; \$67,000 to the Central African Republic; \$222,800 to Africa emergency (support staff); \$50,000 to Viet Nam; \$200,000 to Ethiopia; \$150,000 to Africa emergency (support for the Office for Emergency Operations - Africa); \$125,000 to Chile; \$90,000 to Africa emergency (operational cost); \$80,000 to Somalia; \$60,000 to Africa emergency (support for the Office for Emergency Operations - Africa); \$30,000 to Africa emergency (support staff); \$50,000 to Lebanon; \$200,000 to the Sudan; \$120,000 to Mexico; \$200,000 to the Philippines; \$50,000 to the Lao People's Democratic Republic; \$100,000 to Uganda; \$50,000 to Senegal and \$100,000 to Colombia.

## STATEMENT VI

STATEMENT OF BUDGET ESTIMATES, OBLIGATIONS INCURRED AND UNENCUMBERED  
BALANCES FOR THE BIENNIAL BUDGET 1984-1985

(United States dollars)

	Obligations incurred <u>a/</u>			
	Budget estimates	Programme support services	Administrative services	Unencumbered balances
<b>Category 1</b>				
Staff costs	147 566 138.00	83 706 509.79	58 840 141.44	5 019 486.77
<b>Category 2</b>				
General operatives costs	67 067 176.00	37 946 161.67	26 940 472.49	2 180 541.84
<b>Category 3</b>				
Packing and assembly costs	<u>5 150 386.00</u>	<u>4 216 212.64</u>	<u>-</u>	<u>934 173.36</u>
Total of all categories	<u>219 783 700.00</u>	<u>125 868 884.10</u>	<u>85 780 613.93</u>	<u>8 134 201.97</u>
<b>Less:</b>				
Income from staff assessment	20 260 500.00	12 414 206.32	8 727 419.59	(881 025.91)
Recovery from packing and assembly activities	8 550 000.00	3 406 183.03	-	(856 183.03)
Other income related to budget	5 000 000.00	1 296 418.09	3 171 336.23	532 245.68
Contributions from Governments towards local cost	<u>4 872 000.00</u>	<u>1 564 202.29</u>	<u>1 099 485.17</u>	<u>2 208 312.54</u>
Grand total	<u>181 101 100.00</u>	<u>101 187 874.37</u>	<u>72 782 372.94</u>	<u>7 130 852.69</u>

a/ Obligations were incurred as follows:

	1985	1984	Total
Programme support services (see statement I)	66 354 745.05	59 514 139.05	125 868 884.10
Administrative services (see statement I)	<u>44 878 875.48</u>	<u>40 901 738.45</u>	<u>85 780 613.93</u>
Total	<u>111 233 620.53</u>	<u>100 415 877.50</u>	<u>211 649 498.03</u>

Income and expenditures

1. Total gross income from contributions for 1985 was \$345,150,539 consisting of \$213,415,900 for general resources and \$131,734,639 for supplementary funds. Transfers and adjustments to income of \$8,954,370 resulted in a net contribution income of \$336,196,169 (schedule 1).
2. The net income taken into the 1985 accounts from the Greeting Card Operation and related operations in the 1984/85 season was \$10,058,264 (statement I). A report on this season is given in the Greeting Card and related operations financial report and accounts for the 1984 season for the year ended 30 April 1985 (E/ICEF/1986/AB/L.5).
3. Other income from miscellaneous sources was \$27,706,045 (schedule 2). It consisted mainly of \$8,169,123 in interest on funds held in interest-bearing deposits as well as in current accounts with banks, \$12,635,503 in income from staff assessment and \$5,416,108 from an operational surcharge of 10 per cent on the cost of supplies issued from the UNICEF Procurement and Assembly Centre at Copenhagen to recover packing and warehousing costs.
4. The weakening of the United States dollar (the accounting unit) in relation to other currencies in which assets and liabilities were held resulted in 1985 in a net increase of the accounting value of these assets and liabilities amounting to \$827,605 (note 1). This change in valuation is shown before arriving at "net income", which amounts to \$374,788,084 (statement I).
5. Supplies packed and shipped or being shipped by the UNICEF Procurement and Assembly Centre were valued at landed cost at \$46,985,546. They were shipped at this value plus an operational surcharge of 10 per cent intended to recover packing and warehousing costs considered as income (E/ICEF/1985/AB/1, para. 285) and a freight charge of 6 per cent. Of the total supplies shipped or being shipped during the year, 65 per cent went as input to UNICEF country programmes and 35 per cent was delivered on a reimbursable basis on behalf of Governments, other agencies in the United Nations system and non-governmental organizations.
6. The portion of the 1984-1985 budget commitments available for 1985 was \$119,367,822. Expenditures (gross) incurred in 1985 was \$111,233,620, thus a savings of \$8,134,202 was realized at the year-end. Income related to 1985 budget expenditures and going to general resources amounted to \$20,889,144. Therefore, net budget costs for 1985 totalled \$90,344,476. The implementation of the 1984-1985 biennial budget as approved by the Executive Board is reflected on statement VI.
7. In 1984, the Executive Board approved a revised budget format for the triennium 1986-1987 and future years. To provide comparability, the Executive Board also approved the restatement of the 1984-1985 budget into three categories of costs: staff costs, general operating costs and packing and assembly costs (E/ICEF/1984/12, para. 109). The distinction between programme support and administrative service costs is also provided in statement VI. Expenditure (gross) was \$66,354,745 for programme support and \$44,878,875 for administrative services. After deduction of income related to the budget, net expenditure was \$52,554,916 for programme support and \$37,789,560 for administrative services.

8. At the end of 1985, total expenditure (\$389,810,321) exceeded income (\$374,788,084) by \$15,022,236. Changes in balance sheet categories of assets and liabilities described in statement III, note 17, produced an outflow of net operating transactions of \$13,823,985, which was added to the excess of expenditures over income of \$15,022,236 and resulted in the net decrease in cash and investments of \$28,846,222.

#### Assets and liabilities

9. As at 31 December 1985, cash in banks, in transit and on hand totalled \$110,730,537 (statement II). It was held as follows: \$101,540,679 in currencies of unrestricted use and \$9,189,858 in other currencies. Among the liabilities for which these assets were held were funds-in-trust for \$24,862,356 in cash and pledges (statement II) mainly for procurement of goods and services on a reimbursable basis.

10. Total pledges outstanding were \$135,346,629, of which \$104,542,370 were for supplementary funds where payment to UNICEF is normally related to the progress of implementation of specific projects and it occurs in accordance with payment schedules agreed with donors. The balance of \$30,804,258 represents outstanding pledges to general resources. It includes \$27,682,023 for adoptions of general resources projects usually paid according to the financial requirements of the projects, leaving a balance of \$3,122,235 due mainly from 1985.

11. Supplementary fund contributions have been pledged/paid in advance for \$40,434,483 to finance "noted" projects in 1986 and beyond. Details are given in schedule 7, which also includes \$1,276,944 paid in advance both for general resources and projects under definition. These contributions will be recorded as income in 1986 and following years in accordance with the conditions specified in the relevant pledges.

12. Accounts receivable other than for contributions (\$7,479,018) are shown in detail in schedule 5 together with administrative deposits and pre-payments (\$5,560,164) and advances made to the Greeting Card Operation for current and future campaigns and to suppliers (\$12,927,944). The aggregate total of \$25,966,715 appears in statement II.

13. The consolidated value of programme supplies in stock at the UNICEF Procurement and Assembly Centre at Copenhagen and the Greeting Card Operation stocks of raw materials and finished products are shown as "inventories" in statement II. Details are provided in schedule 6 for each of these operations separately. Total inventories at the year-end were \$39,353,732.

14. In recent years, UNICEF has purchased buildings for office accommodation and use by field office staff as authorized by the Executive Board at its session in May 1974 (E/ICEF/633, para. 195). The acquisition costs of these buildings (\$4,035,333) less accumulated amortization (\$1,223,45 ) at the end of 1985 was \$2,811,875. Computer equipment acquisitions during the year amounted to \$1,029,945 and it was almost fully amortized against the current budget. The balance under "capital assets" in schedule 10 of \$332,091 represents the depreciated value of machinery and equipment purchased by the Greeting Card Operation.

15. Accounts payable and other unliquidated obligations amounted to \$30,815,689 (statement II). Details are provided in schedule 8. At 31 December 1985, there were in addition outstanding contractual obligations for a net amount of

\$82,531,039 for supplies and equipment ordered against unfulfilled commitments, trust funds and for the replenishment of the UNICEF Procurement and Assembly Centre warehouse effective at that date.

16. To replace lost supplies and equipment, \$14,391 has been used from the insurance reserve. By a transfer of the equivalent amount from UNICEF income, the reserve has been restored to \$200,000.

17. Statement III gives a summary of the changes in the financial position. A decrease in cash and investments of \$28,846,222 was applied to the excess of expenditures over income as reflected in statement I (\$15,022,236) and the balance (\$13,823,986) together with the other sources of funds (\$28,525,837) were applied to the net increase in assets of \$42,349,823.

#### Commitments

18. Statement IV gives the summary of commitments approved by the Executive Board at its annual session for support of programmes and budget expenses, and commitments made between Board sessions of "noted" projects and expenditures made to fulfil them. Commitments made between Board sessions were \$148,908,456.

19. At the year-end, the unspent balance of commitments to be fulfilled in the future totalled \$1,125,084,974. This sum includes the biennial budget for 1986-1987 approved by the Executive Board in 1985 for a total amount of \$252,550,433 and the cancellation of the savings of the previous biennium of \$8,134,201. The balance of \$872,534,541 represents commitments approved for support of programmes that, in some cases, cover several years and therefore are planned for fulfilment over the period 1986-1990.

20. Statement V gives commitments and expenditures for programmes in each country. Footnote a/ of statement V enumerates transfers from the emergency reserve to commitments for operations in various countries.

SCHEDULES TO THE FINANCIAL STATEMENTS

SCHEDULE 1

CONTRIBUTIONS RECEIVED OR PLEDGED FOR THE YEAR ENDED 31 DECEMBER 1965

(United States dollars)

	General resources			Supplementary funds			
	Governments and inter- governmental agencies	Non- governmental sources	Total	Governments and inter- governmental agencies	Non- governmental sources	United Nations System	Total
Afghanistan	30 000.00		30 000.00				
Algeria	142 000.00	943.77	142 943.77				
Angola	5 000.00		5 000.00				
Antigua and Barbuda	300.00		300.00				
Argentina	38 507.14		38 507.14		30 901.27		30 901.27
Australia	1 838 025.00		1 838 025.00	4 068 568.97	1 135 418.23		5 203 987.20
Austria	819 001.27	79 517.63	898 520.90	351 291.28	107 576.17		458 867.45
Bahamas	3 000.00		3 000.00				
Bahrain	12 500.00	3 518.68	16 018.68		1 271.06		1 271.06
Bangladesh	3 320.61	1 501.82	9 822.43				
Barbados	3 000.00		3 000.00	1 250.00			1 250.00
Belgium	1 068 442.47	14 000.00	1 082 442.47		978 166.96		978 166.96
Belin	7 500.00		7 500.00				
Bhutan	4 170.00		4 170.00				
Bolivia					320.84		320.84
Botswana	2 466.86		2 466.86				
Brazil		498.33	498.33	44 610.87	13 098.60		57 709.47
British Virgin Islands	150.00		150.00		315.00		315.00
Bulgaria	60 913.71		60 913.71				
Burkina Faso	1 222.22	14.12	1 236.34				
Burma	181 710.21		181 710.21				
Byelorussian Soviet Socialist Republic	69 530.28		69 530.28				
Cameroon	74 074.07		74 074.07				
Canada	9 725 131.88	7.29	9 725 139.17	5 579 503.03	10 135 460.85		15 714 963.88
Chile	70 000.00	28.33	70 028.33		2 542.11		2 542.11
China	400 000.00	16.18	400 016.18		46.00		46.00
Colombia	456 816.41		456 816.41		20 384.83		20 384.83
Congo	14 618.66		14 618.66				
Costa Rica	30 000.00		30 000.00				
Cote d'Ivoire	64 374.50	400.00	64 774.50				
Cuba	116 545.33		116 545.33				
Cyprus		58.79	58.79		76 779.70		76 779.70
Czechoslovakia	82 576.38		82 576.38				
Democratic Yemen	7 040.00		7 040.00				
Denmark	5 146 406.90	41 260.43	5 187 667.33	2 575 361.47	38 664.62		2 614 026.11
Djibouti	1 000.00		1 000.00				
Ecuador	25 107.00	170.94	25 577.94		1 629.23		1 629.23
Egypt	82 201.53		82 201.53		328.59		328.59
El Salvador	19 857.90		19 857.90		20 618.56		20 618.56
Ethiopia					1 348.89		1 348.89
Fiji	2 000.00		2 000.00				
Finland	5 797 101.45	330 275.23	6 127 376.68	1 586 516.80	631 033.01		2 217 549.81
France	3 684 210.53	107 974.89	10 792 185.42	4 420.39	2 332 167.54		2 335 587.93
German Democratic Republic	412 903.22		412 903.22		6 060.61		6 060.61

