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Report of the Board of Auditors on UNICEF Accounts for 1969 and on Greeting Card Operation Accounts for the 1968 Season - Note by the Executive Director

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UNITED NATIONS ECONOMIC AND SOCIAL COUNCIL



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E/ICEF/AB/L.102
9 December 1970
ORIGINAL: ENGLISH

UNITED NATIONS CHILDREN'S FUND
Committee on Administrative Budget

Report of the Board of Auditors on UNICEF accounts for 1969 and on Greeting Card Operation accounts for the 1968 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 1969 and the Greeting Card Operation accounts for the 1968 season (covering the period 1 May 1968 to 30 April 1969) were not available at the time of the April 1970 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 1971 session. The reports are reproduced in annexes I and II 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 III to this document. The Fifth Committee accepted the financial report and accounts and the certificates of the Board of Auditors, and took note of the observations of the Advisory Committee (see annex IV).
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 recognized that a number of specific changes in format and presentation of the accounts, as recommended in its report on the 1968 accounts, were introduced in 1969.
5. The "Amounts Receivable" from National Committees are normally established at 80 per cent of the income estimated by UNICEF National Committees shortly before the end of the fiscal year. Past experience had shown that charges related to the income had been underestimated by the National Committees.
6. Depending on the volume of operations of the individual National Committee, their working capital at the end of the campaign year amounts to about 6 months' needs. All other revenue is being transferred to UNICEF within 3 months after the end of the campaign year, but not later than 31 August of each year. The possibility of establishing a cash accounting method for the recording of collections from the National Committees is under consideration.
7. The review of the standard rates charged to supplies of UNIPAC is done annually, since freight rates often vary during the course of a year.
8. Some recommendations of the special management audit of the Supply Division have been implemented, others are still under study.

Report of the Board of Auditors on the accounts of UNICEF's Greeting Card Operations

9. Written agreements between UNICEF and National Committees exist with the exception of the Canadian and United States Committees. With both these Committees further discussions have been held with a view to obtaining similar agreements.

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10. Prior to contracting computer services from outside sources, the possibility of using the International Computer Centre at the United Nations was explored, but prevailing conditions did not permit it. As the system needed for the special operation of the Greeting Card productions and worldwide sales still had to be developed, no fixed-price service bids were obtainable. The system is now operational and fixed-term and -price services are obtained. More and more use is being made of the facilities offered by the International Computer Centre. It now does the financial accounts, and will probably take over production and sales statistics and forecasting in mid 1971.

11. The special management audit of the Greeting Card operations offered many useful suggestions and recommendations. An organizational chart and definitions of duties have been established. As reported to the Board at its last session, costs of production in excess of sales in the 1968 season were approximately \$190,000, out of total costs of approximately \$2.8 million (E/ICEF/AB/L.96 - tables 4 and 14). A significant production in excess of sales is necessary to provide stocks for approximately 10,000 sales outlets, and some of these stocks are usually sold in the following year.

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ANNEX I

Report of the Board of Auditors to the General Assembly
on the Accounts of the United Nations Children's Fund
for the year ended 31 December 1969

1. The Executive Director of the United Nations Children's Fund submitted to the Board of Auditors for audit and certification, the following statements together with relevant schedules and notes which form an integral part of the statements:

- Statement I. Comparative statement of income and expenditure for the years ended 31 December 1968 and 1969;
- Statement II. Comparative statement of assets, liabilities, and the financial position at 31 December 1968 and 1969;
- Statement III. Consolidated statement of administrative and operational services, budgetary estimates, obligations incurred and unencumbered balances for the year ended 31 December 1969.

2. The Board of Auditors had suggested and UNICEF agreed to show the results of its operations and its financial position in a more meaningful manner consistent with generally accepted accounting principles. A number of specific changes were introduced to these statements in 1969 to improve their format and presentation to conform with the Board's recommendations.

3. Amounts receivable from some National Committees were found to be materially under-stated as a result of recording amounts based on estimates furnished by these Committees. Subsequently, collections from the Committees showed that these estimates were too conservative.

4. The Board recommends that UNICEF establish, in agreement with the National Committees, funds in amounts sufficient to permit them to operate. Monies in excess of this working capital should be remitted to UNICEF on a periodic basis. Based on the above recommendations, UNICEF should consider the possibility of establishing a cash accounting method for recording the collections from the National Committees.

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5. The Board recommends that UNICEF revise the standard rates charged to supplies of UNIPAC (7 per cent inward freight and 10 per cent operational costs) because this is resulting in over-stating the cost of assisted programmes.

