

**UNITED NATIONS CHILDREN'S FUND**

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**FINANCIAL REPORT**  
**and**  
**AUDITED FINANCIAL STATEMENTS**  
**for the year ended 31 December 1986**  
**and**  
**REPORT OF THE BOARD OF AUDITORS**

**GENERAL ASSEMBLY**

OFFICIAL RECORDS: FORTY-SECOND SESSION

SUPPLEMENT No. 5B (A/42/5/Add.2)



**UNITED NATIONS**

New York, 1987

**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.

[24 July 1987]

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## ABBREVIATIONS

AGFUND	Arab Gulf Programme for the United Nations Development Organizations
EEC	European Economic Community
ESCWA	Economic and Social Commission for Western Asia
FAO	Food and Agriculture Organization of the United Nations
OEOA	United Nations Office for Emergency Operations in Africa
OPEC	Organization of Petroleum Exporting Countries
PAHO	Pan American Health Organization
UNARJOL	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
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
WFP	World Food Programme
WHO	World Health Organization

LETTERS OF TRANSMITTAL

27 February 1987

Sir,

Pursuant to financial regulation 11.4, I have the honour to submit the accounts of the United Nations Children's Fund for the year 1986, which I hereby approve. The financial statements have been prepared and certified correct by the Comptroller.

Copies of these financial statements are also being transmitted to the Advisory Committee on Administrative and Budgetary Questions.

Accept, Sir, the assurances of my highest consideration.

Yours sincerely,

(Signed) James P. GRANT  
Executive Director

The Chairman of the Board of Auditors  
United Nations  
New York, New York

22 June 1987

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 1986, 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  
United Nations Board of Auditors

The President of the General Assembly  
of the United Nations  
New York, N.Y.



**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 1986, comprising six statements supported by 10 schedules.

2. The financial system of UNICEF 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 1986-1990 (E/ICEF/1987/3) compares the actual 1986 figures with those previously planned for 1986 and shows the financial projections for future years. The financial report provides the details of the 1986 financial results of UNICEF activities. Highlights are summarized in the following paragraphs.

Income

3. UNICEF income in 1986 totalled \$463 million. Virtually all Governments of both the industrialized and the developing worlds contributed to UNICEF in 1986. Income comprised \$299 million for general resources and \$164 million for supplementary funds. This included \$32 million of emergency contributions, mostly for the African emergency. According to the traditional breakdown of UNICEF income, 75 per cent (\$348 million) came from Governments and intergovernmental organizations; 19 per cent (\$89 million) from private sources as a result of fund-raising campaigns, greeting card profit and individual donations; less than 1 per cent (\$2 million) from the United Nations system; and 5 per cent (\$24 million) from miscellaneous sources, including exchange rate revaluation of assets and liabilities. Included in the income from private sources was \$8 million from the Sport Aid campaign, \$4 million each for general resources and supplementary funds.

Expenditures

4. UNICEF expenditures in 1986 were \$437 million. This amount consisted of \$185 million for supplies, equipment and freight costs, \$141 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 and other income from the budget, the net costs of programme support at the field level and of administrative services were \$57 million and \$42 million respectively.

Donations-in-kind

5. Donations-in-kind valued by donors at \$14 million were delivered by UNICEF to projects during 1986. Of this total \$4 million was received from the Government of Italy for the programme of immunization and related activities in 18 African countries and seven countries in the Central American isthmus region. 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 in 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 1986, UNICEF received cash or pledges of \$56 million for these funds-in-trust. Disbursements and obligations from them were \$41 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 the supplementary funds 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 1986, the total cash holding (\$126 million) included the UNICEF liquidity provision of \$59 million, which was made up of general resources cash (\$16 million) and half of the balance of the supplementary funds cash (\$86 million).

8. Total cash of \$126 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 \$100 million in interest-bearing time deposit accounts and \$26 million in current bank accounts, many of them also interest-bearing. The total cash holdings of UNICEF included \$13 million in currencies restricted for use in the donor countries for purchases and other local expenditures. This balance was slightly higher than 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 the Fund's possibility of using them over a short term. Problems of accumulation over the usable limits are not expected.

### Programme commitments

9. During 1986, the Executive Board approved new programme commitments totalling \$248 million to programmes for children in 110 countries with which UNICEF co-operates, as well as to regional and interregional projects. This total includes \$85 million in commitments from UNICEF general resources and \$163 million for projects that the Board "noted" as worthy of support and that were financed by pledges of supplementary funds made in 1986.

Prospects for 1986 and future years

10. In November 1986, at the United Nations pledging conference for development activities, 90 Governments announced pledges totalling \$132 million to 1987 UNICEF general resources. Many industrialized and developing countries pledged increases in their national currencies for 1987 compared with 1986. Past experience indicates that additional funds will be pledged in the months ahead, bringing the Governments' pledges for 1987 to UNICEF general resources to an estimated \$247 million, an increase of 5.7 per cent, in real terms, from government pledges in 1986.

11. With expected contributions from non-governmental sources, income from the Greeting Card Operation and supplementary funds, total income for 1987 is projected to total \$448 million. The extraordinary gain in income for 1986 due to movements in exchange rates is not expected to be repeated in 1987. Over the period 1988-1990, 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 10 per cent of income by 1990. Cash balances of supplementary funds are expected to increase slightly. As a result, the liquidity situation will be more than 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 Auditors 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 1986.
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 Thailand and the United Republic of Tanzania.
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 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 the present report where appropriate.

### Summary of recommendations

5. We recommend that the following corrective actions, presented in order of priority, be taken:

(a) Practices regarding programmes funded from supplementary resources, particularly the temporary allocations from general resources, the timing of income recognition, the incurrence of expenditures in excess of commitments, and the disposition of contributions in excess of expenditures, should be reviewed; these practices should be tested for consistency with policies approved by the Executive Board of UNICEF, other stated policies of the Fund and agreements with donors; incorrect practices should be discontinued and/or policies should be reformulated to make them more responsive to the requirements of an effective programme delivery system; and this revised set of policies should be submitted to the Executive Board;

(b) The policies, instructions and practices regarding financial reporting should be reviewed and appropriately revised in order to enhance the transparency of the financial results of operations and the financial position of the Fund, particularly with respect to programme funding and implementation;

(c) The continuing problem created by the divergent accounting systems at UNICEF and the UNICEF Procurement and Assembly Centre (UNIFAC) should be addressed and remedied in order to reduce to an acceptable level the errors in the accounts;

(d) The accounts of UNICEF and the Greeting Card Operation should be separated, and this method of financial reporting should be provided for in the financial rules currently being drafted;

(e) In close co-operation with UNICEF, the Board of Auditors should expand the scope of its audit of the 1986 accounts in order to arrive at mutually acceptable account balances and remove the disclaimer on the 1986 financial statements; this expanded audit will require additional funding; all adjustments made by UNICEF in 1987, up to the commencement of the expanded audit, that appropriately relate to the 1986 and prior years' accounts should be adequately documented in order to facilitate the determination of the propriety of the adjustments;

(f) Accounting and budgetary practices that are not in accordance with the Financial Regulations and Rules should be discontinued.

#### The Administration's response

6. During the audit of the 1986 accounts, it became clear that there was a need to clarify some UNICEF accounting procedures and the corresponding accounting policies. This was particularly true with respect to supplementary funding. Several high-level meetings were held, and it was agreed that, owing to the limited scope of the 1986 audit, the external auditors and the Administration would not be able to come to an agreement regarding certain outstanding issues within the time frame allotted. The Administration agreed that, for accounting reporting purposes, several of the 1986 account balances should be restated. However, further analysis would be necessary in order to establish mutually acceptable account balances. Accordingly, it was agreed that an opinion would not be issued on the 1986 financial statements.

7. In 1976, UNICEF realized income from supplementary resources amounting to \$16.5 million. In 1986, income from this funding source was \$163.8 million, an almost tenfold increase. For any organization, and UNICEF was no exception, this tremendous expansion in the scale of operations would have severely strained organizational and manpower resources. At UNICEF, the choice was made to direct its attention, efforts and resources towards the development and implementation of a viable, effective and responsive programme delivery system. The beneficiary countries' need for assistance was immediate. The cost of postponement would have been incalculable. The findings and recommendations of the Board of Auditors contained in the present report will provide timely and valuable input for the review of programmes funded from supplementary resources, a report on which will be submitted to the Executive Board in 1988.

#### Summary of findings

8. On the basis of a review of 16 pledges of Governments to supplementary resources, we established that the income for 1986 reported under supplementary funds from Governments was overstated by \$25,366,862.40 and the contributions receivable and contributions for following years pledged and received in advance were understated by \$9,247,000.00 and \$34,613,862.40 respectively.

9. On the basis of a limited sample of transactions reviewed, we determined that the reported programme expenditures for 1986 were understated by \$4,508,513.00. Among the related accounts affected by this understatement were the accounts payable, inventory and income accounts.

10. In our opinion, use of the caption "Excess of assets over liabilities" in statement II is misleading because it fails to disclose the restrictions imposed on the use of the reported assets under the agreements signed with donors to supplementary resources.

11. The unspent balance of commitments from supplementary funds of \$251,846,203.96 shown in statement IV is understated by \$17,742,000, an amount representing expenditures made in excess of the commitments raised. As at 31 December 1986, this account should have a balance of \$269,588,203.96. This conclusion is based on our review of an internal management report and a review of a limited sample of transactions. The Administration was unable to supply us with the required breakdown of the unspent balance of commitments from supplementary funds by project based on the accounts. We determined, however, that the management report was based on data extracted from the data base of the Comptroller's system.

12. The total income from contributions received or pledged for the year ended 31 December 1986 of \$416,876,002.61 reported in statement I is net of the \$3,417,272.05 in adjustments and cancellations made during the year. Consequently, the actual total income from contributions received or pledged for 1986 should be \$420,293,274.66. The UNICEF practice of presenting in schedule 1 the actual total income from contributions received or pledged for the year, deducting from that amount the adjustments or cancellations made during the year and forwarding only the net amount to statement I, which is the basic financial statement for reporting the financial results of operations, does not provide adequate disclosure and is tantamount to reporting income net of expenses.

13. The 1986 financial statements fail to disclose the fact that the balance of \$160,074,955.23 for contributions receivable for current and prior years reported in statement II and schedule 4 includes \$27,700,708.47 (17.3 per cent of the total) in pledges for 1982 and 1983.

14. Expenditures in 1985 and 1986 for the celebration of the fortieth anniversary of UNICEF, including two special events (Sport Aid and First Earth Run), charged against the administrative budget, that we have been able to identify so far amount to \$3,410,678.05. Although the plans for the commemoration were discussed and noted at the April 1985 session of the Executive Board, the issue of funding was not raised at that session nor in the 1986 and 1987 sessions. On 31 December 1985, an obligating document was raised for \$2,325,000 to fund the commemoration, contrary to the provisions of financial regulation 4.3. We have been unable to ascertain the full amount of obligations raised and expenditures incurred because no adequate accounting infrastructure was provided for segregating these amounts.

15. At year-end, 116 documents were raised to transfer allotments between budget lines, between categories, between cost centres within a region and between regions. These transfers amounted to \$16,084,506.05 at gross. The Administration informed us that the net transfer from category 1 to category 2 was \$1,291,779, an amount equivalent to only 1.8 per cent of the total allotment for category 1.

16. Purchase orders were utilized in 1985 and 1986 for contracting outside consultancy and expert services. The use of purchase orders instead of special service agreements in effect bypassed the control system associated with the processing of special service agreements.

17. The salaries and allowances of the project manager, consultant and secretary for the UNICEF House project were not charged against the budget that had been approved specifically for the purpose but were taken up as charges against the regular administrative budget.

18. During the past five years, the average implementation rate for programmes funded from general resources was 80 per cent, while the implementation rate for programmes funded from supplementary resources was only 47 per cent. The implementation rate was arrived at by dividing programme expenditures by the planning level. We analysed one country programme and observed that the implementation rate was 144 per cent. In dollar terms, programme expenditures amounted to \$18.92 million and the planning level was only \$13.16 million. The portion of the programme funded from supplementary resources had an implementation rate of 273 per cent. This was possible because of the temporary allocation from general resources.

19. Our review of financial reserves revealed that while the general resources year-end cash balance was only 5.4 per cent of general resources income, the supplementary resources year-end cash balance was a substantial 52.4 per cent of supplementary resources income. As a result of the low implementation rate for programmes funded from supplementary resources, the supplementary resources year-end cash balance was \$86.0 million. In accordance with the UNICEF liquidity policy, half of this amount (\$43.0 million) is made available to support general resources cash requirements.

20. Our review of electronic data-processing applications at UNICEF headquarters, specifically the revised basic assistance list monitoring system and its linkage with the Comptroller's system, revealed that the echelon updating procedures needed to be reviewed and modified. An indication of the deficiencies in the computer programmes is the \$24,583,687.32 balance in the suspense account summary as at 20 April 1987. We emphasized to the Administration the complexity of maintaining a call-forward master file that is updated by two independent sources.

21. Our review of supply operations at UNIPAC at Copenhagen disclosed the following:

(a) The balance of \$3,512,167.68 for UNIPAC supplies in transit reported in schedule 6 of the 1986 financial statements of UNICEF includes \$608,369.78 representing balances carried forward from 1 January 1986, of which \$438,556.02 comprises balances that have been outstanding since 1 January 1985; since it is not likely that supplies could be in transit between suppliers and UNIPAC for two years, the reported balance for supplies in transit includes amounts that should more appropriately be reported as advances to suppliers;

(b) As at year-end, the value of goods that were awaiting laboratory testing or were determined to be unacceptable as a result of inspection was \$1,758,406.75; these goods on hold are not currently available for use in the packaging operations;

(c) No written policies exist concerning the acceptance of deliveries in excess of the quantities ordered; on the basis of an examination of 20 purchase orders, the over-deliveries ranged from 4 to 1,309,000 units and in dollar terms from \$0.48 to \$65,000; this practice adversely affects the Fund's financial and warehouse resources;



(d) Payments for stock replenishment are made before receipt of the quality control report; payments totalling \$201,658.20 for goods found unacceptable have not been recovered for the past six months;

(e) The supplies reported in statement II and schedule 6 were not valued in accordance with the stated accounting policy on the accumulated variance between average and actual costs; owing to transmission problems in early 1986, price variances totalling \$124,686.88 were not recorded in the accounts of UNICEF;

(f) There were 19 cases, involving a total of \$125,160.08, in which, as a result of accounting errors, the inventory account was understated and budgetary expenditures were overstated; our review of the adjustments made in the process of reconciling the UNICEF and UNIPAC packing materials inventory balances revealed that adjustments totalling \$284,820.96 were not appropriate;

(g) Inventory cut-off procedures at year-end were not properly performed, which resulted in a \$2,096,892.14 understatement in inventories and an overstatement in programme expenditures and other accounts;

(h) The validation of data transmitted by UNIPAC to UNICEF should be performed by UNIPAC because the present procedure is inefficient; the option chosen in the design of the payment and budget control system was not logical.

22. Our audit of the operations of one field office disclosed the following:

(a) In our analysis of the annual reports (1982 to 1985) submitted by the Government to UNICEF, we observed that while the quantities of vaccines distributed had increased, the percentages of utilization had declined; government officials informed us that one reason for the higher wastage factor for measles vaccine was the use of the 20-dose vial rather than the 10-dose vial;

(b) Our review of the water supply and sanitation project disclosed that the physical targets had been achieved at an impressive rate without the equipment component of the project but with the Government's equipment instead, which strongly suggested that the assistance should have been rechannelled to other areas since the Government's capacity to implement the project on its own was clearly demonstrated;

(c) Between January 1985 and October 1986, only 14 of the 67 districts scheduled for visits in 1985 and 1986 were actually visited; between January and October 1986, only seven of the 19 field visits made were for project monitoring.

23. Our examination of the accounts of the Greeting Card Operation for its campaign year ended 30 April 1986 and for the UNICEF year ended 31 December 1986 disclosed the following:

(a) In the preparation of the income statement for the campaign year ended 30 April 1986, there were significant reclassifications of expenses that resulted in a presentation materially different from that of previous years; although the financial report stated that the income statement for the prior campaign year had been restated to conform to the current income statement presentation, this disclosure was inadequate because the changes altered the components of cost of goods delivered, net sales and operating expenses; there were certain inaccuracies in the notes to the financial statements;

(b) The Geneva and New York offices did not follow the same accounting procedures in accounting for three types of transactions;

(c) Although the net book value of the Geneva office's prior year's stock as at 30 April 1986 was zero because of the allowances for returns and losses, the gross amount of \$11,215,288 for inventory was material enough that disclosure ought to have been made in the financial statements;

(d) Expenditure accruals as at 30 April 1986 amounting to \$275,000 did not have supporting documents and appeared not to be valid obligations;

(e) Delays of from 45 to 72 days in entering input documents to the inventory management system resulted in inaccurate and abnormal balances in the stock status report and understatement of the inventory and liability accounts at closure dates;

(f) The newly introduced procedures for accounting for the inventories of the three production centres do not provide accurate account balances; the current procedures followed in accounting for shipments to production centres are inefficient;

(g) Between 1 May and 31 December 1986, not all of the New York office's imports from the Geneva office were recorded and, as a result, the inventory and payable accounts were understated;

(h) No standard procedures have been developed for accounting for imports from the Geneva office that are shipped directly to New York office consignees; consequently, the inventory at consignees and related valuation accounts were understated.

#### Accounting controls

##### Accounting for supplementary resources pledges

24. The stated accounting policies of UNICEF relating to supplementary resources pledges are disclosed in the summary of significant accounting policies that accompanies the financial statements. According to these policies, income is recorded on the basis of funds or pledges received for the current year, and pledges received for future years for purposes specified by donors are considered deferred income and are to be recorded as "pledged and received in advance".

25. On the basis of these stated policies, we reviewed the accounting for 16 supplementary resources pledges totalling \$65,743,438.14. Our findings are summarized below.

	<u>Total pledged</u>	<u>1985 income</u>	<u>Deferred income</u>	<u>Contributions receivable</u>
Per books	\$65 743 438.11	\$39 154 190.58	\$12 342 247.53	\$51 496 438.11
Per audit	<u>60,743,438.11</u>	<u>13,787,328.18</u>	<u>46,956,109.93</u>	<u>60,743,438.11</u>
Over (under)	<u>\$ 5 000 000.00</u>	<u>\$25 366 862.40</u>	<u>\$ (34 613 862.40)</u>	<u>\$ (9 247 000.00)</u>

26. Because of the erroneous application of accounting policies and instructions, the reported supplementary resources income for 1986 was overstated by \$25.37 million, the balance of deferred income was understated by \$34.61 million as at 31 December 1986, and the reported balance of contributions receivable was understated by \$9.25 million also at year-end. The understatement in the contributions receivable account was the net effect of the failure to record \$14.25 million of the total pledge of \$26.45 million received on 10 December 1986 and the premature recognition on 31 December 1986 of a \$5 million pledge received only on 2 February 1987. Since the Administration maintained that UNICEF had always followed the same procedures for accounting for supplementary resources contributions and income, we would have had to extend our auditing procedures back to 1984 and 1985 and increase the number of transactions reviewed for all three years, including 1986, in order to establish the net effect of the errors on the comparative accounts for 1986 and 1985.

27. The practices that the Administration has followed allowed considerable leeway in the timing of income recognition. Accounting recognizes the fact that transactions occur over a span of time; however, in order to achieve uniformity in the treatment of the same class of transactions and minimize the possibility of misstatement of the accounts, accounting looks to that critical event in the course of a transaction at whose occurrence it will recognize that the transaction has occurred and can then be entered in the books.

28. The examples given below demonstrate the Administration's concept of flexibility as it was applied in 1986 to the timing of the recognition of supplementary resources income:

(a) The Administration stated that the expenditure phasing for the project specified in the agreement was not relevant to the timing of income recognition. In 1986, UNICEF received four supplementary resources pledges totalling \$30.9 million from a donor Government. For three of the pledges, totalling \$4.4 million, expenditure phasing was utilized in allocating the contribution between income and income received in advance. The reason for these exceptions, according to the Administration, was that the accepted practice with the donor Government was to use phasing. However, for the remaining pledge of \$26.5 million, expenditure phasing was not applied because, according to the Administration, the donor communicated a different instruction by telephone. Only \$12.2 million was entered under 1986 supplementary resources income and the balance of \$14.3 million was not recorded, because of an "oversight", according to the Administration.

(b) A supplementary resources pledge of \$6.6 million was received from a donor Government on 5 December 1986. The annex to the agreement that UNICEF signed with the donor provided that the funding was required for 1987 and 1988. UNICEF booked the entire amount as supplementary resources income earned in 1986 rather than as a pledge received in advance for 1987 and 1988.

(c) In two separate cases, the supplementary resources pledges of \$8.02 million and \$2.09 million were made for multi-year projects. In both cases, UNICEF recognized the full amount as supplementary resources income in 1986. The correct procedure would have been to allocate the amounts over the three years for which the pledges were made. Annexed to the agreements covering these pledges was the project proposal submitted by UNICEF to the donor Governments. In addition to the project description, the annex specified the year or years for which supplementary funding was being solicited. The agreement that the donor Government

signed did not change any of the terms in the annex, particularly the period for which the funding was provided. Since the annex constitutes the UNICEF offer to the donor and forms an integral part of the agreement, it is commonly accepted that, unless a specification in the annex is explicitly revised in the body of the agreement, all the terms and conditions spelled out in the annex have been accepted by the donor. In both cases, UNICEF did not honour the multi-year character of the agreement because, according to the Administration, the donor did not specify that the contribution was pledged for the three-year period. Another reason advanced for the recognition of the entire amount as supplementary resources income in 1986 was that the pledge was appropriated by the donor in its 1986 budget. We can see how the year of appropriation might be of significance to the donor, but we cannot understand its relevance to the determination by UNICEF whether a pledge is to be recorded as income or as a pledge received in advance.

(d) The \$5 million supplementary resources cash contribution mentioned in paragraph 26 above was received on 2 February 1987 and the letter confirming the pledge was received the following day. As at 8 May 1987, no agreement had been signed between the donor and UNICEF. Consequently, there was no acceptable basis at all for the recognition on 31 December 1986 of a pledge that was received only in February 1987. Although a letter stating that the contribution was intended for 1986 and 1987 was obtained on 15 May 1987, the fact remains that the pledge was not received in 1986. The recognition of the pledge at year-end was based on three notes for the record, dated 20, 23 and 28 January 1987. Those notes are summarized below.

- (i) The note dated 20 January 1987 summarized the discussions between senior officials of the donor Government and UNICEF. In connection with the potential contribution, the note stated that the donor was ready to provide funding to UNICEF and had requested that the funds should be committed before 31 March 1987, the close of the donor's fiscal year. The donor had requested the firm commitment of the funds in advance because to have done otherwise would have been irregular. The deadline of 31 March 1987 for the commitment provided more than ample time, as the cash contribution was received on 2 February 1987.
- (ii) The note dated 23 January 1987 stated that "subject to agreement by [the donor], and provided that the pledge is received before the closure of the 1986 accounts ..., [a senior UNICEF official] decided that the \$US 5 million of the possible [donor] contribution, \$2.5 million should be applied against 1986, to reduce the overexpenditure on the general resources ceiling (the contribution will be against supplementary funding), and the balance of \$2.5 million will be supplementary funding for expenditure in 1987" (emphasis added).
- (iii) The last note for the record stated that the 1986 supply call-forward for the project had been temporarily charged to general resources pending the finalization of the contribution.

29. The last two notes for the record point to a practice of UNICEF in the implementation of projects funded from supplementary resources. Although programme activities are covered in another section of the present report, the subject has to be raised at this point because of its great relevance to the issue of the timing of income recognition.

30. According to the existing policies of UNICEF, supplementary funds commitments are fully funded. This means that for every dollar of commitment raised, there is an equivalent dollar of assets recorded. However, in this case and in the case that we reviewed during the interim audit, the commitment was raised temporarily against general resources, and project implementation proceeded. Under this temporary arrangement, the commitment is eventually transferred to supplementary resources when the pledge or cash is finally received. But this temporary arrangement creates a problem when the pledge or cash is not received by 31 December. Since the project was noted by the Executive Board for supplementary funding, a commitment must be raised against supplementary resources by 31 December. However, a supplementary funds commitment cannot be raised, because of the fully-funded principle. To overcome this difficulty, flexibility in the timing of income recognition was the solution.

31. According to the Administration, the concept of projects funded from supplementary resources, which are intended to supplement the programmes of development co-operation in recipient countries, was formalized in 1970. Since that time, UNICEF has received income in excess of \$1 billion for this type of project. Of this total, over \$700 million has been pledged by donor Governments. Obviously, according to the Administration, to administer funds of this magnitude, UNICEF required certain policies and procedures to maintain proper accounting, reporting and control. According to the Administration, during the period 1970-1986, UNICEF pursued a consistent policy in the treatment of supplementary funds income. By a methodology similar to that adopted for general resources, income from a donor Government is recognized following the receipt of a firm pledge. If the donor specifically requests that the income be recorded over several years, UNICEF will accede to the request. It is only on this basis that income is deferred. This treatment of supplementary funds income was consistently applied during 1986. However, according to the Administration, when it examined the documentation more closely during the audit, it became obvious that, in certain cases, proper documentation of the donors' preferences with regard to the recording of the income did not exist. This made it unclear what procedures were followed regarding the treatment of current income and deferred income.