SCHEDULE 1 (continued)

	General resources			Supplementary funds			
	Governments and inter-governmental agencies	Non-governmental sources	Total	Governments and inter-governmental agencies	Non-governmental sources	United Nations system	Total
Germany, Federal Republic of	4 716 501.81	4 768 724.61	9 485 226.42	1 370 657.57	1 571 712.30		2 942 369.87
Greece	135 000.00	16 065.33	151 065.33	52 238.59	183 054.56		235 293.15
Guatemala	19 930.33		19 930.33				
Guyana	3 253.01		3 253.01				
Haiti		45.48	45.48				
Holy See	1 000.00		1 000.00				
Honduras	21 142.86		21 142.86				
Hong Kong	14 586.67		14 586.67				
Hungary	21 539.06		21 539.06		12 466.46		12 466.46
Iceland	8 005.79		8 005.79				
India	1 797 197.04		1 797 197.04		79.68		79.68
Indonesia	300 000.00	93.90	300 093.90		712.68		712.68
Iran (Islamic Republic of)	50 000.00		50 000.00				
Iraq		653.23	653.23				
Ireland	360 000.00	175 365.49	555 365.49		266 155.83		266 155.83
Israel	50 000.00		50 000.00				
Italy	17 492 711.37	607 334.19	18 100 045.56	16 584 708.30	14 778.33		16 599 486.63
Jamaica	3 113.55		3 113.55		12 500.00		12 500.00
Japan	14 200 000.00	2 543 674.01	16 743 674.01	4 738 560.79	5 130 531.62		9 869 092.41
Jordan	26 824.03		26 824.03				
Kenya	15 950.92	128.62	16 079.54		2 673.23		2 673.23
Kuwait	200 000.00	83.89	200 083.89				
Lao People's Democratic Republic	5 000.00		5 000.00				
Lebanon				59 932.96			59 932.96
Lesotho	2 500.00		2 500.00				
Liechtenstein	2 000.00		2 000.00				
Luxembourg	16 666.67	1 580.24	18 246.91		11 534.45		11 534.45
Madagascar	5 608.97		5 608.97				
Malawi	5 944.44		5 944.44				
Malaysia	102 204.37		102 204.37				
Maldives	3 000.00		3 000.00				
Mali	1 000.00		1 000.00				
Malta	4 084.00		4 084.00				
Mauritius	3 109.45		3 109.45				
Mexico	102 419.54		102 419.54		44 299.54		44 299.54
Monaco	3 409.62		3 409.62				
Mongolia	3 598.06		3 598.06				
Nepal	6 837.02	76.09	6 913.11				
Netherlands	6 731 162.87	922 830.75	7 653 993.62	1 586 675.95	3 166 808.66		4 753 484.61
New Zealand	370 370.37	6 287.38	376 657.75	460 346.81	12 102.67		472 449.48
Nigeria	308 292.28		308 292.28				
Norway	16 415 677.10	5 512.90	16 421 190.00	4 989 325.81			4 989 325.81
Oman	50 000.00		50 000.00				
Pakistan	164 510.55		164 510.55		48 050.62		48 050.62
Panama	25 000.00		25 000.00				
Peru	120 000.00		120 000.00				
Philippines	262 301.92	146.61	262 448.53		10 000.00		10 000.00
Poland	61 593.04		61 593.04				
Portugal		6 645.06	6 645.06		41 163.80		41 163.80
Qatar	200 000.00		200 000.00				
Republic of Korea	147 000.00	31 398.63	178 398.63		7 805.13		7 805.13

SCHEDULE 1 (continued)

	General resources			Supplementary funds			
	Governments and inter-governmental agencies	Non-governmental sources	Total	Governments and inter-governmental agencies	Non-governmental sources	United Nations system	Total
Romania	13 043.48		13 043.48				
Rwanda	4 284.93		4 284.93				
Saint Vincent and the Grenadines	750.00		750.00				
San Marino	3 082.06		3 082.06		2 538.07		2 538.07
Saudi Arabia	1 000 000.00	877.28	1 000 877.28		116 169.85		116 169.85
Senegal	6 000.00		6 000.00				
Sierra Leone	10 214.43		10 214.43				
Singapore					5 161.68		5 161.68
Spain	435 650.05	3 454.81	439 104.86		1 054 119.33		1 054 119.33
Sri Lanka	13 361.48	37.26	13 398.74		884.80		884.80
Sudan	25 000.00		25 000.00				
Suriname	2 500.00		2 500.00				
Swaziland	2 490.42		2 490.42				
Sweden	22 500 000.00	89 314.85	22 589 314.85	4 912 645.67	138 222.22		5 050 867.89
Switzerland	5 012 453.30	1 900 546.64	6 912 999.94	4 488 706.34	456 073.82		4 944 780.16
Syrian Arab Republic	64 102.56	769.23	64 871.79				
Thailand	154 669.03	475.58	155 144.61		5 095.03		3 095.03
Tonga	853.58		853.58				
Trinidad and Tobago					260 000.00		260 000.00
Tunisia	36 308.94		36 308.94				
Turkey	68 814.00		68 814.00				
Uganda	3 359.46		3 359.46				
Ukrainian Soviet Socialist Republic	139 060.56		139 060.56				
Union of Soviet Socialist Republics	750 927.07		750 927.07				
United Arab Emirates	984 931.51	4 644.50	989 576.01		104 112.45		104 112.48
United Kingdom of Great Britain and Northern Ireland	8 302 321.89	19 996.37	8 322 318.26	1 522 797.29	1 623 872.00		3 146 669.29
United Republic of Tanzania	21 146.27	101.16	21 247.43		16 826.45		16 826.45
United States of America	53 500 000.00	3 318 006.46	56 818 006.46	17 338 255.37	7 662 276.51		25 000.00
Venezuela	114 666.66		114 666.66				
Viet Nam	6 000.00		6 000.00				
Yemen	12 910.00		12 910.00				
Yugoslavia	305 972.21	65 587.62	371 559.83				
Zambia	7 758.62		7 758.62		5 745.23		5 745.23
Zimbabwe	18 633.54	6.10	18 639.64				
Subtotal	188 609 342.29	22 070 650.70	210 679 990.99	72 316 374.14	37 519 659.70		109 826 033.96
AGFUND	2 682 500.00	14 325.77	2 696 825.77	2 600 000.00			2 600 000.00
EBC				14 114 029.86			14 114 029.86
OPEC Fund				250 000.00			250 000.00
Subtotal	2 682 500.00	14 325.77	2 696 825.77	16 964 029.86			16 964 029.86



SCHEDULE 1 (concluded)

	General resources		Supplementary funds				
	Governments and inter-governmental agencies	Non-governmental sources	Total	Governments and inter-governmental agencies	Non-governmental sources	United Nations system	Total
<b>UNITED NATIONS SYSTEM</b>							
United Nations Secretariat		39 083.64	39 083.64		115 032.98	793 000.00	908 032.98
UNCDF, New York						2 472 840.00	2 472 840.00
UNEP, New York						412 067.02	412 067.02
UNFPA, New York						165 642.00	165 642.00
UNICEF, Geneva						975 973.71	975 973.71
Subtotal		<u>39 083.64</u>	<u>39 083.64</u>		<u>115 032.98</u>	<u>4 819 542.73</u>	<u>4 934 575.71</u>
Total	191 291 040.29	22 126 059.91	213 415 900.20	89 280 004.13	37 630 692.60	6 819 542.73	131 730 639.53
Transfer from prior years' income		6 289.31	6 289.31		16 289.31)		16 289.31)
Adjustments to prior years' income	(722 641.92)	(2 889 238.66)	(3 611 880.58)	(3 941 551.32)	(285 016.62)	(1 115 921.65)	(5 342 489.59)
Grand total	<u>190 569 198.37</u> <sup>a/</sup>	<u>19 241 110.56</u>	<u>209 810 308.93</u>	<u>85 338 852.80</u>	<u>37 343 396.75</u>	<u>3 703 621.08</u>	<u>126 285 060.63</u>

SUMMARY

Governments and inter-governmental agencies	275 908 051.17
Non-governmental sources	56 584 497.31
United Nations system	3 703 621.08
Total	<u>336 196 169.56</u>

<sup>a/</sup> This includes \$1,373,224.96 contributed towards local budget costs.

SCHEDULE 2

OTHER INCOME IN 1985 WITH COMPARATIVE FIGURES FOR 1984

(United States dollars)

	1985	1984	Increase (decrease)
<b>INCOME RELATED TO THE BUDGET EXPENDITURE a/</b>			
Income from staff assessment	12 635 503.55	8 506 122.36	4 129 381.19
Recovery from packing and assembly activities	5 416 108.87	3 990 074.16	1 426 034.71
Services to Greeting Card Operation	555 648.89	228 765.63	326 883.26
Adjustments of accounts payable related to prior year's budget	273 589.83	1 933 382.19	(1 659 792.36)
Agency commissions and reimbursement for services	343 161.00	620 988.97	(277 827.97)
Income from sale of films, books and other information materials	5 853.67	12 239.06	(6 385.44)
Income from sale of surplus and obsolete administrative property	208 432.29	159 542.77	48 889.52
Refund of UNICEF contributions from the United Nations Joint Staff Pension Fund	1 138.40	2 114.15	(975.75)
Miscellaneous	76 484.10	46 413.42	30 070.68
<b>Subtotal</b>	<b><u>19 515 920.55</u></b>	<b><u>15 499 642.71</u></b>	<b><u>4 016 277.84</u></b>
<b>INCOME RELATED TO PROGRAMME OPERATIONS</b>			
Shipping and insurance claims received	47 009.14	68 422.74	(21 413.60)
Income from sale of surplus and obsolete programme property	69 027.58	41 486.84	27 540.74
<b>Subtotal</b>	<b><u>116 036.72</u></b>	<b><u>109 909.58</u></b>	<b><u>6 127.14</u></b>
<b>INCOME RELATED TO FINANCIAL OPERATIONS</b>			
Rental income	16 077.11	60 762.96	(44 685.85)
Interest on current bank accounts and short-term investments	8 169 123.82	11 150 989.93	(2 981 866.11)
Cash discounts	343 234.57	213 670.97	129 563.60
Gains (losses) on foreign exchange transactions	(473 550.56)	172 611.35	(646 161.91)
Miscellaneous	19 203.54	327 222.50	(308 018.96)
<b>Subtotal</b>	<b><u>8 074 088.48</u></b>	<b><u>11 925 257.71</u></b>	<b><u>(3 851 169.23)</u></b>
<b>Total</b>	<b><u>27 706 045.75</u></b>	<b><u>27 534 810.00</u></b>	<b><u>171 235.75</u></b>

a/ Government contributions towards local budget costs totalled \$1,378,224.96 in 1985 and \$1,290,462.50 in 1984. These are government contributions to UNICEF general resources (schedule 1) and are shown separately in statement VI.

SCHEDULE 3

CASH HOLDINGS AS AT 31 DECEMBER 1985

(United States dollar equivalent)

	Time remaining to maturity					Total
	At sight	2 - 7 days	8 - 30 days	31 - 90 days	Over 90 days	
<b>IN CURRENT ACCOUNTS, CASH ON HAND AND IN TRANSIT</b>						
Currencies of unrestricted use a/	8 075 704.08					8 075 704.08
Currencies of restricted use b/	<u>9 133 956.37</u>					<u>9 133 956.37</u>
Subtotal	17 209 640.45					17 209 640.45
<b>AT CALL ACCOUNTS AND TIME DEPOSITS</b>						
European Currency Unit	2 263 835.33	215 661.30	-	-	4 405 286.34	6 884 783.97
Deutsche mark	992 724.77	800 000.00	1 200 000.00			2 992 724.77
Japanese yen	-	2 500 000.00	3 000 000.00			5 500 000.00
Swiss franc	861 244.02					861 244.02
Pound sterling	1 019 287.83	-	-	1 483 679.52	741 839.76	3 244 807.11
Danish krone	4 499.42					4 499.42
United States dollar	3 122 824.57	11 000 000.00	31 000 000.00	7 000 000.00	20 677 979.45	72 800 804.02
Other currencies of unrestricted use	658 870.62	241 379.31	137 931.03	137 931.03		1 176 111.99
Other currencies of restricted use	<u>54 363.64</u>	<u>1 558.31</u>				<u>55 921.95</u>
Subtotal	<u>8 977 651.20</u>	<u>14 758 598.92</u>	<u>35 337 931.03</u>	<u>8 621 610.55</u>	<u>25 825 105.55</u>	<u>93 520 897.25</u>
Total	<u><u>26 187 291.65</u></u>	<u><u>14 758 598.92</u></u>	<u><u>35 337 931.03</u></u>	<u><u>6 621 610.55</u></u>	<u><u>25 825 105.55</u></u>	<u><u>110 730 537.70</u></u>
<b>SUMMARY:</b>						
Currencies of unrestricted use						101 540 679.38
Currencies of restricted use						<u>9 189 858.32</u>
						<u><u>110 730 537.70</u></u>

a/ Interest-bearing: 5,600,589.68.

b/ Interest-bearing: 149,149.66.