6. The Board has completed a special management audit of the UNICEF's Headquarters Supply Division. As a result of this study, the Board has submitted a separate detailed report to the Executive Director with a number of recommendations to help improve the organizational structure of the Supply Division, New York Headquarters. Some of the major recommendations are:

- (i) That the Supply Division Management prepare a formal statement of objectives and include quantitative measures of performance.
- (ii) That the Supply Division develop complete job descriptions and revised organizational charts.
- (iii) That a systematic survey of world market prices be conducted for major purchase items at the most convenient time of procurement activities.
- (iv) That an alternative method of procurement from a different supplier each time be used when the normal procedure of Proforma Requests is not practical. This method could be more convenient and beneficial to UNICEF.

7. The Board is appreciative of the co-operation and assistance it received from the Executive Director's Office and the Controller and his staff in carrying out its audits.

(Signed)	A.M. HENDERSON, Auditor-General of Canada	Victor G. RICARDO, Controller General of Colombia	A.I. OSMANY, Comptroller and Auditor- General of Pakistan
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1 July 1970

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ANNEX II

Report of the Board of Auditors to the General Assembly
on the Accounts of the UNICEF Greeting Card Operations
for the year ended 30 April 1969

1. The Executive Director of the United Nations Children's Fund submitted the following Greeting Card Operation statements to the Board of Auditors for audit and certification: *

Statement I. Income and expenditure for the 1968 campaign year to 30 April 1969;

Statement II. Budgetary authorizations and obligations incurred for the year ended 30 April 1969.

2. In the course of the audit the Board noted the continuing incidence of unauthorized destruction of cards, commissions retained in excess of agreed rates and delay in submission of sales reports and remittance of payments to UNICEF in the case of a number of the larger National Committees. The Board again recommends that written agreements be entered into between UNICEF and the National Committees defining precise procedures to be followed.

3. The Greeting Card management contracted computer services from outside sources from 1965 to 1969 at a recorded cost of \$145,255. The Board believes the contracted basis should have been on a fixed-price service with the provision that the outside service was to provide the programme designs and flow charts for future use in United Nations computers.

4. The Board of Auditors has completed a special management audit of the Greeting Card operations. As a result of this audit, a number of recommendations were submitted to the Executive Director for his consideration and implementation. Included among the Board's recommendations are the following:

Organizational Chart: Adoption of an organizational chart and a clear definition of duties to improve the present structural organization.

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Production estimates: The 1968 sales campaign proved again to be at great variance with the estimates which resulted in over-production of 33.86 per cent equivalent to 7,512,789 unsold cards. The Board believes that production estimates would be more realistic if they were based on marketing studies technically prepared and carefully analysed. This would improve the accuracy of the production plan and, by reducing over-production, increase the net profits.

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

(Signed)	A.M. HENDERSON, Auditor-General of Canada	Victor G. RICARDO, Controller General of Colombia	A.I. OSMANY, Comptroller and Auditor- General of Pakistan
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1 July 1970

ANNEX III

Excerpt from
Report of the Advisory Committee on Administrative and Budgetary
Questions to the General Assembly at its twenty-fifth session
(A/8150, November 1970) on Financial Report of UNICEF for 1969

(c) United Nations Children's Fund

13. The Advisory Committee has examined the financial reports and accounts and the related reports of the Board of Auditors with regard to (a) the United Nations Children's Fund for the year ended 31 December 1969, and (b) the UNICEF Greeting Card Fund for the year ended 30 April 1969 (the "campaign year"). 5/

14. The Advisory Committee inquired into the recommendation contained in paragraph 4 of the Board's report on UNICEF. 6/ It was informed that national committees have been retaining proceeds from campaigns as a form of working capital, and that under the Board's recommendation UNICEF would set a limit on the amounts that could be retained and require that the balance be forwarded at regular intervals to UNICEF headquarters.

15. The Committee has noted the major recommendations of the Board arising from its special management audits of UNICEF's Headquarters Supply Division and the Greeting Card Operations.

5/ Ibid., Supplement No. 7B (A/8007/Add.2).

6/ Ibid., part one, section B.

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ANNEX IV

Excerpt from
Summary Record of the Fifth Committee of
the General Assembly 16 November 1970

United Nations Children's Fund 1/

The CHAIRMAN, observing that no member wished to comment on the financial reports and accounts of UNICEF, suggested that the Committee should recommend the General Assembly to adopt the following draft resolution on the financial report and accounts of UNICEF for the year ended 31 December 1969 and the report of the Board of Auditors:

"The General Assembly

"1. Accepts the financial report and accounts of the United Nations Children's Fund for the financial year ended 31 December 1969 and the certificates of the Board of Auditors (A/8007/Add.2);

"2. Takes note of the observations of the Advisory Committee on Administrative and Budgetary Questions as set forth in its report to the General Assembly at its twenty-fifth session (A/8150)."

The draft resolution was adopted without objection.

1385th Meeting
25th Session of the
General Assembly

1/ Supplement No. 7B (A/8007/Add.2; A/8150, paras. 13-15; A/C.5/1323).

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B. Arnold
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