32. The sheer volume of transactions under supplementary funds income shows, according to the Administration, that UNICEF has established close links with donor Governments and has been responsive to their needs and requirements. This familiarity with the donors has had its advantages and disadvantages from an accounting point of view. The advantage is that UNICEF has been able to tailor the recording and reporting of income and expenditures to donors' needs. The disadvantage is that, owing to the familiarity that has grown over time, sometimes the proper documentation has not been obtained which would verify these unwritten policies and procedures that have been consistently applied. Consequently, the Administration remains firm in its belief that its treatment of income in line with the wishes of the donors is an acceptable accounting practice, which, inter alia, has been noted and approved by the Executive Board on several occasions.

33. The Administration further stated:

"At its May 1985 session, the Executive Board reviewed the Report on Supplementary Funding' (E/ICEF/1985/L.2) prepared by the Executive Director at the request of the Executive Board in 1983. The Board discussions revealed that delegations would have preferred to see a comprehensive description of all procedures and issues relating to supplementary funding included in the

report, and, as a result, the Board adopted the following decision: 'Pending consideration by the Executive Board at its 1986 session of a further report to be prepared by the Executive Director following consultation with the Advisory Committee on Administrative and Budgetary Questions, the present procedures governing supplementary funds in UNICEF should be maintained.' (E/1985/31, E/ICEF/1985/12, para. 139). This report (E/ICEF/1986/L.2) summarized the origin and evolution of the present UNICEF supplementary funds policies, and described and reviewed the related procedures and issues. The conclusions and recommendations of the Executive Director were reviewed and endorsed by the ACABQ and approved by the Executive Board. It also reconfirmed the existing policies and procedures on supplementary funding."

Furthermore, the Administration stated:

"The overall policy framework provides the rationale of UNICEF supplementary funds procedures, as well as the 'road map' on the basis of which operational procedures have evolved to make them viable and consistent with policy. The entire supplementary funds process begins and ends at the field level where the process of programme preparation, implementation, monitoring and evaluation is carried out, based on programmes and policies approved by the Executive Board. Recipient Governments, in consultation with UNICEF country offices, prepare programme recommendations which include inputs that are additional to those being financed from general resources. Those additions, which are submitted to the Board for examination, review and 'noting' in the same way as regular projects, are subsequently implemented when financing through supplementary funds is ensured. That additional capability is an integral part of programmes for mothers and children. Therefore, just as noted projects are an integral part of the whole country programme so supplementary funds contributions are an integral part of country programme financing. They are not considered resources held by UNICEF as an agent of donors. UNICEF receives those contributions as part of its own resources and does not administer them as a clearing house for collection and disbursement. The implications of the application of these concepts are fundamental and substantive (e.g., ownership of programme supplies, transfer of title, insurance, replacements for damages and losses, disposal, use of UNICEF insurance reserve, financial management, accounting and budgeting (Ref: E/ICEF/1986/L.2, para. 13)."

In addition, the Administration stated:

"UNICEF programme objectives, the planning of programme co-operation (both general resources and supplementary funds) and the planning of UNICEF capacity (both qualitative and quantitative) are prepared, reviewed and approved as one entity and managed through identical procedures. Most are part of UNICEF's country programme approach under which 5-year country programmes are prepared for each of the countries with which UNICEF co-operates, and which include components for supplementary funding as part of the whole. The medium-term plan is designed to assist the Executive Board in its review of programme co-operation policies and to provide the information necessary for the Board to decide on the financial plan, new programme commitments, operations, budget, personnel and administration. At the time of formulation and review of the medium-term plan by the Executive Board, the interrelated projections made in the plan for general resources, supplementary funds, income, commitments, budget and expenditure represent the most desirable balance among

its various components to optimize UNICEF resources and capacity (Ref: E/ICEF/1986/L.2, para. 16). The rationale of supplementary funds as explained in E/ICEF/1986/L.2 and more specifically, in paragraph 13 of said document, emphasizes the equality of procedures for projects that are funded by general resources and supplementary funds. In 1973, the Executive Board approved the concept that if a donor earmarked a contribution for components within a regular programme already covered by a commitment, an equal amount could be released from the commitment and used to implement a 'noting' in the same country. Based on the foregoing principles, the unspent balance of commitments to be funded by general resources or by supplementary funds are equally presented on statement IV and not on the balance sheet. The excess of assets over liabilities of \$272,959,090.50 is also clearly distributed by sources of funds on statement IV and should not be misinterpreted any other way."

36. From the operations point of view, the Administration has argued that, in certain instances, it may not be cost-effective to discontinue implementation when the project has acquired momentum. Although we have not ascertained this, the Administration may well be right. However, an accounting solution to a problem in operations is hardly the answer. As stated in the section on programme activities, we recommend that the entire area of supplementary funds operations be thoroughly re-examined so that appropriate policy changes can be made.

#### Accounting work-flow

37. Our review of the accounting work-flow for supplementary resources pledges revealed that accounting controls were weak because the Accounts Section was not involved. The Administration agreed that the Accounts Section must be brought into the work-flow for the processing of supplementary resources pledges in order to ensure that the stated accounting policies and instructions were properly implemented.

#### Reversal of programme expenditures

38. During the 1986 year-end closure of the accounts, liabilities were accrued for unpaid shipments and unpaid freight, with a corresponding charge to 1986 programme expenditures. During the same closure, however, programme expenditure accruals amounting to \$6,041,301.28, representing valid expenditures for 1986, were reversed, which resulted in an understatement of the reported expenditures for the year.

39. The Administration explained that this reversal was required to compensate for the overstatement of 1986 programme expenditures of approximately \$6 million due to the fact that goods that had not yet been shipped by year-end had been recorded as programme expenditures by the Supply Division at Copenhagen (UNIPAC). Our audit at UNIPAC disclosed that the overstatement amounted to only \$1,532,788.28. Consequently, the understatement in programme expenditures for 1986 amounted to \$4,508,513. The Administration agreed that the programme co-operation expenditure reported in statement I and the accounts payable shown in statement II were both understated.

## Financial reporting

### Unspent supplementary resources commitments - balance sheet presentation

40. Contributions to supplementary resources are country-specific and purpose-specific and are identifiable with specific notings of the Executive Board. Hence, the use of supplementary resources is restricted and this limitation is reflected in the agreements entered into between the donors and UNICEF.

41. Since supplementary resources commitments are raised only when fully funded, the assets reported in statement II include an amount equivalent to the total unspent supplementary resources commitments of \$251,846,203.96 (UNICEF figure) as at 31 December 1986. The restriction, however, is not disclosed in statement II. Instead, the difference between total assets and total liabilities is captioned "Excess of assets over liabilities". In our opinion, this caption is misleading, because the so-called "excess" does not represent resources that are freely usable for purposes other than those specified by the donors in the agreements. In order to properly disclose this limitation, the fund balance section of statement II should include a line for \$213,308,535.65 that could be captioned "Restricted fund balance for the implementation of unspent commitments for programmes funded from supplementary resources". The balance of \$38,537,668.31, representing the amount of supplementary resources contributions received in advance, should be shown in the liabilities section of statement II. The Administration agreed to review existing financial statement formats in order to enhance the usefulness of the statements, schedules and accompanying notes.

### Unspent supplementary resources commitments - accounting by project

42. The total unspent supplementary resources commitment of \$251,846,203.96 reported in statement IV is net of \$17,742,000.00 in supplementary resources programme expenditures that were incurred in excess of the related commitments raised. These programme over-expenditures should not be deducted from the gross amount of unspent supplementary resources commitments of \$269,588,203.96 because the obligation of UNICEF to implement a specific supplementary resources project funded by a specific donor cannot be reduced by an over-expenditure in another supplementary resources project funded by another donor. Since UNICEF has accepted pledges of \$269,588,203.96 that are intended for projects funded from supplementary resources, it must either spend the entire amount on the specified projects, reimburse the donors or negotiate alternative uses with the donors, as clearly spelled out in the agreements. Consequently, the Administration should restate the reported balance of the unspent supplementary resources commitments at \$269,588,203.96 as at 31 December 1986 and make the necessary corrections in all financial statements affected.

43. According to the Administration, supplementary funds provide the resources to implement projects "noted" by the Executive Board. These projects are extensions of projects funded from general resources. In other words, according to the Administration, these projects would have been funded from general resources if they had been available. In 1973, according to the Administration, the Executive Board approved the concept that if a donor earmarked a contribution for components within a regular programme already covered by a commitment, an equal amount could be released from the commitment and used to implement a "noting" in the same country. The Administration also stated that our analysis was based on a management report that does not form part of the official books of account of



UNICEF. Finally, the Administration informed us that the negative commitment balances were the result of having recorded the expenditures under projects other than those under which the commitments were shown.

44. Although it is true that report No. 5 is not a financial statement, it was prepared on the basis of data extracted from the Comptroller's system data base. Furthermore, report No. 5 provides more detailed information than statement V. It is highly probable that in the process of data aggregation, negative balances were netted against positive balances of commitments for the same beneficiary country.

#### Income and prior years' adjustments

45. Our review of statement I and schedule 1 of the 1986 financial statements revealed that the amount carried forward from schedule 1 to statement I did not equal the actual total amount of pledges recorded in 1986. The difference of \$3,417,272.05 consists of adjustments and cancellations of prior years' pledges. In schedule 1, these adjustments are deducted from the total amount of contributions received or pledged during the year; hence, only the net amount is brought forward to statement I. We noted that similar adjustments and cancellations of \$2,816,476.27 and \$8,954,370.17 had been made in 1984 and 1985 respectively, which indicates that these adjustments and cancellations are material.

46. We recommended that the actual total amount of pledges received during the year should be reflected in the main statement rather than in the schedule and that the prior years' adjustments should be reported in the same statement as a separate item, following the section on expenditures. Although these adjustments had been reported in the same manner in the past, the Administration assured us that it would study the recommendation to ensure consistency with the accounting treatment of adjustments to other assets.

#### Contributions receivable - current and prior years

47. The year-end balance of contributions receivable for the current and prior years includes \$27,700,708.47 (17.03 per cent of the account balance), in pledges for 1982 and 1983. Of this amount, \$25,103,816.81 (15.68 per cent of the total account balance) comprises pledges due from three donors. Our analysis of the accounts of each of these donors is given below:

(a) As at year-end, the amount due from donor A for current and prior years' pledges was \$18,982,700.00. Although payments were received in 1986 for the 1983 and 1985 pledges, no payment was received on the 1982 balance of \$7,965,000.00 pledged to general resources. Furthermore, this 1982 balance has not moved since 31 December 1984.

(b) The balance due from donor B for current and prior years' pledges amounted to \$21,394,813.75 as at 31 December 1986. In 1986, the donor paid 26 per cent of the amount pledged for that year. However, no payment was received in 1986 on the balance of \$11,416,442.11, the total outstanding pledges for 1982, 1983 and 1985.

(c) The balance due from donor C for current and prior years' pledges amounted to \$27,308,534.27 as at year-end. Between 1984 and 1986, all pledges made to general resources were paid by the donor in the year for which the pledge was made. However, as at 31 December 1986, there was still an outstanding balance of

\$6,027,723.27 on the 1982 and 1983 pledges to general resources. Moreover, no payment had been received on the 1983 pledge since the end of that year.

48. The 1986 financial statements do not provide adequate disclosure of the status of the components of the contributions receivable account for the current and prior years. The notes to the financial statements discuss the composition of outstanding pledges, but only in relation to purpose. Nowhere in the financial statements or in the accompanying notes is it disclosed that \$12,266,524.85 and \$15,434,183.62 of contributions receivable are for 1982 and 1983 pledges respectively.

49. We also determined that the contributions were long overdue, as disbursements had already been made by UNICEF. For instance, disbursements of \$3,077,058.00 had already been made up to 30 September 1986 against the 1982 uncollected pledge of \$3,312,000.00 from donor C. Only \$4,241,750.00 out of the 1982 and 1983 supplementary resources pledges of \$11.5 million has been received from the donor, whereas UNICEF has already disbursed \$8.3 million.

50. We recommended, and the Administration agreed to, the preparation of an aging schedule for contributions receivable that should form part of the financial statements. The schedule should not, however, disclose the names of donors. Preparation of this schedule would not entail additional work, because a similar report is periodically prepared for internal purposes.

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

51. In addition to the usual elimination of interoffice and other reciprocal accounts, the accounts of UNICEF and the Greeting Card Operation as at 31 December 1986 were combined in the following manner:

(a) The combined net income of \$22.4 million earned by the Greeting Card Operation at Geneva and in New York during the campaign year ended 30 April 1986 was presented in statement I as part of UNICEF general resources income earned during the calendar year ended 31 December 1986;

(b) The balance sheet account balances of the Greeting Card Operation as at 31 December 1986 were combined with the related UNICEF account balances as at the same date;

(c) However, the revenue and expense account balances of the Greeting Card Operation from 1 May to 31 December 1986 were, after adjustments, reclassified as deferred income and deferred charges respectively and were presented as such in statement II. Hence, the results of the operations of the Greeting Card Operation for the last eight months of 1986 were not reflected in statement I.

52. Since the UNICEF accounting period is the calendar year and the Greeting Card Operation's fiscal year ends on 30 April, the UNICEF financial statements are, in effect, prepared for two different periods and with two different closure dates. While this traditional method of financial statement preparation is disclosed as a stated accounting policy of UNICEF, we found no support for the policy in generally accepted accounting standards. For this reason, we believe that the combination of the Greeting Card Operation accounts with the accounts of UNICEF does not provide a fair presentation of the financial position and operating results of UNICEF as a whole. In addition, since the Greeting Card Operation is a commercial enterprise

and UNICEF is a general governmental type of organization, the primary objective of accounting measurement will necessarily be different for the two organizations. It follows that their accounting standards will also differ in a number of respects.

53. The combination of Greeting Card Operation accounts with UNICEF accounts as at 31 December requires the Greeting Card Operation to perform appropriate closure procedures as at that date. This is in addition to the regular closure procedures that the Greeting Card Operation undertakes at the end of its campaign year on 30 April. In this connection, we wish to point out that most of the errors in the account balances of the Greeting Card Operation that we noted in our year-end audit observations were due to inadequacies in the 31 December closure procedures of the Greeting Card Operation. In order to satisfy the requirements for the 31 December closure, the Greeting Card Operation will be instituting additional procedures that would not otherwise have been required if its accounts were not combined with the accounts of UNICEF.

54. We recommended that the Administration should seriously consider the alternative of presenting two separate financial statements and providing for this method of reporting in the financial rules currently being drafted. The Administration agreed with the recommendations but said that the decision must await the results of the study of the external relations structure, including the status of the Greeting Card Operation, that the Executive Board had requested at its 1987 session.

#### Reserve for reimbursable procurement

55. The reserve for reimbursable procurement was set up as a contingency provision for staff costs chargeable against income from reimbursable procurement operations. The related accounting instruction provides that this account should be closed at the end of the calendar year. We observed, however, that the account had a year-end balance of \$700,000, which meant that it had been converted from an interim reserve account into a permanent one. We also observed that the establishment of this reserve had not been reported to the Advisory Committee on Administrative and Budgetary Questions and the purpose or purposes and limits of the account had not been clearly defined, as required. Finally, the balance of the account was not adequately disclosed in statement II since it was included in the balance for accounts payable and other unliquidated obligations.

56. The Administration decided to revise the accounting instruction to reflect the need to maintain sufficient funds in the account to ensure the self-financing of staff costs chargeable against income from reimbursable procurement operations.

#### Celebration of the fortieth anniversary of UNICEF

##### Executive Board action

57. As a result of discussions on preparations for the commemoration of the fortieth anniversary of the foundation of UNICEF, the Executive Board established a working group at its April 1985 regular session. At the same session, the working group submitted a report, which the Executive Board noted. The minutes of the 1985 session show no indication whether the matter of funding the year-long commemoration was even raised, either by the delegates or by the Administration. As stated in paragraph 66 below, the Administration will render a full accounting of the fortieth anniversary celebration at the next session of the Executive Board.

## Budget Planning and Review Committee

58. The minutes of the Budget Planning and Review Committee meeting on 9 July 1985 disclosed that a senior official had informed the Committee that a budget of approximately \$2 million would be required for the commemoration. The Committee accordingly requested the senior official to submit a detailed estimate of expenditures.

59. On 9 December 1985, five months after the funding requirement was initially presented to the Committee, the senior official recommended that a miscellaneous obligating document for \$2 million should be raised against the anticipated savings for the biennium 1984-1985. At its meeting on 16 December 1985, the Committee agreed to raise the obligating document against the 1985 budget, with the qualification that the amount could be adjusted after the Committee had reviewed the budget request.

### Miscellaneous obligating document raised

60. On 31 December 1985, a miscellaneous obligating document was raised for \$2,325,000, which is \$325,000 over the amount approved by the Budget Planning and Review Committee. The raising of the miscellaneous obligating document on 31 December 1985 had the effect of charging the 1984-1985 budget for expenditures that would have been more appropriately taken up as 1986-1987 budgetary expenditures. Unfortunately, no provision for the commemoration had been made in the 1986-1987 budget either. Hence, the timing of the raising of the miscellaneous obligating document on 31 December 1985 was designed to take advantage of savings in the 1984-1985 budget.

61. Except possibly for \$6,948.50, there were no outstanding legal obligations against the miscellaneous obligating document of \$2,325,000 as at 31 December 1985. Consequently, the balance of over \$2 million should have been cancelled at year-end in accordance with financial regulation 4.3.

62. At its 27 January 1986 meeting, the Budget Planning and Review Committee reduced the budget for the commemoration to \$1,340,000. However, the original miscellaneous obligating document was not amended accordingly. In addition, on 22 August 1986, the Chairman of the Committee approved additional funding for the commemoration, specifically \$571,920 for the First Earth Run and a \$250,000 contingency provision.

## Financial management

63. On the basis of our findings, we summarize below the manner in which the fortieth anniversary celebration was managed financially.

Approved by the Budget Planning and Review Committee in 1986	<u>\$2 161 920.00</u>
Total raised in miscellaneous obligating documents in 1985 and 1986	<u>\$3 135 427.27</u>
Expenditures charged to the administrative budget:	
First Earth Run	\$1 206 187.74
Sport Aid	925 844.69
Other activities	<u>1 278 645.62</u>
Total	<u>\$3 410 678.05</u>

64. Owing to the Administration's failure to anticipate the need for an appropriate accounting infrastructure to ensure that expenditures and obligations relating to the commemoration were effectively monitored and accounted for, we are not certain that we have been able to identify all the obligations and expenditures incurred. The amounts summarized above were arrived at only with difficulty, as transaction trails were not readily discernible.

## Recommendations

65. On the basis of the preceding findings, we submitted the following recommendations, to which the Administration agreed:

(a) The Administration should submit to the Executive Board a request for the approval, on a post factum basis, of the total amount of financial resources expended for the commemoration;

(b) The Administration should submit to the Executive Board a complete report of all the revenues and expenditures of the fortieth anniversary activities, including the First Earth Run and Sport Aid;

(c) The Administration should review its budgetary and accounting practices so that more effective controls can be exercised and to ensure that the relevant financial regulations and rules are followed.

## The Administration's response

66. The Administration informed us that since the Executive Board had given the authorization to plan and implement the activities for the commemoration, it had been assumed that authorization had also been given, though not explicitly, to utilize savings from the 1984-1985 budget. In this connection, we wish to point out that approval on a post factum basis could have been obtained at the April 1986 session of the Executive Board. The Administration further informed us that at the

1987 session of the Executive Board, both the Chairman of the Executive Board and the Chairman of the Committee on Administration and Finance had been informed of the external auditors' observations. Finally, the Administration assured us that in the future, it would obtain specific appropriations from the Executive Board whenever activities with major financial impact were authorized. The Administration is now in the process of preparing a full accounting of the fortieth anniversary and related activities.

#### Sport Aid and First Earth Run

67. There were two major special events connected with the fortieth anniversary celebration, the Sport Aid campaign and the First Earth Run, for which contracts were drawn up with Band Aid Trust and First Earth Run, Incorporated, respectively. Although the contract with Band Aid Trust was not signed, a telex outlined the agreement between the parties. The agreements provided that expenses incurred for the Sport Aid events were to be covered by the income from sponsorship donations and entry fees. However, according to the agreement, expenses in excess of income were to be charged to UNICEF. We observed that, although income was adequate to cover expenses, at least \$925,844.69 in expenditures had already been charged against the administrative budget of UNICEF.

68. On 1 September 1986, an accounting instruction was issued for the purpose of setting up the revolving fund - special events (First Earth Run). According to the instruction, commercial income was to absorb the organizational and administrative costs of the special event, and fund-raising income would be accounted for as general resources income. A total of \$700,000 was transferred to this account from the Sport Aid account, contrary to the provisions of the two agreements. In addition, headquarters expenditures totalling \$153,101.17 were charged against the account.

69. On the basis of our findings, we submitted the following recommendations:

(a) As required by financial regulations 6.6 and 6.7, the Administration should report to the Advisory Committee on Administrative and Budgetary Questions the establishment of the revolving fund, with a clear specification of the fund's purposes and limits;

(b) The transfer of \$700,000 should be reversed;

(c) The balance of \$3,648,009.33 in the Sport Aid account should be properly disclosed in the 1986 financial statements.

70. The Administration informed us that since the two special events formed part of the fortieth anniversary celebration, they would be included in the full accounting of the commemoration. Furthermore, the Administration assured us that appropriate approvals would be obtained for the establishment of the revolving fund in accordance with the new Financial Regulations of UNICEF, approved by the Executive Board at its April 1987 session, and that the reserve account of \$700,000 would be maintained until full accounting had been completed, at which time adjustments would be made.

## Budgetary controls

### Requests for additional funds and year-end fund transfers

71. At year-end, 116 transfer documents covering transfers of allotments totalling \$16,094,506.05 (gross) were raised. They involved transfers between budget lines, between categories, between cost centers within a region and between regions.

72. At UNICEF, budget control is primarily the responsibility of the cost centres. We observed, however, that in 45 out of a total of 120 cost centres, over-expenditures had already been incurred before the requests for additional funds were made. Subsequently, the over-expenditures were eliminated by the transfers effected by headquarters. This practice weakens budgetary control at the cost centre level because somehow headquarters will make the transfers necessary to absorb the over-expenditures. In addition, the numerous transfers strongly suggest that the certifying officers are ineffective in controlling budgetary allotments and that supervision of the certifying officers is inadequate. Finally, these year-end transfers constituted unnecessary and additional work for a number of offices at headquarters.

73. We recommended that the Administration should implement the sound budgetary control processes and procedures formalized in the UNICEF budget manual. More specifically, we made the following recommendations:

(a) The cost centres' practice of incurring over-expenditures before the request for additional funds has been submitted and approved should not be tolerated;

(b) The year-end transfers of funds to absorb the over-expenditures of cost centres should not be an automatic process;

(c) Certifying officers should be supervised more effectively.

74. The Administration agreed with the recommendations and added that in the future, the Budget Section would inform the Budget Planning and Review Committee which offices had overspent their allotment, after a complete analysis of the final status of allotment reports had been made. For purposes of clarification, the Administration stated that the total net transfer from category 1 to category 2 was \$1,291,779, which is only 1.8 per cent of the total allotment of category 1.

### Unallotted reserve

75. A cost centre called unallotted reserve was set up to provide for mandatory salary increases. However, this cost centre became a clearing account to which excess allotments were transferred from other cost centres and from which additional allotments were transferred to other cost centres with over-expenditures. We informed the Administration that this practice was contrary to the purpose for which the unallotted reserve had been established. We were informed that this cost centre had three functions: a depository for unallotted funds, a depository for the reserve approved by the Executive Board and an accounting centre to accommodate the processing of fund transfers.

76. We recommended, and the Administration agreed, that the reserve approved by the Executive Board, such as the \$660,000 set aside in 1986 to cover mandatory

staff cost increases, should be segregated so that the utilization of the reserve could be adequately accounted for, monitored and reported.

#### Unliquidated obligations - outstanding purchase orders

77. As at 31 December 1986, all outstanding purchase orders issued in 1985 and prior years were closed. However, we tested six purchase orders that did not represent legal obligations in order to ascertain whether the corresponding credits had reverted to general resources in accordance with financial regulation 4.3. The audit sample size was very small because of the difficulty encountered in uncovering the trail of the transactions involved.

78. Payments made in 1985 in respect of purchase orders 1 and 2 were charged directly against the 1985 budget rather than the related unliquidated obligations. As a result, 1985 expenditures were overstated and the 31 December 1985 balance of unliquidated obligations included \$10,136.74 that did not represent outstanding legal obligations. At the end of 1985, these two purchase orders should have been cancelled and the corresponding credits should have reverted to general resources. However, as described in the following paragraph, these unliquidated obligations were utilized to absorb over-expenditures on purchase orders of other cost centres.

79. Payments made in 1986 in respect of three purchase orders raised in 1985 were \$2,076.32 higher than the outstanding balance of the related unliquidated obligations. This excess was charged against the balance of purchase order 1. Also in 1986, a payment for \$10,160 was made on an outstanding 1985 purchase order, (the sixth purchase order in our sample. Since this purchase order had an unliquidated obligation balance of only \$3,674.42, the payment resulted in an over-expenditure of \$6,485.58. To eliminate the over-expenditure, a journal voucher was raised to transfer the amount to the balance of the unliquidated obligation of purchase order 2. These procedures had the effect of transferring funds between cost centres and transferring expenditures between bienniums.

80. On the basis of our findings, we submitted the following recommendations:

(a) Certifying officers should be required to analyse periodically the validity of outstanding obligations; this will ensure that only valid obligations remain in the accounts and cancellations or amendments of obligations are made when necessary;

(b) The Accounts Section and certifying officers at field offices should review long-outstanding unliquidated obligations;

(c) Certifying officers should provide the Accounts Section with a certificate confirming the correctness and validity of the amounts of unliquidated obligations reported in the final year-end accounts; obligations that are no longer valid should be cancelled and the related credits surrendered, in accordance with financial rule 110.9;

(d) The practice of using open purchase orders of other cost centres and/or other periods to absorb over-expenditures should be discontinued.