SCHEDULE 4

CONTRIBUTIONS RECEIVABLE AS AT 31 DECEMBER 1985 FOR GENERAL RESOURCES AND SUPPLEMENTARY FUNDS CURRENT AND PRIOR YEARS

(United States dollars)

	General resources			Supplementary funds			General resources and supplementary funds Grand total
	Governments and inter-governmental agencies	Non-governmental sources	Total	Governments and inter-governmental agencies	Non-governmental sources	Total	
Afghanistan	30 000.00		30 000.00				30 000.00
Algeria	142 000.00		142 000.00				142 000.00
Angola	5 000.00		5 000.00				5 000.00
Australia				2 413 793.11		2 413 793.11	2 413 793.11
Austria				142 598.86		142 598.86	142 598.86
Bahrain	7 500.00		7 500.00				7 500.00
Belgium	313 725.49		313 725.49				313 725.49
Bhutan	4 170.00		4 170.00				4 170.00
Botswana	2 195.12		2 195.12				2 195.12
Burundi	1 754.39		1 754.39				1 754.39
Canada				2 942 028.98	9 070 928.66	12 012 957.64	12 012 957.64
Colombia	450 000.00		450 000.00				450 000.00
Congo	8 302.87		8 302.87				8 302.87
Costa Rica	607.78		607.78				607.78
Cuba	70 347.20		70 347.20				70 347.20
Democratic Yemen	7 040.00		7 040.00				7 040.00
Denmark				14 001 648.35		14 001 648.35	14 001 648.35
Djibouti	3 000.00		3 000.00				3 000.00
Dominica	1 000.00		1 000.00				1 000.00
Ecuador	8 919.61		8 919.61				8 919.61
El Salvador					20 618.56	20 618.56	20 618.56
Germany, Federal Republic of					329 659.00	329 659.00	329 659.00
Greece					87 096.77	87 096.77	87 096.77
Guatemala	13 333.33		13 333.33				13 333.33
Guinea	1 000.00		1 000.00				1 000.00
Guyana	3 253.01		3 253.01				3 253.01
Indonesia	300 000.00		300 000.00				300 000.00
Iran (Islamic Republic of)	50 000.00		50 000.00				50 000.00
Italy	7 603 723.27		7 603 723.27	24 710 177.63		24 710 177.63	32 313 900.90
Jamaica	3 113.55		3 113.55				3 113.55
Japan					1 155 000.00	1 155 000.00	1 155 000.00
Kenya	15 950.92		15 950.92				15 950.92
Laos People's Democratic Republic	5 000.00		5 000.00				5 000.00
Lebanon				287 810.85		287 810.85	287 810.85
Luxembourg	16 666.67		16 666.67				16 666.67
Madagascar	5 608.97		5 608.97				5 608.97
Malaysia	98 147.37		98 147.37				98 147.37
Maldives	3 000.00		3 000.00				3 000.00
Mali	1 000.00		1 000.00				1 000.00
Morocco	200 000.00		200 000.00	287 625.42		287 625.42	487 625.42
Netherlands				418 004.29	20 000.00	438 004.29	438 004.29
Norway				121 545.56		121 545.56	121 545.56

SCHEDULE 4 (concluded)

	General resources			Supplementary funds			General resources and supplementary funds Grand total
	Governments and inter-governmental agencies	Non-governmental sources	Total	Governments and inter-governmental agencies	Non-governmental sources	Total	
Oman	50 000.00		50 000.00				50 000.00
Pakistan	46 370.97		46 370.97				46 370.97
Peru	240 000.00		240 000.00				240 000.00
Poland	61 593.04		61 593.04				61 593.04
Portugal	15 000.00		15 000.00	1 500.00		1 500.00	16 500.00
Romania	13 043.48		13 043.48				13 043.48
Senegal	12 000.00		12 000.00				12 000.00
Suriname	2 500.00		2 500.00				2 500.00
Sweden				2 769 967.31		2 769 967.31	2 769 967.31
Switzerland				3 360 358.85		3 360 358.85	3 360 358.85
Thailand	191 516.33		191 516.33				191 516.33
Trinidad and Tobago					15 524.55	15 524.55	15 524.55
Uganda	2 359.46		2 359.46				2 359.46
United Kingdom of Great Britain and Northern Ireland				42 692.88		42 692.88	42 692.88
United States of America	700 000.00		700 000.00	15 496 050.00	1 274 512.44	16 770 562.44	17 470 562.44
Viet Nam	10 027.78		10 027.78				10 027.78
Yemen	3 187.78		3 187.78				3 187.78
Zaire	2 000.00		2 000.00				2 000.00
Subtotal	10 725 958.39		10 725 958.39	66 995 802.09	11 973 339.98	78 969 142.07	89 695 100.46
AGFUND	20 078 300.00		20 078 300.00	4 109 200.00		4 109 200.00	24 187 500.00
EEC				12 359 933.37		12 359 933.37	12 359 933.37
OPEC Fund				929 587.46		929 587.46	929 587.46
Subtotal	30 804 258.39		30 804 258.39	84 394 522.92	11 973 339.98	96 367 862.90	127 172 121.29
UNITED NATIONS SYSTEM							
United Nations				600 000.00		600 000.00	600 000.00
UNCDF, New York				6 618 003.25		6 618 003.25	6 618 003.25
UNDP, New York				351 148.09		351 148.09	351 148.09
UNDRO, Geneva				38 000.00		38 000.00	38 000.00
UNFPA, New York				15 000.97		15 000.97	15 000.97
UNHCR, Geneva				552 355.52		552 355.52	552 355.52
				<u>8 174 507.83</u>		<u>8 174 507.83</u>	<u>8 174 507.83</u>
Total	30 804 258.39		30 804 258.39	84 394 522.92	20 147 847.81	104 542 370.73	135 346 629.12
SUMMARY							
Governments and inter-governmental agencies		115 198 781.51					
Non-governmental sources		11 973 339.98					
United Nations system		8 174 507.83					
Total		<u>135 346 629.12</u>					

SCHEDULE 5

ACCOUNTS RECEIVABLE, ADVANCES AND DEPOSITS  
1985 COMPARED WITH 1984

(United States dollars)

	1985	1984	Increase (decrease)
<u>Accounts receivable</u>			
From the United Nations and specialized agencies for supplies and advances for fellowships and other jointly assisted projects	1 790 090.75	908 109.18	881 981.57
From non-governmental organizations for fund-raising campaigns			
National committees for UNICEF	668 742.80	1 262 593.60	(1 593 850.80)
Other organizations	284 332.70	98 332.19	186 000.51
Governments - other	743 620.71	618 613.84	125 006.87
For shipping and insurance claims	90 102.66	132 176.96	(42 074.30)
Miscellaneous	770 207.64	712 802.17	57 405.47
From banks - accrued interest	634 912.72	1 399 393.69	(764 480.97)
From Governments, United Nations agencies and other organizations for funds-in-trust	<u>2 497 008.58</u>	<u>3 377 150.22</u>	<u>(880 141.64)</u>
Total accounts receivable	<u>7 479 018.56</u>	<u>9 309 171.35</u>	<u>(1 830 152.79)</u>
<u>Deposits and prepayments for office services</u>	<u>5 560 164.47</u>	<u>4 899 083.01</u>	<u>661 081.46</u>
<u>Advances</u>			
To suppliers for goods purchased and freight	208 351.89	727 008.79	(518 656.90)
To the Greeting Card Operation			
Budgetary expenditure for the current campaign	12 601 975.72	10 875 431.16	1 726 544.56
Customs duties and taxes	<u>117 204.55</u>	<u>290 294.66</u>	<u>(173 090.11)</u>
Total advances	<u>12 927 532.16</u>	<u>11 892 734.61</u>	<u>1 034 797.55</u>
Grand total	<u>25 966 715.19</u>	<u>25 500 988.97</u>	<u>465 726.22</u>

## SCHEDULE 6

INVENTORIES  
1985 COMPARED WITH 1984

(United States dollars)

	1985	1984	Increase (decrease)
<u>UNICEF programme supplies</u>			
<u>UNICEF Procurement and Assembly Centre, Copenhagen</u>			
In stock	23 684 699.99	16 670 855.50	7 013 844.49
In transit	<u>2 794 442.85</u>	<u>4 164 497.95</u>	<u>(1 370 055.10)</u>
	26 479 142.84	20 835 353.45	5 643 789.39
<u>Packing materials</u>	<u>154 226.34</u>	<u>262 144.50</u>	<u>(107 918.16)</u>
Total stocks in the UNICEF Procurement and Assembly Centre and in transit	26 633 369.18	21 097 497.95	5 535 871.23
<u>Stocks in other locations</u>			
With suppliers	<u>43 177.26</u>	<u>40 216.17</u>	<u>2 961.09</u>
	26 676 546.44	21 137 714.12	5 538 832.32
<u>Greeting Card Operation</u>			
Raw materials	2 598 140.66	2 269 415.09	328 725.57
Products in process	1 936 861.07	2 529 533.99	(592 672.92)
Finished goods	<u>8 142 184.33</u>	<u>10 613 493.08</u>	<u>(2 471 308.75)</u>
	<u>12 677 186.06</u>	<u>15 412 442.16</u>	<u>(2 735 256.10)</u>
Total inventories	<u><u>39 353 732.50</u></u>	<u><u>36 550 156.28</u></u>	<u><u>2 803 576.22</u></u>

## SCHEDULE 7

CONTRIBUTIONS FOR FOLLOWING YEARS PLEDGED/PAID IN ADVANCE  
AS AT 31 DECEMBER 1985

(United States dollars)

	Pledged	Paid in advance	Total
<b>GOVERNMENTS AND INTERGOVERNMENTAL AGENCIES</b>			
Canada	6 340 579.71		6 340 579.71
Denmark	2 771 428.57		2 771 428.57
Finland	330 275.23		330 275.23
France	392 156.86		392 156.86
Germany, Federal Republic of	1 600 000.00		1 600 000.00
Italy	2 471 956.00	209 317.58	2 681 267.58
Netherlands	178 571.43		178 571.43
Sudan		10 357.14	10 357.14
Sweden	15 903 469.61		15 903 469.61
Switzerland	2 103 564.59		2 103 564.59
Subtotal	<u>32 091 996.00</u>	<u>219 674.72</u>	<u>32 311 670.72</u>
<b>NON-GOVERNMENTAL SOURCES</b>			
Australia		142 443.56	142 443.56
Belgium	200 000.00		200 000.00
Canada	5 445 118.84		5 445 118.84
United Kingdom of Great Britain and Northern Ireland		914 826.64	914 826.64
Subtotal	<u>5 645 118.84</u>	<u>1 057 270.20</u>	<u>6 702 389.04</u>
<b>UNITED NATIONS SYSTEM</b>			
UNCDF	1 333 619.00		1 333 619.00
UNDP	475 000.00		475 000.00
UNFPA	888 750.00		888 750.00
Subtotal	<u>2 697 369.00</u>		<u>2 697 369.00</u>
Grand total	<u>40 434 483.84</u>	<u>1 276 944.92</u>	<u>41 711 428.76</u>



SCHEDULE 8

ACCOUNTS PAYABLE AND OTHER UNLIQUIDATED OBLIGATIONS  
1985 COMPARED WITH 1984

(United States dollars)

