



GENERAL ASSEMBLY

ORIGINAL: ENGLISH

Fourth session

UNITED NATIONS INTERNATIONAL CHILDREN'S EMERGENCY FUND:
FINANCIAL REPORT AND ACCOUNTS FOR THE FINANCIAL YEAR
ENDED 31 DECEMBER 1948, AND REPORT OF THE BOARD OF AUDITORS

Report of the Secretary-General

1. The General Assembly, on 11 December 1946, adopted resolution 57 (I), section 6 of which provides that the Secretary-General shall submit to the General Assembly an annual audit of the accounts of the International Children's Emergency Fund.
2. The audit of the accounts of the Fund for the year ended 31 December 1948 was carried out by the Board of Auditors of the United Nations. The financial report and statements of the Fund and the report of the Board of Auditors are submitted to the General Assembly herewith as annexes to this document.
3. These reports were submitted to the Committee on Administrative Budget of the Fund which reported thereon to the Executive Board of the Fund.* In approving the report of the Committee on Administrative Budget, the Executive Board approved the 1948 financial report of the Fund and made the following comment with regard to the report of the Board of Auditors:
"In this connexion the Board noted that the Committee had reviewed the report of the Board of Auditors and felt satisfied with the action taken by the Administration in clarifying and remedying the points raised by the Auditors."
4. The report of the Board of Auditors on the accounts of the Fund has also been submitted to the Advisory Committee on Administrative and Budgetary Questions which will submit to the General Assembly any observations which it has to make on the report.

* E/ICEF/120

ANNEX I

FINANCIAL REPORT FOR THE SECOND FINANCIAL
PERIOD, ENDED 31 DECEMBER 1948

1. The accounts of the United Nations International Children's Emergency Fund for the second financial period, which ended on 31 December 1948, are presented herewith, including, in accordance with the provisions of the rules of procedure of the Fund*, the following statements:

1. Statement of assets and liabilities
2. Statement of income and expenditure
3. Statement of obligations incurred - Operational services
4. Statement of obligations incurred - Administrative costs
5. Schedule "A" - Contributions from Governments
6. Schedule "B" - UNICEF share in UNAC campaigns
7. Schedule "C" - Contributions from UNRRA
8. Schedule "D" - Supplies distributed.

Statement of assets and liabilities

2. The statement of assets and liabilities shows funds with banks and the United Nations totalling \$26,406,605.93. In order to lessen the risk of exchange losses, the Administration decided, after clearance with the United Nations, that currencies subject to exchange control, transferred from UNRRA or received through the UNAC campaign would be entered on the books at the nominal value of \$1 and remain thus recorded until expended for supplies or services. Funds with banks and the United Nations represent a value of \$33,529,266.98 if current rates of exchange quoted by the International Monetary Fund are applied to all currencies. Investments under the control of the United Nations were short-term US Treasury Bills and Certificates extended from month to month.

Relief operations

3. Funds expended on relief operations from the inception of UNICEF (December 1946) to 31 December 1948 amount to \$63,575,170.48. Of this amount

* E/ICEF/60, rule 21.

\$28,295,639.68 is the value of "supplies distributed" (released from regional warehouses) as shown in the statement of income and expenditure. The assets side of the balance sheet shows an amount of \$33,271,375.63 representing the value of further goods purchased. Of this latter amount \$23,141,841.63 had actually been shipped to receiving countries as of 31 December 1948. In addition, \$2,008,155.17 represents the participation of UNICEF in special relief programmes (Don suisse, BCG Vaccination Campaign against Tuberculosis, French Training Programme). For comparative purposes it may be noted that the same report as of 31 December 1947 showed the value of "supplies distributed" as \$427,413.14 and a further \$18,931,180.19 committed (deposits with suppliers and goods shipped).

Contributions

4. Contributions entered on UNICEF books as of 31 December 1948 totalled \$90,721,820.88 (the unexpended portion of UNRRA and UNAC contributions in currencies subject to exchange control, shown at a nominal value). If current rates of exchange quoted by the International Monetary Fund were applied to all contributions, the total of contributions received as of 31 December 1948 would represent the value of \$97,844,481.93.

Administrative and operational services expenditures

5. Administrative and operational services expenditures from the inception of the Fund to 31 December 1948, were under 2 per cent of funds actually transferred to UNICEF. It is already clear that this ratio will increase in 1949, owing to the geographical expansion of the activities of the Fund (South-East Asia, Middle East, Latin America) and the addition of new programmes (milk conservation, anti-malaria, anti-VD, etc.). The Administration, as heretofore, will make every effort to keep all administrative expenditures at the lowest possible figure consonant with sound operations.