81. The Administration informed us that the process of reviewing obligations was a time-consuming exercise that had not been dealt with systematically and effectively; however, at year-end and especially at the close of a biennium, a



special effort was made. The Administration agreed on the need for certifying officers to reconfirm the validity of obligations remaining in the accounts and informed us that there was an ongoing review of internal control procedures in order to attain better budgetary control.

#### Purchase orders used for service contracts

82. The Advisory Committee on Administrative and Budgetary Questions drew the attention of the Board of Auditors to its finding on the UNICEF practice of raising purchase orders in engaging outside services of individuals and institutions (E/ICEF/1987/AB/L.2, para. 33). During our interim audit, we encountered two such cases at the Greeting Card Operation in New York and one case at UNICEF headquarters, and we communicated to the Administration that we were particularly disturbed by the use of purchase orders to engage the services of experts and consultants.

83. At the Advisory Committee's request, we extended the scope of our year-end audit to cover a larger sample of purchase orders raised in 1985 and 1986. Our findings are summarized below.

(a) Purchase orders were raised in order to obtain outside services for which a special service agreement should have been utilized, as required under existing instructions.

(b) Five purchase orders raised in 1986 were used for the payment of the per diems and terminal expenses of persons connected with the Sport Aid special event, and two were raised in 1985 for the per diems of consultants.

(c) There were 15 cases in 1986 and 27 cases in 1985 in which purchase orders failed to indicate the period of the service or the completion date for the services to be performed.

(d) Nine purchase orders were raised to engage the services of an individual for the performance of the same task over a continuous period of more than nine months.

84. On 27 August 1986, the Administration issued an instruction that provided guidelines and procedures for the issuance of special service contracts and discontinued the use of purchase orders for contracting consultancy and support services.

85. The Administration informed us that in 1984, on the recommendation of the Budget Planning and Review Committee, it had been decided that purchase orders could be used to contract professional services. In addition, the Administration informed us that, while it had discontinued the use of purchase orders in contracting the services of individuals, it would nevertheless continue the practice in contracting services of established companies and institutions.

86. Forms, particularly obligating documents such as purchase orders and special service agreements, are not interchangeable. Each form has been designed so that the procedures built into the processing of that form provide an acceptable level of control in the processing of the type of transaction involved. Consequently, when a form is used to process a transaction for which it was not designed, the control objectives are not achieved because the control system built into the

correct form is completely bypassed. Finally, we wish to remind the Administration that the use of special service agreements, under existing instructions, is not limited to consultants or experts hired in their individual capacity but applies also to institutional contractors. We therefore reiterate our recommendation that the use of purchase orders to contract consultancy or expert services of both individuals and institutions should be discontinued.

### UNICEF House staff costs

#### Budgetary controls

87. At its April 1985 session, the Executive Board approved a revised 1984-1985 budget of \$5,970,800 and a 1986-1987 budget of \$10,856,600 for UNICEF House. The 1984-1985 budget included a provision for staff costs of \$206,000 for the services of a project manager, consultant and secretary as well as other miscellaneous costs directly related to the project. For the 1986-1987 biennium, these staff costs have been estimated at \$277,000.

88. Our interim audit disclosed that while \$110,510 had been allotted in 1986 for staff costs, only \$3,069 had been obligated, which left an unencumbered balance of \$107,441 as at the report date. The amount of reported expenditures was definitely incorrect since we knew that the project manager and the consultant had been hired in late 1984.

89. Extended audit procedures revealed the following:

(a) The salary and allowances of the project manager had been charged instead to established posts of the regular administrative budget;

(b) Except for the month of January 1986, the salary and allowances of the project secretary had been taken up instead as part of the expenditures under the regular budget;

(c) The service fees and related expenses of the consultant had been charged against an outstanding miscellaneous obligating document that had been raised in 1985 to cover staff costs for the UNICEF House in 1985;

(d) Had all 1985 expenditures been properly charged against the allotment for the UNICEF House staff costs, there would have been an over-expenditure of \$28,000 instead of the reported savings of \$60,000 for the 1984-1985 biennium;

(e) Had all 1986 expenditures been correctly charged against the allotment for the UNICEF House staff costs, the allotment would already have been over-expended.

90. According to an audit report dated 7 May 1987 on the one-time installation costs of UNICEF House, prepared by the UNICEF Internal Audit Service, expenditures of \$351,900 on a wiring contract and \$93,000 on a lighting contract were charged to the regular budget instead of the UNICEF House budget. In line with our findings noted above, it was mentioned in the report that the costs of salaries and allowances of the project manager, consultant and secretary had been charged to the regular budget.

91. We recommended that the Administration should initiate measures to ensure that sound and basic budgetary control procedures were in place and functioning effectively. In particular, we recommended, and the Administration agreed, that the required corrections should be made so that those expenditures would be charged against the budget for the UNICEF House. The corrections were made in April 1987.

### Programme activities

#### Programme implementation

##### Implementation rate

92. On the basis of the monthly monitoring reports for 31 December 1982 to 31 December 1986, we compared the annual programme expenditures with the annual planning level by funding source. The results of our analysis are summarized below.

	<u>General resources</u> (per cent)	<u>Supplementary resources</u> (per cent)	<u>United Nations system</u> (per cent)	<u>Total</u> (per cent)
1986	88	45	60	83
1985	78	44	56	59
1984	80	40	41	58
1983	83	58	59	71
1982	75	51	80	66

93. The average financial implementation rate for supplementary resources programmes over the past five years was only 47 per cent, compared with 80 per cent for general resources programmes. Although the overall implementation rate for general resources programmes in 1986 was 88 per cent, there were 24 programmes with an implementation rate of less than 50 per cent, nine of which were not implemented at all. We also observed that almost all of those with low implementation rates were programmes of small offices with low general resources country ceilings.

94. The Administration informed us that it was generally true that programmes funded from supplementary resources proceeded more slowly than programmes funded from general resources. The Administration added:

"According to current practice, the funds received during the year are credited to the income of the year even for multiple year projects when payments are not phased. Thus the 'planned allocation' for SR may include funds meant for later years. Since the funds received late in the year are also unlikely to be spent in that year, the rate is unnecessarily even more unfavourable ... In fact, the expenditure is being judged against the total income and not the expected expenditure for the year. UNICEF will now be rephasing all the SR funds received to reflect the expected expenditure likely to be really incurred in each year."

95. Aside from the principal factor mentioned in the preceding paragraph, the Administration stated that the reasons for the slower implementation of programmes funded from supplementary resources were both systemic and procedural. Some of these reasons are discussed below.

(a) Supplementary resources projects are further refined only upon receipt of funding assurance; consequently, the implementation rate for the first year is generally low.

(b) Government counterpart funds are also generally not available in the first year.

(c) Supplementary resources projects are often funded out of bilateral funds of donor agencies, to which more rigid rules are often applied and whose reallocation is more difficult to negotiate.

(d) While projects funded from general resources are interchangeable, which means that the allocation can be transferred from slower-moving to faster-moving projects, projects funded from supplementary resources are not, because the funds are purpose-specific and country-specific.

(e) Action has not been taken on the balances of completed projects. Either these balances should be returned to the donors or their transfer to other activities should be negotiated with the donors.

(f) Projects with persistently low financial implementation rates due to inadequate management will be investigated and appropriate corrective measures will be taken.

(g) Small offices generally have skeleton staffs, often lacking the flexibility to take on additional supplementary resources work until the arrival of the supplementary resources project staff. When there are conflicting demands, supplementary resources projects tend to suffer. The Administration has established a committee to look into these problems.

#### Utilization of supplementary resources funds

96. Under existing policies, the implementation of programmes funded from supplementary resources can commence as soon as funding is assured for the whole implementation period of the programme. Supplies can then be called forward and purchased, and project personnel can be recruited even prior to the actual receipt of the contribution in cash. Our review of the implementation of programmes funded from supplementary resources resulted in the findings described below.

(a) Expenditures were incurred prior to the receipt of the cash contribution or in excess of the contribution already received. In the case of a water supply project, the donor pledged \$11.5 million for the implementation of the project in 1982, 1983 and 1984. As at 31 December 1986, only \$4.2 million of the contribution had been received, while project expenditures had already reached \$8.3 million. The donor has not yet remitted the contributions due in 1983 and 1984, in the amounts of \$5.7 million and \$1.5 million respectively, despite the efforts of the Administration to collect them. In another case, the donor pledged \$2,030,000, while expenditures totalled \$2,080,000.

(b) Our review of the cumulative summary of supplementary resources contributions received revealed a number of supplementary resources projects for which funds had already been received but which had very low implementation rates or had not been implemented at all.

97. We believe that the observed practices expose UNICEF to the following risks:

(a) Donor dissatisfaction may arise when projects are not implemented as agreed, particularly when the contribution has long since been remitted;

(b) When implementation is significantly behind schedule, donors may encounter difficulties in renewing budgets for funds that have not yet been remitted;

(c) When funds received for a specific supplementary resources project are utilized in another supplementary resources project for which the funds have not yet been received, delayed remittance or non-remittance of the pledge for the latter project will jeopardize the former project.

98. While we understand that the observed practices were designed to maximize the utilization of available financial resources and to hasten the implementation of programmes funded from supplementary resources, the Administration should also be fully aware of the risks to which the practices give rise and evaluate existing practices in the light of these risks. In addition, we submitted the following recommendations for the Administration's consideration:

(a) Priority should be given to projects for which funds have already been received;

(b) A system that will guide the Administration in assigning priorities to the implementation of projects for which cash contributions have not yet been received should be developed;

(c) Supervisory controls should be tightened in order to avoid overspending project commitments.

99. The Administration informed us that the procedural, programmatic and implementation issues concerning supplementary resources programmes and projects were being re-examined by an interdivisional group at headquarters. With a more realistic rephrasing of the project at the time that the pledge or cash contribution was received, the implementation rates could be more appropriately assessed. In addition, the Administration stated that annual financial statements were prepared regarding the implementation of all projects funded by each donor. Those statements, according to the Administration, linked information on project implementation with cash received and were intended to trigger follow-up action with donors.

#### Submission and revision of basic assistance lists

100. Under existing procedures, every project proposal submitted by field offices to headquarters must be accompanied by a draft basic assistance list. The list provides a comprehensive picture of the financial commitments approved for the entire duration of the undertaking. When a pledge is received, the Division of Financial Management raises form 300, on which, inter alia, the necessary follow-up actions, including the submission or the updating of the basic assistance list by the field office, are identified. Our review disclosed that draft basic assistance lists were not being prepared. In addition, we traced 160 form 300s, with a value of \$52.1 million, to the revised basic assistance lists subsequently submitted by

the field offices. This exercise revealed that in 88 cases, involving \$24.4 million, the pledges covered by the form 300a were not considered in the revision of the basic assistance lists.

101. Failure to submit or update the basic assistance list covering the pledges received could lead to implementation and monitoring problems. The submission or revision of the basic assistance list is important because, once approved and until amended, it serves as the formal basic control document, guiding both headquarters and the field offices in the implementation of the projects. We recommended, and the Administration agreed, that the requirement should be complied with.

Programme expenditures - country programme

102. We reviewed in detail one country programme, whose financial implementation status as at the close of 1986 is summarized below:

	<u>General resources</u>	<u>Supplementary resources</u>	<u>Total</u>
Programme expenditures	\$12 054 500	\$4 677 200	\$16 731 700
1986 planning level	11 450 000	4 213 800	15 663 800
	<u>          </u>	<u>          </u>	<u>          </u>
Over-expenditure	<u>\$ 604 500</u>	<u>\$ 463 400</u>	<u>\$ 1 067 900</u>
Implementation rate	105%	111%	107%

103. Our review, however, revealed that the following adjustments should have been made:

(a) The amount of \$2,187,203.66 that was accrued at year-end but subsequently reversed during the year-end closure represents 1986 programme expenditures;

(b) The amount of \$2,500,000 should be deducted from the planning level because the pledge was received only on 2 February 1987.

104. If the two recommended adjustments are made, the financial implementation status of the country programme as at the close of 1986 will be as shown below:

	<u>General resources</u>	<u>Supplementary resources</u>	<u>Total</u>
Programme expenditures	\$14 241 700	\$4 677 200	\$18 918 900
1986 planning level	11 400 000	2 964 200	13 163 000
	<u>          </u>	<u>          </u>	<u>          </u>
Over-expenditure	<u>\$ 2 791 700</u>	<u>\$ 2 964 200</u>	<u>\$ 5 755 900</u>
Implementation rate	124%	273%	144%

105. In our interim audit, we pointed out to the Administration that there were a number of instances where expenditures had exceeded the financial planning levels. In its reply, the Administration stated that flexibility was practiced, subject to the limit of programme commitments and global affordability. In the case of the country programme discussed above, the financial planning level was exceeded by \$5,760,000, which resulted in an overall implementation rate of 144 per cent. What is more significant about this country programme, however, is that our computation showed an over-expenditure of \$2,960,000 on supplementary resources commitments. Even the UNICEF calculation showed an over-expenditure of \$460,000. This particular case clearly demonstrates a divergence between implementation practice and the much too often reaffirmed policy that supplementary resources commitments are fully funded.

106. In our interim audit, we also brought to the attention of the Administration the contradiction between policy statements and policy implementation on supplementary resources funding. In its reply dated 6 May 1987, the Administration stated that "the funding of a noted project for all intents and purposes starts at the time a donor commits itself to fund a particular project". In this connection, we sought clarification on the operational meaning of the phrase "at the time a donor commits itself". In our earlier discussion of the timing of income recognition for supplementary resources pledges, we observed that this phrase did not refer to a commonly accepted point in time but to any point along a fairly elastic continuum of time. In the case of the above country programme, for instance, temporary allocations from general resources were made in 1986, long before the receipt of the funds on 2 February 1987. The stated accounting policy that "income is recorded on the basis of funds or pledges received" is fairly straightforward. In order to avoid any possible confusion in the application of the policy, UNICEF accounting instruction 82/4 Rev.1 provides, in paragraph 2.6, that "supplementary funds are realised upon receipt of funds or upon signing of the agreement".

107. Because of the contradictions observed between policies and instructions, on the one hand, and practices, on the other, with respect to supplementary resources funding and expenditures, we recommended that the Administration should conduct a comprehensive review of the policies, instructions and practices regarding programmes funded from supplementary resources.

108. The Administration provided us with the replies summarized below.

(a) The \$2.2 million reversal of the 1986 expenditures was erroneous.

(b) The \$5 million pledge for the country programme was recorded as income for 1986 and 1987 with the full agreement of the donor. We must reiterate the fact that as at 31 December 1986, the pledge did not exist and had not been received.

(c) In connection with the over-expenditure, the Administration stated that at the country level, the country ceiling must also be viewed within the context of the existing multi-year programme of co-operation and the actual and projected expenditures history of that country. Furthermore, the Administration claimed that individual country ceilings were only a management target used to set priorities for the use of UNICEF resources. If the temporary allocation of funds from general resources has the sanction of the Executive Board, then the Administration should revise the policy statement accordingly. However, since the practice contradicts the policy statement, the Administration should discontinue the practice until such time as approval has been granted by the Executive Board.

(d) On the issue of timing, the Administration agreed that existing accounting policies and instructions would be adhered to in the review that the Accounts Section would perform.

Financial reserves

109. In accordance with the request made by the General Assembly in its resolution 40/238 of 18 December 1985 that the Board of Auditors keep under review the financial reserves of the various United Nations organizations under its audit responsibility, we undertook that review during the audit of the 1986 accounts of UNICEF. We summarize our findings below.

Financial reserves available for programme commitments  
as at 31 December 1986  
(Millions of United States dollars)

	<u>General resources</u>	<u>Supplementary resources</u>	<u>Total</u>
Cash and contributions receivable	51.5	210.5	262.0
Deduct contributions receivable	(35.5)	(124.5)	(160.0)
Cash balance at year-end	16.0	86.0	102.0
Add (deduct) liquidity provision	<u>43.0</u>	<u>(43.0)</u>	<u>-</u>
Cash balance at year-end net of the liquidity provision	<u>59.0</u>	<u>43.0</u>	<u>102.0</u>
1986 income	<u>299.0</u>	<u>164.0</u>	<u>463.0</u>
Year-end balances as percentages of 1986 income:			
Cash and contributions receivable	17.2%	128.4%	56.6%
Cash balance before liquidity provision	5.4%	52.4%	22.0%
Cash balance after liquidity provision	19.7%	26.2%	22.0%



110. The UNICEF cash holdings as at 31 December 1986, amounting to \$125 million including the \$102 million available for programme commitments, are invested with banks world-wide in time deposits and call accounts at varying rates of interest. During 1986, UNICEF earned \$5.8 million in interest on these accounts.

111. The liquidity policy of UNICEF provides that half of the supplementary resource cash balance be made available to support general resources cash requirements. This policy is probably one of the factors that made possible the 88 per cent implementation rate for general resources programmes in 1986. Although we were unable to determine what adverse impact this policy might have on the rate of implementation of programmes funded from supplementary resources, the Administration assured us that cash availability had never been a factor in the observed delays in implementation. Nevertheless, the implementation rate for supplementary resources programmes was only 45 per cent in 1986.

112. While the 1986 year-end general resources cash balance, excluding the buffer provided by half of the supplementary resources balance, was a mere 5.4 per cent of 1986 general resources income, the 1986 year-end supplementary resources cash balance was 52.4 per cent of 1986 supplementary resources income. Although we recognize the success that the Administration has had in reducing supplementary resources cash balances from a high of \$113 million at the close of 1983 (112 per cent of supplementary resources income in 1983) to only \$86 million at the end of 1986 (52 per cent of supplementary resources income in 1986), there may still be a need to review closely the present situation. In the review of the statutory cash reserve prepared for the 1987 session of the Executive Board, it is stated (E/ICEF/1987/AB/L.9, para. 17):

"At the end of 1977, general resources cash balances totalled \$71 million, which was in line with the liquidity target of that time of three months' expenditures. The size of this cash holding, equivalent to 56 per cent of general resources income, caused the Executive Board to be concerned about possible programme under-implementation."

The present situation exposes UNICEF to possible criticism from supplementary resources donors and country beneficiaries that supplementary resources programmes are under-implemented.

113. The Administration stated that the underlying principle of the liquidity policy, approved by the Executive Board in 1978, was to make maximum yet prudent use of available resources. The Administration stated that, on the basis of the paper on financial reserves prepared for its 1987 session, the Executive Board had reconfirmed the adequacy of the existing liquidity policy. Finally, the Administration informed us that the policy on the use of general resources and supplementary resources funds would be fully examined since a report on supplementary resources programmes was to be submitted to the Executive Board in 1988.

#### Computer operations and electronic data-processing systems

##### Echelon updating

114. We conducted an electronic data-processing application review of the revised basic assistance list monitoring system, specifically the echelon updating

procedures. Our analysis of the first closing (11 March 1987) update list revealed 179 records with incomplete data and seven updates for which the master records were not found. Although 35 of these were corrected during the period covered by the first closing, only one correction was made in the second closing (20 April 1987), which left 143 records still uncorrected.

115. We traced 63 of the 143 uncorrected records to the suspense account summary and observed that the expenditures under those 63 records totalled \$911,588.31. Moreover, as at the second closing, there was a balance of \$24,583,687.32 in the suspense account summary.

116. Our subsequent analysis of the 35 corrected updates revealed that the required transaction data showing the amounts of 14 calls-forward were not registered. In those circumstances, proper matching of expenditures with the corresponding call-forward was not possible.

117. We recommended the immediate analysis of the problems and the immediate institution of appropriate corrections. The Administration agreed that those problems should be speedily attended to and that existing procedures should be reviewed to ensure that the suspense account was promptly analysed.

#### Maintenance of call-forward master

118. The ceiling for project expenditures is established in the basic assistance list, broken down by calls-forward for supply and cash assistance. The revised basic assistance list monitoring system was designed to improve the control over calls-forward and the monitoring of their status and balances. When it was implemented in 1987, it gave the Programme Division, in close co-ordination with the Division of Financial Management and the Supply Division, full control over calls-forward.

119. However, our review of the updating procedures for the call-forward master file disclosed that while the updates were generally performed by the Programme Division, the Division of Financial Management still retained update access. Access by the latter was allowed when the call-forward was financially completed and when that Division split an existing call-forward because of changes in the source of funds, donor or global assistance project identification. We were informed that the splitting of a call-forward was necessary to balance a project's total expenditure and the corresponding donor's contribution. Since access was given to both divisions, we raised the issue of the responsibility for correcting any resulting overages and the problem of providing assurance that the project and subcomponents of the new call-forward were actually supported by the basic assistance list.

120. From a systems point of view, maintenance of the call-forward master is complicated when the updates come from two or more independent sources. Under such an arrangement, it is essential to foresee the effects of one source's updates on the other's data base and/or information requirements in order to avoid the time-consuming work, for both staff and computers, of reversing previous updates and reprocessing new ones. Moreover, giving access to two divisions negates the objective of strengthening control over the calls-forward.

121. We recommended that in order to maintain full and effective control over the calls-forward, the call-forward master should be updated by the Programme Division only. The Administration informed us that it would study the feasibility of a scheme that would allow the two divisions to make different types of updates in the call-forward master and still avoid the problems cited. In addition, the Administration stated that it would review the design of the automatic adjustment system.

122. Finally, we suggested that the Administration should review critically the purpose or purposes of splitting calls-forward. The Administration should not encourage the adjustment of records for the purpose of bringing expenditures and commitments of completed projects into balance. Officially, reports to donors should reflect the accounting for the actual financial implementation of projects to which they contributed. Historical data and actual closing balances will serve as more useful input for the Programme Division in its planning, monitoring and evaluation activities and for establishing the funding requirements of prospective projects. The Administration informed us that it would review the practice of splitting calls-forward in the context of the more general review of the Comptroller's system.

### Supply operations at Copenhagen

#### Supplies procurement, delivery and payment systems

##### Warehouse supplies in transit

123. We analysed 56 per cent of the balance of the supplies-in-transit account as at 31 December 1986 and noted the following:

(a) A total of \$608,369.78 of the year-end balance represented balances carried forward from the beginning of the year, of which \$438,556.02 comprised balances that had been outstanding since 1 January 1985;

(b) Of the \$776,309.35 in adjustments made in 1986, \$464,887.12 consisted of corrections pertaining to prior years and \$516,395.81 of adjustments for double recording.

124. We recommended a thorough analysis and review of the inventory-in-transit account so that goods that were not actually in transit between the supplier and UNIPAC as at 31 December 1986 should be taken out of the account. The Administration informed us that it would keep the account current by excluding items that had been outstanding for more than two years. We reiterate our recommendation.

##### Incoming supplies on hold

125. Existing receiving and warehousing procedures provide for the physical segregation of items (also known as items on hold) that require laboratory testing or that, as a result of an on-the-spot assessment, have been found unacceptable. Present procedures also require that the items on hold be registered in the system as part of the inventory, although not currently available for use in the packaging operation.

126. The value of goods on hold as at 31 December 1986 was \$1,758,406.75, 7.21 per cent of the reported stock on hand of UNIPAC at year-end. We recommended that that amount should be disclosed in the notes to the 1986 financial statements. We also recommended, and the Administration agreed, that items on hold should be segregated in the records.

#### Acceptance of over-deliveries

127. Of the 1,095 purchase orders outstanding as at 8 October 1986, 321 had negative balances. The major reason for this was the acceptance by UNIPAC of over-deliveries. Of the 20 purchase orders that we examined, 15 had over-deliveries ranging from 4 to 1,309,000 units. In dollar terms, the over-deliveries ranged from \$0.48 to \$65,000. In one case, an order was placed for 18,000 units and delivery of 36,534 units was taken - an excess delivery of 18,534 units or 103 per cent of the quantity ordered. Interviews disclosed the absence of a written policy concerning the acceptance of over-deliveries. Furthermore, we observed that the payment system did not require the matching of the purchase order and invoice quantities prior to the initiation of the payment process. These receiving and payment practices adversely affect of the organization's financial and warehouse resources.

128. We recommended, and the Administration agreed, that a policy establishing acceptable cash/quantity limits on excess deliveries should be formulated and that purchase order and invoice quantities should be compared prior to payment in order to strengthen the procurement, cash and warehouse management systems.

#### Payment for unacceptable deliveries

129. A quality control report is not required to support payments for stock replenishments. In 23 cases, payments were made despite adverse findings by the Quality Control Section. The sampled goods on hold on 13 October 1986 were valued at \$655,874.

130. We recommended, and the Administration agreed, that it should re-examine the existing practice in the light of the alternative of effecting payments upon receipt of the quality control report for those items requiring testing.

#### Recovery of payments on unacceptable deliveries

131. Payments made on deliveries that are subsequently found to be unacceptable are settled either by replacement with acceptable items, recovery of the payments or application of the payments against future deliveries from the same supplier. There were three cases, involving \$201,658.20, in which payments had not yet been recovered, although the items had been on hold for more than six months. For supplies on hold paid for by other UNICEF offices on behalf of UNIPAC, both we and the Administration encountered extreme difficulties in tracing the payments. In some instances, the payments were taken up as losses by writing off the unacceptable deliveries.

132. On the basis of our observations, we submitted the following recommendations:

(a) Immediate recovery of the \$201,658.20 should be undertaken and discontinuing future dealings with the suppliers concerned should be considered;

(b) The UNICEF office concerned should be asked to conduct an independent inspection of the goods before shipment, particularly when the amounts involved are material, and to communicate the results to the paying office; this initial inspection, however, should not preclude UNIPAC from conducting the usual inspection upon arrival of the goods.

