United Nations

United Nations Children's Fund

Financial report and audited financial statements

for the biennium ended 31 December 2005 and

Report of the Board of Auditors

General Assembly

Official Records
Sixty-first Session
Supplement No. 5B (A/61/5/Add.2)

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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.

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Letters of transmittal

8 June 2006

Pursuant to UNICEF financial regulation 13.3, enclosed are the financial report and statements for the biennium 2004-2005. These statements have been prepared and signed by the Comptroller.

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

(*Signed*) Ann. M. **Veneman**
Executive Director

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

28 July 2006

I have the honour to transmit to you the report of the Board of Auditors on the financial statements of the United Nations Children's Fund for the biennium ended 31 December 2005.

(*Signed*) Guillermo **Carague**
Chairman
Philippine Commission on Audit
and Chairman
United Nations Board of Auditors

The President of the General Assembly
of the United Nations
New York

Chapter I

Financial report for the biennium ended 31 December 2005

Introduction

1. The Executive Director of the United Nations Children's Fund (UNICEF) submits herewith the financial report of UNICEF, accompanied by 10 statements and supported by 3 schedules. Of these, statements I, II, III and IV are presented in line with the formats agreed upon by the United Nations System Chief Executives Board for Coordination (CEB) as a step towards harmonizing the accounts of agencies in the United Nations system. The financial report provides the financial results of UNICEF activities in 2004 and 2005. Highlights are summarized in the following paragraphs.

Income

2. UNICEF income in the biennium 2004-2005 totalled $4,715 million. Virtually all Governments of industrialized and developing countries contributed to UNICEF in the period 2004-2005. Income comprised $1,579 million for regular resources, $1,616 million for other resources (regular) and $1,520 million in other resources (emergency). The breakdown of UNICEF income by source is as follows: 58 per cent ($2,733 million) from Governments; 36 per cent ($1,720 million) from fund-raising campaigns, the sale of greeting cards and individual donations; and 3 per cent ($116 million) from miscellaneous sources, including interest and exchange rate revaluation of assets and liabilities. A total of $146 million (3 per cent) was contributed under inter-organizational arrangements.

Expenditures

3. UNICEF expenditures in the biennium 2004-2005 were $3,791 million. This amount consisted of $1,185 million for programme cooperation from regular resources, $1,401 million for programme cooperation from other resources (regular), and $1,025 million for other resources (emergency). The remaining expenditures of $180 million were for management and administration.

Supported deliveries

4. UNICEF handled supported deliveries on behalf of third parties valued at $305 million during the biennium 2004-2005. These deliveries are not reflected in the financial accounts of UNICEF, although they are handled through the administrative structures of the organization.

Trust funds

5. Trust funds not related to programmes 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 (NGOs). In the biennium 2004-2005, UNICEF received cash of $1,357 million for these trust funds. Disbursements and obligations totalled $1,294 million.

Cash holdings

6. UNICEF has total cash of $2,195 million, which includes the unspent balances from trust funds in the amount of $337 million. An amount of $2,194 million is held in first-class banks, comprising $2,125 million in interest-bearing term deposit accounts and $69 million in current bank accounts. Cash on hand amounts to $1 million.

Approved programmes

7. During the biennium 2004-2005, the Executive Board approved the amount of $4,153 million for new programmes for children in countries with which UNICEF cooperates, as well as for regional and interregional projects. This total includes $886 million in programmes to be funded from UNICEF regular resources and $1,767 million for projects that the Board approved as worthy of support and that were financed by pledges of supplementary funds made in 2004-2005. The total also includes $1,500 million for projects financed by pledges for emergency relief and rehabilitation.

(*Signed*) Ann M. **Veneman**
Executive Director
United Nations Children's Fund

Chapter II
Report of the Board of Auditors

Executive summary

The Board of Auditors has reviewed the operations of the United Nations Children's Fund (UNICEF) at its Headquarters in New York, Supply Division in Copenhagen (Denmark) and Private Sector Division in Geneva (Switzerland) as well as in 11 country offices.

In addition to the audit of the accounts and financial statements for the biennium ended 31 December 2005, the Board also carried out reviews of UNICEF's operations under United Nations financial regulation 7.5.

The Board issued an unqualified audit opinion on the financial statements for the United Nations Children's Fund operations for the biennium ended 31 December 2005, as reflected in chapter III.

Implementation of previous recommendations

In accordance with General Assembly resolution 48/216 B of 23 December 1993 and A/60/234 dated 23 December 2005, the Board reviewed the measures taken by the Administration to implement the recommendations made in its report for the biennium ended 31 December 2003. Out of a total of 56 recommendations, 37 (66.1 per cent) were implemented, 18 (32.1 per cent) were under implementation and 1 (1.8 per cent) was not implemented. Of the 19 recommendations not yet implemented, 17 (89.5 per cent) related to the 2002-2003 biennium and 2 (10.5 per cent) to the 2000-2001 biennium.

