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UNITED NATIONS INTERNATIONAL CHILDREN'S EMERGENCY FUND  
EXECUTIVE BOARD

SUMMARY RECORD OF THE FIRST PART  
OF THE EIGHTY-FIRST MEETING (closed)\*  
Held at Flushing Meadow, New York,  
on Wednesday, 23 May 1951, at 2.30 p.m.

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Report of the Programme Committee: Part I - Policy Questions (continued)

<u>Chairman:</u>	Mrs. SINCLAIR	Canada
<u>Members:</u>	Mr. BRENNAN	Australia
	Mr. FENAUX	Belgium
	Mr. ITURRALDE	Bolivia
	Mr. de PAIVA LEITE	Brazil
	Mr. SHVETZOV	Byelorussian Soviet Socialist Republic
	Mr. FONSEKA	Ceylon
	Mr. TSAO	China
	Mr. de MARCHENA	Dominican Republic
	Mr. APUNTE	Ecuador
	Dr. BUGNARD )	France
	Mr. AMANRICH }	
	Mr. RAJAN	India

\* The summary record of the second part of the meeting will be issued under symbol number E/ICEF/SR.81/Add.1 (General Distribution).

Members (continued):

Mr. HANIFAH	Indonesia
Mr. KHALIDY	Iraq
Mr. BAROR	Israel
Mr. ROBERTI	Italy
Mr. WEIR	New Zealand
Mr. LINDT	Switzerland
Mr. SUPHAMONGKHON	Thailand
Mr. SAVUT	Turkey
Mr. FOURIE	Union of South Africa
Mr. CHECHETKIN	Union of Soviet Socialist Republics
Mr. LEDWARD	United Kingdom of Great Britain and Northern Ireland
Miss LENROOT	United States of America
Mr. FABREGAT	Uruguay
Mr. PLEIC	Yugoslavia

Representatives of specialized agencies:

Mr. LEWIS )	Food and Agriculture Organization
Mr. HAMBIDGE )	(FAO)
Dr. INGALLS	World Health Organization (WHO)

Also present:

Mr. SELIAR	Chairman, United Nations Board of External Auditors
Mr. GHISAYS	Representing Colombian member, United Nations Board of External Auditors

UNICEF

Mr. PATE	Executive Director
Mr. HEYWARD	Deputy Executive Director
Mr. BORDERS	Chief Executive Officer
Mr. SROKA	Comptroller
Mr. EGGER	Director European Middle East Regional Office
Dr. BORCIC	Medical Adviser
Mr. SCHMITTLINGER	Programme Co-ordinator
Mr. CHARNOW	Secretary to the Board

/REPORTS OF

REPORTS OF THE PROGRAMME COMMITTEE: PART I - POLICY QUESTIONS (continued)

At the invitation of the Chairman, Mr. Sellar and Mr. Ghisays, of the United Nations Board of External Auditors, and Auditor-General of Canada and representative of the Contralor General de Colombia respectively, took their places at the table.

The CHAIRMAN welcomed Mr. Sellar and Mr. Ghisays. At the recent session of the Programme Committee, the United States representative had expressed a desire to hear the comments of the External Auditors regarding the Fund's financial practices, especially in the light of the current discussion of UNICEF policies. As Mr. Sellar, Chairman of the Board of External Auditors, had been unable to attend the Programme Committee meeting, the Chairman of the Executive Board had asked the Board of External Auditors to be represented at the Executive Board session.

Miss LENROOT (United States of America) was appreciative of the presence of two members of the Board of Auditors. At the stage now reached in the Fund's evolution, when a discussion of policy was under way, it would be useful to have their observations on the following matters: (1) the system of financial and commodity control employed by UNICEF; (2) the adequacy of controls; (3) the method of commodity control considered most desirable by the auditors; (4) the difference between the internal and external audit.

Mr. SELLAR (Chairman, United Nations Board of Auditors) thanked the Chairman and said that he and Mr. Ghisays were glad to be able to attend the meeting. The third member of the United Nations Board of Auditors, Mr. Renke, Auditor-General of Denmark, was unfortunately unable to be present. Mr. Ghisays had suggested that he (Mr. Sellar) should act as spokesman.

He understood that a general picture of the financial and commodity controls of UNICEF was wanted and he would accordingly first describe the practices followed in procuring supplies. Certain commodities, particularly the food, which UNICEF procured, were either controlled or available for export only through governmental agencies. The UNICEF practice was to purchase those commodities through the appropriate governmental agency in the supplying country. In some countries, prices were fixed by the agency itself and in others the agency called for competitive bids from supply sources within its territory. Very substantial supplies had been procured by UNICEF from a number of Governments under those conditions.

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The second method of procurement was for UNICEF itself to purchase goods directly. In that case, it was the practice to invite responsible supply sources to submit bids; and, in general, the lowest bid was accepted by UNICEF. Exceptions were few and always for cogent reasons, such as the fact that a particular country used <sup>a</sup>/non-convertible currency. In addition, a few commodities such as wool were purchased by auction at the current market prices. The Board of Auditors was satisfied from their examination of the records that there was nothing in any of those transactions to arouse misgivings.

When UNICEF goods arrived in the country of consignment, they were stored in the regional warehouses of the country concerned, but title remained vested in UNICEF until distribution to the ultimate destination was completed. Each country was required to distribute the goods in accordance with agreed plans and to make regular reports to UNICEF on issues and stocks in hand. Formerly, goods had been insured with insurance companies, but the previous autumn (1950), UNICEF had instituted a system of self-insurance, as recommended by the Board of Auditors.