133. The Administration informed us that the payments of \$201,658.20 were for purchases from one country and that negotiations were under way for the replacement of the goods by the suppliers. Since the Administration stated that the recommended initial inspection was already in place, we further recommended that the practice should be formalized through the issuance and dissemination of an instruction.

#### Direct shipments of standard items

134. The processing of standard supply items that are shipped directly by the suppliers to the field offices follows the same procedures as those used for supplies received, packed and shipped by the UNIPAC warehouse. As a result, UNIPAC recognizes income from the 10.6 per cent warehouse overhead that is automatically charged against shipments from the warehouse, even though the goods directly shipped by suppliers did not go through the warehousing and packing operations. We recommended, and the Administration agreed, that it should re-examine the existing instruction with respect to the propriety of the overhead charges.

#### Inventory valuation and price variances

##### Accounting for price variance

135. The inventory costing procedures provide for the value of supplies to be adjusted for variances between the average cost and the actual cost, stock transfers, valuation and price changes, round-offs and stocktaking differences. However, at year-end, when the financial statements are prepared, these price variances are added to or deducted from the balance of the supplies account, which changes the balance back to the unadjusted amount. This method of valuing the supplies account is contrary to the stated accounting policy of UNICEF that the value of UNIPAC inventory is "adjusted by the accumulated variance between average and actual costs".

136. We recommended, and the Administration agreed, that it should review the policy on supplies inventory valuation, particularly the treatment of price variances. We further recommended that the Administration should determine the amount of the accumulated variance between average and actual costs and, if it was found to be material, it should make the necessary adjustments in the 1986 financial statements.

##### Price variance from round-offs

137. The method of classifying and recording price variances due to round-offs on issue orders packed was not consistently followed during the year. From January to September 1986, round-offs were treated as direct adjustments in the standard cost of the inventory-supplies-packed account. From October 1986 on, round-offs for all types of issue orders were taken up in price variance accounts. This lack of consistency resulted in an increase in the number of accounts to be reconciled at year-end. Furthermore, the issue-order-type classification of price variances at

UNIPAC differs from the classification at UNICEF, which precludes reconciliation on an account-by-account basis.

138. We recommended, and the Administration agreed, that it should review the observed differences in the classification and recording of transactions and reach a decision on a more appropriate accounting treatment.

#### Price variances not recorded by UNICEF

139. Data transmission problems in January and February 1986 affected the variance accounts for round-offs on issue orders packed. In this connection, we observed transactions that were recorded twice and others that were not recorded at all. A number of transmissions involving price variances totalling \$124,686.88 were not recorded in the accounts of UNICEF, either in variance accounts or in the inventory account. During 1986, three different systems were utilized for the transmission of data on issue orders packed and related accounts. Although the transmission system used since October 1986 overcame the difficulties, the price variance balances on the books of UNICEF and UNIPAC still differed by \$284,017.65 at year-end.

#### Accounting for packing materials

140. The accounting procedures for packing materials provide that the inventory account be set up at the time that the triwalls are received. When the materials are issued to production, the appropriate budgetary account is charged and the inventory account is reduced accordingly. There were 19 cases, however, involving a total of \$125,160.08, in which the receipt of the triwalls was charged directly to the budgetary account. This error resulted in the understatement of the inventory account and the overstatement of the budgetary expenditure. We recommended, and the Administration agreed, that it should effect the necessary adjustments.

#### Reconciliation of the packing-materials account

141. There has been an ongoing effort to reconcile the UNICEF and UNIPAC balances for the inventory of packing materials. This reconciliation has been made on the basis of individual purchase orders; adjustments totalling \$893,125.49 were made in 1986. We reviewed these adjustments and observed that in eight cases, involving \$151,435.12, the UNICEF general ledger entries were based on purchase orders that could not be found in the UNIPAC data base. In 16 adjustments totalling \$133,385.84 the purchase orders referenced were found but the item descriptions were not those of triwalls or packing materials. We recommended, and the Administration agreed, that the adjustments should be reviewed and an appropriate system of referencing the adjustments should be instituted in order to facilitate the review of the propriety of every adjustment.

#### Supplies recorded as inward freight

142. Our tests disclosed five cases in which payments for supplies were accounted for as inward freight. The errors, totalling \$172,822, arose from payments made by other UNICEF offices on behalf of UNIPAC. In such cases, data on payments are first transmitted by the field office to UNICEF headquarters before being sent to UNIPAC.

143. These lapses render account reconciliation with UNICEF more difficult. We recommended that the Administration should investigate whether all offices had adequate instructions regarding appropriate accounting for payments for warehouse supplies and, if not, that it should formalize the instructions. The Administration informed us that satisfactory co-ordination already existed between UNIPAC and the UNICEF field offices and that the errors (\$172,822) were occasional exceptions.

Inventory cut-off procedures

144. The existing programmed procedure for recording shipping report data automatically assigns the data entry date as the date of shipment rather than the date shown on the shipping report. Since the date of shipment provided in the data base is utilized at year-end to determine whether or not goods have been shipped from the warehouse, any delay in data entry can adversely affect this determination. Consequently, the cut-off procedures for inventories actually packed and shipped cannot be based on the shipping date available in the data base. In order to test the propriety of cut-off procedures, we extracted from the data base all issue orders reported as packed as at 31 December 1986 and bearing 1987 shipping dates. We were able to establish that \$1,766,455.14 of issue orders packed were taken up in the accounts as having been shipped in 1986 even though actual shipment occurred in 1987. These errors overstated 1986 expenditures and understated inventories at year-end. As a basis for the adjustment, we provide the following breakdown:

Programme expenditures	\$1 147 499.28
Reimbursable procurement	617 198.16
Administrative procurement	<u>1 757.70</u>
Total	<u>\$1 766 455.14</u>

145. Our review of year-end accruals revealed that, although some supplies had not yet been packed by 31 December 1986, they were nevertheless recognized as 1986 programme expenditure in the amount of \$385,289, simply because they carried a 1986 target arrival date. This premature recognition and overstatement of the 1986 programme expenditures resulted in the understatement or overstatement of the following related accounts:

Inventory (asset)	\$330 437
Freight recovery (income)	19 826
Overhead recovery (income)	<u>35 026</u>
Total	<u>\$385 289</u>

These year-end accruals were made in accordance with the requirements of an existing accounting instruction.

146. On the basis of our findings, we submitted the following recommendations:

(a) Appropriate adjustments should be made in the 1986 accounts for the errors discussed in the preceding paragraphs;

(b) The existing accounting instruction should be revised immediately;

(c) The programmed procedure for dating the shipment should be reviewed because of its impact on the accounts and the accuracy of the cut-off procedures.

The Administration accepted this recommendation.

#### Income from packing and assembly activities

147. In schedule 2 of the UNICEF financial statements for 1986, \$6,368,256.65 was reported as income derived from recovery from packing and assembly activities. This amount includes \$474,856.20 in income arising from price variance round-offs, but only for the period from January to September 1986, because of the change, in October 1986, in the method for classifying and recording price variances. In addition, the reported income does not include the price variance round-offs pertaining to issue orders packed in 1986 for UNICEF programmes.

148. We recommended that the extent of the understatement should be determined and appropriate adjustments should be made in the 1986 accounts and financial statements. The Administration informed us that the appropriate correction would be made in 1987.

#### Export packing charges

149. On the basis of an audit sample of 22 issue orders packed for reimbursable procurement, we observed that the export packing charges differed between the issue order packed, the shipping report, the UNIPAC data base and the UNICEF general ledger. Some of the causes that we were able to identify were the following:

(a) Data on the issue-order-packed form were manually corrected, without a corresponding adjustment of the data base;

(b) Variable export packing charge rates were applied to reimbursable procurement from 14 October 1986 on, but the revised data transmission computer programme accepted the transmission of variable rates only in 1987; hence, the UNICEF general ledger figures differed from those of UNIPAC;

(c) Although journal vouchers raised in New York affected a UNIPAC account with an identical title, the transaction description bore no relation to the differences noted.

150. We recommended, and the Administration agreed, that the reasons for the observed differences should be investigated, particularly when they affected the financial statements. Following the investigation, appropriate measures should be instituted to eliminate the problems, and adjustments required in the accounts should be made.

#### Data transmission

##### Coding of payment transactions

151. Except for the dollar amounts and account codes, the data required to create the payment data records of UNICEF headquarters are manually copied from the UNIPAC data base. Since most of the data for transmission are already available in the



UNIPAC data base, we recommended, and the Administration agreed, that greater priority should be given to its plan to replace the current procedure with a computer programme. Computerization of data extraction and conversion has the advantages of shortening the process, minimizing errors, avoiding the costs of outside services, releasing manpower now involved in coding, and ensuring that corrections are made in both the file for transmission and the data base.

#### Validation of transmitted data

152. Payment data transmitted by UNIPAC to UNICEF are validated by the latter. Errors detected by UNICEF are transmitted back to UNIPAC, where they are verified and corrected after the transactions have been traced back to coding sheets and source documents. The corrected data are then sent back to UNICEF. This loop is repeated until all data transmissions and retransmissions have been accepted by UNICEF.

153. We recommended, and the Administration agreed, that the validation process should be executed at UNIPAC before data were transmitted to UNICEF. The validation programme should include the criteria for checking the errors currently detected by UNICEF. The process should establish the accuracy of the input data and the completeness of document types for each transaction in order to minimize, if not completely eliminate, the invalid records detected by UNICEF. We suggested, however, that the validation now performed by UNICEF should be continued as a check on the strength and completeness of the UNIPAC validation programme.

#### Payment and budget control system

154. In the development of the payment and budget control system, the Administration and the consultant agreed to the mainframe/micro option rather than the mainframe option for the final design of the system. Under the selected option, payment and inventory transactions would be extracted from the UNIPAC data base at the mainframe level, and the file so generated would be downloaded to the micro, where the records required by UNICEF would be created; diskettes containing the record files would then be sent directly to UNICEF by courier.

155. The payment and budget control system actually implemented handles only inventory transactions that have been reformatted at the micro level to the records required by UNICEF. The record files are then loaded back on to the mainframe for transmission to UNICEF through Geneva. Payment transactions are handled by manual coding procedures.

156. Discussions with both electronic data-processing staff and users confirmed that the option chosen was not logical. We recommended, and the Administration agreed, that it should enhance the extraction programme at the mainframe level, where UNICEF record files could be created directly. The Administration further informed us that that undertaking would be given high priority.

#### Field office operations

157. Although we visited two field offices during our audit of the 1986 accounts of UNICEF, we were unable to complete one of the management letters in time to incorporate the major observations in the present report. Consequently, this section of the report covers the results of the audit of only one field office.

## Vaccine distribution, utilization and cold chain system under the expanded programme of immunization

### Vaccines in stock

158. Our analysis of the annual reports (1982 to 1985) submitted by the Government to UNICEF on vaccine distribution and utilization disclosed that while the quantities distributed had increased, the percentages of utilization had exhibited a decline. Hence, the related percentages of vaccines in stock had increased. At a meeting with officials of the implementing agency, we learned that the differences between the reported quantities of vaccines distributed and utilized comprised the total of vaccines carried forward to the following year and the vaccines that had been destroyed because of technical and potency problems. While the report to UNICEF does not provide this breakdown, the officials informed us that their information system could provide data on the quantities of vaccines available.

159. We recommended, and the Administration agreed, that whenever the Government submitted requests for vaccines and reports on distribution and utilization, it should be requested to provide data on vaccines in stock. This information would be useful input for the preparation of the pertinent supply call-forward.

### Wastage allowance

160. Despite the composite nature of the reported balances of vaccines, as mentioned above, we asked the government officials why the percentages of the balances reported in 1984 and 1985 were more than twice the standard wastage factor for the measles vaccine. We were informed that the 20-dose vial contributed to a higher actual wastage rate and that, on the basis of their study, the 10-dose vial was more economical. We recommended, and the Administration agreed, that the wastage allowances and the use of the 20-dose vial should be reconsidered in the forthcoming joint review of the expanded programme of immunization by the Government, the World Health Organization (WHO) and UNICEF.

### Rural water supply and sanitation assistance

161. Our review of the assistance provided by the Canadian International Development Agency and the Canadian UNICEF Committee for rural water supply and sanitation revealed that fulfilment of the physical output targets had been very satisfactory. The plans envisioned the completion of 300 wells equipped with handpumps over a three-year period. At the time of our audit, the second year of the project, it was reported that 210 wells had already been completed and the remaining 90 wells were then being drilled.

162. On the financial side, however, we observed that actual expenditures had amounted to only \$6,800 and there were outstanding calls-forward totalling \$209,740 for the acquisition of drilling machines and transportation equipment. On further inquiry, we were informed that the Government had agreed to utilize its own equipment and take the forthcoming shipment as replacements.

163. The unusually high rate at which the physical targets were achieved without the required drilling equipment strongly indicates that the Government's need for the assistance was not very pressing. In addition, our examination of the annual review documents and the 1985 annual report disclosed that the villagers preferred

the drinking water obtained from traditional sources to water drawn by handpumps. These signals should have prompted the reconsideration of the planned outlay for drilling equipment and possibly the rechanneling of resources.

164. We recommended, and the Administration agreed, that the projects funded by the Canadian International Development Agency and the Canadian UNICEF Committee should be thoroughly assessed in terms of the determination of actual needs and the Government's capability to undertake the activities by itself. The Administration also agreed that the project should have been reviewed when it became known that the emphasis had shifted from handpump wells to water jars.

#### Cash advances to Governments

165. The existing cash advances liquidation form includes a statement that the individual receipts and other supporting documents are available for inspection or audit by UNICEF. This verification could be done during field visits. Our review of eight field visit reports revealed no mention of this. We were informed by a senior programme officer that no examination had been undertaken. We recommended, and the Administration agreed, that verification of the utilization of cash grants should be undertaken during field visits.

#### Programme monitoring and reporting system

##### Field visits

166. Our review of reports on field visits made between January 1985 and October 1986 revealed that only 14 of the 67 districts (21 per cent) scheduled for visits in 1985 and 1986 were actually visited. The 14 districts constitute only 9 per cent of the 153 target districts. Moreover, of the 19 field visits made between January and October 1986, only 7 were made for the purpose of project monitoring. A variety of reasons were given for the low achievement, the most common being participation in workshops and seminars.

167. We recommended that field visits should be planned more systematically so that targets were at least substantially met. The Administration stated that efforts would be made to increase monitoring, subject to the total workload, timeliness and usefulness.

##### Feedback from field visits

168. UNICEF does not formally communicate the findings of field visits to the Government concerned. This formal communication is particularly important when the finding touches on matters that require action on the part of the Government. While we agree with the programme office that informal communication can be very useful, formal communication also has its uses. The Administration agreed that the informal channel should be complemented by the formal channel so that significant problems noted during the field visit could be addressed immediately.

##### Statistical reports from the Government

169. Interviews and verification procedures at the district, provincial, regional and central levels of the Government on data accumulation and reporting revealed a difference in approaches that affected standardization in measurement. For instance, a regional report on a water supply and sanitation project presented the

overall performance of the provinces covered in terms of criteria that were higher than the minimum agreed between the Government and UNICEF. In the report of the province that we visited, however, the minimum criteria were used.

170. We recommended, and the Administration agreed, that the use of different bases in reporting output should be discussed with the Government in order to ensure that a common standard was followed and thereby render the reports more meaningful and comparable.

### Greeting Card Operation

#### Financial statements for the year ended 30 April 1986

##### Reclassification of expenses

171. Our review of the preparation of the financial statements for the campaign year ended 30 April 1986 disclosed that certain expenses were reported differently this year from prior years. Changes in the classification of expenses are even more significant when the multiple-step format rather than the single-step format is utilized for the income statement, as in the case of the Greeting Card Operation income statement.

172. These changes involved mainly the reclassification of operating expenses into categories of expenses shown in a different section of the income statement. For example, \$1,449,256 of the operating expenses of the Operations Section was reclassified as cost of goods delivered (\$824,892) and expenses for freight, duties and taxes (\$624,364). Similarly, \$2,611,825 of operating expenses of the Sales Section was reclassified to other expense accounts shown in other sections of the income statement.

173. Another type of reclassification involved changes in the components of the different sections of the income statement. For instance, in prior years, expenses for duties and taxes were presented with commissions as direct deductions from gross proceeds, which yielded the amount of net sales. In the income statement for the last campaign year, the amount of duties and taxes was increased by the expenses for freight out and the total was added to the cost of goods delivered.

174. These changes may have been made in order to enhance the information value of the income statement, and such changes should be made. However, since the reclassifications constituted significant changes in the components of cost of goods delivered, net sales and operating expenses, the readers of the financial statements should have been adequately informed. In this connection, as noted in the financial report of the Greeting Card Operation (see part two, sect. I, para. 9, below) the income statement for the 1984 campaign year, which is presented for comparative purposes, was restated to conform with the 1985 campaign year presentation. This disclosure, however, was not adequate. We recommended, and the Administration agreed, that in the future, full disclosure of changes affecting consistency should be made.

##### Notes to financial statements

175. In the notes to the financial statements, the cost-of-goods delivered account is described as consisting of the costs of producing goods delivered during the year. The inventory account is described in the notes as including finished goods

that have been manufactured for the succeeding campaign year. The two account descriptions imply that all goods produced for a given campaign year are delivered during the same year, because both definitions exclude the production cost of goods manufactured for, but not delivered during, the same campaign year. Our review of the accounts, however, disclosed that the costs associated with those undelivered goods were recorded as expenses at the end of the same campaign year and therefore formed part of the amount reported as cost of goods delivered. We recommended, and the Administration agreed, that the note on the cost of goods delivered should be revised accordingly.

176. Furthermore, the summary of significant accounting policies includes a statement that "it is Greeting Card Operation policy to write off all unsold finished products from the current campaign year that are not carried forward to the following campaign year". This statement contradicts the definition of the inventory account cited in the preceding paragraph. The Administration agreed to make the appropriate correction.

#### Accounting procedures

177. Our review revealed that three accounting procedures followed in the Geneva and New York offices in accounting for the same groups of transactions differed, as described below.

(a) The two offices do not use the same package for the stock and cash module. Consequently, the accounts used for the inventory at consignees and related accounts are not uniform.

(b) Adjustments during the current year of the estimated returns and commissions of the preceding year are effected by the New York office through the returns-and-commissions account of the current year. The Geneva office, however, utilizes the miscellaneous income account.

(c) The two offices follow different procedures in maintaining the interoffice account, particularly with respect to the exchange rate used.

178. The Administration agreed that those areas of differences should be investigated so that appropriate modifications could be introduced to ensure that uniform accounting procedures were utilized by both offices with respect to the same transactions or accounts.

#### Disclosure of prior year's stock

179. As at 30 April 1986, the prior year's stock accounts of the Geneva office had an aggregate balance of \$11,215,288. In accordance with the accounting policy of the Greeting Card Operation, an equal amount was provided in the allowance for returns and losses, which resulted in a net asset valuation of zero. For this reason, the balance sheet of the Greeting Card Operation does not disclose, either in the financial statement or in the accompanying notes, the existence of these balances.

180. Although we have expressed and continue to express our strong reservations regarding this extremely conservative accounting valuation policy, our concern at the moment is with the failure properly to disclose the stock and valuation account balances in the balance sheet. As a result of the valuation policy and the

practice regarding financial statement presentation, these assets, which could be material in terms of sales revenues realized in subsequent campaign years, are not reported at all. Apart from the valuation issue, we recommended, and the Administration agreed, that in the future, the required disclosure should be provided.

#### Year-end accruals

181. Our review of the expenses accrued on 30 April 1986 strongly indicated that certain amounts did not represent expenses incurred or liabilities to outside parties. The accruals were not supported by invoices, purchase orders, receiving reports, contracts or similar documents confirming the existence of the expense and the liability. Instead, a note for the record was provided which contained the list of the accruals to be set up at year-end. These accruals amounted to \$275,000.

182. We recommended that year-end accruals should be set up only for expenses that had been incurred but not yet paid and that those obligations should be properly supported. With respect to the specific findings, we recommended that appropriate adjustments should be made in order to correct the overstatements. The Administration subsequently informed us that the adjustments had been made.

#### Inventories

##### Negative inventory balances

183. At the Geneva office, negative inventory balances totalling \$144,194 were closed to the usage variance account as at 31 December 1986. While this procedure achieved the objective of eliminating the abnormal balances, it might have an adverse impact on the cost-of-goods delivered account. We informed the Administration that it would have been more appropriate to have analysed the balances so that the causes thereof could have been established. The results of that analysis could have provided useful input for the improvement of inventory controls and the determination of the adjustments that should have been made.

##### Recording delays

184. Delays of from 5 to 72 working days were observed in the entry of input documents to the inventory management system. These delays resulted in inaccurate and abnormal balances in the stock status report and the understatement of the inventory and liability accounts on closure dates. We recommended, and the Administration agreed, that formal guidelines should be established to ensure timely recording of inventory transactions.

#### Production centres

##### Inventory balances at year-end

185. Separate inventory accounts for raw materials, work in process and finished goods were set up for each of the production centres in Canada, Brazil and Singapore. Under this set-up, the 31 December 1986 inventory account balances consisted of the standard cost of goods shipped from New York and the actual cost of materials and services acquired locally by the production centre. In addition, these balances did not represent actual balances on hand at the end of the calendar year, as shipments from the production centre to consignees were not taken up as

deductions from the centre's finished-goods inventory account. Instead, the shipments were recorded as deductions from the New York inventory account, which explains the abnormal balance of \$651,440 in the New York account at year-end. We were informed that the actual inventory balance and the purchase price variance for the production centres could be established only at the end of the campaign year on 30 April when inventory reports were received from the centres.

#### Report of a production centre

186. We reviewed the annual production and shipment report submitted by one of the production centres. The New York office uses the report in recording inventory receipts and in processing shipments to consignees. A comparison of the details of the inventory receipts taken up by the New York office and the report disclosed differences in quantity that could not be explained satisfactorily. Hence, we recommended, and the Administration agreed, that it should look into the problem.

187. While no formal financial recording and reporting system for the production centres had been put in place, we observed that the Administration had formed a team to develop and implement a comprehensive production centre management information system. We fully support this effort since it will not only remedy some of the problems noted but also provide more reliable and timely information in one package.

#### Shipments to production centres

188. Shipments to production centres are processed through the customer order processing system, the same system used for shipments to consignees. Consequently, these shipments are taken up as part of the cost of goods sold, although they merely represent transfers from one Greeting Card Operation location to another. At the end of each month, staff manually effect the required correction to the cost-of-goods-sold account and set up the inventory account of the production centre.

189. Had these shipments been processed separately, the generation of the edit list and invoices and the manual procedures for the monthly correction would not have been necessary, and the summary cost of goods sold and other custom order processing reports would have reflected only transactions relating to consignees. We learned that new document types could be created in the inventory management system so that shipments to production centres could be processed separately. We recommended, and the Administration agreed, that it should incorporate modifications in the inventory management system.

#### Imports from Geneva

##### Import-related accounts

190. Existing procedures for recording imports from Geneva require the recognition of a price variance to reflect the difference between the standard costs of the two offices. As at 31 December 1986, the variance for imports had not been recorded since 1 May 1986. In addition, we observed that while the 31 December 1986 accounts of the New York office showed \$19,919 payable to the Geneva office for imports, there was no corresponding account receivable on the latter's books.

191. We reiterated last year's recommendation that the variance should be recognized promptly, particularly on closure dates. The Administration informed us that appropriate procedures would be developed to avoid recurrence of the problems, including those cited in the following section on reconciliation.

#### Accounts reconciliation

192. The reconciliation of the New York office's imports from the Geneva office with the reciprocal account on the latter's books is necessary in order to ensure that all shipments, payables and variances have been recognized. Part of the difficulty in the reconciliation work is the use of different item codes by the two offices. In order to facilitate the reconciliation work and the regular recording of the variance, we recommended that the New York office should obtain certain documents from the Geneva office, including the item coding list for the latter's products.

#### Accounting procedures

193. Our review of the imports from Geneva for the period from 1 May to 31 December 1986 disclosed that some imports were not covered by the required accounting document. Consequently, those imports were not taken up in the inventory management and general ledger systems, and the inventory and payable accounts were understated.

194. Our documentation of the custom order processing system revealed that there were no standard procedures for taking up imports from Geneva that were shipped directly to New York consignees. While the accounting document could have been raised on the basis of the issue orders received from Geneva, our sample showed that the document had not been raised. As a result, those shipments were not entered in the inventory management and custom order processing systems, and the inventory at consignees and related valuation accounts were understated. We recommended, and the Administration agreed, that it should establish standard procedures to ensure the completeness of recording of all transactions relating to imports from Geneva.

#### Fixed assets

195. The Greeting Card Operation's current accounting policy is to capitalize the acquisition cost of fixed assets only when the cost is at least \$100,000. On the basis of this policy, the total cost of fixed assets of the Greeting Card Operation shown in the latter's statement II and schedule 10 of UNICEF for 1986 comprises acquisitions made in 1982, 1983 and 1984. Although acquisitions of equipment in 1985 and 1986 amounted to \$164,936 and \$122,539 respectively, they were all taken up as expenses because no single acquisition met the minimum cost criterion. The major outlays made in 1985 and 1986 were for computer equipment costing \$45,254 and \$34,755 respectively. In addition, the equipment acquired for the Secaucus warehouse in 1986 cost \$41,013.

196. The UNICEF accounting instruction on computer equipment specifically provides for the capitalization of computer equipment when the invoice price is more than \$500. The accounting instruction, however, specifically excludes computer equipment acquired by the Greeting Card Operation.



