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FINANCIAL REPORTS AND ACCOUNTS, AND REPORTS OF THE BOARD OF AUDITORS: UNITED NATIONS CHILDREN'S FUND FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 1955

Fifth report of the Advisory Committee on Administrative and Budgetary Questions to the eleventh session of the General Assembly

1. The Advisory Committee on Administrative and Budgetary Questions has examined the financial report and accounts of the United Nations Children's Fund for the year ended 31 December 1955 and the related report of the Board of Auditors (A/3129).^{1/}
2. The financial position of the Fund on 31 December 1955 is shown in the following table:

	Dollars (US)
Principal of the Fund on 1 January 1955.....	28,226,657
Income from all sources during 1955.....	17,514,841
	45,741,498
Expenditure during 1955.....	14,161,178
Principal of the Fund on 31 December 1955.....	31,580,320

The principal of the Fund thus grew during the year by \$3,353,663.

3. The net increase in the level of the Fund represents the excess of income over expenditure during the year under review. Although expenditure, or the level of the programme, remained slightly below that of 1954, income during 1955 was \$2,470,897 higher. The major part of this additional income, or \$2,022,531, was due to larger contributions from Governments; some increase also arose in contributions from private individuals and groups. While similar increases in

^{1/} See Official Records of the General Assembly, Eleventh Session, Supplement No. 6A.

income are anticipated in 1956 and 1957, the enlarged programmes which UNICEF has undertaken in fields such as malaria eradication are expected to call for drawings from unallocated reserves in addition to allocations out of current income (A/3129, page 9, paragraph 28).

4. In reviewing the annual accounts of UNICEF, the Advisory Committee has paid special attention, in accordance with paragraph 2 of General Assembly resolution 594 (VI) of 4 February 1952, to the administrative practices and expenses of this special operational programme.

Level of administrative expenses

5. For 1955, net administrative expenses amounted to \$1,238,691, or 8.97 per cent of total expenditure, as against a ratio of 8.34 per cent for 1954. The costs of operational services, which, together with administrative costs, comprise all costs other than those incurred for direct assistance, showed a larger increase: from 5.69 per cent of the total expenditure in 1954 to 7.11 per cent in 1955. In the following table is shown the ratio of administrative and operational services costs to total expenditure for each of the years 1952-1955:

<u>Year</u>	<u>Total Expenditure</u> <u>Dollars (US)</u>	Ratio of	Ratio of	Ratio of
		expenditure on assistance to total expenditure	administrative costs to total expenditure	operational services costs to total expenditure
		<u>Per cent</u>	<u>Per cent</u>	<u>Per cent</u>
1952	13,289,472	85.57	9.12	5.31
1953	12,240,980	84.03	10.02	5.95
1954	14,113,282	85.97	8.34	5.69
1955	13,802,946	83.92	8.97	7.11

6. While it appears from the above table that during the four-year period 1952-1955 the amount expended on direct assistance was least (in proportionate terms) during 1955, the Advisory Committee understands that the following factors contributed to this situation:

(a) There was in fact an increase of some thirty million pounds in the shipment of surplus powdered skim milk from the United States of America; as, however, this milk was obtained free of charge at the port of exit from the United States, it did not, except for freight costs, enter into UNICEF accounts as an item of "expenditure for assistance". At the same time, however, there

resulted higher costs in 1955 for related supervision and distribution, necessarily adding to expenditure for operational services;

(b) The programme of bulk purchases of certain supplies for storage and warehouse operations at Headquarters which was initiated towards the end of 1954 increased in scope in 1955. While this resulted in some increase in the expenditure chargeable to the operational services account,^{2/} the cost of these supplies, which is reflected in the amount of direct expenditure on assistance, was reduced by almost 50 per cent. In effect, because of this considerable decrease in the cost per unit of supplies, the 1955 expenditure on assistance does not sufficiently indicate the volume of the assistance provided for that year;

(c) As a result of the time required in helping governments to plan projects of long-term value and implement them through successive stages, variations may occur from year to year in the amount of supplies shipped, and consequently in the expenditure on assistance;

(d) At the same time, however, both the number of countries to which assistance was given in 1955 and the number of programmes at an initial planning stage were higher than in 1954 by about 20 per cent, resulting in increased operational costs.

7. The Advisory Committee considers that the efforts which have been made over the years to ensure that the maximum possible proportion of available resources shall be allocated to direct assistance should be continued and even intensified through a sustained attempt at reducing administrative and operational services costs.

Greeting card programme

8. As suggested in 1955 by the Advisory Committee (A/2922, paragraph 7),^{3/} detailed information on the income and expenditure relating to the greeting card programme has been included in the Financial Report and Accounts. A separate

^{2/} Appreciable facilities in the form of space, utilities and services (marking, weighing, banding and trucking) are provided free of charge by the United Nations.

^{3/} See Official Records of the General Assembly, Tenth Session, Annexes, agenda item 36 (b).

report on the audit of the accounts of this programme has also been submitted by the Board of Auditors (A/3129, pages 63-64).^{4/} This is a useful addition to the financial and audit reports, and the Advisory Committee pays a tribute to the successful manner in which the greeting card programme has been carried out: during the year ended 31 January 1956 net proceeds have amounted to \$226,913 or about 50 per cent of total sales income.

^{4/} See Official Records of the General Assembly, Eleventh Session, Supplement No. 6A.