(Signed) Maurice PATE
Executive Director

May 1949

/ASSETS

UNITED NATIONS INTERNATIONAL CHILDREN'S EMERGENCY FUND
STATEMENT OF ASSETS AND LIABILITIES AS AT 31 DECEMBER 1948
(expressed in U. S. dollar equivalent)

ASSETS

Cash on Hand and at Banks (including deposits against irrevocable letters of credit totalling \$1,066,376.12)	\$ 3,412,995.76
Cash and Investments under control of United Nations	22,993,609.17
Other Investments (£1,000,000/- United Kingdom Treasury Bills, subject to Foreign Exchange restrictions) at nominal value	1.00
Deposits with Suppliers, in connection with commodity purchase contracts entered into, or to be entered into:	
Canadian Commercial Corporation, Ottawa, Canada	\$ 464,191.02
Commodity Credit Corporation (United States Department of Agriculture), Washington, D.C.	2,947,074.12
Department of Commerce and Industries, Union of South Africa	384,027.72
Department of Foreign Affairs, Dominican Republic	81,041.58
Department of Industries and Commerce, New Zealand	1,100,853.35
Department of Supply and Development, Australia	4,659,556.49
Ministry of Social Affairs, Iceland	441,367.94
Other Suppliers	<u>4,433.67</u>
	10,082,545.89
Deposits with Governments for trans-shipment of commodities	46,988.11
Commodities in Transit	5,916,427.16
Inventories of Commodities in Warehouses Overseas (available for relief distribution on behalf of the Fund by Governments acting as its trustees)	17,225,414.47
Advances to other agencies, for special relief programmes	86,806.61
Salary and travelling advances to staff members	38,942.41
Marine Insurance Claims pending	<u>192,623.13</u>
	<u>\$ 59,996,353.71</u>

NOTE: There is a contingent liability totalling \$11,886,170.48 in respect of outstanding commodity contracts.

CERTIFIED CORRECT:

(Sgd) S. Sroka
Comptroller

LIABILITIES

Unliquidated Obligations:	
Commodity purchases	\$ 938,405.09
Freight, Insurance, etc.	369,957.74
Special relief programmes	6,544.61
Operational Services	8,456.61
Administrative Costs	<u>146,708.64</u>
	\$ 1,470,072.69
Principal of Fund, per Statement of Income and Expenditure	<u>58,526,281.02</u>
	<u>\$ 59,996,353.71</u>

APPROVED:

(Sgd) Maurice Pate
Director

AUDIT CERTIFICATE

The above Statement of Assets and Liabilities has been examined in accordance with our directions. We have obtained all the information and explanations that we have required, and we certify, as a result of the audit, that, in our opinion, the above statement is correct, subject to the observations in our report.

(Signed) Watson SELLAR, Canada

(Signed) Agustin ALJURE, Colombia

UNITED NATIONS INTERNATIONAL CHILDREN'S EMERGENCY FUND
STATEMENT OF INCOME AND EXPENDITURE FOR THE PERIOD FROM INCEPTION
TO 31 DECEMBER 1948

INCOME

	1947	1948	Total
Contributions from Governments (Schedule "A")	\$ 20,169,916.24	\$ 40,873,088.62	\$ 61,045,004.86
Contributions from UNAC (Schedule "B")		5,803,841.84	5,803,841.84
Contributions from UNRRA (Schedule "C")	11,100,000.00	12,170,792.03	23,270,792.03
U. S. Emergency Food Collection	550,000.00	(63,850.05)	486,149.95
Private Contributions	16,080.46	97,951.74	114,032.20
Income from Investments	11,210.37	98,257.08	99,477.45
Total Income	31,847,207.07	58,974,091.26	90,821,298.33

EXPENDITURE

Supplies distributed (Schedule "D")	427,413.14	27,868,226.54	28,295,639.68
Losses in transit		93,930.25	93,930.25
Losses within recipient countries		64,176.88	64,176.88
	<u>427,413.14</u>	<u>28,026,333.67</u>	<u>28,453,746.81</u>
Participation in special relief Programmes			
Don Suisse		888,758.38	888,758.38
French Training Programme		142,945.64	142,945.64
International Tuberculosis Campaign		884,994.02	884,994.02
B.C.G. (Laboratory)		4,650.52	4,650.52
		<u>1,921,348.56</u>	<u>1,921,348.56</u>
Operational Services (see Statement of 1948: Obligations Incurred)		61,917.39	61,917.39
Administrative Costs (See Statement of 1948: Obligations Incurred)	387,827.59	(8,444.39)	379,383.20
	<u>387,827.59</u>	<u>1,452,825.12</u>	<u>1,452,825.12</u>
		<u>1,444,380.73</u>	<u>1,832,208.32</u>
Difference in exchange due to devaluation of blocked French francs (Contribution of the French Government)		25,796.23	25,796.23
Total Expenditure	815,240.73	31,479,776.58	32,295,017.31
Excess of Income over Expenditure (being Principal of Fund, per Statement of Assets and Liabilities)	\$ 31,032,966.34	\$ 27,494,314.68	\$ 58,526,281.02