	1985	1984	Increase (decrease)
<u>Accounts payable</u>			
To the United Nations and specialized agencies mainly for staff salaries and related allowances	2 940 169.48	2 019 926.76	920 242.72
For supplies, equipment and freight	10 001 886.10	15 320 057.29	(5 318 171.19)
Miscellaneous	3 738 944.52	5 009 050.41	(1 270 105.89)
<u>Unliquidated obligations</u>			
Budgetary obligations outstanding	11 700 978.44	6 928 553.60	4 772 424.84
Greeting Card Operation obligations outstanding	1 933 710.85	767 201.49	1 166 509.36
Provision made for amounts payable to staff members under the tax equalization plan	<u>500 000.00</u>	<u>750 000.00</u>	<u>(250 000.00)</u>
<b>Total</b>	<b><u>30 815 689.39</u></b>	<b><u>30 794 789.95</u></b>	<b><u>20 899.84</u></b>

SCHEDULE 9

TRUST FUNDS FOR REIMBURSABLE PROCUREMENT AND SERVICES  
(SUMMARY OF 1985 TRANSACTIONS)

(United States dollars)

Donors	Balances at 1 January 1985	Funds		Total funds available	Expenditure	Funds/returned transferred	Balances at 31 December 1985
		Received	Advanced/ pledged				
<b>GOVERNMENTS AND INTERGOVERNMENTAL AGENCIES</b>							
AGFUND		100 000.00		100 000.00	84 605.31		15 394.69
Angola		735 608.82		735 608.82	735 608.82		
Australia		21 126.75		21 126.75	13 031.95		8 094.80
Bahrain	7 938.95			7 938.95	5 260.08		2 678.87
Bangladesh	3 177 613.78	1 093 693.04		4 271 306.82	2 287 689.54		1 983 617.28
Belize	1 162.29	30 936.00		32 098.29	28 623.62		3 474.67
Benin		191 079.67		191 079.67	630.05	30 345.38	160 104.24
Bolivia	1 960.37			1 960.37	304.04		1 656.33
Botswana	24 946.68			24 946.68	.01		24 946.67
Cameroon	2 858.66			2 858.66	(1 202.25)	2 759.92	1 300.99
Canada	45 693.51	583 222.25		628 915.76	219 746.96		409 168.80
Cape Verde	4 305.64			4 305.64	34.01		4 271.63
Central African Republic	4 579.24	74 822.00		79 401.24	68 771.32		10 629.92
Costa Rica	24 484.36			24 484.36	19 402.29		5 082.07
Côte d'Ivoire	7 377.66	1 266.37	5 642.04	14 286.07	14 286.07		
Democratic Yemen	785 000.00			789 000.00	496 573.58		292 426.42
Denmark	149 973.42	546 420.26		696 393.68	486 125.44		210 268.24
Ecuador	1 969.78			1 969.78	1.19		1 968.59
Fiji	3 070.00			3 070.00	1 938.31	1 131.69	
Finland		56 224.00		56 224.00	32 043.19		24 180.81
France	152 118.16	178 421.05		330 539.21	131 843.61		198 695.60
Gambia	1 934.84	26 493.59		28 428.43	23 327.28	1 934.84	3 166.31
Germany, Federal Republic of	61 483.73	56 200.00		117 683.73	76 932.29		40 751.44
Ghana	567.93	14 454.80		15 022.73	11 079.43		3 943.30
Guatemala	7 362.11	224 982.00		232 344.11	172 051.21	871.82	59 421.08
Guinea-Bissau	794.78			794.78	510.82		283.96
Guyana	5 524.71			5 524.71	1 815.23		3 709.48
Haiti	3 795.91	51.19		3 847.10			3 847.10
Honduras	38 403.19			38 903.19		7 701.39	31 201.80
Iran (Islamic Republic of)	7 791.55			7 791.55			7 791.55
Iraq	12 845.25			12 845.25	9 949.54	1 089.96	1 805.75
Italy	990 007.33	2 580 000.00		3 570 007.33	530 298.38		3 039 708.95
Jamaica	11 369.37	7 306.22		18 675.59	5 196.57		13 479.02
Japan	48 106.99	461 910.99		510 017.98	480 910.38		29 107.60
Kampuchea	8 118.00			8 118.00	2 962.69		5 155.31
Kenya	389 806.64	243 779.58		633 586.22	196 588.71	1 856.36	435 441.15

SCHEDULE 9 (continued)

Donors	Balances at 1 January 1985	Funds		Total funds available	Expenditure	Funds/returned transferred	Balances at 31 December 1985
		Received	Advanced/ pledged				
Lesotho	5 698.66	197 561.00		203 259.66	11 137.75	3 498.66	188 623.25
Liberia	5 633.29			5 633.29			5 633.29
Madagascar	40 645.00			40 645.00	40 645.00		
Malawi		1 650.00		1 650.00	1 505.28		144.72
Mali		14 042.18		14 042.18			14 042.18
Morocco	140 387.57	1 851 060.33		1 991 447.90	111 818.23		1 678 629.67
Mozambique	50 239.36			50 239.36	12 961.17		37 278.19
Nepal	185 163.31	47 862.65		233 025.96	127 716.21	6 402.03	98 907.72
Netherlands	115 290.79	7 397.00	37 145.21	159 833.00	152 436.00		7 397.00
Nigeria	6 572 141.31	5 470 484.47		12 042 625.78	6 422 157.22		5 620 468.56
Norway	88 394.52	53 000.67		141 395.19	100 713.90		40 681.29
Oman	29 317.34	23 240.00	155.74	52 713.08	52 713.08		
Pakistan	4 490 642.58	679 078.36		5 169 720.94	2 273 905.96	648.74	2 895 166.24
Papua New Guinea	6 987.86	34 303.92		41 291.78	448.42		40 843.36
Paraguay	361.60			361.60			361.60
Peru		358 540.42		358 540.42	123 198.32		235 342.10
Philippines	72 631.39	97.85		72 719.24	57 281.57		15 437.67
Poland	208 996.93			208 996.93	137 357.41		71 639.52
Portugal		4 569.50		4 569.50	2 832.46		1 737.04
Republic of Korea	137.77	120.71	94.19	352.67	352.67		
Saudi Arabia	3 636.30		5 718.47	9 354.77	9 354.77		
Seychelles	2 060.00	15 630.00		17 690.00	1 538.62	2 060.00	14 091.38
Somalia	376 850.99	12 000.00		388 850.99	300 132.81	2 519.86	86 198.32
Sri Lanka	21 315.37	52 000.00		73 315.37	41 692.93		31 622.44
Sudan	1 358.25	174 582.00		175 940.29	161 569.63		14 370.66
Swaziland		11 036.02		11 036.02			11 036.02
Sweden	340 836.96	98 070.87		438 907.83	312 625.02		126 282.81
Thailand	621 745.48	51 833.60		673 579.08	28 673.52	5 613.84	639 291.72
Tunisia	15 450.82			15 450.82	15 434.22		16.60
Turkey	215 370.34	100 556.98		315 927.32	187 077.61		128 849.71
Uganda	2 917.26			2 917.26	(472.84)	923.44	2 466.66
United Republic of Tanzania	1 362 551.42	1 209 873.56		2 572 424.98	1 024 759.41	12 608.84	1 535 056.73
United States of America		1 727 260.33	1 256 093.54	2 983 353.87	2 656 606.74	1 280.27	325 466.86
Vanuatu	11 554.53			11 554.53	8 005.04		3 549.49
Yemen	55 873.80	80 130.46		136 004.26	60 993.37	4 817.91	70 192.98
Zaire	87 312.53			87 312.53	64 278.68		23 033.85
Zambia	162 253.28	185 381.65		347 634.93	303 129.24	7 612.07	36 893.62
	<u>21 281 221.48</u>	<u>19 689 353.11</u>	<u>1 304 849.19</u>	<u>42 275 423.78</u>	<u>20 942 519.09</u>	<u>95 677.02</u>	<u>21 237 227.67</u>
UNITED NATIONS SYSTEM							
ECWA		14 872.84		14 872.84	13 932.75		940.09
FAO, Rome	275.86			275.86			275.86
UNARDGL	19 134.06	560 000.00		579 134.06	451 399.80	7 374.53	120 359.73

SCHEDULE 9 (concluded)

Donors	Balances at 1 January 1985	Funds		Total funds available	Expenditure	Funds/returned transferred	Balances at 31 December 1985
		Received	Advanced/ pledged				
UNCDF, New York	159 868.52			159 868.52	59 632.19		100 236.33
UNDP, New York	120 064.28	240 575.45		360 639.73	237 387.02	2 329.13	120 923.58
UNFPA, New York	1 235 494.79	541 102.91	1 102 279.09	2 878 876.79	2 324 190.47		554 686.32
UNHCR, Geneva	65 044.88	44 871.80		109 916.68	60 759.20	7 418.93	41 738.55
United Nations Office for Emergency Operations in Africa		1 976 581.56		1 976 581.56	778 823.89	12 000.00	1 185 757.67
WHO, Geneva	27 662.27	130 075.06		157 737.33	152 569.44	503.19	4 664.70
World Bank	52 595.76		41 413.38	94 009.14	94 009.14		
World Food Programme		<u>2 892 302.87</u>		<u>2 892 302.87</u>	<u>2 576 126.51</u>		<u>316 176.36</u>
	1 680 140.42	6 400 382.49	1 143 692.47	9 224 215.38	6 748 830.41	29 625.78	2 445 759.19
Others	<u>482 235.10</u>	<u>1 406 005.21</u>	<u>23 574.72</u>	<u>1 911 815.03</u>	<u>654 995.40</u>	<u>77 450.22</u>	<u>1 179 369.41</u>
Grand total	<u>23 443 597.00</u>	<u>27 495 740.81</u>	<u>2 472 116.38</u>	<u>53 411 454.19</u>	<u>28 346 344.90</u>	<u>202 753.02</u>	<u>24 862 356.27</u>

## SCHEDULE 10

## CAPITAL ASSETS AS AT 31 DECEMBER 1985

(United States dollars)

	Acquisition costs	Amortization (cumulative)	Balance
<u>UNICEF office buildings</u>			
Dar es Salaam, United Republic of Tanzania	181 038.70	144 830.96	36 207.74
Harare, Zimbabwe	394 847.05	71 790.38	323 056.67
New Delhi, India	1 812 847.63	454 200.00	1 358 647.63
Niamey, Niger	247 397.31	40 000.00	207 397.31
Port-au-Prince, Haiti	176 969.66	-	176 969.66
Sana'a, Yemen	268 276.56	157 417.55	110 859.01
Santiago, Chile	32 142.85	32 142.85	-
Subtotal	<u>3 113 519.76</u>	<u>900 381.74</u>	<u>2 213 138.02</u>
<u>Houses for UNICEF staff</u>			
Lagos, Nigeria	65 205.61	1 773.85	63 431.76
Harare, Zimbabwe (5 units)	212 106.46	101 292.80	110 813.66
Kampala, Uganda	250 000.00	33 695.62	216 304.39
Jakarta, Indonesia (2 units)	226 407.23	106 678.67	119 728.56
Juba, Sudan	21 617.06	21 471.02	146.94
Brasilia, Brazil	146 476.57	58 165.61	88 310.96
Subtotal	<u>921 813.83</u>	<u>323 077.56</u>	<u>598 736.27</u>
<u>Computer equipment</u>	<u>1 029 945.80</u>	<u>1 013 521.12</u>	<u>16 424.68</u>
<u>Greeting Card Operation</u>			
Machinery	264 741.16	-	264 741.16
Office equipment	67 350.20	-	67 350.20
	<u>332 091.36</u>	<u>-</u>	<u>332 091.36</u>
Total	<u>5 397 370.75</u>	<u>2 236 980.42</u>	<u>3 160 390.33</u>

## VI. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Accounts

1. The accounts are maintained in accordance with the Financial Regulations of the United Nations, with such modifications as required by the nature of the work of UNICEF.
2. The financial period is the calendar year. Consistent year-end cut-off procedures are in effect.
3. Except as may otherwise be required by the terms of special accounts, income, expenditures, assets and liabilities are recorded on the accrual basis of accounting, whereby receivables and payables are established at year-end for closure purposes.
4. The accounting unit is the United States dollar. The equivalent in United States dollars of other currencies is established on the basis of the United Nations operational rates of exchange. Differences between the valuation of the currencies when entered into the accounts and when actual transactions are made are accounted for as gains or losses on exchange transactions.
5. Periodically, assets and liabilities in currencies other than United States dollars are valued for accounting purposes at the prevailing United Nations operational rates of exchange. Any variance in valuation due to fluctuation of those rates is accounted for as income or loss and shown separately in the statement of income and expenditure.
6. The financial report and accounts reflect UNICEF income, expenditure, assets and liabilities, including those of the Greeting Card Operation. The principles of consolidation reflect the accounting policies outlined in this summary.
7. The net income of the Greeting Card Operation at the end of its campaign on 30 April each year is reflected as part of UNICEF income. The expenditures incurred and income earned during the ongoing campaign are included in the UNICEF asset and liability accounts respectively as "advances" and "income received in advance". Before consolidation, the estimates of sales based on goods delivered to consignees and the corresponding costs, receivables and inventory accounts are adjusted to reflect the value of goods not yet reported as sold by consignees.

