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UNITED NATIONS CHILDREN'S FUND
Committee on Administrative Budget

Report of the Board of Auditors on UNICEF accounts for 1968 and
on Greeting Card Operation accounts for the 1967 season

Note by the Executive Director

1. The reports of the United Nations Board of Auditors on the financial report and accounts of UNICEF for the year 1968 and the Greeting Card Operation accounts for the 1967 season (covering the period 1 May 1967 to 30 April 1968) were not available at the time of the April 1969 Board session, and following the practice followed in recent years, it was agreed that they would be reviewed by the Committee on Administrative Budget at its April 1970 session. The reports are reproduced in Annexes 1 and 2 to this document.
2. The accounts, as well as the Reports of the Board of Auditors, were examined by the Advisory Committee on Administrative and Budgetary Questions, which commented on them as part of a report to the General Assembly. These comments are reproduced in Annex 3 to this document. The Fifth Committee and later the General Assembly accepted the financial report and accounts and the certificates of the Board of Auditors, and took note of the observations of the Advisory Committee (Resolution 2522 XXIV).
3. In this Note the Executive Director comments on the substantive observations of the Board of Auditors.

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Report of the Board of Auditors on UNICEF accounts

4. In its report on the UNICEF accounts the Board of Auditors recommended in paragraph 2 a number of specific changes in the financial statements to the UNICEF management designed to improve their format and presentation. Several meetings took place with the Board of External Auditors prior to the close of the 1969 financial statements, and it is believed that the statements as issued (E/ICEF/AB/L.97) incorporate all the changes finally agreed.
5. In accordance with the proposal of the Board of Auditors in paragraph 3 from 1 January 1969 all advances made for non-supply assistance have been charged to programme expenditure. The documentation and control of these expenditures is being handled by the UNICEF field offices concerned and is subject to periodical check by UNICEF internal auditors.
6. The Board of Auditors had made recommendations on agreements with National Committees in its previous year's report. Whereas agreements have now been signed with all other national committees, the Executive Director advises that no written agreements have yet been concluded with the UNICEF National Committees of Canada and the United States, but that the negotiations are continuing.
7. Careful study has been given to the report of the operational audit which, as mentioned by the External Auditors, is in an early stage of development, because a much closer knowledge of the operation is required than for a financial audit.
8. The recommendations concerning accounting procedures are generally being followed. The computer programme has been refined. The transfer of data processing to the International Computing Centre is under discussion. As one of the results of the greater use of data processing cost accounting can be further developed.

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9. Concerning campaign programming, which is referred to in paragraphs 3 and 5 of the report of the Board of Auditors, the Greeting Card budget is now being used as a plan for the campaign. Certain supporting schedules are presently being submitted to UNICEF Headquarters together with the draft Greeting Card Operations budget. The procedure will be expanded and improved in submitting subsequent budgets.

10. Sales promotion involves close co-operation with National Committees who are the sales agents. Progress has been made in market testing of designs with the help of marketing consultants in several countries working in co-operation with the National Committee. This is reviewed in the budget estimates for 1970. (E/ICEF/AB/L.96, paras. 28-31). The more efficient use of sales promotion materials, such as brochures, is also under study.

11. Concerning stock control, steps are being taken for the review of physical inventories at vendors' locations. It is proposed that the ending inventory of finished goods (greeting cards and calendars) should be reduced to zero valuation at the end of each campaign year, beginning April 30, 1970. Subsequent sales thereof, which should be expanded, would be treated as income in the year they occur (E/ICEF/AB/L.96, page 22, paras. 96-99). Concerning stocks of cards in the hands of consignees at the end of the campaign, (paragraph 6 of the Report of the Board of Auditors), National Committees are being asked to have their Auditors undertake a spot check verification. The United States Committee for UNICEF has agreed to implement this procedure.

12. Concerning financial procedures, purchase orders and pro-forma invoices are now pre-numbered. Copies of consignment invoices of the United States Committee were referred to in paragraph 7 of the Auditor's Report as serving to record the basis for the depletion of stocks. As an interim measure, all outgoing consignments to the United States Committee are now checked by UNICEF before they leave its warehouse. The United States Committee is now preparing additional storage

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space and on completion all material will be transferred to the Committee in bulk on regular Transform Forms. Consignment sales data will be recorded by UNICEF for statistical purposes only.

13. As mentioned above the agreement with the United States Committee is not yet completed. The recommendations of the Board in paragraph 8 of the Report are being borne in mind. The Board of Auditors recommended in paragraph 4 that the existing operating manual should be completed and expanded, and accordingly, the Manual of Operating Procedures is being expanded to fulfil this recommendation.

ANNEX I

Report of the Board of Auditors on the Accounts of
the United Nations Children's Fund

1. The Executive Director of the United Nations Children's Fund submitted the following statements for certification by the Board of Auditors:

- Statement I. Income and expenditure for the year ended 31 December 1968,
Statement II. Financial position at 31 December 1968,
Statement III. Consolidated statement of administrative and operational services, budgetary estimates, obligations incurred and unencumbered balances for the year ended 31 December 1968.

2. The Board of Auditors is of the opinion that the financial statements of UNICEF could show the results of its operations or its financial position in a more clear and meaningful manner consistent with generally accepted accounting principles. A number of specific changes in these statements were recommended to UNICEF management designed to improve both their format and presentation. The Board recommends that these changes may be effected in the preparation and presentation of the 1969 financial statements.

3. UNICEF has accepted the proposal to show in future statements non-supply assistance advances as programme expenditures. The control on these expenditures is being tightened.