CERTIFIED CORRECT:

(Sgd) S. Sroka
Comptroller

APPROVED:

(Sgd) Maurice Pate
Director

AUDIT CERTIFICATE

The above accounts have been examined in accordance with our directions. We have obtained all the information and explanations that we have required, and we certify, as the result of the audit, that, in our opinion, the above accounts are correct, subject to the observations in our report.

(Sgd) Watson Sellar, Canada

(Sgd) Agustin Aljure, Colombia

(Sgd) Uno Brunskog, Sweden

UNITED NATIONS INTERNATIONAL CHILDREN'S EMERGENCY FUND
STATEMENT OF OBLIGATIONS INCURRED - OPERATIONAL SERVICES
FOR THE YEAR ENDED 31 DECEMBER 1948

I T E M	O B L I G A T I O N S I N C U R R E D		
	Liquidated by Disbursements	Unliquidated	Total
HEADQUARTERS			
Milk programme, Anti-VD programme, survey trips	\$ 5,905.23		\$ 5,905.23
Far East and China survey trips	28,229.04		28,229.04
South American survey (FAO)	4,894.76		4,894.76
Milk conservation programme	370.00		370.00
	<u>39,399.03</u>		<u>39,399.03</u>
PARIS OFFICE			
Milk Conference	2,580.79		2,580.79
BCG Surveys	4,028.38	\$1,222.67	5,251.05
German Surveys	2,326.93	712.50	3,039.43
Anti VD Surveys	525.87		525.87
Milk Surveys	2,121.56	2,486.74	4,608.30
Nutrition and Health Surveys (FAO)	933.86		933.86
Swedish Training Course	1,544.36	4,034.70	5,579.06
	<u>14,061.75</u>	<u>8,456.61</u>	<u>22,518.36</u>
	<u>\$53,460.78</u>	<u>\$8,456.61</u>	<u>\$61,917.39</u>

CERTIFIED CORRECT

APPROVED

(Signed) Stanley SROKA
Comptroller

(Signed) Maurice PATE
Director

AUDIT CERTIFICATE

The above accounts have been examined in accordance with our directions. We have obtained all the information and explanations that we have required, and we certify, as the result of the audit, that, in our opinion, the above accounts are correct, subject to the observations in our report.

(Signed) Watson SELLAR Canada

(Signed) Agustin ALJURE Colombia

(Signed) Uno BRUNSKOG Sweden

/UNITED NATIONS

UNITED NATIONS INTERNATIONAL CHILDREN'S EMERGENCY FUND
STATEMENT OF OBLIGATIONS INCURRED - ADMINISTRATIVE COSTS
FOR THE YEAR ENDED 31 DECEMBER 1948