### Income and expenditures

8. Income consists of general resources and supplementary funds. General resources include funds from voluntary annual contributions of Governments, the net income from the Greeting Card Operation, proceeds of unearmarked funds contributed by the public and certain general income. Supplementary funds are those contributed to UNICEF by Governments, intergovernmental organizations, non-governmental organizations and United Nations agencies for specific purposes and that are earmarked for UNICEF programmes "noted" by the UNICEF Executive Board and for emergencies, and then become part of UNICEF commitments. If specific terms and conditions are established by donors, separate accounts are maintained for purposes of reporting and financial management.

9. Income is recorded on the basis of funds or pledges received for the current year. Pledges for purposes specified by donors and received for future years are considered as deferred income and recorded as "pledged and received in advance" (statement II).

10. Donations-in-kind, which are recorded as memorandum entries in the books of account, are not part of the income of UNICEF.

11. Expenditures are recorded when funds are disbursed or when the liability of UNICEF is recognized. Except for machinery and equipment for the Greeting Card Operation, buildings and electronic data-processing equipment that are depreciated over their useful life and other non-expendable properties are charged against the relevant budget accounts in the year on the date of purchase.

12. The statement of income and expenditure (statement I) does not include funds received and expenditures made from trust funds, which are reflected in schedule 9. Those transactions that do not require commitments by the Executive Board are considered as trust funds.

#### Assets and liabilities

13. All funds received are deposited into UNICEF bank accounts, including those on trust fund arrangements, and reflected as cash holdings.

14. All outstanding pledges for contributions are recorded as receivables (see para. 9).

15. Buildings purchased for office accommodation and staff housing, electronic data-processing equipment as well as machinery for use in greeting card production are considered capital assets. They are valued at cost less amortization or depreciation in accordance with the following principles:

(a) Office buildings are amortized by annual charges to the budget for amounts estimated to be equivalent to their annual rents, while buildings for staff housing are amortized by the rental income earned from the occupants;

(b) Machinery and equipment for the production of greeting cards is depreciated over its estimated useful period;

(c) The cost of electronic data-processing equipment is amortized by annual charges to the budget over a period of five years from the date of acquisition.

16. The UNICEF Procurement and Assembly Centre's stock of programme supplies is shown at average cost. Goods in transit into the Centre are valued at actual cost. Freight paid for supplies to the Centre's warehouse is considered part of the cost of supplies. The aggregate total represents the Centre's inventory, the value of which is adjusted by the accumulated variance between average and actual cost.

17. The Greeting Card Operation stock of raw material is valued at cost. Products in process and finished goods are valued at standard costs. The aggregate total represents the Greeting Card Operation inventory, the value of which is adjusted by the accumulated variances to reflect actual costs.

18. At year-end, goods shipped to consignee for the current campaign are considered part of the inventory and are adjusted to actual cost.

19. Contractual obligations contingent upon delivery of supplies and equipment ordered against unfulfilled programme commitments are recorded as memorandum entries in the books of account except as may be otherwise agreed with donors of supplementary funds. The total outstanding contingent liability at year-end is disclosed in the notes to the financial statements. The same accounting treatment is given to contractual obligation for delivery of raw material to the Greeting Card Operation and electronic data-processing equipment.

20. No provision is made for staff entitlements for repatriation, etc., in future years, or to meet contingencies under appendix D of the United Nations Staff Rules, as funds are provided in the budget appropriations as required.

21. A reserve for insurance of \$200,000 was established in November 1950 to absorb losses of UNICEF programme supplies and equipment not covered by commercial insurance. The reserve is restored to its authorized limit by a transfer from income.



ANNEX I

Statistics and other data

This annex comprises tables giving statistical and other data concerning UNICEF activities, which, although not forming part of the financial statements, are provided for information purposes.

Tables

A. Status of funds from the United Nations system

1. Status of funds from the United Nations system related to Board commitments as at 31 December 1985.

B. UNICEF expenditures

2. Expenditures for co-operation by programme in 1985 and 1984.
3. Summary of expenditures in 1985 (by region and type of programme).

C. UNICEF commitments

4. Summary of commitments approved by the Executive Board at its 1985 session, by region and main field of co-operation.
5. Commitments entering into effect during 1985 between Board sessions corresponding to specific contributions received or pledged during 1985, and adjustments and transfers.
6. Total commitments approved in 1985 (summary by region and type of programme).

A. STATUS OF FUNDS FROM THE UNITED NATIONS SYSTEM

Table 1

Status of funds from the United Nations system related to Board commitments as at 31 December 1985

(United States dollars)

	Opening balance	Received	Advanced	Total	Expenditures	returned/ transferred	Balance
Office of the United Nations Disaster Relief Co-ordinator	355 650.54	-	-	355 650.54	170 934.86	-	184 715.68
Office of United Nations High Commissioner for Refugees	490 467.19	471 785.43	-	962 252.62	1 133 994.24	-	(171 741.62)
United Nations Capital Development Fund	273 636.10	2 195 000.00	-	2 468 636.10	3 455 643.45	-	(987 007.35)
United Nations Development Programme	170 749.17	60 918.93	-	231 668.10	205 216.32	-	26 451.78
United Nations Fund for Population Activities	58 753.96	157 568.04	-	216 322.00	236 692.56	-	(20 370.56)
United Nations Secretary-General appeals	53 195.43	-	-	53 195.43	35 092.02	-	18 103.41
United Nations African Emergency Trust Fund	-	198 000.00	-	198 000.00	38 566.61	-	159 433.39
Office of the Special Representative of the Secretary-General Kampuchea	-	-	-	-	406.59	-	(406.59)
<b>Total</b>	<b>1 402 452.39</b>	<b>3 078 272.40</b>	<b>-</b>	<b>4 480 724.79</b>	<b>6 278 546.97</b>	<b>-</b>	<b>(792 822.18)</b>

## B. UNICEF EXPENDITURES

Table 2

Expenditures for co-operation by programme 1985 and 1984

(Thousands of United States dollars)

	1985		1984		Increase (decrease)	
	Amount	Percentage of total	Amount	Percentage of total	Amount	Percentage
Child health	82 328	29.6	63 548	26.0	18 780	29.5
Child nutrition	16 642	5.9	20 112	8.2	(3 470)	17.3
Water supply/sanitation	58 526	21.0	68 057	27.9	(9 531)	(14.0)
Social welfare services for children	14 458	5.2	15 732	6.4	(1 274)	(8.1)
Formal education	20 887	7.5	19 862	8.1	1 025	5.2
Non-formal education	11 497	4.1	10 645	4.4	852	8.0
Emergency relief	35 441	12.7	15 795	6.5	19 646	124.3
General <u>a/</u>	<u>38 798</u>	<u>14.0</u>	<u>30 598</u>	<u>12.5</u>	<u>8 200</u>	26.8
Subtotal programme aid	278 577	100.0	244 349	100.0	34 228	14.0
Programme support services	<u>66 354</u>		<u>59 514</u>		<u>6 840</u>	11.5
Total assistance	<u>344 931</u>		<u>303 863</u>		<u>41 068</u>	13.5

a/ This aid cannot be broken down into the above categories.

Table 3

## Summary of expenditures in 1985 (by region and type of programme)

(Thousands of United States dollars)

	Africa (excluding North Africa)	Americas	East Asia and Pakistan	South Central Asia	Middle East and North Africa	Inter- regional	Total	Percentage
Child health	25 833	5 973	16 733	10 547	8 446	14 796	82 328	36
Child nutrition	3 021	1 028	4 465	2 406	126	5 596	16 642	6
Water supply/sanitation	19 683	2 381	15 370	13 028	7 271	193	58 526	21
Social welfare services for children	1 863	2 123	4 355	4 696	1 255	166	14 458	5
Formal education	3 740	919	12 011	2 028	2 114	75	20 887	7
Non-formal education	3 877	2 174	2 667	1 893	808	78	11 497	4
Emergency relief	27 442	565	481	14	2 927	4 012	35 441	13
General a/	<u>9 655</u>	<u>3 648</u>	<u>7 747</u>	<u>8 275</u>	<u>3 092</u>	<u>6 381</u>	<u>38 798</u>	<u>14</u>
Subtotal programme aid	95 114	19 411	63 829	42 887	26 039	31 297	278 577	100
Programme support services							<u>66 354</u>	
Total assistance							344 931	
Administrative services							<u>44 879</u>	
TOTAL EXPENDITURE							<u><u>389 810</u></u>	

a/ This aid cannot be broken down into the above categories.

## C. UNICEF COMMITMENTS

Table 4

Summary of commitments approved by the Executive Board at its 1985 session, by region and main field of co-operation

(Thousands of United States dollars)

	Africa (excluding North Africa)	Americas	East Asia and Pakistan	South Central Asia	Middle East and North Africa	Inter- regional	Total	Percentage
Child survival <sup>a/</sup>	13 510	1 338	11 894	15 777	1 301	18 000	61 820	21
Child health	14 211	1 531	4 467	7 906	1 288	0	29 403	10
Child nutrition	990	379	7 635	2 744	55	0	11 803	4
Water supply/sanitation	9 117	126	9 018	26 413	1 263	0	45 937	15
Social welfare services for children	1 974	424	523	51 741	0	0	54 662	18
Formal education	4 305	555	1 076	16 751	892	0	25 579	9
Non-formal education	4 015	202	492	7 515	203	0	12 427	4
General <sup>b/</sup>	<u>18 251</u>	<u>366</u>	<u>11 323</u>	<u>9 590</u>	<u>573</u>	<u>18 025</u>	<u>58 128</u>	<u>19</u>
Subtotal programme aid	66 373	4 921	46 428	140 437	5 575	36 025	299 759	100
Deficits (over-expenditure)		13			45		58	
Emergency reserve fund <sup>c/</sup>	-	-	-	-	-	3 263	3 263	
Total assistance	66 373	4 934	46 428	140 437	5 620	39 288	303 080	
Savings (cancellations)	(26)	-	-	-	-	-	(26)	
Net increase in programme commitment	66 347	4 934	46 428	140 437	5 620	39 288	302 054	
Budget							<u>252 550</u>	
Total commitments							<u>555 604</u>	

<sup>a/</sup> Child survival refers specifically to growth monitoring, oral rehydration, breast-feeding, immunization, feeding, family spacing and female literacy.

<sup>b/</sup> This amount cannot be broken down into the above categories.

<sup>c/</sup> The emergency reserve fund is automatically replenished at the start of each calendar year by an amount corresponding to the disbursements authorized by the Executive Director during the previous year (E/ICEF/670/Rev.3, para. 190 (b)).

Table 5

Commitments entering into effect during 1985 between Board sessions corresponding to specific contributions received or pledged during 1985, and adjustments and transfers

(Thousands of United States dollars)

	Africa (excluding North Africa)	Americas	East Asia and Pakistan	South Central Asia	Middle East and North Africa	Inter- regional	Total	Percentage
Child survival	4 403	2 474	499	2 260	6 418	(3 920) a/	12 139	8
Child health	6 943	4 663	2 685	362	341	-	14 994	10
Child nutrition	6 706	526	3 845	1 100	300	(494)	11 983	8
Water supply/sanitation	5 923	1 820	7 134	24 391	-	-	39 268	26
Social welfare services for children	1 790	3 565	7 684	202	400	-	13 641	9
Formal education	394	847	279	715	-	-	2 235	2
Non-formal education	211	758	100	170	103	-	1 342	1
Emergency relief	38 469	1 247	1 676	-	12 464	(1 960) c/	51 896	35
General b/	-	567	-	-	119	694	1 380	1
Total programme commitments	64 844	16 467	23 902	29 300	20 145	(5 680)	148 878	100
Cancellation of savings in budget commitments							(8 134)	
Total commitments							<u>140 744</u>	

a/ Funds authorized from the Infant Mortality Reduction Reserve Fund during 1985 were distributed by regions.

b/ This amount cannot be broken down into the above categories.

c/ Funds authorized from the Executive Director's emergency reserve fund during 1985 were distributed by regions.