197. In view of the commercial character of the Greeting Card Operation, we recommended that the Administration should reconsider its existing policy on capitalization because the minimum cost requirement appeared to be rather high. Since the primary objective of accounting measurement in a commercial enterprise is the proper matching of revenues and expenses, a more realistic policy could better achieve that objective. In addition, control over fixed assets could be strengthened through the maintenance of a subsidiary ledger. The Administration informed us that the review would be made, as recommended.

#### Write-offs of receivables and losses

198. The Administration informed us that, after due consultation with UNICEF offices and, where appropriate, with donors, governmental and non-governmental receivables totalling \$3,417,272.05 were written off in 1986. Of this amount, \$836,816.23 was from general resources and \$2,500,653.82 from supplementary funds. In addition, we were informed that obsolete supplies at UNIPAC totalling \$167,073.38 were written off during the year. A total of \$1,207,663.73 of prior years' receivables was written off against Greeting Card Operation income for the year ended 30 April 1986.

#### Cases of fraud

199. The Board was informed that there were no known cases of fraud or presumptive fraud at UNICEF during 1986.

#### Comments on matters dealt with in the report for the year 1985

200. Our follow-up on matters raised in the Board's report for 1985 1/ disclosed that they had either been dealt with to our satisfaction or were covered again in the present report. We have provided recommendations again in the areas of budgetary, accounting and electronic data-processing controls.

#### Acknowledgement

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

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

(Signed) André CHANDEPN'GOR  
Senior President,  
Audit Office of France

(Signed) Eufemio C. DOMINGO  
Chairman, Commission on Audit,  
the Philippines

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1/ Official Records of the General Assembly, Forty-first Session, Supplement No. 5B (A/41/5/Add.2 and Corr.1), part one, sect. II.

### 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 1986. Except as discussed in the following paragraph, our examination included a general review of the accounting procedures and such tests of the accounting records and such other supporting evidence as we considered necessary in the circumstances.

On the basis of limited samples of transactions reviewed, we found material errors in the income, expenditures, receivables, inventories and liabilities accounts, as explained in paragraphs 24 to 26, 38, 39, 42, 60 to 62, 123, 139 to 141, 144, 145, 147 and 181 of our audit report. In addition, there were inconsistencies observed in the application of accounting procedures (paras. 28, 137 and 139) and some of the accounts and supporting evidence were not readily auditable (paras. 28 (a) and 42 to 44). These conditions would have required the extension of audit procedures as well as the application of alternative audit procedures, which we were unable to do because of time and financial constraints.

Because of the limitations in the scope of the audit, as noted in the preceding paragraph, our work was insufficient to enable us to express, and we do not express, an opinion on the financial statements referred to above.

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

(Signed) André CHANDERNAGOR  
Senior President,  
Audit Office of France

(Signed) Eufemio C. DOMINGO  
Chairman, Commission on Audit,  
the Philippines

19 June 1987

IV. FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1986

## STATEMENT I

## COMPARATIVE STATEMENT OF INCOME AND EXPENDITURES FOR THE YEAR ENDED 31 DECEMBER 1986

(United States dollars)

1985		1986
<b>INCOME</b>		
<b>General resources</b>		
190 569 198.37	Contributions from Governments	(schedule 1) 227 308 431.85
19 241 110.56	Contributions from non-governmental sources	(schedule 1) 25 727 592.44
10 058 264.08	Greeting Card and related operations	22 450 334.17
<u>27 706 045.75</u>	Other income	(schedule 2) <u>20 153 024.85</u>
247 574 618.76	<b>Total general resources</b>	<b>295 639 383.31</b>
<b>Supplementary funds</b>		
85 338 852.80	From Governments	(schedule 1) 120 757 750.87
37 343 386.75	From non-governmental sources	(schedule 1) 40 630 456.09
<u>3 703 621.08</u>	From the United Nations system	(schedule 1) <u>2 451 771.36</u>
126 385 860.63	<b>Total supplementary funds</b>	<b>163 839 978.32</b>
373 960 479.39	<b>TOTAL INCOME</b>	<b>459 479 361.63</b>
<u>827 605.43</u>	Net change in value of assets and liabilities due to exchange rates	<u>3 752 969.41</u>
374 788 084.82	<b>NET INCOME</b>	<b>463 232 331.04</b>
<b>EXPENDITURES</b>		
<b>For programme co-operation from:</b>		
161 025 516.16	General resources	170 475 666.57
112 277 637.92	Supplementary funds other than United Nations system	(statement IV) 141 523 755.06
5 273 546.97	United Nations system	(statement IV) 4 982 497.08
<u>66 354 745.05</u>	Programme support services	(statement VI) <u>66 331 591.85</u>
344 931 446.10	<b>Total, programme co-operation</b>	<b>392 313 510.56</b>
<u>44 878 875.48</u>	Administrative services	(statement VI) <u>44 574 164.69</u>
<u>389 810 321.58</u>	<b>TOTAL EXPENDITURES</b>	<b>(statement V) 436 887 675.25</b>
<u>(15 022 236.76)</u>	<b>INCOME OVER (UNDER) EXPENDITURES</b>	<u>26 344 655.79</u>

Statements III to VI and notes 1 to 21 form an integral part of this statement and should be read in conjunction with it.

(Signed) Karin IORHAUG  
Comptroller

(Signed) James P. GRANT  
Executive Director

## STATEMENT II

## COMPARATIVE STATEMENT OF ASSETS, LIABILITIES AND THE FINANCIAL POSITION AS AT 31 DECEMBER 1986

(United States dollars)

	1985		1986
<b>ASSETS</b>			
Cash holdings	110 730 537.70	(schedule 3)	175 580 746.73
Contributions receivable:			
For current and prior years	135 346 629.12	(schedule 4)	160 074 955.23
For future years	40 434 483.84	(schedule 7)	34 724 641.83
Accounts receivable, advances and deposits	25 966 715.19	(schedule 5)	42 182 548.34
Inventories	39 353 732.50	(schedule 6)	43 324 281.86
Capital assets	<u>3 160 390.33</u>	(schedule 10)	<u>4 655 684.96</u>
	<u>354 992 488.68</u>		<u>410 542 858.95</u>
<b>LIABILITIES</b>			
Contributions for following years pledged and received in advance	41 711 428.76	(schedule 7)	39 847 987.23
Income received in advance for Greeting Card and related operations	10 765 874.27		17 419 964.60
Accounts payable and other unliquidated obligations	30 815 689.39	(schedule 8)	41 919 938.70
Revolving fund - special events Trust funds:			525 035.57
Reimbursable procurement and other services	24 862 356.27	(schedule 9)	37 670 842.35
Maurice Pate Memorial Fund Reserve for insurance	22 705.28		
	<u>200 000.00</u>		<u>200 000.00</u>
	<u>108 378 053.97</u>		<u>137 583 768.45</u>
<b>EXCESS OF ASSETS OVER LIABILITIES</b>			
	<u>246 614 434.71</u>		<u>272 959 090.50</u>

Statements III to VI and notes 1 to 21 form an integral part of this statement and should be read in conjunction with it, especially with regard to outstanding commitments. Statement IV shows \$643 million of commitments to be financed from future income.

(Signed) Kerin LORPADG  
Comptroller

(Signed) James P. GRANT  
Executive Director

## STATEMENT III

## STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 1986

(United States dollars)

1985		1986
SOURCES OF FUNDS		
374 788 084.82	Total income for the year	(statement I) 463 232 331.04
1 396 067.10	Increase in trust funds	12 785 780.80
	Increase in revolving fund - special events	525 035.57
	Decrease in contributions receivable: For future years	5 709 842.01
22 595 521.56	Increase in contributions for following years pledged and received in advance	
16 355.13	Decrease in deposits with governmental agencies and suppliers	
4 496 993.75	Income received in advance for increase in Greeting Card and related operations	6 654 090.33
<u>20 899.84</u>	Increase in accounts payable and other unliquidated obligations	<u>11 104 249.31</u>
<u>403 313 922.20</u>	TOTAL FUNDS PROVIDED	<u>500 011 329.06</u>
APPLICATION OF FUNDS		
389 810 321.58	Total expenditures for the year	(statement I) 436 887 675.25
16 201 612.32	Increase in contributions receivable: For current and prior years	24 728 326.11
22 778 101.87	For future years	
	Decrease in contributions for following years pledged and received in advance	1 863 441.53
2 803 576.22	Increase in inventory	3 970 549.36
465 726.22	Increase in accounts receivable, advances and deposits	16 215 833.15
<u>100 806.46</u>	Increase in capital assets	<u>1 495 294.63</u>
<u>432 160 144.67</u>	TOTAL FUNDS USED	<u>485 161 120.03</u>
<u>(28 846 222.47)</u>	INCREASE (DECREASE) IN CASH AND INVESTMENTS	<u>14 850 209.03</u>

## STATEMENT IV

## COMMITMENTS IN 1986 (SUMMARY OF STATEMENT V)

(United States dollars)

	From supplementary funds			Total
	From general resources	Government and others	United Nations system	
Unspent balance of commitments as at 1 January 1986	889 643 930.48	225 361 949.65	10 079 093.97	1 125 084 974.10
Approved at the Executive Board session a/				
New commitments	84 619 837.00			84 619 837.00
Savings and deficits	(102 677.11)			(102 677.11)
Made between Executive Board sessions		161 460 908.12	1 450 504.36	162 911 412.48
Adjustments to commitments:				
Restatement of 1986-1987 budget b/	(20 006 800.00)			(20 006 800.00)
Other	(0.84)			(0.84)
Expenditures	954 154 289.53	386 822 857.77	11 529 598.33	1 352 506 745.63
	<u>290 381 423.11</u>	<u>141 523 755.06</u>	<u>4 982 497.08</u>	<u>436 887 675.25</u>
Unspent balance of commitments as at 31 December 1986	663 772 856.42	225 299 102.71	6 547 101.25	915 619 070.38
Excess of assets over liabilities	<u>59 650 554.85</u>	<u>208 457 536.40</u>	<u>4 850 909.25</u>	<u>272 959 090.50</u>
To be financed from future income	<u>604 122 311.57</u>	<u>36 841 566.31</u>	<u>1 696 102.00</u>	<u>642 659 979.88</u>

a/ E/ICEF/1986/P/L.1.

b/ E/ICEF/1986/12.

## STATEMENT V

## PROGRAMME CO-OPERATION

## STATEMENT OF COMMITMENTS, EXPENDITURES AND UNDEPENT 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 1986

(United States dollars)

Area and country assistance	Unspent	New	Total	Expenditure	Unspent
	balances of commitments as at 1 January 1986				commitments
AFRICA (excluding North Africa)					
Angola	3 983 932.52	7 269 641.29	11 253 573.81	3 311 123.10	7 942 450.71
Benin	3 205 371.27	2 669 600.00	5 874 971.27	706 234.06	5 168 737.15
Botswana	977 963.16	375 922.19	1 353 885.35	573 592.77	780 292.58
Burkina Faso	5 406 314.01	1 966 007.52	7 372 321.53	2 921 655.15	4 450 666.38
Burundi	1 941 582.75	1 718 791.39	3 660 374.14	2 649 961.91	1 010 412.23
Cameroon	4 242 513.68	656 453.00	4 898 966.68	977 705.41	3 921 261.27
Cape Verde	606 731.16	3 150 812.48	3 757 543.64	425 516.19	3 332 027.45
Central African Republic	3 572 648.66	(280.00)	3 572 368.66	1 163 488.20	2 408 880.46
Chad	9 248 888.42	1 326 585.00	10 575 473.42	3 024 898.67	7 550 574.75
Comoros	404 389.03		404 389.03	291 990.82	112 398.21
Congo	116 034.96	630 000.00	746 034.96	310 784.60	435 250.36
Côte d'Ivoire	2 986 038.43		2 986 038.43	728 853.15	2 257 185.28
Equatorial Guinea	119 951.02		119 951.02	70 210.71	49 740.31
Ethiopia	26 800 718.10	8 800 474.16	35 601 192.26	15 130 123.58	20 471 068.68
Gambia	513 205.40	268 348.86	781 644.26	365 021.48	416 622.78
Ghana	9 551 054.00	177 227.77	9 728 281.77	2 051 162.69	7 677 119.08
Guinea	1 400 292.32	202 000.00	1 602 292.32	992 500.61	609 791.72
Guinea-Bissau	1 972 384.50	55 000.00	2 027 384.50	487 964.45	1 539 420.05
Kenya	9 085 337.69	130 496.45	9 215 834.14	1 874 732.24	7 341 601.90
Lesotho	996 341.07	369 423.33	1 365 764.40	898 163.10	467 601.30
Liberia	(93 687.53)	2 529 000.00	2 435 312.47	390 251.43	2 045 061.04
Madagascar	5 387 437.77	1 372 534.68	6 759 972.45	1 297 820.24	5 462 152.21
Malawi	4 915 784.33	383 000.00	5 198 784.33	1 372 681.44	3 826 102.89
Mali	8 825 005.31	3 098 876.90	11 923 882.21	4 469 037.64	7 454 844.57
Mauritania	2 464 761.12	1 046 756.43	3 511 517.55	972 703.82	2 538 813.73
Mauritius	211 411.93	782 000.00	993 411.93	122 376.23	871 035.70
Mozambique	18 964 736.60	3 842 626.89	22 807 363.49	5 640 046.31	16 167 317.18
Niger	9 538 586.51	1 275 990.88	10 814 577.39	3 325 305.45	7 489 271.94
Nigeria	(1 224 530.92)	25 012 438.12	33 787 907.20	1 137 025.17	26 650 882.03
Rwanda	629 270.26	1 799 526.45	2 428 796.71	1 321 698.31	1 107 098.40
Sao Tome and Principe	17 798.41	548 178.06	565 976.47	165 810.08	400 166.39
Senegal	2 469 236.93	6 947 425.87	9 416 662.80	2 046 214.05	7 368 448.75
Seychelles	51 063.69		51 063.69	17 477.72	33 585.97
Sierra Leone	4 899 842.22	306 150.00	5 205 992.22	839 452.16	4 366 540.06



## STATEMENT V (continued)

Area and country assistance	Unspent balances of commitments as at 1 January 1986	New commitments	Total	Expenditure	Unspent balances of commitments as at 31 December 1986
<b>AFRICA (excluding North Africa) (continued)</b>					
Somalia	5 602 846.52	1 137 637.14	6 740 483.66	2 855 628.19	3 884 855.47
Swaziland	504 184.76		504 184.76	176 241.31	327 943.45
Togo	3 570 842.16		3 570 842.16	565 459.52	3 005 382.64
Uganda	17 454 340.82	2 904 184.34	20 358 525.16	6 234 336.97	14 124 188.19
United Republic of Tanzania	27 124 605.15	22 010 131.71	49 134 736.86	13 448 019.82	35 686 717.04
Zaire	5 825 847.07		5 825 847.07	3 272 100.68	2 553 746.39
Zambia	863 003.45	736 873.00	1 599 876.45	593 771.10	1 006 105.35
Zimbabwe	6 238 621.04	656 814.63	6 895 435.67	2 312 346.63	4 583 089.04
Regional	2 950 593.86	1 000 121.10	3 950 714.96	808 602.59	3 142 112.37
Area total	224 323 383.56	117 056 765.66	341 380 153.20	99 341 589.75	242 038 563.45
<b>EAST ASIA AND PAKISTAN</b>					
Bangladesh	56 007 330.80	10 002 296.13	66 009 626.93	14 621 848.54	51 387 778.39
Burma	22 674 396.15	1 169 688.40	23 844 084.55	8 068 829.58	15 775 254.97
China	54 214 700.65	6 060 860.54	60 275 561.19	16 721 886.00	43 553 675.10
Democratic People's Republic of Korea	46 027 990.64	1 050 000.00	1 050 000.00	207 826.01	842 173.00
Indonesia	6 095 924.05	3 280 754.10	9 376 678.15	9 248 407.94	40 060 325.80
Kampuchea	268 113.25	3 885 743.62	4 153 856.87	5 805 907.15	4 175 760.52
Kampuchean relief	3 315 502.15	(256 834.02)	3 058 668.13	11 279.23	2 013 320.23
Laos	422 298.58	27 000.00	449 298.58	1 329 181.92	244 345.68
Malaysia	50 014 119.87	8 136 534.77	58 150 654.64	5 937 145.15	52 214 209.49
Pakistan	480 095.50	2 113 639.81	2 593 735.31	89 055.85	390 999.65
Papua New Guinea	7 700 143.99		7 700 143.99	4 422 276.68	5 391 507.12
Philippines	824 917.09		824 917.09	449 210.95	375 706.13
Republic of Korea	15 086 121.77	201 879.70	15 288 001.47	4 237 334.23	11 050 667.24
Thailand	22 557 413.72	955 562.91	23 512 976.63	8 038 198.29	15 474 778.34
Viet Nam	610 504.51	1 420 785.97	2 031 290.48	537 521.09	1 493 769.39
Pacific island countries	144 795.91		144 795.91	78 484.30	66 311.61
Regional	286 440 068.63	38 048 911.93	324 488 980.56	79 992 385.91	244 496 594.65
Area total	3 813 872.29	2 319 979.41	6 133 851.70	1 416 664.67	2 397 207.62
<b>SOUTH CENTRAL ASIA</b>					
Afghanistan	7 335 253.06	17 593 597.44	24 928 850.50	497 601.96	9 157 630.51
Butan	168 575 712.68	157 866.99	326 442 619.67	46 344 279.87	139 825 030.75
India	1 179 956.65	227 000.00	1 406 956.65	490 480.44	788 343.20
Maldives	28 188.84	1 976 750.83	2 004 939.67	16 717.17	233 476.67
Myanmar	11 256 013.24	1 304 182.12	12 560 195.36	4 287 891.64	8 944 872.43
Nepal	13 185 943.00	23 574 516.79	36 760 459.79	4 009 931.37	10 480 193.75
Sri Lanka	205 324 939.76	228 899 316.55	434 224 256.31	57 072 562.12	171 826 754.43
Area total	3 813 872.29	9 655 232.47	13 469 104.76	1 416 664.67	2 397 207.62

STATEMENT V (Continued)

Area and country assistance	Unspent balances of commitments as at 1 January 1986	New commitments	Total	Expenditure	Unspent balances of commitments as at 31 December 1986
<b>MIDDLE EAST AND NORTH AFRICA</b>					
Algeria	372 157.50	1 337 000.00	1 709 157.50	358 513.73	1 350 643.77
Bahrain	134 643.92		134 643.92	18 870.40	115 773.52
Democratic Yemen	4 192 555.92	481 974.64	4 674 530.56	1 243 820.63	3 430 709.93
Djibouti	468 153.62	1 711 997.00	2 180 150.62	218 795.11	1 961 355.51
Egypt	16 626 265.72	1 087 547.10	17 713 812.82	4 798 063.56	12 915 749.24
Iran (Islamic Republic of)	16 922.55		16 922.55	(11 224.32)	26 146.87
Jordan	98 552.38	920 000.00	1 018 552.38	142 660.08	875 892.30
Lebanon	14 045 668.37	30 272.53	14 075 940.90	5 806 811.09	8 269 129.81
Lebanon rehabilitation	1 311 950.34	70 414.06	1 382 364.40		1 382 364.40
Morocco	3 407 496.75		3 407 496.75	1 582 704.24	1 824 792.51
Oman	919 677.94		919 677.94	368 055.00	551 622.94
Saudi Arabia		32 208.70	32 208.70		32 208.70
Sudan	12 504 044.43	12 907 055.86	25 411 100.29	12 904 062.61	12 507 037.68
Syrian Arab Republic	413 893.36	1 800 000.00	2 213 893.36	498 611.56	1 715 281.80
Tunisia	1 518 069.91		1 518 069.91	880 231.58	637 838.33
Turkey	334 560.63	729 000.00	1 063 560.63	353 647.08	709 913.55
Yemen	4 954 667.88	202 983.03	5 157 650.91	1 492 510.79	3 665 140.12
Palestinian children and mothers	2 766 704.04	129 776.82	2 896 480.86	1 015 739.23	1 880 741.63
Regional	34 038.57	277 891.60	311 929.57	34 117.88	277 811.69
Area total	64 120 023.65	20 178 120.74	84 298 144.57	31 705 990.27	52 592 154.30
<b>EUROPE</b>					
Greece		10 000.00	10 000.00	10 000.00	
Area total		10 000.00	10 000.00	10 000.00	
<b>THE AMERICAS</b>					
Antigua and Barbuda	18 234.03	(18 234.03)			
Argentina	1 683 166.55	1 438 779.77	3 121 946.33	795 839.72	2 326 106.61
Barbados	792.94	(792.94)			
Belize	437 511.52	153 268.84	590 780.36	265 095.63	325 684.73
Bolivia	2 820 181.39	1 980 617.78	4 800 799.17	1 975 202.13	2 825 597.04
Brazil	1 997 233.80	493 920.29	2 491 154.09	1 426 528.15	1 064 625.94
Chile	148 775.85	193 562.18	342 338.03	126 891.95	215 446.08
Colombia	5 661 776.83	674 796.37	6 336 573.20	2 642 324.30	3 694 248.90
Costa Rica	333 153.11	84 692.03	417 845.14	159 237.67	258 607.47
Cuba	133 422.08		133 422.08	85 249.56	48 172.52

## STATEMENT V (continued)

Area and country assistance	Unspent balances of commitments as at 1 January 1986	New commitments	Total	Expenditure	Unspent balances of commitments as at 31 December 1986
<b>THE AMERICAS (continued)</b>					
Dominica	45 011.13	(25 860.81)	19 150.32	11 086.39	8 063.93
Dominican Republic	952 409.70		952 409.70	385 102.92	567 306.78
Ecuador	20 596.98	1 879 000.00	1 899 596.98	409 374.94	1 490 222.04
El Salvador	894 360.53	263 872.86	1 158 233.39	490 022.88	668 210.51
Grenada	7 100.81	(2 027.73)	5 073.08		5 073.08
Guatemala	1 685 635.43		1 685 635.43	588 614.09	1 097 221.34
Guyana	156 528.52	230 000.00	386 528.52	343 311.08	43 217.44
Haiti	3 073 810.52	851 531.95	3 925 342.47	1 732 250.47	2 189 092.00
Honduras	955 398.32	73 913.04	1 029 311.36	305 542.01	723 769.35
Jamaica	509 685.43	253 284.06	762 969.49	233 195.99	529 773.50
Mexico	2 488 074.89	3 208 772.28	5 696 847.17	2 855 151.87	2 841 695.30
Nicaragua	1 713 310.30	2 287 416.67	4 000 726.97	1 212 876.53	2 787 850.44
Panama	119 207.50		119 207.50	40 243.05	78 964.45
Paraguay	1 020 614.52		1 020 614.52	289 796.66	730 817.86
Peru	2 002 778.76	1 474 263.77	3 478 042.53	1 831 064.43	1 646 978.10
Saint Kitts and Nevis	4 164.45	(55.45)	4 109.00		4 109.00
Saint Lucia	39 060.40	(2 526.26)	36 534.14	18 395.76	18 138.38
Saint Vincent and the Grenadines	2 879.98	(2 131.44)	748.54		
Suriname	7 245.18	(7 245.18)			
Regional	4 197 915.50	6 639 486.44	10 837 401.94	3 720 247.56	7 117 154.38
Area total	33 121 636.96	27 122 304.49	55 243 941.45	21 897 394.22	33 346 547.23
Total for all areas	803 330 052.74	220 990 483.59	1 024 320 536.33	290 019 922.37	734 300 613.96
<b>GENERAL ASSISTANCE</b>					
Food and nutrition surveillance	101 828.72	(101 828.72)			
International Children's Centre	(8 045.62)	8 045.62			
Regional women's projects	146 563.24	(146 563.24)			
Project preparation and training	22 054 753.37	25 000.00	22 079 753.37	8 146 703.76	13 933 049.61
Emergency reserve 2/	1 164 462.00	64 052.98	1 228 514.98		1 228 514.98
Training of communicators for child survival and development	234 719.86	1 113 730.00	1 348 449.86	501 073.60	497 376.26
Reduction of infant and child mortality	29 808 187.03	9 559 904.08	39 368 091.11	15 711 041.36	23 657 049.75
Joint UNICEF/WFP nutrition support programme	11 397 073.06	8 048 839.00	19 445 912.06	7 440 342.01	12 005 570.05
Essential drugs for primary health care in Africa	4 304 946.70	7 866 908.22	12 171 854.92	3 812 835.61	8 359 019.31
General assistance total	69 204 488.36	26 438 087.94	95 642 576.30	35 961 996.34	59 680 579.96

STATEMENT V (concluded)

Area and country assistance	Unspent	New	Total:	Unspent	
	balances of commitments as at 1 January 1986			commitments	Expenditure
Programme support services	149 573 433.00	(13 161 253.90)	136 412 179.10	66 331 591.85	70 080 587.25
Total assistance	1 022 107 974.10	234 267 317.63	1 256 375 291.73	392 313 510.56	864 061 781.17
Administrative services	102 977 000.00	(6 845 546.10)	96 131 453.90	44 574 164.69	51 557 280.21
Grand total	1 125 084 974.10	227 421 771.53	1 352 506 745.63	436 887 675.25	915 619 070.38

a/ In 1986, the Executive Director made a total allocation of \$1,776,379 from the emergency reserve as follows: \$180,000 to Mexico; \$200,000 to Viet Nam; \$19,029 to Somalia; \$32,000 to Sierra Leone; \$130,600 to headquarters project support staff; \$8,600 to Sao Tome and Principe; \$100,000 to Bolivia; \$125,000 to Madagascar; \$53,500 to Somalia; \$30,000 to Sierra Leone; \$20,000 to Jamaica; \$50,000 to Burkina Faso; \$10,000 to Greece; \$145,650 to El Salvador; \$200,000 to Viet Nam; \$12,000 to project support for report on Ethiopian experience; \$330,000 to Nigeria; \$75,000 to Lebanon; and \$55,000 to Senegal and Guinea-Bissau.