Coordination among oversight bodies

The Board continually coordinates with the other oversight bodies and experts in the planning of its audits in order to avoid duplication of efforts. This includes the consideration of the work planned and/or performed by the other oversight bodies, to determine the extent of reliance that could be placed on the work done by those bodies. For the biennium under review, this determination was further informed by the review of the UNICEF Office of Internal Audit carried out by the Board.

Financial overview for the biennium ended 31 December 2005

Total income amounted to $4.7 billion, while total expenditure reached $3.8 billion. Between 31 December 2003 and 31 December 2005, year-end unexpended funds increased from $1 billion to $1.9 billion, while cash and term deposits more than doubled, from $1 billion to $2.2 billion. In light of these developments, the Board noted that the sustainability of the increase in UNICEF's portfolio of supplementary-funded projects needed to be reviewed.

Management of the Private Sector Division

Private Sector Division net income reached $1.6 billion during the biennium. The Board noted that:

(a) Agreements with UNICEF National Committees lacked annexes on financial reporting and transfer of funds;

(b) The accounting treatment of income was not harmonized for regular and supplementary resources;

(c) UNICEF did not adequately disclose its overall support costs for both income generation and programme assistance; and

(d) There were further opportunities for the development of private sector income generation in emerging economies.

Management of the Office of Emergency Programmes

UNICEF emergency and rehabilitation supplementary funding more than tripled, from $0.4 billion in 2000-2001 to $1.5 billion in 2004-2005. The Office of Emergency Programmes had a $13.1 million budget. It was in charge of strengthening the UNICEF capacity to respond to emergencies and providing support to field offices dealing with emergency situations. The Board noted that:

(a) The accountability arrangements of headquarters divisions were not sufficiently clear for the implementation of the Core Commitments for Children in Emergencies;

(b) The Internal Audit Committee included directors of UNICEF divisions that were liable to be audited by the Office of Internal Audit; the Committee met infrequently and had a narrow remit;

(c) The quality and coverage of emergency preparedness and response plans were uneven.

Management of the Supply Division

The Supply Division handled $1.5 billion of supplies during the biennium, of which $116 million (7.9 per cent) were emergency supplies. The Board noted that:

(a) The supply and logistics components of the emergency preparedness and response plans were not always detailed enough;

(b) The proportion of field offices using the UNICEF automated supply planning module was insufficient;

(c) The Division did not fully comply with rules on segregation of duties for the certification of invoices; and

(d) The development of electronic scales in partnership with a private enterprise had been carried out since 1992 without sufficient precautions, which resulted in $3.5 million of write-offs.

The Indian Ocean tsunami

UNICEF requested $362.2 million as part of the Indian Ocean flash appeal. By May 2006, it had received $672.3 million within and outside the appeal, of which $200.7 million were spent in 2005. The Board commended UNICEF for the compliance of its response with the Core Commitments for Children in Emergencies, despite a very challenging environment. It also noted that:

(a) National Committees continued to provide donations for the tsunami after UNICEF had indicated that its needs had been fully met;

(b) The Indonesia and Maldives offices received funds for three to five years without having developed multi-year budgets and workplans;

(c) UNICEF assistance was extended thematically and geographically to communities that were not directly tsunami-affected without always first obtaining explicit donor approval;

(d) Although the quality and quantity of staff recruited was adequate overall, there were delays in the recruitment of some temporary fixed-term staff;

(e) Basic procurement financial controls were complied with, but weak supply and distribution planning led to wasteful purchases;

(f) The financial and administrative capacity of counterparts had not been satisfactorily assessed and enhanced before they were provided with cash assistance;

(g) The financial procedures used by the United Nations Office for Project Services (UNOPS) in the direct implementation of UNICEF construction projects were not satisfactory; and

(h) UNICEF's contribution to sectoral inter-agency coordination was uneven and not effective in water and sanitation.