Account	O B L I G A T I O N S I N C U R R E D		
	Liquidated by Disbursements	Unliquidated	Total
<u>Salaries and Wages</u>			
Established Posts	\$546,797.18	\$ 26,091.74	\$572,888.92
Experts and Consultants	19,309.00	4,290.00	23,599.00
Temporary Assistance	56,183.66	1,801.27	57,984.93
Overtime	25,770.30	1,403.28	27,173.58
	<u>648,060.14</u>	<u>33,586.29</u>	<u>681,646.43</u>
<u>Common Staff Costs</u>			
Travel of Staff Members on Recruitment	24,656.25	7,008.95	31,665.20
Travel of Dependents	14,445.13	3,322.37	18,167.50
Removal of Staff Members' Effects	3,529.84	750.00	4,279.84
Daily Living Allowances, etc.	164,000.54	500.00	164,500.54
Termin. Pay & Commut. of Annual Leave	16,052.66	2,200.00	18,252.66
Reimbursement of National Income Tax	12,777.99	34,913.94	47,691.93
Rental Allowance	6,733.27	200.00	6,933.27
Staff Provident Fund Contributions	807.93	4.00	811.93
Staff Retirement Fund Contributions	48,504.06	1,875.00	50,379.06
Expatriation Allowance	22,560.14	965.00	23,525.14
Children's Allowance	10,364.51	551.63	10,916.14
Education Grants & Related Travel	600.00	1,300.00	1,900.00
Indemnity and Compassionate Payments	178.42		178.42
Health and Welfare	724.01	35.00	759.01
	<u>325,934.75</u>	<u>54,025.89</u>	<u>379,960.64</u>
<u>Other Expenses</u>			
Travel on Official Business	112,264.87	18,264.01	130,528.88
Telephone Services	14,361.95	4,496.91	18,858.86
Telegraph, Cable and Radiogram Services	24,742.22	2,761.54	27,503.76
Postal Services	10,986.92		10,986.92
Photographic Supplies and Services	789.24		789.24
Newspapers and Periodicals	357.45		357.45
Rental of Premises	38,784.73		38,784.73
Maintenance of Premises	5,888.03	1,104.14	6,992.17
Stationery and Office Supplies	13,159.08	710.34	13,869.42
Supplies for Internal Reproduction	2,033.84	215.00	2,248.84
Rental of Office Equipment	192.68	50.00	242.68
Maintenance of Office Equipment	1,831.48	174.99	2,006.47
Printing	5,271.32	638.00	5,909.32
Rental of Transportation Equipment	325.10		325.10
Maintenance of Transportation Equipment	15,056.15	648.93	15,705.08
Freight, Cartage and Express	3,901.44	154.76	4,056.20
Insurance	5,892.69	96.62	5,989.31
External Audit Costs	243.27	2,000.00	2,243.27
Other Supplies and Contractual Services	27,801.31	436.31	28,237.62
Hospitality	3,339.64	781.91	4,121.55
	<u>287,223.41</u>	<u>32,533.46</u>	<u>319,756.87</u>

O B L I G A T I O N S I N C U R R E D

Liquidated by
Disbursements Unliquidated Total

<u>Account</u>			
<u>Permanent Equipment</u>			
Office Furniture and Fixtures	\$ 4,704.30	\$ 1,323.33	\$ 6,027.63
Office Equipment	9,583.65	126.67	9,710.32
Library Books, Periodicals	144.35		144.35
Purchase of Motor Vehicles	27,899.18	25,000.00	52,899.18
Alter. and Improve. to Leased Premises	1,866.70	113.00	1,979.70
Misc. Furniture, Fixtures and Equipment	700.00		700.00
	<u>44,898.13</u>	<u>26,563.00</u>	<u>71,461.18</u>
	<u>\$1,306,116.48</u>	<u>\$146,708.64</u>	<u>\$1,452,825.12</u>

CERTIFIED CORRECT

APPROVED

(Signed) Stanley SROKA
Comptroller

(Signed) Maurice PATE
Director

AUDIT CERTIFICATE

The above accounts have been examined in accordance with our directions. We have obtained all the information and explanations that we have required, and we certify, as the result of the audit, that, in our opinion, the above accounts are correct, subject to the observations in our report.

(Signed) Watson SELLAR Canada
 (Signed) Agustin ALJURE Colombia
 (Signed) Uno BRUNSKOG Sweden

SCHEDULE "A"

UNITED NATIONS INTERNATIONAL CHILDREN'S EMERGENCY FUND

CONTRIBUTIONS FROM GOVERNMENTS

FOR THE PERIOD FROM INCEPTION TO 31 DECEMBER 1948.

Australia	\$ 7,157,280.00
Belgium	5,335.20
Canada	5,200,000.00
Czechoslovakia	800,000.00
Denmark	416,740.00
Dominican Republic	70,000.00
Finland	36,764.70
France	476,473.45
Greece	10,000.00
Iceland	40,281.00
India	30,225.00
Italy	105,923.04
Luxembourg	2,000.00
Netherlands	2,830.19
Newfoundland	100,050.00
New Zealand	810,000.00
Norway	91,208.62
Poland	250,000.00
Switzerland	1,375,317.60
Thailand	85,475.00
Union of South Africa	443,275.00
United Kingdom	403,000.00
United States of America	42,122,404.46
Uruguay	1,000,000.00
Yugoslavia	<u>10,421.60</u>
	\$ 61,045,004.86

/SCHEDULE "B"

SCHEDULE "B"

UNITED NATIONS INTERNATIONAL CHILDREN'S EMERGENCY FUND
 UNICEF SHARE IN UNAC CAMPAIGNS
 FOR THE YEAR ENDED 31 DECEMBER 1948