Table 6

## Total commitments approved in 1985 (summary by region and type of programme)

(Thousands of United States dollars)

	Africa (excluding North Africa)	Americas	East Asia and Pakistan	South Central Asia	Middle East and Africa	Inter- regional	Total	Percentage
Child survival	17 918	3 812	12 393	18 037	7 719	14 080	73 959	16
Child health	21 154	6 194	7 152	8 268	1 629	-	44 397	10
Child nutrition	7 696	905	11 480	3 844	355	(494)	23 786	6
Water supply/sanitation	15 040	1 946	16 152	50 804	1 263	-	85 205	19
Social welfare services for children	3 764	3 989	8 207	11 943	400	-	68 303	15
Formal education	4 699	1 402	1 355	19 466	892	-	27 814	6
Non-formal education	4 226	960	592	7 685	306	-	13 769	3
Emergency relief	38 469	1 247	1 676	-	12 464	1 303	55 159	12
General a/	<u>18 251</u>	<u>933</u>	<u>11 323</u>	<u>9 590</u>	<u>692</u>	<u>18 719</u>	<u>59 508</u>	<u>13</u>
Subtotal programme aid	131 217	21 388	70 330	169 637	25 720	33 608	451 900	100
Deficits (over-expenditure)	-	<u>13</u>	-	-	<u>45</u>	-	<u>58</u>	
Total programme assistance	131 217	21 401	70 330	169 637	25 765	33 608	451 958	
Savings (cancellations)	<u>(26)</u>	-	-	-	-	-	<u>(26)</u>	
Net increase in programme commitments	131 191	21 401	70 330	169 637	25 765	33 608 b/	451 932	
Budget							<u>244 416</u>	
Total commitments							<u>696 348</u>	

a/ This amount cannot be broken down into the above categories.

b/ The amount of new commitments of \$62.9 million shown in statement V for general assistance is distributed to assisted countries in each region.

## ANNEX II

### Glossary of selected UNICEF terminology used in the report

#### ACCOUNTS, AUDITED

The organization's financial statements for a specified period or at a specified date audited by the External Auditors (United Nations Board of Auditors).

#### ACCRUAL SYSTEM OF ACCOUNTING

To record income or expenditures in the accounting period to which they relate, notwithstanding that the receipt or payment of funds may take place in a different accounting period.

#### BUDGET

A plan in financial terms for carrying out proposed activities in a specified time. The term "budget" is used to refer to UNICEF administrative and programme support costs as well as to the Greeting Card Operation. However, the Executive Board approves an appropriation of funds only for UNICEF administrative and programme support costs.

##### Budget estimates

Estimates of the costs of proposed administrative and programme support activities prepared for submission to the UNICEF Executive Board for the approval of relevant appropriations.

##### Budget estimates, revised

Resulting from the Executive Board's approval of "supplementary estimates" proposed to adjust an approved budget.

##### Budget commitments

The total appropriation of funds approved by the Executive Board for UNICEF administrative and programme support costs, against which obligations may be incurred for those purposes up to the amount so approved.

#### CASH HOLDINGS

The aggregation of all the organization's funds, including coins, bank notes, cheques, balances in current and call accounts, saving accounts and interest-bearing deposits.

##### Cash-in-transit

Cash transfers between one or more UNICEF bank accounts at a specified time.



### Cash in current bank accounts

The aggregate of money maintained in UNICEF bank accounts, as reflected in UNICEF's books of account, to sustain operational requirements.

### Cash in interest-bearing deposits

Funds temporarily available, over those needed for immediate requirement, held in short-term interest-bearing deposits and ready to be drawn down when needed.

### Cash-on-hand

(Also called "petty cash")

Cash kept on hand by authorized officers as a convenience for making small payments on behalf of the organization.

## COMMITMENTS FOR PROGRAMME CO-OPERATION

The total appropriation of funds approved by the Executive Board for UNICEF co-operation in country programmes or regional projects for periods from one to five years.

### Commitments made at the Board session

Programme and budget commitments recommended by the Executive Director that are submitted for approval to the Board at its annual sessions.

### Commitments made between Board sessions

Programme commitments related to projects "noted" at the annual Board sessions, subsequently entering into effect on receipt of funds or firm pledges of specific-purpose contributions earmarked for those "noted" projects. Also programme commitments from general resources approved by "mail poll".

### Commitments, savings and deficits

Commitments for programme co-operation are expressed in terms of the unit of accounts (United States dollars). They reflect estimated cost of supplies, services and local costs. Actual expenditures usually differ from estimated costs, thus creating savings or deficits that are submitted yearly to the Board to authorize either a "reduction of outstanding commitments (savings) or new commitments to cover over-expenditures on approved programmes".

### Commitments, unspent balance

Programme commitments have no annual expiry date; they may continue during the plan of operation. At the time a new recommendation is prepared for presentation to the Board, unspent balances of previous commitments may be deducted from the new amount requested or may also be reprogrammed. In some cases, the unspent balance may be cancelled for reasons preventing the continuation of the programme.

## CONTRIBUTIONS, VOLUNTARY

Contributions to UNICEF that are offered and accepted without reference to a scale of assessment determined by any United Nations legislative body.

## CONTRIBUTIONS RECEIVABLE

Contributions pledged to UNICEF but not received until a future time.

## CURRENCIES OF "RESTRICTED USE" FOR UNICEF

Currencies, the use of which (mainly in respect of transferability and convertibility) is limited because of foreign exchange regulations or donor's wish. When those limitations do not exist, the currencies are considered by UNICEF as "unrestricted".

## MARKED

To give expression to a restriction imposed by agreement, or by administrative action, on the use of an account or of an equivalent amount of assets.

## EQUIPMENT, NON-EXPENDABLE

Equipment with a serviceable life of more than one accounting period for which inventory records are maintained.

## EXPENDITURES

The payment of cash or the incurring of a liability for the purpose of discharging approved commitments. In the case of commitments for programme co-operation, non-cash expenditures, which are recorded on an accrual basis, reflect the actual UNICEF input delivered during the period in the form of supplies, equipment, and/or services. In the case of budget commitments, expenditures reflect obligations incurred during the financial year.

## FINANCIAL PERIODS

The operating period of the organization, which is the calendar year, and is covered by the financial statements.

## FINANCIAL REGULATIONS

UNICEF follows the financial regulations and rules of the United Nations with such adjustments and substitutions as are required by the nature of its work, and are within the authority given to the Executive Director by the General Assembly resolution establishing UNICEF and by the Secretary-General.

## FUNDS-IN-TRUST

Funds accepted by UNICEF mainly to cover the costs of reimbursable procurement of supplies and services undertaken by UNICEF on behalf of others. They also include financing provided by sponsors to cover the costs of Junior Professional Officers. These funds are not considered UNICEF income. Therefore, for accounting and reporting purposes they are separately recorded and distinguished from funds that are part of income and are spent for commitments approved by the Board.

## INCOME

Money or firm pledges received or accrued during a financial period that increases the resources of UNICEF for implementation of approved commitments.

UNICEF income is recorded on the basis of funds or pledges received for the current year. It comprises funds classified as "general resources" and "supplementary funds".

### Income, deferred

Funds received or pledges recorded as receivable, attributable to future financial periods and, therefore, not credited to the income account of the period reported on.

### Income, general resources

Unearmarked income that includes funds from voluntary annual contributions of Governments, the net income from the Greeting Card Operation, funds contributed by the public and certain "other (or miscellaneous) income".

### Income, other

Also referred to as "miscellaneous income" for general resources.

Income other than the value of the voluntary contributions and the net income of the Greeting Card Operation.

Includes some non-monetary items resulting from the arithmetical difference between balances of accounts (e.g. staff assessment).

### Income, supplementary funds

Earmarked income for programmes "noted" by the UNICEF Executive Board that then becomes part of UNICEF programme commitments.

Consists of funds contributed to UNICEF by Governments, non-governmental organizations and the United Nations agencies for specific purposes.

## INVENTORY

The value of supplies and equipment for programmes owned by the organization, as well as the Greeting Card Operation materials, at the end of an accounting or financial period.

## LIQUIDITY REQUIREMENT

UNICEF has a liquidity requirement to cover temporary imbalances between funds received and spent as well as to absorb differences between income and expenditure estimates.

## LIQUIDITY PROVISION

The liquidity requirement is covered by a liquidity provision of cash held at the end of each year, comprising general resources and half of the balance of supplementary funds.

## LOCAL CURRENCY

The currency of the country or area in which the local financial records of an activity are kept and/or in which its local financial transactions take place.

## MAURICE PATE MEMORIAL FUND

(To honour the first Executive Director of UNICEF)

Established by the Executive Board in 1966 to strengthen regional training facilities in fields benefiting children.

To the initial credit from the Nobel Peace Prize Award, earmarked donations and interest earned have been added. Funds available have been allocated, with the Board's approval, to various projects in various countries.

## "NOTED" PROJECTS

Programme recommendations are often prepared going beyond the input available from general resources. These extensions are for "noting" by the Board as suitable for funding from supplementary contributions made by donors for "specific purposes". When a supplementary contribution is made for a "noted" project, the corresponding commitment enters into effect (usually between Board sessions).

## OBLIGATION

A financial engagement involving a liability against the resources of the current financial period.

## PLEDGE

A written commitment by a prospective donor to make a voluntary contribution to UNICEF. A written commitment that is subject to the need to secure an appropriate national legislative approval is considered a pledge.

## RATES OF EXCHANGE

The UNICEF accounts are maintained in United States dollars. Transactions in other currencies are converted for recording into United States dollars at the United Nations operational rates of exchange.

## REIMBURSABLE PROCUREMENT

UNICEF assists Governments, United Nations agencies and non-governmental organizations working in the fields of benefit to children, by undertaking, on request and on a reimbursable basis, procurement of goods and services. A small handling charge is added by UNICEF to the cost of the supplies and services to cover the costs of extra administration and documentation (see funds-in-trust).

## RESERVE FOR INSURANCE

A reserve of \$200,000 was established by the Executive Board in November 1950 when UNICEF adopted a policy of self-insurance. Transfers of funds are made from the reserve to replace lost supplies. The reserve is then restored

annually to the level of \$200,000 by transfer from UNICEF income (other income).

#### SCHEDULE

Explanatory or supporting analyses accompanying financial statements.

#### STAFF ASSESSMENT

A deduction from the gross salary of a staff member of an amount in lieu of income tax.

Funds required to refund taxes levied on staff members are drawn from the staff assessment accounts. The net balance of this account is, at the end of the financial period, credited to UNICEF income.

#### UNENCUMBERED BALANCE

That portion of the budget commitments that has not been expended at the end of the budget period. This unspent balance is cancelled at the end of the budget period and reported to the Executive Board (see commitments, unspent balance).

#### WRITE-OFF

An adjustment to the accounts in order to record the loss of or reduction in the value of an asset.

**PART TWO**  
**GREETING CARD OPERATION**

## FOREWORD

1. In 1984, 181 artists from 72 countries volunteered their designs as contributions to UNICEF cards and calendars.
2. Their artwork, some of it already internationally known and some of it seen for the first time beyond national boundaries, helped the Greeting Card Operation to furnish UNICEF with a sizeable source of income and created the opportunity for millions of people around the world to make a direct contribution to a unique United Nations activity.
3. As in past years, the national committees for UNICEF and other groups acting as volunteers were the main sales agents.
4. On behalf of UNICEF, I again wish to record our highest appreciation for the devoted efforts of the many thousands of artists, museum staff, collectors, volunteer sales agents and members of the general public who have contributed to the success of this enterprise.

(Signed) James P. GRANT  
Executive Director  
United Nations Children's Fund

## I. FINANCIAL REPORT FOR THE 1984 SEASON

### Introduction

1. In order to reverse the downward trend in sales volume and net income that began in the early 1980s, the Executive Board approved a three-year interregional sales development programme at its 1984 session in Rome. This programme was designed to strengthen the Greeting Card Operation field sales organization in areas of currently unrealized sales volume potential to enable the Greeting Card Operation to reach its future income targets.
2. Since the 1984 sales campaign was already in progress at the time of the Board approval of the interregional sales development programme, the programme had no impact on sales or income in 1984. However, new sales and marketing structures, together with specific action plans, were established in several important markets during the year (see E/ICEF/1985/AB/L.6).
3. Expenditures for the implementation of the interregional sales development programme are borne by the Greeting Card Operation and these additional investments are reflected in increased marketing sales expenditures for 1984. A special analysis of the interregional sales development programme, including provisional results of the 1985 campaign, together with future projections, will be presented to the Executive Board at its 1986 session.