STATEMENT VI

STATEMENT OF BUDGET ESTIMATES, OBLIGATIONS INCURRED AND UNENCUMBERED BALANCES  
FOR THE BIENNIAL BUDGET 1986-1987

(United States dollars)

	Budget estimates	Obligations incurred		Unencumbered balances
		Programme support services	Administrative services	
Category 1				
Staff costs	148 616 066.00	39 918 124.67	28 085 494.88	80 612 446.45
Category 2				
General operating costs	77 839 262.00	23 435 470.14	16 488 659.81	37 915 122.03
Category 3				
Packing and assembly costs	6 088 305.00	2 977 997.02		3 110 307.98
Total, all categories	232 543 633.00	66 331 591.85	44 574 164.69	121 637 876.46
Less:				
recovery from packing and assembly activities	10 540 000.00	6 368 256.65		4 171 743.35
Other income related to budget	6 000 000.00	2 083 941.47	2 678 401.79	1 237 656.74
Contributions from Governments towards local costs	5 600 000.00	441 994.28	310 977.14	4 847 028.48
Grand total	210 403 633.00	57 437 399.45	43 584 785.66	111 381 447.89

## NOTES TO THE FINANCIAL STATEMENTS

### Income and expenditures

1. Total gross income from contributions for 1986 was \$420,293,274, consisting of \$253,872,642 for general resources and \$166,420,632 for supplementary funds. Transfers and adjustments to income of \$3,417,272 resulted in a net contribution income of \$416,876,002 (schedule 1).
2. The net income taken into the 1986 accounts from the Greeting Card Operation and related operations in the 1985/1986 season was \$22,450,334 (statement I). A report on this season is given in the Greeting Card and related operations financial report and accounts for the 1985 season (the year ended 30 April 1986).
3. Other income from miscellaneous sources was \$20,153,025 (schedule 2). It consisted mainly of \$5,763,550 in interest on funds held in interest-bearing deposits and in current accounts with banks, and \$6,368,257 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. In line with an Executive Board decision, income from staff assessment in 1986 has been applied to arrive at a net budget cost.
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 1986 in a net increase of \$3,752,969 in the accounting value of these assets and liabilities. This change in valuation is shown before arriving at "net income", which amounts to \$463,232,331 (statement I).
5. Supplies packed and shipped or being shipped by the UNICEF Procurement and Assembly Centre at Copenhagen were valued at \$64,700,339. They were shipped at this value, which includes an operational surcharge of 10 per cent to recover packing and warehousing costs considered to be income (E/ICEF/1985/AB/L.1, para. 285) and a freight charge of 6 per cent. Of the total supplies shipped or being shipped during the year, 71 per cent went as input to UNICEF country programmes and 29 per cent were delivered on a reimbursable basis on behalf of Governments, other agencies in the United Nations system and non-governmental organizations.
6. The restatement of the 1986-1987 budget on a net basis, as approved by the Executive Board in 1986 (E/ICEF/1986/AB/L.1), resulted in a decrease in the appropriation for staff costs in category 1 and a corresponding decrease in the resolution on income related to the budget. The decrease of \$20,006,800 represents the estimated income for staff assessment approved for the biennium 1986-1987 (statements I and VI).
7. A balance of \$121,637,876 remains for the second year of the biennial budget 1986-1987, after the expenditures incurred in 1986, \$110,905,757, are deducted. Income related to the 1986 budget totalled \$11,883,572. Thus, the net budget cost for 1986 was \$99,022,185 (statement VI). The distinction between programme support and administrative services costs based on a computation of the overhead is shown in statements V and VI.

8. At the end of 1986, income (\$463,232,331) exceeded expenditures (\$436,887,675) by \$26,344,656. Changes in balance sheet categories of assets and liabilities, described in statement III and note 18, produced an increase in cash and investments of \$14,850,209.

#### Assets and liabilities

9. As at 31 December 1986, cash in banks, in transit and on hand totalled \$125,580,747 (statement II). It was held as follows: \$112,446,195 in currencies of unrestricted use and \$13,134,552 in other currencies. Among the liabilities for which these assets were held were funds-in-trust of \$37,670,842 in cash and pledges (statement II), mainly for procurement of goods and services on a reimbursable basis.

10. Total pledges receivable for current and prior years were \$160,074,955, of which \$124,582,292 was for supplementary funds, payment of which to UNICEF is normally related to the progress of implementation of specific projects and occurs in accordance with payment schedules agreed with donors. The balance of \$35,492,662 represents outstanding pledges to general resources. It includes \$20,795,023 for adoptions of general resources projects usually paid according to the financial requirements of the projects, which leaves a balance of \$14,697,639 due mainly from 1986.

11. Supplementary fund contributions of \$39,847,987 have been pledged and received in advance to finance "noted" projects in 1987 and beyond. Details are given in schedule 7, which also includes \$5,123,345 paid in advance for both general resources and projects under definition. These contributions will be recorded as income in 1987 and following years in accordance with the conditions specified in the relevant pledges.

12. Accounts receivable other than for contributions (\$20,281,066) are shown in detail in schedule 5, together with administrative deposits and prepayments (\$7,255,971) and advances made to the Greeting Card Operation for current and future campaigns and to suppliers (\$14,645,511). The aggregate total of \$42,182,548 appears in statement II.

13. The consolidated value of programme supplies in stock at the UNICEF Procurement and Assembly Centre at Copenhagen and Greeting Card Operation stocks of raw materials and finished products is 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 \$43,324,282.

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 (\$4,025,877) less accumulated amortization (\$1,487,905) at the end of 1986 were \$2,547,972. Computer equipment acquisition during the year amounted to \$2,333,473; the equipment was amortized for 20 per cent of its costs in the first year. The balance of capital assets in schedule 10 represents machinery and equipment purchased by the Greeting Card Operation and amortized over their useful life.

15. Accounts payable and other unliquidated obligations amounted to \$41,919,939 (statement II). Details are provided in schedule 8. As at 31 December 1986, there

were, in addition, outstanding contractual obligations for a net amount of \$62,705,803 for supplies and equipment ordered against unfulfilled commitments and trust funds and for the replenishment of the UNICEF Procurement and Assembly Centre warehouse effective on that date.

16. To replace lost supplies and equipment, \$2,430 was used from the insurance reserve. By a transfer of the equivalent amount from UNICEF income, the reserve was restored to \$200,000.

17. During 1986, fund-raising events were held in several countries to provide additional assistance to Africa and other developing countries. Donations from corporate sponsors and proceeds from specific activities were received for the purpose of financing future fund-raising events and are reflected under the heading "Revolving fund - special events", with an ending balance of \$525,035.

18. Statement III gives a summary of changes in the financial position. The excess of income over expenditures of \$26,344,656, as shown in statement I, resulted in an increase in cash and investments of \$14,850,209, and the balance of \$11,494,447 was applied to increases of other balance sheet items, as reflected in statement III.

#### Commitments

19. Statement IV gives a summary of commitments approved by the Executive Board at its annual session for the support of programmes and budget expenses, commitments made between Board sessions for "noted" projects, and expenditures made to fulfil them. Commitments made between Board sessions were \$162,911,412.

20. At year-end, the unspent balance of commitments to be fulfilled in the future totalled \$915,619,070. This sum includes the balance of \$121,637,876 for the second year of the biennial budget 1.86-1987. The balance of \$793,981,194 represents commitments approved for the support of programmes that, in some cases, cover several years and therefore are planned for fulfilment over the period 1987-1991.

21. Statement V shows commitments and expenditures for programmes by country. Note 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 1984

(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	162 833.33		162 833.33				
Antigua and Barbuda	302.06		302.06				
Argentina	311 492.86	500.00	311 992.86				
Australia	1 778 500.00	2 100.00	1 780 600.00	1 013 903.54	448 013.40		1 462 816.94
Austria	1 075 421.24	175 191.07	1 250 612.31		20 033.77		20 033.77
Bahamas	3 000.00		3 000.00				
Bahrain	7 500.00	77.48	7 577.48				
Barbados	2 039.22		2 039.22				
Barbados	2 000.00	65.00	2 065.00				
Belgium	1 428 571.45	55 325.04	1 483 896.47		818 080.81		818 080.81
Belize	4 941.76		4 941.76				
Benin	1 500.00		1 500.00				
Bhutan	4 790.00	44.22	4 834.22				
Bolivia	22 027.00	2 536.56	24 563.56		12 070.60		12 070.60
Botswana	3 293.41		3 293.41				
Brazil	100 000.00		100 000.00	145 096.37	169.19		145 265.56
British Virgin Islands	150.00		150.00				
Bulgaria	63 761.96		63 761.96				
Burkina Faso	2 431.61	130.55	2 562.16				
Burma	217 235.96	1 721.37	218 957.33				
Burundi	13 290.05		13 290.05	40 701.58			40 701.58
Ryelorusian Soviet Socialist Republic	82 236.84		82 236.84				
Cameroon	41 322.31		41 322.31				
Canada	10 507 246.37	9.79	10 507 256.16	23 739 703.36	15 271 372.16		39 011 075.52
Central African Republic	5 997.01		5 997.01				
Chile	70 000.00		70 000.00				
China	450 000.00	23.51	450 023.51				
Colombia	458 651.90		458 651.90				
Costa Rica	13 274.57		13 274.57				
Côte d'Ivoire	20 289.86	198.32	20 488.18				
Cuba	63 051.70		63 051.70				
Cyprus	500.00	310.81	810.81		7 631.80		7 631.80
Czechoslovakia	96 525.10		96 525.10				

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
Democratic People's Republic of Korea	21 186.44		21 186.44			
Democratic Yemen	7 740.00		7 740.00			
Denmark	7 632 726.64	78 917.75	7 711 644.39	2 267 669.89	26 072.75	2 293 742.64
Djibouti	1 000.00		1 000.00			
Dominica	724.56		724.56			
Dominican Republic		1 520.27	1 520.27			
Ecuador	25 407.00		25 407.00			
Egypt	82 205.53		82 205.53			
El Salvador	34 480.27		34 480.27			
Ethiopia	49 275.36		49 275.36			
Fiji	1 769.91		1 769.91			
Finland	11 400 000.00		11 400 000.00	1 809 591.94	801 142.87	2 610 734.71
France	4 954 577.47	5 388 077.60	10 342 655.07		586 325.39	586 325.39
German Democratic Republic	338 984.44		338 984.44			
Germany, Federal Republic of	7 270 454.55	2 370 451.08	9 599 905.63	3 082 255.43	2 564 488.54	5 646 743.97
Ghana					1 244.44	1 244.44
Greece	150 000.00	70 889.26	220 889.26		67 070.76	67 070.76
Guatemala	16 966.12		16 966.12			
Guyana	3 139.53		3 139.53			
Holy See	1 000.00		1 000.00			
Honduras	21 278.00		21 278.00			
Hong Kong	24 223.60	289.00	24 512.60			
Hungary	35 382.57		35 382.57			
Iceland	12 124.15		12 124.15			
India	2 128 024.58	359.98	2 128 024.58		892.06	892.06
Indonesia	300 000.00		300 359.98			
Iran (Islamic Republic of)		100.00	100.00			
Iraq	193 548.39		193 548.39			
Ireland	540 540.54	20 596.78	561 137.32	67 114.09		67 114.09
Israel	50 000.00	29.35	50 029.35			
Italy	21 566 627.45	480 427.81	22 047 055.26	24 826 890.58	830 557.94	25 659 448.52
Japan	15 500 000.00	5 043 287.86	20 543 287.86	801 795.45	3 626 193.87	4 431 989.32
Jordan	28 587.76	300.00	28 887.76		385.75	385.75
Kenya	22 331.29		22 331.29			
Kuwait	200 000.00	300.00	200 300.00			
Lao People's Democratic Republic	5 000.00		5 000.00			
Lebanon	5 154.64		5 154.64	70 414.06		70 414.06
Lesotho	1 576.58		1 576.58			

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
Luxembourg	68 027.21	61 265.25	129 292.46		75 547.62		75 547.62
Madagascar	4 679.14		4 679.14				
Malawi	2 808.99		2 808.99				
Malaysia	102 063.53	3 098.95	105 162.48				
Maldives	2 995.76		2 995.76				
Malta	5 107.00		5 107.00				
Mauritania	7 162.63		7 162.63				
Mauritius	3 745.32		3 745.32				
Mexico	40 313.73	270.00	40 583.73		261 303.06		261 303.06
Monaco	5 505.85		5 505.85				
Mongolia	4 500.00		4 500.00				
Nepal	5 625.00	300.71	5 925.71				
Netherlands	11 371 007.85	1 134 943.19	12 505 951.04	5 837 448.54	2 374 475.69		8 211 924.23
New Zealand	495 049.50	8 988.23	504 037.73	709 322.23	39 069.71		748 391.94
Nicaragua	2 714.29		2 714.29				
Niger	18 237.06		18 237.06				
Nigeria	184 054.41	2 026.34	186 080.75	143 502.59	780 890.08		924 392.67
Norway	21 887 004.46		21 887 004.46	11 480 138.77	269 219.86		11 749 358.63
Oman	50 000.00		50 000.00		8 605.35		8 605.35
Pakistan	44 208.04	4 082.14	48 290.18				
Panama	25 000.00		25 000.00				
Peru		3.40	3.40				
Philippines	299 267.48	726.28	299 993.76		107.55		107.55
Poland	62 344.88		62 344.88				
Portugal	15 000.00	15 314.65	30 314.65				
Republic of Korea	137 200.00	2 370.58	139 570.58		9 672.52		9 672.52
Rwanda	9 797.52		9 797.52				
Rwanda	4 061.40		4 061.40				
Saint Kitts and Nevis	875.00		875.00				
Saint Lucia	2 576.46		2 576.46				
Sar Marino	4 000.00		4 000.00				
Sao Tome and Principe	2 857.14		2 857.14				
Saudi Arabia	1 000 000.00	113 429.61	1 113 429.61		34 948.44		34 948.44
Senegal	6 000.00		6 000.00				
Sierra Leone	4 803.41		4 803.41				
Spain	730 613.46	764 933.83	1 495 547.29	300 000.00	613 750.00		913 750.00
Sri Lanka	15 000.00	670.50	15 670.50				
Sudan	10 357.14		10 357.14	28 571.43			28 571.43
Suriname	2 824.86		2 824.86				

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
Swaziland	3 153.15		3 153.15				
Sweden	31 116 615.09	12 569.83	31 129 184.92	14 682 484.91	125 724.67		14 808 209.58
Switzerland	7 360 446.57	2 873 315.98	10 233 762.55	1 380 630.37	804 765.50		2 185 395.87
Syrian Arab Republic		1 386.10	1 386.10				
Thailand	269 966.65	1 142.86	271 109.51		1 879.70		1 879.70
Togo	1 305.48		1 305.48				
Togo	853.48		853.48				
Trinidad and Tobago	6 944.44	83.33	7 027.77				
Tunisia	46 130.24		46 130.24				
Turkey	55 572.14	5 292.41	60 864.55				
Uganda	2 881.84	102.83	2 984.67				
Ukrainian Soviet Socialist Republic	164 473.68		164 473.68				
Union of Soviet Socialist Republics	888 157.89	183.15	888 341.04		100 000.00		100 000.00
United Arab Emirates		1 284.19	1 284.19		7 698.63		7 698.63
United Kingdom of Great Britain and Northern Ireland	9 648 526.66	3 643 915.53	13 292 442.19	5 309 735.39	5 600 494.44		10 910 229.83
United Republic of Tanzania	8 855.00	634.62	9 489.62				
United States of America	51 430 000.00	3 667 136.81	55 097 136.81	8 789 041.49	5 988 643.55		14 777 685.04
Uruguay	45 000.00		45 000.00				
Venezuela	114 666.66	7.33	114 673.99				
Viet Nam	7 000.00		7 000.00				
Yemen	20 327.44		20 327.44				
Yugoslavia	262 800.00	2 154.28	264 954.28				
Zaire	2 000.00		2 000.00				
Zambia	24 310.18	7.58	24 317.76				
Zimbabwe	18 181.82		18 181.82				
Subtotal	227 814 774.85	25 974 421.01	253 789 195.86	106 532 011.91	42 176 606.95		148 708 618.86
AGF/UND			1 825 001.00				1 825 000.00
FEC			13 380 388.96				13 380 388.96
Subtotal			15 205 388.96				15 205 388.96

SCHEMATIC I (concluded)

	General resources		Supplementary funds			Total
	Governments and inter-governmental agencies	Non-governmental sources	Governments and inter-governmental agencies	Non-governmental sources	United Nations system	
<b>UNITED NATIONS SYSTEM</b>						
United Nations Secretariat		83 446.66		54 852.96	500 000.00	554 852.96
UNICEF, New York					731 612.00	731 612.00
UNDP, New York					336 718.00	336 718.00
UNEP, New York					221 339.00	221 339.00
UNEP, Geneva					447 102.36	447 102.36
World Bank					215 000.00	215 000.00
Subtotal		83 446.66		54 852.96	2 451 771.36	2 506 624.32
Total	227 814 774.85	26 057 867.67	121 737 400.87	42 231 459.91	2 451 771.36	156 470 632.14
Adjustments to prior years' income	(506 343.00)	(330 275.27)	(975 650.00)	(1 601 003.82)		(2 580 652.82)
Grand total	227 308 431.85 a/	25 727 592.44	120 757 750.87	40 630 456.09	2 451 771.36	163 839 978.32
<b>SUMMARY</b>						
Governments and inter-governmental agencies		348 066 182.72				
Non-governmental sources		66 358 048.53				
United Nations system		2 451 771.36				
Total		416 876 002.61				

a/ This includes \$752,971.52 contributed towards local budget costs.

OTHER INCOME IN 1986 WITH COMPARATIVE FIGURES FOR 1985

(United States dollars)

	1986	1985	Increase (decrease)
<b>INCOME RELATED TO THE BUDGET EXPENDITURE a/</b>			
Income from staff assessment b/		12 635 503.55	(12 635 503.55)
Recovery from packing and assembly activities	6 368 256.65	5 416 108.87	952 147.78
Services to Greeting Card Operation	222 000.00	555 648.80	(333 648.80)
Adjustments of accounts payable related to prior year's budget	3 550 155.83	273 589.83	3 276 566.00
Agency commissions and reimbursement for services	294 843.32	343 161.00	(48 317.68)
Income from sale of films, books and other information materials	27 028.26	5 853.52	21 174.64
Income from sale of surplus and obsolete administrative property	310 180.37	208 432.29	101 748.08
Refund of UNICEF contributions from the United Nations Joint Staff Pension Fund		1 139.40	(1 139.40)
Miscellaneous	<u>358 135.48</u>	<u>76 484.10</u>	<u>281 651.38</u>
Subtotal	<u>11 130 599.91</u>	<u>10 515 920.55</u>	<u>(8 385 320.64)</u>
<b>INCOME RELATED TO PROGRAMME OPERATIONS</b>			
Shipping and insurance claims received	151 113.16	47 009.14	104 104.02
Income from sale of surplus and obsolete programme property	<u>84 196.06</u>	<u>69 027.58</u>	<u>15 168.48</u>
Subtotal	<u>235 309.22</u>	<u>116 036.72</u>	<u>119 272.50</u>
<b>INCOME RELATED TO FINANCIAL OPERATIONS</b>			
Rental income		16 077.11	(16 077.11)
Interest on current bank accounts and short-term investments	5 763 550.23	8 169 123.82	(2 405 573.59)
Cash discounts	310 215.94	343 234.57	(33 018.63)
Gains (losses) on foreign exchange transactions	1 804 717.65	(473 550.56)	2 278 268.21
Miscellaneous	<u>908 631.90</u>	<u>19 203.54</u>	<u>889 428.36</u>
Subtotal	<u>8 787 115.72</u>	<u>8 074 088.48</u>	<u>713 027.24</u>
Total	<u>20 153 024.85</u>	<u>27 706 045.75</u>	<u>(7 553 020.90)</u>

a/ Government contributions towards local budget costs totalled \$752,971.52 in 1986 and \$1,373,224.96 in 1985. These are government contributions to UNICEF general resources (schedule 1) and are shown separately in statement VI.

b/ In 1986, income from staff assessment is shown as a deduction from the staff costs to which it applies.

CASH HOLDINGS AS AT 31 DECEMBER 1986

(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	14 002 210.95					14 002 210.95
Currencies of restricted use	12 092 807.74					12 092 807.74
Subtotal	26 095 018.69					26 095 018.69
<b>IN CALL ACCOUNTS AND TIME DEPOSITS</b>						
European currency units	615 074.94		236 594.43	1 559 737.96	5 199 126.55	7 610 533.88
Deutsche mark	1 246 522.32					1 246 522.32
Japanese yen			5 625 000.00			5 625 000.00
Swiss francs	1 369 047.62					1 369 047.62
Pounds sterling	2 275 957.69		714 285.71			2 990 243.40
Danish kroner	2 212 319.17					2 212 319.17
United States dollars	10 318 203.22	10 000 000.00	44 900 000.00	1 000 000.00	9 600 000.00	75 818 203.22
Other currencies of unrestricted use	717 268.30		802 762.68	52 082.33		1 572 114.31
Other currencies of restricted use	42 112.68		906 298.01	93 322.22		1 041 744.02
Subtotal	18 796 506.04	10 000 000.00	53 184 940.83	2 705 154.62	14 799 126.55	99 485 728.04
Total	44 891 524.73	10 000 000.00	53 184 940.83	2 705 154.62	14 799 126.55	125 580 746.73
<b>SUMMARY</b>						
Currencies of unrestricted use						112 446 194.97
Currencies of restricted use						13 134 551.76
						125 580 746.73

SCHEMATIC 4

CONTRIBUTIONS RECEIVABLE AS AT 31 DECEMBER 1986 FOR GENERAL RESOURCES AND SUPPLEMENTARY FUNDS, CURRENT AND PRIOR YEARS

(United States dollars)

	General resources		Supplementary funds		Grand total, general resources and supplementary funds
	Governments and inter-governmental agencies	Non-governmental sources	Governments and inter-governmental agencies	Non-governmental sources	
	Total	Total	Total	Total	
Afghanistan	30 000.00				30 000.00
Angola	5 000.00				5 000.00
Austria		7 500.00	134 174.47		134 174.47
Bahrain	1 428 571.43				1 428 571.43
Belgium	4 790.00				4 790.00
Bhutan	1 000.00				1 000.00
Bolivia	2 431.61				2 431.61
Burkina Faso			14 492 301.81	15 870 548.59	30 362 850.40
Canada	55 799.93				55 799.93
Colombia	9 665.65				9 665.65
Congo	3 034.81				3 034.81
Costa Rica	63 752.96				63 752.96
Cuba	14 780.00		5 194 873.33		5 194 873.33
Democratic Yemen					
Denmark	4 000.00				4 000.00
Djibouti	9 814.18				9 814.18
Ecuador				20 618.56	20 618.56
El Salvador	1 769.91		1 183 673.47		1 183 673.47
Finland					
France	25 000.00				25 000.00
Germany, Federal Republic of				415 253.85	415 253.85
Guatemala	12 179.61				12 179.61
Guinea	1 000.00				1 000.00
Guyana	3 139.53				3 139.53
Indonesia	300 000.00				300 000.00
Iran (Islamic Republic of)	50 000.00				50 000.00
Italy	6 027 723.27		26 179 741.00		32 207 464.27
Jordan	28 587.76				28 587.76
Kenya	38 282.21				38 282.21
Kuwait	200 000.00				200 000.00
Leo People's Democratic Republic	5 000.00				5 000.00
Lebanon	1 576.58		358 224.91		358 224.91
Lesotho	47 619.05				47 619.05
Luxembourg	102 063.53				102 063.53
Malaysia	1 000.00				1 000.00
Mali	16 666.67				16 666.67
Mexico	166 254.22		95 221.47		261 475.69
Morocco	5 625.00				5 625.00
Nepal			543 960.89	48 652.00	592 612.89
Netherlands	2 000.00				2 000.00
Nicaragua	27 936.42				27 936.42
Nigeria			85 430.46		85 430.46
Norway	100 000.00				100 000.00
Oman					
Pakistan	54 816.79				54 816.79



SCHEDULE 4 (concluded)

	General resources		Supplementary funds		Grand total, general resources and supplementary funds
	Governments and inter-governmental agencies	Non-governmental sources	Governments and inter-governmental agencies	Non-governmental sources	
Panama	25 000.00				25 000.00
Peru	120 000.00				120 000.00
Poland	46 025.01				46 025.01
Portugal	15 000.00		1 500.00		16 500.00
Romania	9 797.52				9 797.52
San Tome and Principe	2 857.14				2 857.14
Senegal	18 000.00				18 000.00
Sierra Leone	1 287.85		28 571.43		29 859.28
Sudan					
Suriname	5 324.86				5 324.86
Sweden			6 551 190.23		6 551 190.23
Switzerland	192 673.41		858 666.67		1 051 340.08
Thailand	6 944.44				6 944.44
Trinidad and Tobago	5 043.22				5 043.22
Uganda					
United Kingdom of Great Britain and Northern Ireland			2 500 000.00		2 500 000.00
United States of America	11 430 000.00		17 769 387.26		29 199 387.26
Viet Nam	10 027.78				10 027.78
Zaire	4 000.00				4 000.00
<b>Suptotal</b>	<b>20 750 362.35</b>		<b>75 974 917.40</b>	<b>16 632 513.00</b>	<b>97 357 792.75</b>
AGFUND	14 742 300.00		4 240 400.00		18 982 700.00
ZEC			21 394 813.75		21 394 813.75
OPEC Fund			214 535.00		214 535.00
<b>Subtotal</b>	<b>35 492 662.35</b>		<b>101 824 666.15</b>	<b>16 632 513.00</b>	<b>153 949 841.50</b>
<b>UNITED NATIONS SYSTEM</b>					
United Nations				603 680.98	603 680.98
UNCDF, New York				4 045 062.05	4 045 062.05
UNDP, New York				481 860.09	481 860.09
UNEP, Geneva				38 000.00	38 000.00
UNFPA, New York				11 339.97	11 339.97
UNHCR, Geneva				796 939.88	796 939.88
World Bank				148 230.76	148 230.76
<b>Total</b>	<b>35 492 662.35</b>		<b>101 824 666.15</b>	<b>22 757 626.73</b>	<b>160 074 955.23</b>