Australia	EA	465,000/-/-	@ \$3.224		\$ 1,499,160.00
Belgium	B.fr.	3,100,992.90	@ \$0.0228	70,839.43	
	B.fr.	893,007.10	@ nominal value	<u>1.00</u>	70,840.43
Canada					1,010,000.00
Cuba					53,839.60
Dominican Republic					11,041.58
Ecuador					13,110.39
France	F.Fr.	12,000,000	@ nominal value		1.00
Greece	Dr.	44,934,400	@ Dr.10,000 equals \$1.00	4,493.44	
	Dr.	46,266,394	@ nominal value	<u>1.00</u>	4,494.44
Honduras					11,428.00
Iceland					496,770.65
Liechtenstein					2,000.00
Netherlands					26,792.42
New Zealand	ENZ	250,000/-/-	@ \$4.03		1,007,500.00
Sweden	SW.Kr	118,004.59	@ SW.Kr. 3.60 equals \$1.00	32,779.74	
	SW.Kr	381,995.41	@ nominal value	<u>1.00</u>	32,780.04
Switzerland	SW.Fr.	500,000	@ \$0.234		117,000.00
United Kingdom	£	190,964/6/2	@ \$4.03	769,586.13	
	£	86,535/13/10	@ nominal value	<u>1.00</u>	769,587.13
United States of America					558,382.36
Venezuela					15,823.13
Private contributions (including United Nations Secretariat, delegations and specialized agencies)					<u>105,290.67</u>
					<u>\$5,005,841.84</u>

UNITED NATIONS INTERNATIONAL CHILDREN'S EMERGENCY FUND
CONTRIBUTIONS FROM UNITED NATIONS RELIEF AND REHABILITATION ADMINISTRATION
FROM INCEPTION TO 31 DECEMBER 1948

Currency:

Canadian dollars				\$ 2,074,778.61
Danish crowns	D.Kr.	17,492.44 @ 0.20837	3,644.90	
	D.Kr.	38,141.74 @ nominal value	<u>1.00</u>	3,645.90
Italian lire	Lit.	1,204,800.00 @ 575 to \$1.00		2,095.30
Netherlands florins	D.Fl.	35,637.43 @ 2.65 to \$1.00	13,448.08	
	D.Fl.	328,713.56 @ nominal value	<u>1.00</u>	13,449.08
Norwegian crowns	N.Kr.	55,658.26 @ nominal value		1.00
United Kingdom sterling	£	47,114.0.2 @ 4.03	189,869.45	
(Bank of England)	£	11,250.0.0 @ nominal value	1.00	
(U.K. Treasury Bills)	£	998,750.0.0 @ nominal value	1.00	
(Morgan Grenfell & Co.)	£	592,885.19.10 @ nominal value	<u>1.00</u>	189,872.45
United States of America dollars				20,900,000.00
Algerian Francs (19,500) and Moroccan (3,000) exchanged for French Francs 22,275 converted @ 300 to \$1.00				74.25
Proceeds of realization of Marine Claims (assigned to UNICEF on 1 September 1948)				<u>86,875.44</u>
				<u>\$23,270,792.03</u>

/SCHEDULE "D"

SCHEDULE "D"

UNITED NATIONS INTERNATIONAL CHILDREN'S EMERGENCY FUND

STATEMENT OF SUPPLIES DISTRIBUTED

FOR THE PERIOD FROM INCEPTION TO 31 DECEMBER 1948

COUNTRY	
Albania	\$ 137,939.37
Austria	2,316,582.09
Bulgaria	1,441,619.99
China	368,285.88
Czechoslovakia	1,505,959.53
Finland	680,069.44
France	878,394.64
Greece	1,847,814.07
Hungary	917,488.49
Italy	4,635,577.04
Middle East	355,726.67
Poland	7,095,039.84
Roumania	2,623,910.56
Yugoslavia	3,491,232.07
	<u>\$ 28,295,639.68</u>

ANNEX II

Report of the Board of Auditors to the General Assembly
on the audit of the accounts of the
United Nations International Children's Emergency Fund

1. The United Nations International Children's Emergency Fund was created by resolution 57 (I) of the General Assembly, adopted on 11 December 1946. An audit has been made of the 1948 accounts of the Fund by an examination of records and vouchers, to the extent considered necessary, at the New York headquarters of the Fund.
2. Audit certificates have been given, subject to the observations in this report, to the following financial statements submitted by the Executive Director of the Fund:
 - (a) Statement of assets and liabilities as at 31 December 1948;
 - (b) Statement of income and expenditure for the period from inception to 31 December 1948;
 - (c) Statement of obligations incurred (operational services) for the year ended 31 December 1948;
 - (d) Statement of obligations incurred (administrative costs) for the year ended 31 December 1948.
3. In addition to this report, a memorandum is being submitted to the Administrative Budget Committee with respect to various administrative practices and accounting transactions not involving general policy.
4. Resources of the Fund: The income for the year was \$58,974,091.26 and the expenditure was \$31,479,776.58. Thus the excess of income over expenditure was \$27,494,314.68. When the 1947 balance of \$31,031,966.34 is added, a total of \$58,526,281.02 is the sum indicated by the financial statements as available for relief work subsequent to 31 December 1948. Broadly stated, this was represented by:

Cash investments	\$26,406,605.93
Deposits with suppliers	10,082,545.89
Commodity inventories, less unliquidated obligations	21,833,478.80
Miscellaneous net assets	203,650.40
	<u>\$58,526,281.02</u>
5. United Nations financial regulations require that accounts "shall be kept in the currency of the State in which the United Nations has its headquarters"; therefore, financial statements submitted for audit certificates list only those monetary assets which are freely convertible into US dollars. Attention is drawn to the fact that, as of 31 December 1948, the Fund consisted of \$58,526,281.02 (US) as set out

in the Statement of assets and liabilities, plus the following monetary assets in the form of non-convertible currencies which will be recorded as contributions when expended for supplies and services:

Belgian francs	893,007
Danish crowns	30,141
Dutch florins	328,713
French francs	12,000,000
Greek drachmas	46,266,394
Norwegian crowns	55,658
Swedish crowns	381,995
United Kingdom sterling	1,689,420

If these were convertible into US dollars, the collective amount would approximate \$7,123,000. Treasury Bills of the United Kingdom Government to the face value of £1,000,000, held as a temporary investment on 31 December, are included in this amount.

6. Proceeds of the UNAC campaign in Iceland are recorded in Schedule "B" to the Statement of income and expenditure as \$496,770.65; of this amount \$490,310.93 was recorded as on deposit with the Ministry of Social Affairs. Invoices totalling \$48,942.99 were charged against the deposit in 1948, leaving the balance of \$441,367.94, shown in the Statement of assets and liabilities as held on deposit with the Ministry of Social Affairs. Shipments known to have been made, but which were not covered by invoices, continued to be recorded as unliquidated obligations. A cable advice received subsequent to the closing of the books disclosed that approximately \$566,700 was collected by the campaign and that \$562,300 had been expended for supplies to 15 January 1949. The Board is consequently of the opinion that the amount reported as on deposit with the Government of Iceland on 31 December 1948 is over-stated and that unliquidated obligations are likewise over-stated.

7. In the year, Governments contributed \$40,875,088.62, making a total of \$61,045,004.86 contributed by Governments since the inception of the Fund. The particulars are set out in Schedule "A" to the Statement of income and expenditure. The United States of America contributed over \$42,100,000 of the total, that Government having undertaken to pay \$72 for every \$28 contributed by others. The practice is to record contributions as income only when money is actually received, including sums receivable from the United States under the "matching" agreement. In some instances contributions were "in kind", consequently the Board inquired into the procedure followed in computing values to establish the matching contribution by the United States.

8. Throughout the year the United Nations Relief and Rehabilitation Administration progressively made transfers to the Fund, and it is a

provision of General Assembly resolution 241 (III) that all residual net assets will, on final liquidation, be transferred to UNICEF. The amount received in 1948 was \$12,170,792.03, apart from the value of non-convertible currencies not yet expended for supplies and services. These consisted of: 38,141 Danish crowns, 328,713 Dutch florins, 55,658 Norwegian crowns and £1,602,885 (U.K.).

9. UNRRA had a large number of claims receivable under its marine insurance policies. These claims were assigned for the account of UNICEF in September 1948, and were accepted by the United Nations subject to liens for fees and expenses of attorneys to whom they were entrusted for collection. The practice is to credit UNICEF with net proceeds, as realized. Neither the United Nations nor the Fund has carried the estimated realizable value of these claims receivable into their respective financial statements, but the Fund maintains suitable accounting records of the claims.

10. A portion of the proceeds of the 1948 world-wide voluntary United Nations Appeal for Children was paid over to the International Children's Emergency Fund. Schedule "B" to the Statement of income and expenditure shows the income thus derived from this campaign to have been \$5,805,841.84. In addition, there is the value of the following non-convertible currencies not yet expended for supplies and services: 893,007 Belgian francs, 12,000,000 French francs, 46,266,394 Greek drachmas, 381,995 Swedish crowns, and £86,535 (U.K.).