### Summary of the results of the 1984 season

#### Overall performance

4. Despite the highest sales revenues so far achieved, Greeting Card Operation net income to UNICEF in 1984 (\$10.1 million) was \$4.7 million less than in 1983. The main reasons for this shortfall in profits were: (a) lower net operating profits due to higher production costs and increased marketing/sales expenses (the operating profit variance was \$1.7 million); and (b) exchange rate losses caused by a revaluation of assets and liabilities and other adjustments, both of which were outside Greeting Card Operation operational control and which further diminished its income by \$3 million.

#### Sales

5. Total sales were 111.2 million cards in 1984 or 1.4 million cards less than 1983. All regions except North America showed increases over 1983. The increases were as follows: Europe (2.7 million); Central and South America (0.3 million); Africa (0.2 million); Eastern Mediterranean (0.2 million); Asia (1 million); and South-West Pacific (0.1 million).



6. The shortfall in units in North America was due to a major error in the United States National Committee's inventory reporting that was discovered during a systems review initiated by the Greeting Card Operation. The reduction in reported unit sales was approximately 5.9 million cards. This adjustment only influenced unit sales. Proceeds from 1984 were not affected.

7. A detailed country-by-country analysis of card sales for 1984 compared with 1983 can be found in the schedule.

#### Gross proceeds

8. Gross proceeds were \$48.5 million or \$0.4 million higher than in 1983. This was due to higher sales in major markets, excluding North America, plus overall price increases in 1984 (see the schedule and note 3 to the financial statements).

#### Net operating profit

9. Net operating profit in 1984 was \$15.2 million, or \$1.7 million lower than in 1983. This was due primarily to higher production costs and increases in marketing/sales expenditures in connection with launching the interregional sales development programme, which was approved by the Executive Board in 1984.

#### Exchange rate losses

10. Exchange rate losses originating from the revaluation of assets and liabilities caused by the strength of the United States dollar amounted to \$4.2 million in 1984, compared with \$0.6 million in 1983. These figures do not include the dollar effect on revenues and expenditures.

#### Net profit

11. Net profit was \$10.1 million in 1984, \$4.7 million lower than in 1983. This was caused by a weaker operational performance due to higher production and marketing costs (\$1.7 million) and exchange rate losses and other adjustments outside Greeting Card Operation operational control (\$3 million).

#### Financial statements for the year ended 30 April 1985

12. The three financial statements that follow are supported by the notes to the financial statements, which along with the schedule are considered an integral part of the financial report.

## STATEMENT I

## Comparative statement of income and expenditure for the season ended 30 April 1985

(United States dollars)

	Notes	1984 season: 1 May 1984-30 April 1985		1983 season: 1 May 1983-30 April 1984			Variance	
							Increase/(decrease)	
Deliveries	1		62 824 632.97		64 384 130.53		(1 559 497.56)	
Less: Returns	2		<u>14 355 118.55</u>		<u>16 285 604.99</u>		<u>1 929 486.44</u>	
Gross sales proceeds	3		48 468 514.42		48 098 525.54		369 988.88	
Less: Commissions	4	11	600 606.94		12 210 708.82		610 101.88	
Duties and taxes	5		<u>426 489.82</u>	<u>14 027 096.76</u>	<u>36 441 417.66</u>	<u>12 904 597.84</u>	<u>35 193 927.70</u>	<u>267 399.20</u>
							<u>1 489.96</u>	
Less: Cost of goods delivered	6		<u>10 631 628.76</u>		<u>9 157 281.60</u>		<u>(1 474 347.16)</u>	
Gross profit on sales	7		25 809 788.90		26 036 646.10		(226 857.20)	
Less: Other expenses								
Operations	8		3 606 902.77		3 255 003.06			
Marketing and sales	9		6 538 465.29		4 485 925.16			
Art and design			429 572.13		507 524.94			
Administration			<u>3 750 200.77</u>	<u>14 319 140.96</u>	<u>4 016 846.58</u>	<u>12 265 299.74</u>	<u>(2 053 841.22)</u>	
				<u>11 490 647.94</u>		<u>13 771 346.36</u>	<u>(2 280 698.42)</u>	
Add: Other income	10		<u>3 670 717.87</u>		<u>3 097 088.41</u>		<u>573 629.46</u>	
Net operating profit	11		15 161 365.81		16 868 434.77		(1 707 068.96)	
Less: Exchange rate losses	12		4 204 675.58		633 353.78			
Prior year adjustments	13		898 426.25		-			
Effect of accounting change			-		<u>1 467 000.00</u>			
			<u>5 103 101.83</u>		<u>2 100 353.78</u>		<u>(3 002 748.05)</u>	
NET PROFIT			<u>10 058 263.98</u>		<u>14 768 080.99</u>		<u>(4 709 817.01)</u>	

(Signed) Karin LOKHAUG  
Comptroller(Signed) James P. GRAFT  
Executive Director

## STATEMENT II

Comparative statement of assets and liabilities as at 30 April 1985

(United States dollars)

	<u>Notes</u>	<u>1984 season</u>		<u>1983 season</u>		<u>Increase/(decrease)</u>	
<b><u>Assets</u></b>							
Cash on hand		209 156.88		117 100.42		92 056.46	
Accounts receivable	14	23 156 620.39		24 787 865.35		(1 631 244.96)	
Inventory	15	9 208 183.20		9 762 305.34		(554 122.14)	
Prepaid expenses		31 688.52		17 370.96		14 317.56	
Capital assets	16	<u>381 239.44</u>	32 986 888.43	<u>454 961.56</u>	35 139 603.63	<u>(73 722.12)</u>	(2 152 715.20)
<b><u>Liabilities</u></b>							
Accounts payable	17	1 803 333.58		1 664 849.35		138 484.23	
UNICEF inter-office account		<u>21 125 290.77</u>	<u>22 928 624.35</u>	<u>18 706 673.29</u>	<u>20 371 522.64</u>	<u>2 418 617.48</u>	<u>(2 557 101.71)</u>
Excess of assets over liabilities			<u>10 058 264.08</u>		<u>14 768 080.99</u>		<u>(4 709 816.91)</u>

(Signed) Karin LOKHAUG  
Comptroller

(Signed) James P. GRANT  
Executive Director

## STATEMENT III

Comparative statement of the 1984 work plan and the actual results for the season ended 30 April 1985

	<u>A c t u a l</u>		<u>Budget</u>	<u>Variance</u>
	At actual exchange rate	At budgeted exchange rate	Low projection	At actual rate vs. budget
Number of cards sold (millions)	111.2	111.2	120.0	(8.8)
(Millions of United States dollars)				
Deliveries	62.8	77.7	74.1	(11.3)
Less: Returns	<u>14.4</u>	<u>17.1</u>	<u>14.8</u>	<u>0.4</u>
Gross sale proceeds	48.4	60.6	59.3	(10.9)
Less: Commissions	11.6	14.3	14.8	3.2
Duties and taxes	<u>0.4</u>	<u>0.5</u>	<u>1.1</u>	<u>0.7</u>
	36.4	45.8	43.4	(7.0)
Less: Cost of goods delivered	<u>10.6</u>	<u>10.5</u>	<u>10.5</u>	<u>0.9</u>
Gross profit on sales	25.8	35.3	32.9	(6.1)
Less: Other expenses				
Operations	3.6	4.6	4.1	0.5
Marketing and sales	6.6	7.9	7.9	1.3
Art and design	0.4	0.4	0.6	0.2
Administration	<u>3.7</u>	<u>3.9</u>	<u>3.7</u>	<u>-</u>
	11.5	16.5	16.6	(4.1)
Add: Other income	<u>3.7</u>	<u>4.6</u>	<u>3.2</u>	<u>0.5</u>
Net operating profit	15.2	23.1	19.8	(4.6)
Less: Exchange rate losses	4.2	4.2	-	(4.2)
Prior year adjustments	<u>0.9</u>	<u>0.9</u>	<u>-</u>	<u>(0.9)</u>
Net profit	<u>10.1</u>	<u>18.0</u>	<u>19.8</u>	<u>(9.7)</u>
Net profit as a percentage of gross sale proceeds	21%	30%	33%	

(Signed) Karin LOKBAUG  
Comptroller(Signed) James P. GRANT  
Executive Director

## Notes to the financial statements

### Statement I (income and expenditure)

1. Deliveries. This represents the sales value of Greeting Card Operation products (cards, calendars, stationery, educational material, etc.) shipped during the year to national committees, Greeting Card Operation sales and field offices and other consignees. The decrease in deliveries of \$1.56 million (2.4 per cent) compared with 1983 is attributable to control measures designed to improve the delivery to sales ratio.
2. Returns. These figures represent the value of Greeting Card Operation products shipped during the year but not sold. The year 1984 shows an improvement over 1983 of \$1.93 million or 11.9 per cent. In addition, returns as a percentage of deliveries were down from 25.3 per cent in 1983 to 22.8 per cent in 1984. This positive development is due primarily to measures taken to improve forecasting and ordering techniques.
3. Gross sale proceeds. These figures represent the total sales value of all Greeting Card Operation products 1/ sold during the year. Gross sale proceeds were \$0.37 million higher in 1984 than in 1983 despite a lower volume of card sales (111.2 million cards in 1984 versus 112.6 million cards in 1983). The increase in proceeds is due to price increases in various markets during 1984 and the improved sales performance of other products, including shopping bags. As a percentage of deliveries, there is an improvement from 74.7 per cent in 1983 to 77.2 per cent in 1984.
4. Commissions. This represents the amount of commissions and direct sales expenses paid to national committees and other sales organizations during the year. The year 1984 shows a reduction of \$0.61 million in this area compared with 1983. As a percentage of sales proceeds, there is an improvement from 25.4 per cent in 1983 to 23.9 per cent in 1984.
5. Duties and taxes. These figures represent the duties and taxes levied on Greeting Card Operation products in several countries. The reduction in 1984 compared with 1983 is due to a major donor's decision to exempt the Greeting Card Operation from these charges. UNICEF continues its efforts to obtain duty and tax exemptions in all of its markets. As a percentage of sale proceeds, duties and taxes dropped from 1.4 per cent in 1983 to 0.9 per cent in 1984.
6. Cost of goods delivered. This represents the cost of producing goods delivered during the year and includes direct production costs, such as raw materials and labour, and indirect costs, such as production supplies and services, freight, storage, etc. The increase of \$1.475 million (16.1 per cent) over 1983 was caused by substantial increases in the cost of raw materials (19 per cent) and labour costs (12 per cent).

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1/ These products, expressed in thousands of United States dollars, are: cards (\$39,184); calendars (\$3,010); stationery (\$1,769); educational material (\$1,653); and other products (\$2,853).

7. Gross profit on sales. This represents the profit generated from sales net of production costs. The reduction of \$0.227 million for 1984 over 1983 was caused primarily by higher production costs.

8. Operations. The increase in operations costs of \$0.346 million (10.6 per cent) was caused by the start up costs for two new production centres (Brazil and Canada) implemented in 1984 and the annualized impact of 1983 hourly wage rate increases.

9. Marketing and sales. Major reasons for the \$2.052 million increase over 1983 include: (a) the introduction and implementation of the interregional sales development programme (\$0.320 million); (b) the hiring of the related support staff (\$0.440 million); (c) increased cost of brochures (\$0.415 million) and publicity material (\$0.572 million) to be utilized in the new marketing efforts under the interregional sales development programme; (d) the transfer of the Design Unit from the Art Section (\$0.120 million); and (e) the cost of the Marketing Section office renovations.

10. Other income. This represents revenues from Greeting Card Operation special programmes, including stamp and coin sales (\$1.713 million), donations generated by the Greeting Card Operation brochures (\$0.457 million), staff assessment income (\$0.883 million), discounts from suppliers (\$0.081 million) and other (\$0.536 million).

11. Net operating profit. This represents the net income generated by the Greeting Card Operation, which is not influenced by exchange rate losses and other non-operational financial adjustments. The year 1984 shows a negative variance of \$1.7 million over 1983 due primarily to higher expenditures in production and marketing in 1984. The net operating profit is 31.2 per cent of sales proceeds in 1984 compared with 35.1 per cent in 1983.

12. Exchange rate losses. The exchange loss of \$4.205 million for 1984 represents the loss of assets and liabilities held in currencies other than the United States dollar when converted at the United Nations rate of exchange as at 30 April 1985 as required by the financial regulations of the United Nations. This expense is outside the Greeting Card Operation's control. Statement III provides details on the effect of exchange rate losses.

13. Prior year adjustment. It is Greeting Card Operation policy to write off unsold inventory produced in a given year and not carried forward to the following campaign year. During 1984, the Greeting Card Operation wrote off inventory worth \$0.889 million, most of which was from 1983 or prior years and should have been written off at that time.