SUMMARY

Governments and inter-governmental agencies	137 317 328.50
Non-governmental sources	16 632 513.00
United Nations system	6 125 113.73
<b>Total</b>	<b>160 074 955.23</b>

## SCHEDULE 5

ACCOUNTS RECEIVABLE, ADVANCES AND DEPOSITS  
1986 COMPARED WITH 1985

(United States dollars)

	1986	1985	Increase (decrease)
<u>Accounts receivable</u>			
From the United Nations and specialized agencies for supplies and advances for fellowships and other jointly assisted projects	2 804 853.86	3 790 090.75	1 014 763.11
From non-governmental organizations for fund-raising campaigns			
National committees for UNICEF	494 519.33	668 742.80	(174 223.47)
Other organizations	1 082 283.11	284 332.70	797 950.41
Governments - other	88 319.21	743 620.71	(655 301.50)
For shipping and insurance claims	134 315.03	90 102.66	44 212.37
Miscellaneous	675 940.16	770 207.64	(94 267.48)
From banks - accrued interest	511 251.04	634 912.72	(123 661.68)
From Governments, United Nations agencies and other organizations for funds-in-trust	<u>14 489 584.53</u>	<u>2 497 008.58</u>	<u>11 992 575.95</u>
Total accounts receivable	<u>20 281 066.27</u>	<u>7 479 018.56</u>	<u>12 802 047.71</u>
<u>Deposits and prepayments for office services</u>			
	<u>7 255 971.29</u>	<u>5 560 164.47</u>	<u>1 695 806.82</u>
<u>Advances</u>			
To suppliers for goods purchased and freight	327 006.93	208 351.89	118 655.04
To the Greeting Card Operation			
Budgetary expenditure for the current campaign	13 918 503.85	12 601 975.72	1 316 528.13
Customs duties and taxes	<u>400 000.00</u>	<u>117 204.55</u>	<u>282 795.45</u>
Total advances	<u>14 645 510.78</u>	<u>12 927 532.16</u>	<u>1 717 978.62</u>
Grand total	<u><u>42 182 548.34</u></u>	<u><u>25 966 715.19</u></u>	<u><u>16 215 833.15</u></u>

SCHEDULE 6  
 INVENTORIES  
 1986 COMPARED WITH 1985  
 (United States dollars)

	1986	1985	Increase (decrease)
<u>UNICEF programme supplies</u>			
<u>UNICEF Procurement and Assembly Centre, Copenhagen</u>			
In stock	23 536 849.49	23 684 690.99	(147 850.50)
In transit	<u>3 512 167.68</u>	<u>2 794 442.85</u>	<u>717 724.83</u>
	27 049 017.17	26 479 142.84	569 874.33
<u>Packing materials</u>	<u>224 193.78</u>	<u>154 226.34</u>	<u>69 967.44</u>
Total stocks in the UNICEF Procurement and Assembly Centre and in transit	27 273 210.95	26 633 369.18	639 841.77
<u>Stocks in other locations</u>			
With suppliers	<u>43 177.26</u>	<u>43 177.26</u>	-----
	27 316 388.21	26 676 546.44	639 841.77
<u>Greeting Card Operation</u>			
Raw materials	3 443 228.96	2 598 140.66	845 088.30
Products in process	646 054.99	1 936 861.07	(1 290 806.08)
Finished goods	<u>11 918 600.70</u>	<u>8 142 184.33</u>	<u>3 776 425.37</u>
	16 007 893.65	12 677 186.06	3 330 707.59
Total inventories	<u><u>43 324 281.86</u></u>	<u><u>39 353 732.50</u></u>	<u><u>3 970 549.36</u></u>

SCHEDULE 7

CONTRIBUTIONS FOR FOLLOWING YEARS PLEDGED/RECEIVED IN ADVANCE  
AS AT 31 DECEMBER 1986

(United States dollars)

	Pledged	Received in advance	Total
<b>GOVERNMENTS AND INTERGOVERNMENTAL AGENCIES</b>			
Austria		277 419.35	277 419.35
Canada	5 012 681.16	724 637.68	5 737 318.84
Denmark	1 093 333.33		1 093 333.33
Finland	3 040 816.33		3 040 816.33
Germany, Federal Republic of	3 300 000.00		3 300 000.00
Hong Kong		4 782.78	4 782.78
Italy	1 347 450.00		1 347 450.00
Netherlands	314 844.44		314 844.44
Sweden	13 270 767.04		13 270 767.04
Switzerland	1 078 809.52	2 690 000.00	3 768 809.52
United Kingdom of Great Britain and Northern Ireland	2 500 000.00		2 500 000.00
Subtotal	<u>30 958 701.82</u>	<u>3 696 839.81</u>	<u>34 655 541.63</u>
<b>NON-GOVERNMENTAL SOURCES</b>			
Australia		142 443.56	142 443.56
Austria		75 714.10	75 714.10
Canada	260 260.86		260 260.86
Germany, Federal Republic of		180 231.14	180 231.14
Netherlands	399 348.00	433 626.53	832 974.53
Switzerland		359 864.51	359 864.51
United Kingdom of Great Britain and Northern Ireland		234 625.75	234 625.75
United States of America	1 410 229.15		1 410 229.15
Subtotal	<u>2 069 838.01</u>	<u>1 426 505.59</u>	<u>3 496 343.60</u>
<b>UNITED NATIONS SYSTEM</b>			
UNCDF	848 317.00		848 317.00
UNDP	211 450.00		211 450.00
UNFPA	636 335.00		636 335.00
Subtotal	<u>1 696 102.00</u>		<u>1 696 102.00</u>
Grand total	<u>34 724 641.83</u>	<u>5 123 345.40</u>	<u>39 847 987.23</u>

SCHEDULE 8

ACCOUNTS PAYABLE AND OTHER UNLIQUIDATED OBLIGATIONS  
1986 COMPARED WITH 1985

(United States dollars)

	1986	1985	Increase (decrease)
<u>Accounts payable</u>			
To the United Nations and specialized agencies, mainly for staff salaries and related allowances	7 843 833.02	2 940 169.48	4 903 663.54
For supplies, equipment and freight	12 246 031.18	10 001 886.10	2 244 145.08
Miscellaneous	9 745 837.04	3 738 944.52	6 006 892.52
<u>Unliquidated obligations</u>			
Budgetary obligations outstanding	10 319 907.80	11 700 978.44	(1 381 070.64)
Greeting Card Operation obligations outstanding	1 664 329.66	1 933 710.85	(269 381.19)
Provision made for amounts payable to staff members under the tax equalization plan	<u>100 000.00</u>	<u>500 000.00</u>	<u>(400 000.00)</u>
Total	<u><u>41 919 938.70</u></u>	<u><u>10 815 689.39</u></u>	<u><u>11 104 249.31</u></u>

TRUST FUNDS FOR REIMBURSABLE PROCUREMENT AND SERVICES  
(SUMMARY OF 1986 TRANSACTIONS)

(United States dollars)

Donors	Balances as at			Funds		Total funds available	Expenditure	Funds returned/ transferred	Balances as at 31 December 1986
	1 January 1986	Received	Advanced/ pledged	Received	Advanced/ pledged				
<b>GOVERNMENTS AND INTERGOVERNMENTAL AGENCIES</b>									
AGFUND	15 394.69	255 000.00		270 394.69		91 993.30			178 401.30
Afghanistan		180 000.00		180 000.00					180 000.00
Angola		727 624.16		727 624.16		727 624.16			
Australia	8 094.80	32 239.00		40 333.80		35 132.10			5 201.70
Eahrain	2 678.87	51 150.00		93 828.87		3 645 623.83			828.87
Bangladesh	1 983 617.58	3 488 895.69		5 472 512.97		12 444.65			3 826 889.14
Belize	3 474.67	20 076.76	844.25	23 551.43		160 948.49			30 104.78
Benin	160 104.74			160 948.49		43 532.83			9 384.94
Bolivia	1 656.33	51 241.42		52 897.75					24 946.67
Botswana	24 946.67			24 946.67					
Brazil		16 180.07		16 180.07		16 180.07		46 209.84	121.68
Burkina Faso		261 096.61		261 096.61		214 675.09			410 205.11
Burma		410 205.11		410 205.11					480.45
Cameroon	1 300.99	4 407.71		5 708.70		5 228.25			580 486.08
Canada	409 168.80	542 444.11		951 612.91		352 195.83		18 931.00	
Cape Verde	4 271.63			4 271.63		(970.31)		5 241.95	
Central African Republic	10 629.92			10 629.92		55.4			10 574.46
Costa Rica	5 082.07	207 081.76		212 163.83		133 749.58			78 413.95
Côte d'Ivoire		3 265.37	8 495.39	11 760.76		11 760.76		5 155.31	
Democratic Kampuchea	5 155.31			5 155.31					
Democratic Yemen	292 426.42	350 000.00		642 426.42		538 808.61			103 617.81
Denmark	210 268.24	873 189.69		1 083 457.93		763 945.39		24 921.17	291 591.37
Dominica		4 540.89		4 540.89		4 292.03			248.86
Ecuador	1 968.59	31 476.41		33 445.00		30 782.74			2 662.26
Ethiopia	24 180.81	1 123 816.43		1 123 816.43		327 704.84			796 111.59
Finland	198 695.60	468 860.31		493 041.12		39 218.71			453 822.41
France		251 048.95		449 744.55		113 737.49			336 007.06
Gambia	3 166.31			3 166.31					3 166.31
Germany, Federal Republic of	40 751.44	172 600.00		213 351.44		88 984.99			124 366.45
Ghana	3 943.30	1 007 374.00		1 011 317.30		648 955.84			362 361.46
Guatemala	59 421.08			59 421.08		845.82		57 547.45	1 027.61
Guinea-Bissau	283.96			283.96					283.96
Guyana	3 709.48			3 709.48					3 709.48
Haiti	3 847.10	159 993.22		163 840.32		137 673.77			26 166.55
Honduras	31 201.80			31 201.80		20 277.30			10 924.41
India		6 970.00		6 970.00					6 970.00
Indonesia		1 333 400.00		1 333 400.00		234 628.97			1 098 771.03
Iran (Islamic Republic of)	7 791.55			7 791.55		777.40			7 014.15
Iraq	1 805.75			1 805.75					1 805.75
Italy	3 039 708.95	11 115 220.00	10 738 115.00	24 893 043.95		8 587 716.13			16 305 327.82

SCHEDULE 9 (continued)

Donors	Balances as at 1 January 1986	Funds		Total funds available	Expenditure	Funds returned/ transferred	Balances as at 31 December 1986
		Received	Advanced/ pledged				
Jamaica	13 479.02			13 479.02	4 976.62		8 502.40
Japan	29 107.60	549 979.40		579 087.00	412 492.77		166 594.73
Kenya	435 141.15	191 697.73		626 838.88	65 390.75	15 196.04	546 252.09
Kuwait		3 489.00		3 489.00	3 489.00		
Leaothc	188 623.25	76 411.94		265 035.19	244 850.99		20 184.20
Liberia	5 633.29			5 633.29	4 531.10		1 102.19
Madagascar	144.72	67 430.31		67 430.31	43 066.63		24 363.68
Malawi	14 042.18	235 631.27		235 775.00	204 683.44	144.72	30 947.83
Mali		5 500.00		19 542.18	12 008.78		7 533.40
Mauritania		22 725.05		22 725.05			22 725.05
Mexico		4 387.24		4 387.24	4 006.38		380.86
Morocco	1 878 629.67	358 715.43		2 237 345.10	1 962 395.51		274 949.59
Mozambique	37 278.19			37 278.19	33 383.45		3 894.74
Nepal	98 907.72			98 907.72	48 303.36		50 604.36
Netherlands	7 397.00			319 761.00	202 945.04		116 815.96
Nicaragua	5 620 468.56	312 364.00		2 816.23	2 535.62		280.61
Nigeria	40 681.29	3 027 876.13		8 648 344.69	4 647 576.69		4 000 768.00
Norway		2 816.23		98 905.91	56 577.19		42 328.72
Oman	2 895 166.24	58 224.62		94 160.00	14 420.00		79 740.00
Pakistan	40 843.36	4 244 494.25		7 139 660.49	2 852 966.96	7 203.23	4 279 490.30
Papua New Guinea		13 701.12		54 544.48	44 000.64		10 543.84
Paraguay	361.60			361.60			361.60
Peru	235 342.10			235 342.10	184 266.80		51 075.30
Philippines	15 437.67	63 100.54		78 538.21	55 060.38		23 477.83
Poland	71 639.52			71 639.52			71 639.52
Portugal	1 737.04	3 571.11		5 308.15	1 523.00		3 785.15
Republic of Korea			136.81	136.81			
Seychelles	14 091.38			14 091.38	10 056.30		4 035.08
Sierra Leone	86 198.32	695 418.37		695 418.37	173 956.21		521 462.16
Somalia	31 622.44	117 230.69		203 429.01	105 195.78		98 233.23
Sri Lanka				31 622.44			31 622.44
Sudan	14 370.66	165 045.80		179 416.46	15 319.15		164 097.31
Swaziland	11 036.02			13 834.34	13 834.34		
Sweden	126 282.81	587 096.13	2 798.32	725 408.40	665 953.48		59 454.92
Switzerland		57 250.00	12 029.46	57 250.00	18 309.58		38 940.42
Thailand	639 251.72	57 250.00		639 251.72	(1 202.71)	637 538.54	2 955.80
Tunisia	16.60			16.60			16.60
Turkey	128 849.71	125 488.00		254 337.71	114 837.03		139 500.68
Uganda	2 466.66	11 204.19		13 670.85	4 157.86	1 316.71	8 196.78
United Republic of Tanzania	1 535 056.73	378 543.32		1 913 600.05	1 194 949.00		718 651.05
United States of America	325 466.86	151 190.80	2 716 907.40	3 193 565.06	3 120 570.13		72 994.93
Vanuatu	3 549.49	4 198.63		7 748.12	3 654.58		4 093.54
Yemen	70 192.98	2 409.00		72 601.98	3 640.74		68 961.24
Zaire	23 033.85		103 909.59	126 943.44	126 943.44		
Zambia	36 893.62	96 403.59		133 297.21	66 455.71	109.01	66 732.49
<b>Total</b>	<b>21 237 227.67</b>	<b>34 917 151.56</b>	<b>13 583 236.22</b>	<b>69 737 615.45</b>	<b>33 731 722.61</b>	<b>819 604.47</b>	<b>35 186 288.37</b>

SCHEDULE 9 (concluded)

Donors	Funds				Total funds available	Expenditure	Funds returned/ transferred	Balances as at 31 December 1986
	Balances as at 1 January 1986	Received	Advanced/ pledged					
<b>UNITED NATIONS SYSTEM</b>								
ESONA	940.09				940.09		940.09	
FAO, Rome	275.86				275.86		275.86	
OECD	1 185 757.67	778 720.90	36 165.32	1 964 478.57	1 156 335.72	742 782.69	65 360.16	
PAHO, Washington	120 359.73			120 359.73	36 165.32		3 123.24	
UNABDOL	100 236.33	8 420.00		108 656.33	117 236.49	91 120.33	2 427.30	
UNCDF, New York	120 923.58	216 495.26	191 653.75	529 072.59	509 622.12		19 450.47	
UNDP, New York		345 400.00		345 400.00	18 717.37		326 682.63	
UNDP, Geneva	554 686.32	1 472 720.91	534 791.09	2 562 198.32	2 113 891.61		448 306.71	
UNEP, New York	41 738.55			41 738.55		870.98	40 867.57	
UNRCC, Geneva			361.51	361.51				
UNRWA, Beirut	316 176.36	1 605 238.15		1 921 414.51	1 816 414.11		105 000.40	
WFP	4 664.70	363 435.33	22 459.81	390 559.84	390 559.84			
WCO, Geneva		7 000.00		7 000.00	4 623.69		2 376.31	
World Bank								
<b>Total</b>	<u>2 445 759.19</u>	<u>4 797 430.55</u>	<u>785 431.48</u>	<u>8 028 621.22</u>	<u>6 179 036.48</u>	<u>834 774.00</u>	<u>1 014 810.74</u>	
<b>Others</b>	<u>1 179 369.41</u>	<u>1 724 060.48</u>	<u>2 715.96</u>	<u>2 906 145.85</u>	<u>1 392 458.97</u>	<u>43 943.64</u>	<u>1 469 783.24</u>	
<b>Grand total</b>	<u>24 862 356.27</u>	<u>41 438 642.59</u>	<u>14 371 383.66</u>	<u>80 672 382.57</u>	<u>41 303 218.06</u>	<u>1 698 327.11</u>	<u>37 570 847.35</u>	



## SCHEDULE 10

## CAPITAL ASSETS AS AT 31 DECEMBER 1986

(United States dollars)

	Acquisition costs	Amortization (cumulative)	Balance
<u>UNICEF office buildings</u>			
Dar es Salaam, United Republic of Tanzania	181 038.70	162 934.83	18 103.87
Harare, Zimbabwe	394 847.05	107 688.57	287 158.48
New Delhi, India	1 812 847.63	541 500.00	1 271 347.63
Niamey, Niger	247 397.31	60 000.00	187 397.31
Port-Au-Prince, Haiti	177 513.64	25 728.10	151 785.54
Sana'a, Yemen	268 276.56	184 245.21	84 031.35
Santiago, Chile	32 142.85	32 142.85	
Subtotal	<u>3 114 063.74</u>	<u>1 114 239.56</u>	<u>1 999 824.18</u>
<u>Houses for UNICEF staff</u>			
Lagos, Nigeria	65 205.61	3 707.39	61 498.22
Harare, Zimbabwe (5 units)	212 106.46	120 288.21	91 818.25
Kampala, Uganda	250 000.00	50 007.91	199 992.09
Jakarta, Indonesia (2 units)	226 407.23	119 878.67	106 528.56
Brasilia, Brazil	146 476.57	58 165.61	88 310.96
Juba, Sudan	21 617.96	21 617.96	
Subtotal	<u>921 813.83</u>	<u>373 665.75</u>	<u>548 148.08</u>
<u>Computer equipment</u>	<u>3 363 419.39</u>	<u>1 514 075.93</u>	<u>1 849 343.46</u>
<u>Greeting Card Operation</u>			
Machinery	427 658.60	224 011.48	203 647.12
Office equipment	88 397.00	33 674.88	54 722.12
Subtotal	<u>516 055.60</u>	<u>257 686.36</u>	<u>258 369.24</u>
Total	<u>7 915 352.56</u>	<u>3 259 667.60</u>	<u>4 655 684.96</u>

## V. 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, 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 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 received for future years for purposes specified by donors are considered 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 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 which do not require commitments by the Executive Board are considered trust funds.

#### Assets and liabilities

13. All funds received are deposited into UNICEF bank accounts, including those under 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, and 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 are depreciated over their 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 to 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 costs.

17. The Greeting Card Operation's 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's inventory, the value of which is adjusted by the accumulated variances to reflect its actual costs.

18. At year-end, goods shipped to consignees 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 obligations for delivery of raw materials 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.

## ANNEXES TO PART ONE

### 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 Executive Board commitments as at 31 December 1986

##### B. UNICEF expenditures

2. Expenditures for co-operation by programme in 1986 and 1985
3. Summary of expenditures in 1986 (by region and type of programme)

##### C. UNICEF commitments

4. Summary of commitments approved by the Executive Board at its 1986 session, by region and main field of co-operation
5. Commitments coming into effect during 1986 between Board sessions corresponding to specific contributions received or pledged during 1986, and adjustments and transfers
6. Total commitments approved in 1986 (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 Executive Board commitments as at 31 December 1956  
(United States dollars)

	Opening balance	Received	Advanced	Total	Expenditures	Returned/ transferred	Balance
Office of the United Nations Disaster Relief Co-ordinator	184 715.68			184 715.68	16 002.61		168 713.07
Office of United Nations High Commissioner for Refugees	(171 741.62)	202 318.00		30 776.38	460 733.19		(429 556.81)
United Nations Capital Development Fund	(987 007.35)	3 304 553.20		2 317 545.85	2 943 106.53		(625 560.68)
United Nations Development Programme	26 451.78	206 006.00		232 457.78	456 808.48		(224 350.70)
United Nations Fund for Population Activities	(20 370.58)	225 000.00		204 629.42	227 280.20		(22 650.87)
United Nations Secretary-General appeals	18 102.41			18 102.41	69 535.58		(51 432.17)
United Nations African Emergency Trust Fund	107 433.00	500 000.00		607 433.00	167 050.34		280 382.75
Office of the Special Representative of the Secretary-General for Kampuchea	(406.59)			(406.59)	300 566.45		(1,003 073.04)
World Bank		66 769.24		66 769.24	141 313.61		(74 544.37)
Total	(792 522.18)	4 504 846.44		3 712 024.26	4 982 497.08		(1 270 472.82)

B. UNICEF EXPENDITURES

Table 2

Expenditures for co-operation by programme in 1986 and 1985  
(Thousands of United States dollars)

	1986		1985		Increase (decrease)	
	Amount	Percentage of total	Amount	Percentage of total	Amount	Percentage
Child survival						
Basic child health	119 392	36.6	87 328	29.6	37 064	45.0
Child nutrition	17 096	5.3	16 642	5.9	454	2.7
Total, child survival	136 488	41.9	98 970	35.5	37 518	37.9
Water supply/sanitation	58 208	17.9	58 526	21.0	(318)	(0.5)
Community- and family-based services for children	16 136	4.9	14 458	5.2	1 678	11.6
Formal education	17 636	5.4	20 887	7.5	(3 251)	(15.6)
Non-formal education	13 100	4.0	11 497	4.2	1 603	13.9
Emergency relief	32 085	9.8	35 441	12.7	(3 356)	(9.5)
General a/	52 329	16.1	38 798	14.0	13 531	34.9
Subtotal, programme aid	325 982	100.0	278 577	100.0	47 405	17.0
Programme support services b/	66 332		66 354			
Total assistance	392 314		344 931			

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

b/ Figures for 1986 are net of staff assessment, while figures for 1985 reflect gross costs.

Table 3

Summary of expenditures in 1986 (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	Europe and inter- regional	Total	Percentage
Child survival								
Child health	35 822	6 246	28 632	20 070	10 640	17 982	119 392	37
Child nutrition	2 597	984	6 421	1 307	457	5 330	17 096	5
Total, child survival	38 419	7 230	35 053	21 377	11 097	23 312	136 488	42
Water supply/sanitation	18 447	2 495	13 380	15 408	8 416	62	58 208	18
Community- and family-based services for children	2 690	2 200	4 607	5 699	758	182	16 136	5
Formal education	3 509	859	10 062	2 120	1 081	5	17 636	5
Non-formal education	3 513	1 673	3 731	2 716	1 090	377	13 100	4
Emergency relief	18 712	2 629	2 228	242	6 074	2 200	32 085	10
General a/	14 052	4 811	10 931	9 511	3 190	9 834	52 329	16
Subtotal, programme aid	99 342	21 897	79 992	57 073	31 706	35 972	325 982	100
Programme support services							66 332	
Total assistance							392 314	
Administrative services							44 574	
TOTAL EXPENDITURE							436 888	

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 1986 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>	18 321	370	1 282	650	3 266	-	23 889	28
Child health	17 090	693	643	504	183	-	14 121	16
Child nutrition	1 554	578	559	250	100	-	3 041	4
Water supply/sanitation	11 349	349	536	260	-	-	12 494	15
Community- and family-based services for children	4 028	647	111	-	161	-	4 947	6
Formal education	7 243	-	930	393	-	-	8 566	10
Non-formal education	1 052	933	109	-	-	-	2 094	2
Women's programmes	-	823	-	465	-	-	1 288	1
General <sup>b/</sup>	12 908	643	655	578	1 140	25	15 949	18
Subtotal, programme aid	68 553	5 036	4 825	3 100	4 850	25	86 389	100
Emergency reserve fund <sup>c/</sup>	-	-	25	-	-	1 835	1 860	
Less balance of earlier commitments	(3 637)	(58)	(553)	(648)	(64)	(-)	(4 960)	
Total, new recommendations	64 916	4 978	4 297	2 452	4 786	1 860	83 289	
Deficit (over-expenditure)	1 319	-	-	-	3	8	1 330	
Savings (cancellations)	-	-	-	-	-	(102)	(102)	
Net increase in programme commitment	66 235	4 978	4 297	2 452	4 789	1 766	84 517	

<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 coming into effect during 1986 between Board sessions corresponding to specific contributions received or pledged during 1986, 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	8 554	66	6 319	12 580	5 867	12 477	46 263	28
Child health	3 558	6 425	1 318	4 267	1 337	4 395	21 300	13
Child nutrition	2 577	78	5 733	102	-	8 441	16 931	11
Water supply/sanitation	12 135	717	8 894	2 021	2 826	-	26 593	16
Community- and family-based services for children	887	1 204	542	326	-	-	2 959	2
Formal education	51	543	7 124	404	(17)	-	8 105	5
Non-formal education	27	1 401	235	653	444	-	2 760	2
Emergency relief	21 645	3 656	2 601	-	4 867	(1 486) a/	31 283	19
General b/	<u>846</u>	<u>3 056</u>	<u>986</u>	<u>769</u>	<u>75</u>	<u>985</u>	<u>6 717</u>	<u>4</u>
Total programme commitments	50 680	17 146	33 752	21 122	15 399	24 812	162 911	100
Restatement of 1986-1987 budget							<u>(20 007)</u>	
Total commitments							<u>142 904</u>	

a/ Funds authorized from the Executive Director's emergency reserve during 1986 were distributed by regions.