11. Expenditure: The 1948 expenditure, in summarized form was:

Supplies distributed	\$28,026,333.67
Participation in special relief programmes	1,921,348.56
Administrative costs	1,444,380.73
Operational services	61,917.39
Loss on exchange	25,796.23
	<u>\$31,479,776.58</u>

12. The Executive Director may contract with Governments and their corporate agencies without limitation as to amounts. United Nations financial regulations, which require calls for bids, etc., are, however, applicable to contracts entered into with commercial suppliers. In some instances, Governments acting as agents were paid their actual expenses related to transactions. On the other hand, the United States Commodity Credit Corporation added a service charge of 1 per cent to invoices, regardless of cost to the Corporation. The Canadian Commercial Corporation followed a like practice, adding one-half of 1 per cent to invoices. The Government of Australia performed various services,

including handling, etc., and consolidated all such costs into a general charge of 3 1/2 per cent.

13. It is not UNICEF practice to make appropriations for administrative costs on an annual basis; instead, the Executive Board periodically makes decisions as to programmes and fixes total sums therefor. The Executive Director then makes allotment recommendations to the Administrative Budget Committee for review, following which allotments are recommended to the United Nations Bureau of Finance. On these being approved, officers are notified as to sums available for activities under their control. It was observed that the procedure did not materially assist in maintaining effectual financial control. The reason was that commitments and disbursements were often necessarily incurred before allotments were formally approved. Instances were noted where allotments were increased even after 31 December. Although the year-end Statements of obligations incurred do not record any allotment as having been over-spent, the allotment system, as an expenditure control safeguard, could not, and did not, function efficiently because of long delays in fixing and recording budgetary sums. It is the opinion of the Board that it would be in the interests of good administration were the appropriate authorities to review existing procedures and budgetary practices to the end that such changes be made as are necessary to preserve financial control.

14. The classification of accounts divides costs of administration under two headings. The Board is of the opinion that no accounting benefit results from classifying some expenditures as "administrative" and others as "operational", and suggests that in future statements they be consolidated under the heading "administrative".

15. Distribution of supplies: Agreements are in effect with various Governments with respect to the distribution of supplies. It is a condition of these agreements that title remains in UNICEF until actual distribution is made, but as soon as shipments are made into the country of distribution, physical possession is taken by the Government as agent of UNICEF and supplies are stored in warehouses provided by the Government until distributed. The total distribution in the year approximated \$28,000,000 with distributions exceeding \$1,000,000 being made in the following countries:

Poland	\$7,100,000
Italy	4,600,000
Yugoslavia	3,500,000
Roumania	2,600,000
Austria	2,300,000
Greece	1,850,000
Czechoslovakia	1,500,000
Bulgaria	1,450,000

16. Distribution in Romania: Schedule "D" to the Statement of income and expenditure shows distributions in Romania as amounting to \$2,623,910.56. This amount could not be verified to the satisfaction of the Board from either the reports of the UNICEF mission or of the Government. The latter is obligated, by agreement, to furnish the Fund "with such records, reports and information ... as the Fund may find necessary to the discharge of its responsibilities"; nevertheless, only fragmentary reports were produced during the audit and the Board was informed that no others had been received. In the absence of proper reports, the Administration recorded the \$2,623,910.56 amount on the basis of a cable received on 9 April 1949, advising that this sum is the estimated total of supplies distributed out of total shipments of approximately \$5,800,000.

17. Expenditures in China: The agreement with the Government of China provides that:

"The Government will, in agreement with the Fund, make arrangements for and sustain the cost of, expenses incurred in the currency of China, with respect to the housing, subsistence and travel of the officers to be provided by the Fund ... and the establishment, maintaining and equipping of the office to be used for the authorized activities of the officers and office above-mentioned".

In November 1948 that Government failed to provide the necessary funds and, as a result, \$6,066.57 (US) of Fund money were required to be converted into local currency to meet daily living allowances and subsistence expenses of staff. In addition, local currency equivalent to \$7,929.80 (US) was raised and expended for the same purposes, by effecting a sale of rice acquired for relief distribution.

18. Insurance on supplies: In the year, war risk insurance premiums on supplies in transit totalled approximately \$75,000. No claims were made. The Board notes that the rates are currently the subject of discussion. The necessity for this type of coverage is, in the opinion of the Board, a matter which merits consideration. It was also the practice to carry fire insurance on inventories in central and regional warehouses up to \$200,000. The premiums amounted to about \$26,000 in the year. No claims were made. Whenever inventories are held for more than 90 days, or if the value exceeds \$200,000, an uninsured risk exists unless Headquarters receives notification and arranges for additional insurance coverage. One case was noted in the audit where the value of supplies in a particular warehouse exceeded

\$1,000,000 at the year-end without special action having been taken to insure the increased risk. The Board was informed that the practice of insuring was developed on the presumption that, in the event of loss, like commodities could not be procured in the country; therefore, it was expedient to insure in terms of US dollars, and that necessitated Headquarters administration of insurance. The system suffers from the fact that direction is long-range rather than local. If it is expedient to insure goods warehoused in recipient countries, the Board recommends that further consideration be given to present procedures.