4. The Board had made some recommendations on the agreements with national committees in last year's report. The Board was informed by the Executive Director that he has made efforts to enter into signed agreements with each national committee for UNICEF.

5. The Board is appreciative of the co-operation and assistance received from the administration in the discharge of its duties.

(Signed) S.M. RAZA, S.Pk.,
Comptroller and Auditor-
General of Pakistan

A.M. HENDERSON,
Auditor-General
of Canada

Victor G. RICARDO,
Controller General
of Colombia

1 July 1969

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ANNEX II

Report of the Board of Auditors on the Accounts of
the Greeting Card Fund for the Year Ended
30 April 1968

1. The Executive Director of the United Nations Children's Fund submitted the following statements for certification, regarding the Greeting Card Fund:

Statement I. Income and expenditure for the 1967 campaign year to 30 April 1968;

Statement II. Budgetary authorizations and obligations incurred for the year ended 30 April 1968 and unobligated balances of authorizations at 30 April 1968.

2. The Board has suggested in previous years that a study of the Fund's operational and structural organization be made. Such a study was undertaken during 1968 and 1969 by the External Auditors using data made available by the United Nations Administrative Management Service and by the Internal Auditors of UNICEF.

3. Although the operational audit programme is in the early stages of its development, a report was submitted to the Executive Director of UNICEF on the findings of this study. This report presents recommendations with a view to improving accounting procedures, campaign programming, sales promotion, stock control and financial supervision. Implementation of some of the proposals made will be discussed further with the Executive Director of UNICEF during the second phase of the survey in 1969, so that the General Assembly may be informed in 1970 of the results of this effort.

4. The Board recommends that the existing operating manual should be completed and expanded. This would be very helpful in maintaining continuity during personnel changes, in training and orientating new employees, and in the over-all operations of the Greeting Card Fund.

5. The Board believes that the Fund's budget should represent a plan or a guide for the coming campaign. Details used in compiling the budget should be submitted with the budget to assist UNICEF in its review and approval, and to involve UNICEF management more directly in the operations of the Greeting Card Fund.

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6. The present set-up of the Greeting Card Fund and its basic agreement with the various national committees present a problem in the verification of ending inventories. The Greeting Card Fund requires that the Committee must be audited by private independent external auditors, but these auditors will not verify the inventory of cards, since it is on consignment and is the property of the Greeting Card Fund. The figures supplied to the independent auditor by the Committee are then forwarded to the Greeting Card Fund. The Board suggests that the scope of the private independent auditors be expanded and that they be required to verify the consignment inventories.

7. Copies of consignment invoices of the United States Committee are submitted to the Greeting Card Fund to serve as the basis for recording the depletion of stocks. The United States Committee, however, takes stock for consignment from racks on which no electronic counter control is installed.

8. The Board recommends that the written agreement with the United States Committee should include the following:

(a) Transfers of stock should be made only on orders from the Committee, and, as such, the Committee should maintain separate and proper stock records of its own supplies, or

(b) The stock accounting of the United States Committee should be integrated into the system of the Greeting Card Fund on a cost-sharing basis,

(c) The Board also recommends that an adequate system be agreed upon, to exercise effective control over outgoing consignments to the United States Committee.

9. The Board is appreciative of the co-operation and assistance received from UNICEF and Greeting Card personnel.

(Signed) S.M. RAZA, S.Pk.,
Comptroller and Auditor-
General of Pakistan

A.M. HENDERSON,
Auditor-General
of Canada

Victor G. RICARDO,
Controller General
of Colombia

1 July 1969

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ANNEX III

Excerpt from
Second Report of the Advisory Committee on Administrative and Budgetary
Questions to the General Assembly at its Twenty-third Session (A/7636),
on Financial Report of UNICEF for 1968, August 1969

(c) United Nations Children's Fund

12. The Advisory Committee has reviewed the financial reports and accounts of
(a) the United Nations Children's Fund for the year ended 31 December 1968, and
(b) the UNICEF Greeting Card Fund for the year ended 30 April 1968 (the "campaign
year"), together with the related reports of the Board of Auditors^{7/}.

13. The Advisory Committee recalls that in its report on the UNICEF accounts for
1967, ^{8/} the Board of Auditors indicated the intention of the Executive Director
of UNICEF to revise the form of presentation of the Fund's accounts, beginning
with those for 1968, so that certain items of income and expenditure previously
shown separately in tables and notes would form part of the financial statements.
Certain modifications are reflected in the UNICEF accounts for 1968; nevertheless,
the Board expresses the opinion in its report on these accounts that UNICEF's
financial statements could show the results of its operations or its financial
position in a clearer and more meaningful manner. The Committee notes that the
Board has suggested specific changes in format and presentation, which it recom-
mends should be reflected in the financial statements for 1969. It is the
Committee's understanding that these changes will be discussed at a joint meeting
of the Board and the representatives of UNICEF prior to the closing of the 1969
accounts.

14. No statement of assets and liabilities is provided with the accounts for the
Greeting Card Fund, since the Fund and its related operations have been financed
entirely from UNICEF funds as from 1 January 1968, in accordance with a decision
taken by the UNICEF Executive Board in June 1967. Previously these operations
were financed from a separate working capital built up from past profits.

^{7/} Ibid., Twenty-fourth Session, Supplement No. 7 B (A/7607/Add.2).

^{8/} Ibid., Twenty-third Session, Supplement No. 6 B (A/7206/Add.2).