#### Statement II (assets and liabilities)

14. Accounts receivable. This includes amounts due from national committees and other consignees for 1984 sales in addition to royalties and miscellaneous receivables. The amount due from national committees on 30 April 1985 was \$22.072 million compared with a 30 April 1984 balance of \$23.877 million. Agreements with most national committees provide for payment of these balances by 31 August of the calendar year. The balance as at 30 April 1985 was at a normal level. As at 31 October 1985, the balance was \$9.9 million.

15. Inventory. Raw materials, products in process, products in transit and finished products are stated at standard cost, and the inventory at consignees is at selling prices. The year-end inventory includes cards manufactured during the year for the 1985 campaign.

	<u>1984</u>	<u>1983</u>
	(United States dollars)	
Valuation of:		
Raw materials	2 728 464	2 371 826
Products in process, finished products and products in transit	4 925 069	5 607 990
Inventory at consignees	<u>1 554 650</u>	<u>1 782 489</u>
	<u>9 208 183</u>	<u>9 762 305</u>

16. Capital assets. The following is a summary of capital assets as at 30 April 1985 and 30 April 1984.

	<u>1984</u>	<u>1983</u>
	(United States dollars)	
Production machinery	427 659	427 659
Telephone system	<u>88 397</u>	<u>88 397</u>
Subtotal	516 056	516 056
Accumulated depreciation	<u>134 816</u>	<u>61 094</u>
Book value 30 April 1985	<u>381 240</u>	<u>454 962</u>

Capital assets are stated at cost less accumulated depreciation, which is computed using the straight line method over the estimated useful lives of the assets.

17. Accounts payable. This represents amounts owed by the Greeting Card Operation as at 30 April 1985 but not paid as at that date. Of this, \$0.748 million was owing to outside suppliers (\$0.824 million as at 30 April 1984) and the balance was for accrued salaries and expenses for Greeting Card Operation offices at Geneva and Copenhagen and in New York.

Statement III (1984 work plan and the actual results for the season)

18. This statement compares the actual performance of the Greeting Card Operation at actual rates with (a) the actual performance at budgeted rates, and (b) the budget. The major reason for the variances is that the budget is based on exchange rates prevailing at the time of its preparation, in this case October 1983, and the actual performance is at actual exchange rates. Column two highlights the impact of the exchange rate variances on Greeting Card Operation revenues and expenditures for 1984, which reduced the net profit from \$18.0 million to \$10.1 million.

SCHEDULE

Gross proceeds for all products and numbers of cards sold, by area and by major selling country, 1984 season compared with 1983

(Thousands of United States dollars)

	1984 season				1983 season				Percentage increase (decrease) 1984 gross No. of cards sold 1984 over 1983				
	Thousands of cards sold	Total gross proceeds \$/	Percentage of total proceeds of 62,825	Gross proceeds as percentage of total sales of 62,825	Gross proceeds (1,000 population)	Cards sold per 1,000 population	Thousands of cards sold	Total gross proceeds \$/		Percentage of total proceeds of 64,384	Gross proceeds as percentage of total sales of 64,384	Gross proceeds (1,000 population)	Cards sold per 1,000 population
<b>EUROPE</b>													
Germany, Federal Republic of	13 195	6 974	14.4	11.1	114.16	216	7 703	16.0	11.9	125.66	207	207	-9.5
France	11 958	5 037	10.4	8.0	91.67	218	5 631	11.7	8.8	104.47	213	213	-10.5
Switzerland	4 279	2 555	5.3	4.1	396.62	664	2 860	6.0	4.5	457.11	659	659	-11.3
Netherlands	4 007	1 899	3.9	3.0	131.00	278	1 907	4.0	2.9	134.32	257	257	-0.9
Spain	6 422	1 220	2.5	1.9	31.91	168	1 218	2.5	1.9	32.23	163	163	0.2
Finland	2 556	1 351	2.8	2.2	276.00	522	1 367	2.9	2.1	289.05	505	505	-2.6
Sweden	2 625	1 181	2.4	1.9	141.56	315	1 267	2.6	1.9	152.64	349	349	-6.8
Italy	4 003	1 254	1.9	2.0	91.99	70	1 267	2.7	2.0	22.49	66	66	-2.6
Belgium	2 036	906	1.6	1.4	21.95	207	1 267	2.2	1.6	105.60	213	213	-13.3
Norway	1 983	864	1.8	1.4	208.70	479	1 045	2.0	1.5	240.42	456	456	-12.4
Poland	1 440	240	0.5	0.4	6.46	39	262	0.5	0.4	7.46	29	29	-39.1
Danmark	2 006	866	1.8	1.4	169.83	392	891	1.9	1.5	174.69	365	365	-2.6
United Kingdom of Great Britain and Northern Ireland	2 326	825	1.7	1.3	14.63	41	914	1.9	1.5	25.97	70	70	-9.7
Austria	1 350	600	1.2	1.0	79.45	179	1 329	1.4	1.0	90.00	177	177	-11.1
Bulgaria	1 939	1 038	4.0	3.1	216.38	116	1 025	1.6	1.3	85.75	115	115	154.1
Yugoslavia	3 336	1 677	1.4	1.1	29.29	144	1 440	0.8	0.8	24.31	168	168	-12.0
Greece	1 569	456	0.9	0.7	46.08	159	547	0.8	0.6	39.34	118	118	19.1
Czechoslovakia	1 623	514	1.1	0.8	33.20	40	393	0.5	0.4	0.00	0	0	127.4
Turkey	1 118	149	0.3	0.3	3.09	23	140	0.3	0.2	0.00	0	0	6.4
Luxembourg	206	100	0.2	0.2	273.22	563	125	0.3	0.2	312.54	369	369	-20.0
German Democratic Republic	382	87	0.2	0.1	5.22	23	103	0.2	0.1	0.00	0	0	-15.5
Other countries	1 451	1 247	2.6	2.0			1 153	2.4	1.8	0.00	0	0	8.2
<b>Subtotal Europe</b>	<b>69 909</b>	<b>30 933</b>	<b>63.6</b>	<b>49.2</b>			<b>31 493</b>	<b>65.5</b>	<b>48.9</b>				<b>-1.8</b>
<b>NORTH AMERICA</b>													
United States of America	12 656	6 137	12.7	9.8	25.93	53	7 080	14.7	11.0	31.25	82	82	-13.3
Canada	6 012	2 554	5.3	4.1	101.55	239	2 511	5.2	3.9	104.21	250	250	1.7
<b>Subtotal North America</b>	<b>18 668</b>	<b>8 691</b>	<b>17.9</b>	<b>13.8</b>			<b>9 591</b>	<b>19.9</b>	<b>14.9</b>				<b>-9.4</b>
<b>CENTRAL AND SOUTH AMERICA</b>													
Brazil	6 216	1 025	2.1	1.6	7.73	47	793	1.6	1.4	6.68	50	50	29.3
Colombia	824	356	0.7	0.6	12.69	29	324	0.7	0.5	14.37	35	35	10.5
Peru	479	133	0.3	0.2	6.75	24	153	0.3	0.2	0.00	0	0	-13.1
Chile	337	103	0.2	0.2	8.55	28	126	0.3	0.2	14.14	42	42	-18.3
Mexico	331	171	0.4	0.3	2.18	4	158	0.3	0.2	0.00	0	0	8.2
Argentina	658	213	0.4	0.3	7.08	22	81	0.2	0.1	0.00	0	0	163.0
Uruguay	283	59	0.1	0.1	23.08	95	66	0.1	0.1	23.60	108	108	4.5
Other countries	729	466	1.0	0.7			714	1.5	1.1	0.00	0	0	-34.7
<b>Subtotal Central and South America</b>	<b>9 857</b>	<b>2 538</b>	<b>5.2</b>	<b>4.0</b>			<b>2 415</b>	<b>5.0</b>	<b>3.8</b>				<b>5.1</b>
<b>Overall Total</b>	<b>108 776</b>	<b>49 566</b>	<b>100.0</b>	<b>77.0</b>			<b>53 493</b>	<b>100.0</b>	<b>72.7</b>				<b>3.6</b>



	1984 season						1983 season						Percentage increase (decrease) 1984 gross proceeds over 1983	Percentage increase (decrease) No. of cards sold 1984 over 1983
	Thousands of cards sold	Total gross proceeds a/	Percentage of total proceeds	Gross proceeds as percentage of total sales of 62,825	Gross proceeds (1,000 population)	Cards sold per 1,000 population	Thousands of cards sold	Total gross proceeds a/	Percentage of total proceeds	Gross proceeds as percentage of total sales of 64,384	Gross proceeds (1,000 population)	Cards sold per 1,000 population		
AFRICA	1 868	1 368	2.8	2.2			1 670	957	2.0	1.5			42.9	11.9
EASTERN MEDITERRANEAN	853	1 312	2.7	2.1			667	566	2.2	0.9			131.8	27.9
ASIA														
India	3 989	921	1.9	1.8	1.26	8	3 486	813	1.7	1.3			13.3	14.4
Japan	1 537	994	2.1	1.6	8.28	13	993	625	1.3	0.9			59.0	54.8
Other countries	1 620	604	1.2	1.0			4 575	557	2.2	0.8			8.4	2.9
Subtotal Asia	7 146	2 519	5.2	4.0			6 054	1 995	4.2	3.0	0.00	0	26.3	18.0
SOUTH-WEST PACIFIC														
Australia	2 259	946	2.0	1.5	60.86	145	2 215	894	1.8	1.4	61.36	152	5.8	2.0
New Zealand	620	159	0.3	0.3	46.16	188	595	186	0.4	0.3	56.41	187	-14.5	4.2
Other countries	20	3	.0	.0			16	2	.0	.0			50.0	25.0
Subtotal South-West Pacific	2 899	1 108	2.3	1.8			2 826	1 082	2.2	1.7			2.4	2.6
Total	111 200	48 469	100.0	77.1			112 559	48 099	100.00	74.7			0.6	-1.2

a/ Includes sale proceeds for card (\$39,184), calendars (\$3,010), stationery (\$1,769), educational material (\$1,653) and other products (\$2,853).

b/ Includes income from greeting card and donation card contributions of \$569.

## II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. The accounts are maintained in accordance with the Financial Regulations of the United Nations, with such modifications as required by the specific nature of the Greeting Card Operation, taking into consideration the commercial nature of its operation. In the UNICEF accounts, assets and liabilities relating to the Greeting Card Operation are consolidated at the closure of the UNICEF accounts. At the end of the Greeting Card Operation fiscal year on 30 April 1985, the net of the assets less the outstanding liabilities is reflected in the inter-office accounts as the amount due to UNICEF.
2. The financial period is 1 May to 30 April. Consistent year-end cut-off procedures are in effect, in order for UNICEF to incorporate Greeting Card Operation accounts in its financial statements.
3. The accounting unit is the United States dollar. The equivalent in United States dollars of other currencies is established on the basis of the United Nations operational rates of exchange. For managerial purposes, the accounts are maintained at the budgeted rate established at the time the work plan is prepared (in October, six months before the financial period begins). For financial reporting, however, these figures are adjusted to actual figures at the United Nations operational rate of exchange in order to arrive at the net spendable income. Differences between the valuation of the currencies when entered into the accounts and when actual transactions are made are accounted for as gains or losses on exchange transactions.
4. Periodically, assets and liabilities in currencies other than United States dollars are valued for accounting purposes at the prevailing United Nations operational rates of exchange. Any variance in valuation due to fluctuation of those rates is accounted for as income or loss and shown separately in the statement of income and expenditure.
5. Inventory of raw materials, products in process, finished products and products in transit are valued at standard cost and appear as such on the statement of assets and liabilities. It is Greeting Card Operation policy to write off all finished unsold products from the current campaign year that are not carried forward to the following campaign year.
6. Deliveries are valued at sales price and costs of goods delivered at standard cost are charged as operational expenses of the financial year.
7. Returns represent value of goods delivered but not sold, including losses.
8. Greeting Card Operation gross proceeds are recorded in United States dollars at the United Nations exchange rates in effect at the end of the campaign for sales reported by national committees and other sales outlets. (Actual cash collection is recorded in United States dollars at the United Nations rate in effect at the time remittances are received, usually at the end of August.)
9. Purchases and other expenses incurred by the Greeting Card Operation are recorded in United States dollars at the United Nations exchange rate in effect at the time of each transaction. Expenditures are charged to the year of incurrence rather than absorbed in the year to which they belong.
10. Capital assets (machinery and equipment) at a cost of \$100,000 or more are capitalized and depreciated over their estimated useful life.

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