19. Incomplete vouchering: English brokers represented the Fund at wool auctions in September and December and made commitments for wool. Payments were made in connexion with three such commitments to a total of \$364,518.11, although no copies of contracts had been received from the Paris Office. The Board was verbally informed that these commitments have recently been converted into pro-forma contracts that were en route to New York.

20. It was also noted that \$80,524.43 had been paid for supplies - ordered mainly through Governments or Governmental agencies - in excess of what was provided for by contracts which were on file at time of audit. Information provided was to the effect that the contracts had been revised upwards, but that copies of the amending contracts had not yet been received from the procurement offices.

21. UNRRA services: UNRRA has provided various services to UNICEF, including transfers of office equipment and supplies and absorbing freight charges, etc. It was agreed in 1947 that no payment would be made by UNICEF; instead, the value would be deducted from the residual assets of UNRRA to be transferred to UNICEF. As at 31 December 1948, an amount of \$36,514.98 was recorded as an unliquidated obligation due to UNRRA. A part of this amount was considered by the Board of Auditors in the examination of the 1947 accounts. It was then pointed out that the amount was in the nature of an advance contribution and, therefore, was improperly classified as an unliquidated obligation. The present Board of Auditors subscribes to the same view.

22. Rental of premises: The General Assembly resolution which regulates the administration of the Fund declares that:

"The United Nations shall make no charge to the Fund on account of staff and facilities, so long as these can be provided from the established services of the Secretariat and within the limits of the United Nations budget. If additional funds are necessary, money for such purpose shall be provided by the Fund".

/The headquarters

The Headquarters of the Fund is located in the Manhattan Building, a structure on the permanent Headquarters site. It was purchased by the United Nations from the City of New York, the cost being a charge to the funds provided for the construction of permanent Headquarters. In the year, UNICEF paid \$33,257.63 to the United Nations as rental for space occupied. Attention is drawn to the payment because of the text above quoted.

23. Ex gratia payments: The United Nations financial regulations apply to UNICEF unless incompatible with the resolution creating the Fund.

In the course of audit the following payments were noted:

\$170.00 paid to reimburse the father of an officer the cost of telephone calls between the United States and Europe subsequent to learning that his son had been in an aeroplane accident.

\$143.00 paid to a staff member by way of reimbursement of 1947 income tax, although in that year the employee did not hold a contract which obligated reimbursement.

\$ 72.68 paid for the purchase and transport of 30 units of streptomycin to replace supplies lost by an officer who had purchased the lost units as a personal transaction.

These are ex gratia in nature and may be permissive charges within the scope of financial regulation 26, which permits the Secretary-General to make "such ex gratia payments as he deems to be necessary in the interests of the United Nations". On the other hand, it is not unreasonable to regard the Fund as the equivalent of a trust. If so regarded, the three payments are open to objection on the ground that they were not necessarily incurred in promoting the aims and purposes of the trust.

24. Office supplies: It was noted that the practice is to issue supplies without requiring requisitions signed by a senior officer. Suitable remedial action should be taken.

25. Furniture and office equipment: Listings of these items as of 31 December 1948 were test-checked from control cards and by physical count. Items purchased during the year were test-checked to the control cards. The listings were found to be correct and the system of control adequate.

26. The Paris Office: The audit indicates a need for fresh consideration being given to phases of accounting procedures and relationships between Headquarters and the Paris Office. No examinations were made of that Office's accounts for the purposes of this report, but the documents

relating to commodity purchases effected through the Paris Office are transmitted to New York and form part of the New York records; therefore these came within the scope of the New York audit. The Board also had notice that an officer of the Internal Audit and Inspection Bureau of the United Nations made an examination of the Paris accounts in March 1949, and a copy of his report was made available to the Board.

27. The Headquarters audit examination was made by staff under the supervision of the representative of Colombia on this Board. The audit was facilitated in every way by officers of the Fund, and full opportunity was afforded to examine records, vouchers and papers; for all of which the members of the Board express their appreciation.

(Signed) Watson SELLAR Canada
(Chairman)

(Signed) Agustin ALJURE Colombia

(Signed) Uno BRUNSKOG Sweden

4 May 1949.