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

Table 6

Total commitments approved in 1986 (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 North Africa	Inter- regional	Total	Percentage
Child survival	27 275	436	7 601	13 230	9 133	12 477	70 152	28
Child health	15 656	7 118	1 961	4 771	1 520	4 395	35 421	14
Child nutrition	4 131	656	6 292	352	100	8 441	19 972	8
Water supply/sanitation	23 484	1 066	9 430	2 281	2 826	-	39 087	16
Community- and family-based services for children	4 915	1 851	653	326	161	-	7 906	3
Formal education	7 294	543	8 054	797	(17)	-	16 671	7
Non-formal education	1 079	3 157	344	1 118	444	-	6 147	2
Emergency relief	21 645	3 656	2 626	-	4 867	349	33 143	13
General a/	13 754	3 699	1 641	1 347	1 215	1 010	22 666	9
Subtotal, programme aid	119 233	22 182	38 602	24 222	20 249	26 672	251 160	100
Deficits (over-expenditure)	1 319	-	-	-	3	8	1 330	
Total, programme assistance	120 552	22 182	38 602	24 222	20 252	26 680	252 490	
Less balances of earlier commitments	(3 637)	(58)	(553)	(648)	(64)	-	(4 960)	
Savings (cancellations)	-	-	-	-	-	(102)	(102)	
Net increase in programme commitments	116 915	22 124	38 049	23 574	20 188	26 578 b/	247 428	
Restatement of 1986-1987 budget	-	-	-	-	-	-	(20 007)	
Total commitments	-	-	-	-	-	-	227 421	

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, even though 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 the UNICEF books of account, to sustain operational requirements.

### Cash in interest-bearing deposits

Funds temporarily available in excess of those needed for immediate requirements, 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 of from one to five years.

### Commitments made at the Executive 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 Executive Board sessions

Programme commitments related to projects "noted" by the Board at its annual sessions, subsequently coming 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 account (United States dollars). They reflect estimated costs of supplies and services and local costs. Actual expenditures usually differ from estimated costs; this creates savings or deficits that are submitted yearly to the Board, which authorizes 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 that 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 be reprogrammed. In some cases, the unspent balance may be cancelled when there are circumstances that prevent 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 later date.

## CURRENCIES OF "RESTRICTED USE" FOR UNICEF

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

## EARMARKED

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 PERIOD

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 in the United Nations General Assembly resolution by which UNICEF was established, 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; for

accounting and reporting purposes, therefore, 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 increase 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, which 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.

### Income, supplementary funds

Earmarked income for programmes "noted" by the Executive Board of UNICEF which 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, and 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 and 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 UNICEF Executive Director)

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

## "NOTED" PROJECTS

Programme recommendations are often prepared that go 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 comes 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 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.

## UNENCUMBERED BALANCE

That portion of the budget commitments that has not been expended at the end of the year. The unspent balance at the end of the biennium is cancelled 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 1985, 147 artists from 49 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 1985 SEASON

## Summary of the results of the 1985 season

### Overall performance

1. The Greeting Card Operation completed its 1985 campaign with a record \$22.5 million net profit contribution to UNICEF general resources. The highlights of the results compared with 1984 are shown below.

	<u>1985</u> <u>actual</u>	<u>Change</u> <u>from 1984</u>	<u>1984</u> <u>actual</u>	<u>1985</u> <u>budget</u>
Card sales (in millions)	117.3	+6.1	111.2	117.0
(Millions of United States dollars)				
Gross proceeds	56.0	+7.5	48.5	56.7
Commissions	15.3	+2.4	12.9	15.5
Total costs	23.6	-0.3	23.9	25.6
Net operating profit	17.1	+5.3	11.8	15.6
Other income (expenses)	5.4	+7.1	(1.7)	0.2
Net profit	22.5	+12.4	10.1	15.8

### Sales and gross proceeds

2. The year 1985 was the second year of the interregional sales development programme approved by the Executive Board at its 1984 session. Total sales in 1985 were 117.3 million cards and gross proceeds totalled \$56.0 million. All Greeting Card Operation sales regions showed increases in both volume and proceeds except for Latin America, where the substantial price increases introduced for the 1985 campaign had a neative impact on volume but resulted in a major increase in revenues.

### Commissions

3. The commissions represent retentions made by national committees and other sales partners and expenses at sales offices.

4. The commissions basically increased in proportion to gross proceeds.

### Total costs

5. In spite of increased volume and the resultant production and selling cost increases, total costs were below 1984 levels and \$2.0 million (7.8 per cent) below the approved 1985 budget.

Net operating profit (traditional products)

6. The net operating profit in 1985 was \$17.1 million, \$5.3 million (44.9 per cent) higher than in 1984. This was due to improved performance in the implementation of the Greeting Card Operation pricing and sales policy and the rigorous containment of costs.

Other income (expenses)

7. In addition to the overall improvement in operating performance, the weakening of the United States dollar increased the revaluation of assets and liabilities by \$5.1 million.

Net profit

8. Total net profit for 1985, including other income and the impact of non-operating gains (expenses), was \$22.5 million (40.1 per cent of gross proceeds), \$12.4 million higher than in 1984.

Financial statements for the year ended 30 April 1986

9. The three financial statements that follow are supported by the notes to the financial statements, which are considered an integral part of the financial report. Some 1984 accounts have been restated to conform with the current year's presentation.

STATEMENT I

COMPARATIVE STATEMENT OF INCOME AND EXPENDITURE FOR THE SEASON ENDED 30 APRIL 1986

	Notes	1985 season:		1984 season:		Variance (increase/(decrease))
		1 May 1985-30 April 1986	117.3	1 May 1984-30 April 1985	111.2	
Number of cards sold (millions)			117.3		111.2	6.1
(Thousands of United States dollars)						
Gross sales proceeds	1	55 992		48 469		7 523
Less: Commissions and direct expenses at field offices	2	<u>15 277</u>		<u>12 852</u>		<u>2 425</u>
Net Sales		40 715		35 617		5 098
Less: Cost of goods delivered		10 107		9 328		779
Freight, duties and taxes		<u>1 765</u>		<u>1 729</u>		<u>36</u>
Total cost of goods delivered	3	11 872		11 057		915
Less: Art and design		466		429		37
Marketing and sales		4 019		4 968		(949)
Operations		3 558		3 601		(43)
Administration		<u>3 713</u>		<u>3 751</u>		<u>(38)</u>
Total operating costs	4	<u>11 756</u>		<u>12 749</u>		<u>(993)</u>
Net operating profit (traditional products)	5	17 087		11 811		5 276
Add: Other income	6	<u>2 395</u>		<u>3 670</u>		<u>(1 275)</u>
Net operating profit (including other income)		19 482		15 481		4 001
Less: Revaluation of assets and liabilities	7	(5 093)		4 205		(9 298)
Write-off of prior years' accounts receivable	8	1 208		0		1 208
Prior year adjustments		1R		898		(880)
Interregional sales						
development programme		<u>899</u>		<u>320</u>		<u>579</u>
NET PROFIT	9	<u>22 450</u>		<u>10 058</u>		<u>12 392</u>

Karin LORHAUS  
Comptroller

James P. GRANT  
Executive Director

STATEMENT II

COMPARATIVE STATEMENT OF ASSETS AND LIABILITIES  
AS AT 30 APRIL 1986

(United States dollars)

	Notes	1985 season	1984 season	Increase/(decrease)
<u>Assets</u>				
Cash on hand		131 375.82	209 156.88	(77 783.06)
Accounts receivable	10	32 314 955.75	23 156 620.39	9 158 335.36
Inventory	11	8 946 387.85	9 208 183.20	(261 795.35)
Prepaid expenses		118 361.84	31 688.52	86 673.32
Capital assets	12	<u>307 517.32</u>	<u>381 239.44</u>	<u>(73 722.12)</u>
		41 818 596.58	32 986 888.43	8 831 708.15
<u>Liabilities</u>				
Accounts payable	13	2 436 933.63	1 803 333.58	633 600.05
UNICEF inter-office account		<u>16 931 328.78</u>	<u>21 125 290.77</u>	<u>(4 193 961.99)</u>
Excess of assets over liabilities		<u><u>22 450 334.17</u></u>	<u><u>10 058 264.08</u></u>	<u><u>12 392 070.09</u></u>

Karin JONRAUG  
Comptroller

James P. GRANT  
Executive Director

## STATEMENT III

COMPARATIVE STATEMENT OF THE ACTUAL RESULTS FOR THE SEASON ENDED 30 APRIL 1986  
AND THE APPROVED WORK PLAN

	Actual	Budget	Variance (increase (decrease))
Number of cards sold (millions)	117.3	117.0	0.3
(Thousands of United States dollars)			
Gross sales proceeds	55 992	56 700	(708)
Less: Commissions and direct expenses at field offices	<u>15 277</u>	<u>15 500</u>	<u>(223)</u>
Net sales	40 715	41 200	(485)
Less: Cost of goods delivered Freight, duties and taxes	10 107 <u>1 765</u>	9 000 <u>1 700</u>	1 107 <u>65</u>
Total cost of goods delivered	11 872	10 700	1 172
Less: Art and design Marketing and sales Operations Administration	466 4 019 3 558 <u>3 713</u>	500 5 500 4 800 <u>4 100</u>	(34) (1 481) (1 242) <u>(387)</u>
Total operating costs	11 756	14 900	(3 144)
Net operating profit (traditional products)	17 087	15 600	1 487
Add: Other income	<u>2 395</u>	<u>2 100</u>	<u>295</u>
Net operating profit (including other income)	19 482	17 700	1 782
Less: Revaluation of assets and liabilities	(5 093)	0	(5 093)
Write-off of prior years' accounts receivable	1 208	0	1 208
Prior year adjustments	18	0	18
Interregional sales development programme	<u>859</u>	<u>1 900</u>	<u>(1 041)</u>
NET PROFIT	<u>22 450</u>	<u>15 800</u>	<u>6 650</u>

Karin LORHAUG  
ComptrollerJames P. GRANT  
Executive Director



NOTES TO THE FINANCIAL STATEMENTS

Statement I (income and expenditure)

1. Gross sales proceeds. These figures represent the total sales value of all Greeting Card Operation products (cards, calendars, stationery, educational materials and other products) sold during the campaign year. Gross proceeds were \$56.0 million in 1985, an increase of \$7.5 million (15.5 per cent) over 1984. This increase was attributable to price increases in major markets (10 per cent) and to increased volume (5.5 per cent). A summary by region comparing 1985 and 1984 performance in volume (millions of cards) and gross proceeds (millions of United States dollars) is given below.

<u>Sales region</u>	<u>Volume</u>		<u>Gross proceeds</u>		<u>Variance</u>	
	<u>1985</u>	<u>1984</u>	<u>1985</u>	<u>1984</u>	<u>Volume</u>	<u>Gross proceeds</u>
I. North America	20.3	18.7	9.0	8.7	1.6	0.3
II. Latin America	9.6	9.8	3.5	2.5	(0.2)	1.0
III. Asia	3.1	2.9	2.2	1.5	0.2	0.7
IV. India/Pakistan/ Pacific	8.9	7.2	2.6	2.1	1.7	0.5
V. Europe/Eastern Mediterranean	73.5	70.8	36.6	32.3	2.7	4.3
VI. Africa	<u>1.9</u>	<u>1.8</u>	<u>2.1</u>	<u>1.4</u>	<u>0.1</u>	<u>0.7</u>
Total	<u>117.3</u>	<u>111.2</u>	<u>56.0</u>	<u>48.5</u>	<u>6.1</u>	<u>7.5</u>

A detailed country-by-country analysis of card sales and gross proceeds for 1985 compared with 1984 can be found in the schedule that follows the present notes.

2. Commissions and field office expenses. This represents the amount of commissions paid to national committees and other sales partners as well as total direct selling expenses at Greeting Card Operation offices. As a percentage of gross proceeds, these expenses were 27.3 per cent in 1985, compared with 26.5 per cent in 1984. The increase is attributable to an excess retention rate by one national committee and to start-up costs at new field offices in both Asia and Africa. It is the goal of the Greeting Card Operation to keep all commissions retained by national committees and direct selling expenses at field offices under 25 per cent of gross proceeds.

3. Cost of goods delivered. These expenses represent the costs of producing goods delivered during the year and include direct costs of raw materials and labour and indirect costs such as production supplies and services, freight, storage, etc. For 1985, the total cost of goods delivered, including freight, duties and taxes, amounted to \$11.8 million, an increase of \$0.8 million over 1984. This was due mainly to increased deliveries. As a percentage of gross

proceeds, the cost of goods delivered was 21.2 per cent, compared with 22.8 per cent in 1984, an improvement of 1.6 per cent. The decentralization of Greeting Card Operation production, with new production centres in Brazil and Singapore, is helping to keep production costs down, and as the activity in these centres increases, the Greeting Card Operation anticipates additional savings from both lower costs of production and reduced shipping costs.

4. Total operating costs. This includes expenses incurred in running the Operation, and the costs are broken down by section on the income and expenditure statement. For 1985, total operating costs amounted to \$11.8 million, a decrease of \$1.0 million compared with 1984. As a percentage of sales, Greeting Card Operation operating costs in 1985 (21.0 per cent) were 5.3 per cent less than in 1984 (26.3 per cent). This major reduction was achieved by (a) the implementation of the new UNICEF policy whereby, from 1985 on, staff assessment was deducted from staff costs as opposed to being shown separately as income; (b) a decision by the Greeting Card Operation, in accordance with recommendations from both external and internal auditors, to record as expenses only that portion of publicity and promotion material costs that relates to the current campaign year; and (c) strict control of expenditures in all operating areas, which helped the Greeting Card Operation keep 1985 expenses below both 1984 levels and the approved budget.

5. Net operating profit (traditional products). This represents the Greeting Card Operation's net profit from the sale of greeting cards and other traditional Greeting Card Operation products. For the 1985 campaign this profit amounted to \$17.1 million, an increase of \$5.3 million, or 44.7 per cent, over 1984.

6. Other income. This includes revenues from Greeting Card Operation special programmes, including stamp and coin sales, donations generated by Greeting Card Operation brochures, discounts from suppliers and so on. Other income in 1985 was \$1.3 million lower than in 1984 owing to (a) a reduction in income from stamp sales, mostly as a result of attrition in the 10-year programme and diminishing returns, and (b) the transfer of staff assessment income from "other income" to "operating costs" (see note 4).

7. Revaluation of assets and liabilities. The exchange gain of \$5.1 million represents a gain on revaluation of assets and liabilities held in currencies other than the United States dollar converted at the United Nations rate of exchange as at 30 April 1936, as required by the Financial Regulations of the United Nations.

8. Write-off of prior years' receivables. This represents amounts due from prior year campaigns but now considered uncollectible. The Greeting Card Operation will, however, continue its efforts to collect these debts.

9. Net profit. Net profit in 1985 was \$22.5 million, the highest so far achieved by the Greeting Card Operation, for an increase of \$12.4 million (123.3 per cent) over 1984. As a percentage of gross proceeds, the 1985 net profit was 40.1 per cent, compared with 20.8 per cent in 1984.

#### Statement II (assets and liabilities)

10. Accounts receivable. This includes amounts due from national committees and other consignees for 1985 sales, in addition to royalties and miscellaneous receivables, and is shown net of write-offs. The amount due from national committees on 30 April 1986 was \$31.6 million, compared with \$22.1 million as at

30 April 1985. The increase of \$9.5 million is due to higher sales proceeds in 1985. Agreements with national committees provide for payment of these balances by 31 August of the calendar year. As at 14 November 1986, the balance was \$8.8 million.

11. Inventory. Inventory as at 30 April 1986, which includes raw materials, work in process, finished goods and goods in transit, is stated at standard cost. The year-end inventory includes cards and publicity and promotional materials manufactured during the year for the 1986 campaign.

	<u>1985</u>	<u>1984</u>
	(United States dollars)	
Raw materials	2 891 027	2 728 464
Products in process, finished products, products in transit and publicity and promotion materials	<u>6 055 361</u>	<u>6 479 719</u>
Total	<u>8 946 388</u>	<u>9 208 183</u>

12. Capital assets. These are stated at cost less accumulated depreciation, computed by the straight-line method over the estimated useful lives of the assets. The following is a summary of the capital assets as at 30 April 1986.

	<u>1985</u>	<u>1984</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>208 539</u>	<u>134 816</u>
Total	<u>307 517</u>	<u>381 240</u>

13. Accounts payable. This represents amounts owed by the Greeting Card Operation as at 30 April 1986 but not paid as at that date. Of this, \$1.0 million was owed to outside suppliers (\$0.7 million as at 30 April 1985), and the balance of \$1.4 million was accruals for salaries and expenses for Greeting Card Operation offices at Geneva and Copenhagen and in New York.

Statement III (1985 work plan and the actual results for the season)

14. In comparison with the 1985 approved budget, card sales, gross proceeds and commissions were on target. With regard to production and operating costs, major savings were achieved through a global cost savings programme and amounted to

\$2.0 million (7.8 per cent). Net operating profit was \$1.5 million, a 9.5 per cent increase. Net profit, including other income and expenses, was \$6.7 million, or 42.1 per cent higher than the approved budget.

15. Comparisons of actual results with budget estimates in statement III (see para. 14) are based on the low volume projection of 117 million cards, which matches actual volume for 1985/1986. It should be noted, however, that the 1985/1986 net profit also exceeds the medium projection of \$20.2 million by \$2.3 million, or 11.4 per cent, and the high projection of \$21.2 million by \$1.3 million, or 6.1 per cent.

SCHEDULE

GROSS PROCEEDS FOR ALL PRODUCTS AND NUMBERS OF CARDS SOLD BY SALES REGION AND BY MAJOR SELLING COUNTRY

1985 SEASON COMPARED WITH 1984

	1985 season				1984 season				Variance (increase (decrease))
	Thou- sands of cards sold	Total gross proceeds a/ (thou- sands of United States dollars)	Percentage of total proceeds	Gross proceeds per 1,000 population (United States dollars)	Thou- sands of cards sold	Total gross proceeds a/ (thou- sands of United States dollars)	Percentage of total proceeds	Gross proceeds per 1,000 population (United States dollars)	
<u>North America (region I)</u>									
United States of America	13 561	5 964	10.7	25.20	12 656	6 137	12.7	25.93	905 (173)
Canada	6 714	3 035	5.4	120.44	6 012	2 554	5.3	101.55	702 481
Subtotal, North America	20 275	8 999	16.1		18 668	8 691	17.9		1 607 308
<u>Central and South America (region II)</u>									
Brazil	5 786	1 556	2.8	11.73	6 216	1 025	2.1	7.73	(430) 531
Colombia	903	382	0.7	13.55	824	358	0.7	12.69	79 24
Peru	330	109	0.2	5.53	479	133	0.3	6.75	(149) (24)
Chile	267	82	0.1	6.83	337	103	0.2	8.55	(70) (21)
Mexico	510	219	0.4	2.79	331	171	0.4	2.18	179 48
Argentina	807	583	1.0	19.37	658	213	0.4	7.08	149 370
Uruguay	286	98	0.2	32.67	283	69	0.1	23.08	3 29
Other countries	723	460	0.8		729	466	1.0		(F) (6)
Subtotal, Central and South America	9 612	3 489	6.2		9 857	2 538	5.2		(245) 953
<u>Asia (region III)</u>									
Japan	1 602	1 523	2.7	12.69	1 537	994	2.1	8.28	65 529
Other countries	1 435	652	1.2		1 325	491	1.0		110 161
Subtotal, Asia	3 037	2 175	3.9		2 862	1 485	3.1		175 690

SCHEDULE (continued)

	1985 season				1984 season				Variance (increase (decrease))	
	Total gross proceeds a/		Percentage of total proceeds	Gross proceeds per 1,000 population (United States dollars)	Total gross proceeds a/		Percentage of total proceeds	Gross proceeds per 1,000 population (United States dollars)	Thou- sands of cards sold	Thou- sands of cards sold (1985 minus 1984)
	Thou- sands of cards sold	United States dollars			Thou- sands of cards sold	United States dollars				
<b>South-west Pacific (region IV)</b>										
Australia	2 233	846	1.5	54.58	2 259	946	2.0	60.86	145	(26)
New Zealand	876	228	0.4	69.09	620	159	0.3	48.18	188	256
India	5 469	1 402	2.5	1.92	3 999	921	1.9	1.26	5	1 480
Pakistan	327	118	0.2		295	113	0.2			32
Other countries	30	4	0.0		20	3	0.0			10
<b>Suhtotal, South-west Pacific</b>	<b>8 935</b>	<b>2 598</b>	<b>4.6</b>		<b>7 183</b>	<b>2 142</b>	<b>4.4</b>			<b>1 752</b>
<b>Europe and Eastern Mediterranean (region V)</b>										
Germany, Federal Republic of	13 507	7 937	14.2	129.69	13 195	6 974	14.4	114.16	216	412
France	12 043	6 069	10.8	110.55	11 958	5 037	10.4	91.67	218	85
Switzerland	4 470	2 885	5.2	450.78	4 279	2 555	5.3	396.62	664	191
Netherlands	4 473	2 097	3.7	145.63	4 007	1 889	3.9	131.00	278	466
Spain	7 371	1 607	2.9	41.52	6 422	1 220	2.5	31.91	168	946
Finland	2 858	1 776	3.2	362.45	2 556	1 351	2.8	276.00	522	302
Sweden	2 740	1 306	2.3	157.35	2 625	1 181	2.4	141.56	315	115
Italy	4 603	1 750	3.1	30.70	4 003	1 254	2.6	21.99	70	600
Belgium	1 839	1 044	1.9	105.45	2 036	906	1.9	91.95	207	(198)
Norway	2 152	1 156	2.1	281.95	1 983	864	1.8	208.70	479	169
Poland	1 371	382	0.7	10.35	1 440	240	0.5	6.46	39	(69)
Denmark	2 000	1 022	1.8	200.39	2 006	858	1.8	189.83	392	(6)
United Kingdom	2 209	876	1.6	15.53	2 326	825	1.7	14.63	41	(117)
Austria	1 422	641	1.1	84.34	1 350	600	1.2	79.45	179	72
Bulgaria	0	0	0.0	0.00	1 038	1 939	4.0	216.38	116	(1 038)
Yugoslavia	3 091	888	1.6	38.61	3 336	677	1.4	29.29	144	(245)
Greece	1 525	567	1.0	57.27	1 569	456	0.9	46.08	159	56
Czechoslovakia	364	610	1.1	39.35	623	514	1.1	33.20	40	(239)
Turkey	1 356	227	0.4	4.69	1 118	145	0.3	3.09	23	238
Luxembourg	552	291	0.5	727.50	206	100	0.2	273.22	563	346
German Democratic Republic	383	96	0.2	5.75	382	87	0.2	5.22	23	1
<b>Suhtotal, Europe and Eastern Mediterranean (region V)</b>	<b>111 111</b>	<b>50 000</b>	<b>11.1</b>		<b>109 360</b>	<b>49 812</b>	<b>11.1</b>			<b>1 752</b>

SCHEDULE (concluded)

	1985 season				1984 season				Variance (increase (decrease)) Gross proceeds (1985 minus 1984) Thou- sands of cards sold 1985 minus 1984) United States dollars)
	Thou- sands of cards sold	Total gross proceeds a/ (Thou- sands of United States dollars)	Percentage of total proceeds	Gross proceeds per 1,000 population (United States dollars)	Thou- sands of cards sold	Total gross proceeds a/ (Thou- sands of United States dollars)	Percentage of total proceeds	Gross proceeds per 1,000 population (United States dollars)	
<u>Europe and Eastern Mediterranean (region V)</u> (continued)									
Eastern Mediterranean	1 094	1 373	2.5		853	1 312	2.7		241
Other countries	1 894	1 999	3.6		1 451	1 247	2.6		443
Subtotal, Europe and Eastern Mediterranean	73 536	36 599	65.4		70 762	32 245	66.5		2 774
Africa (region VI)	1 905	2 132	3.8		1 868	1 368	2.8		37
TOTAL	117 300	55 992	100.0		111 200	48 469	100.0		6 100

a/ Including all traditional products of the Greeting Card Operation.

## 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, in view of 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 1986, the net of the assets less the outstanding liabilities is reflected in the interoffice 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.
4. The gross proceeds of the Greeting Card Operation 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 that remittances are received, usually at the end of August.)
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 under revaluation of assets and liabilities.
6. Inventory of raw materials, work in process, finished goods and goods in transit is valued at standard cost and appears as such in the statement of assets and liabilities. It is Greeting Card Operation policy to write off all unsold finished products from the current campaign year that are not carried forward to the following campaign year. All publicity and promotion materials bought in the current campaign year but relating to future campaign years are shown at cost and included in inventory.