The Administration received three sets of reports; 1 from the government concerned; 2 from the UNICEF Mission, and 3 from the internal auditors. From the audit and accounting point of view, the monthly reports sent in by receiving governments were of prime importance, as they constituted a check at every stage of supply and distribution. The UNICEF Mission reports on the other hand, were of great value for administrative purposes.

Turning to the questions of internal audit, he stated that the Fund's two internal auditors appeared to be fully competent and trustworthy officers; one was stationed in Europe and the other in Asia. They covered all the countries to which UNICEF assigned supplies. The Board of Auditors received copies of all their reports to the Executive Director and was able to question them personally each year. Their reports were candid; they verified the stocks in each country and carried out sample inspections of warehouse and distribution reports which showed that the accounts kept in the various countries were satisfactory and reliable; there had been no complaints or difficulties in that respect.

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Medical supplies did not appear in the inventories of warehouse stocks since, on account of their nature, they were sent directly to hospitals, institutions or Departments of Health. Reports on their ultimate distribution were the responsibility of the receiving government and the UNICEF Mission concerned. The auditors verified their receipt at the designated consignment point.

Thus the present system of accounting seemed fully adequate. A point of detail to which attention might be drawn was the need to reconcile the figures contained in financial records with the statistical reports of the Fund. There were occasional slight differences in statistical reports owing to the estimation of commodity values in dollars.

As to possible changes resulting from the adoption of long-range policies, he pointed out that auditors dealt with completed transactions, so that his views must be regarded as nothing more than an expression of opinion. With the shift of emphasis in the programmes of UNICEF to long-term forms of assistance, it might be wise to show clearly the difference between the final aims of such assistance and that of Technical Assistance. His understanding was that the purpose of the latter was primarily to provide technical advice to countries in connexion with economic development, and that, while capital outlays in the form of pilot plants might be made, technical assistance funds would not be used to construct plants, etc., the financing of such activities being arranged in some other manner. The prime objective of UNICEF was to cope with current and urgent welfare needs of mothers and children, and for that purpose the Fund has already made contributions of equipment to assist in the conservation of locally produced milk. Not only did that add to the supply of milk to children, but it also contributed to the long-term industrial economy of the assisted countries. He understood that equipment might also be given to assist local plants in the production of penicillin, etc. All such activities were for the purpose of procuring essential supplies. Nevertheless, the facilities thus created would have a long-term effect; consequently, to dispel any idea that the Fund was undertaking activities connected with the economic development of under-developed countries, it might be advisable to emphasize that the real aim of UNICEF assistance was to procure supplies, or make them available. In other words, consideration might be given to devising ways and means whereby there would be continuity in the control exercised by UNICEF over the application of

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the production of the plants where the Fund made contributions to the capital cost. A study of the matter might show that it was practicable and beneficial alike to UNICEF and the country concerned that a status of joint interest in property be created, with, in some instances, an appropriate specialized agency representing the Fund in the application of the production of the undertaking.

In conclusion, he paid a tribute to the efficiency of UNICEF's Comptroller and its purchasing officers.

Miss LENROOT (United States of America) inquired whether, in Mr. Sellar's opinion, two internal auditors were adequate to cover all the Fund's operations. She wished to know also how often they visited each country and whether sample inspections were carried out within the internal audit system.

Mr. SELLAR (Chairman, United Nations Board of External Auditors) stated that the internal auditors were required to visit each country once a year and some countries more frequently. It should be borne in mind that the auditor could not visit every place where distribution was being made. It was, moreover, not desirable for him to spend too long a time at any one place. He was inclined to think that two auditors were sufficient for the work to be done; three would certainly be a maximum for present needs.

Mr. BORDERS (Chief Executive Officer) wished to add to Mr. Sellar's remarks that the carrying out of sample inspections was primarily the duty of the UNICEF Missions and their observer staffs, who were constantly engaged in that activity. The internal auditors were required, besides, to visit at least one warehouse or distribution centre in each country, on the occasion of their regular audit, where they examined all records, including reports on sample inspections already made by members of the mission.

Up to date, it had been felt that two internal auditors were enough; with the increase in Latin American programmes, it might become necessary to reconsider the matter, but there had been a compensatory falling off of the work in Europe.

/Miss LENROOT

Miss LENROOT (United States of America) thanked Mr. Sellar, whose report should increase the confidence governments already felt in the integrity and effectiveness of the Administration.

It was to be hoped that the Administration, in conjunction with the auditors, would find a means of overcoming the technical difficulties involved in expressing the value of commodities in terms of dollars in reports to the Executive Board.

Mr. BRENNAN (Australia) pointed out that the auditor's responsibility in respect of food supplies continued until the supplies had reached their ultimate destination, the consumer. For medical equipment and similar goods, his responsibility was to ascertain that the goods were received and passed to the government or institution concerned. UNICEF itself had to determine that the equipment was being appropriately used.

He asked for more specific information on the difficulties involved in conversion rates.

Mr. SELLAR (Chairman, United Nations Board of External Auditors) replied that, in compiling statements for the Board, a certain amount of estimating was involved, which sometimes resulted in slight discrepancies between financial statements and statistical reports of supplies shipped. That was an administrative matter rather than one of financial controls.

Mr. SROKA (Comptroller) explained that balance sheets were published every quarter and estimated figures in statistical reports need only be used for the current quarter for which accounting data was not yet available. UNICEF procured all over the world and some time-lag was unavoidable until documentation reached New York Headquarters.

In response to a question by Mr. FOURIE (Union of South Africa), Mr. PATE (Executive Director) said that the Administration would be glad to give its views regarding property rights to equipment handed over to a government at a later meeting.

The CHAIRMAN conveyed the thanks <sup>of</sup> the Executive Board to Mr. Sellar and Mr. Ghisays.

The Board then went into open session.