Inter-agency coordination

The Board reviewed the involvement of UNICEF in inter-agency coordination in five selected field offices (Brazil, China, the Democratic Republic of the Congo, India, Serbia and Montenegro). It also reviewed the UNICEF contribution to inter-agency coordination in procurement and information technology (enterprise resource planning). The Board noted that:

(a) The involvement of UNICEF representatives and staff in field coordination meetings was uneven, both geographically and over time;

(b) None of the UNICEF offices reviewed were located in joint United Nations premises, and they had few incentives to advocate for such premises;

(c) Despite numerous diagnostic exercises pointing to the benefits of a joint approach, common services were extremely limited in the countries reviewed;

(d) The relevance of common country assessments/United Nations Development Assistance Frameworks was uneven for UNICEF country offices;

(e) UNICEF had not provided any cross-district inputs for the joint implementation at the district level of the coordinated HIV/AIDS response through capacity-building and awareness project in India;

(f) Despite some successes in joint advocacy for HIV/AIDS in China, the HIV/AIDS projects of United Nations agencies in the country partly overlapped;

(g) UNICEF had not concluded a framework agreement on pharmaceutical procurement with WHO;

(h) Although UNHCR non-food items were stored in UNICEF warehouses, the organizations did not combine their orders for identical or similar items; and

(i) UNICEF had satisfactorily reached out to other international funds, programmes and agencies in the context of the implementation of its enterprise-resource planning payroll migration.

Office of Internal Audit

The Board reviewed the control environment of UNICEF, as well as the operations of the Office of Internal Audit and noted that:

(a) UNICEF did not have a consolidated overview of the hierarchy of risks it faced;

(b) The Internal Audit Committee included directors of UNICEF divisions that were liable to be audited by the Office of Internal Audit; the Committee met infrequently and had a narrow remit;

(c) As the Office of Internal Audit deployed most of its resources to the field, it did not provide sufficient coverage of headquarters operations, especially information technology;

(d) The Office of Internal Audit planned and performed its assignments with due professional care.

Executive offices

The three executive offices reviewed by the Board had combined expenditures of $14.4 million and 37 staff members. The Board noted that:

(a) The performance of the Assistant Secretaries-General in the Office of the Executive Director was not formally assessed;

(b) There were no ethics guidelines for gifts received by senior UNICEF executives; and

(c) There were delays and omissions in the provision of talking points prepared for the Secretary-General of the United Nations by the Office of United Nations Affairs and External Relations.

Information technology

The Board commended UNICEF for developing a comprehensive information technology security policy. The Board also noted that:

(a) UNICEF automated alerts to detect the abuse of information technology resources;

(b) Existing logical security and remote access controls needed further strengthening;

(c) UNICEF had not fully complied with regulations when selecting a supplier for the migration of its payroll to an enterprise-resource planning system; and

(d) The Board commended UNICEF for conducting its payroll migration on schedule and within budget.

Fraud and presumptive fraud

During the biennium 2004-2005, UNICEF reported 42 cases of fraud or presumptive fraud to the Board (as against 37 in 2002-2003). UNICEF had not yet determined the financial loss in one case, but estimated a total loss of $482,979 in the other 41. Those cases related to, among other things, theft of cash, counterfeit cheques, theft of vehicles, poor management of inventory, misappropriation of funds, and other financial irregularities. UNICEF recovered $210,883 of the total loss. Remedial action against the staff members involved in those cases included 7 summary dismissals, 5 non-renewals of contracts, 1 termination of secondment, 25 written reprimands and 3 other measures. Three staff members resigned following the discovery of the cases.

A. Introduction

1. The Board of Auditors has audited the financial statements and reviewed the operations of the United Nations Children's Fund (UNICEF) for the period from 1 January 2004 to 31 December 2005, in accordance with General Assembly resolution 74 (I) of 7 December 1946. The audit was conducted in conformity with article VII of the Financial Regulations and Rules of the United Nations and the annex thereto, the common auditing standards of the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency and the International Standards on Auditing. Those standards require that the Board plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement.

2. The audit was primarily conducted to enable the Board to form an opinion as to whether the expenditure recorded in the financial statements for the biennium ended 31 December 2005 had been incurred for the purposes approved by the Executive Board of UNICEF, whether income and expenditure had been properly classified and recorded in accordance with the Financial Regulations and Rules and whether the financial statements of UNICEF presented fairly the financial position as at 31 December 2005 and the results of operations for the biennium then ended in accordance with the United Nations System Accounting Standards. The audit included a general review of financial systems and internal controls and a test examination of accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

3. In addition to the audit of the accounts and financial transactions, the Board carried out reviews under United Nations financial regulation 7.5. The reviews primarily focused on the efficiency of financial procedures, the financial controls and, in general, the administration and management of UNICEF.

4. The audits were carried out at UNICEF headquarters offices in New York, Copenhagen and Geneva and at the field offices in Brazil, China, the Democratic Republic of the Congo, Eritrea, Ethiopia, Guatemala, India, Indonesia, Serbia and Montenegro, Sri Lanka and Thailand.

5. The Board continued its practice of reporting the results of specific audits through management letters containing detailed observations and recommendations to the Administration. That practice allowed an ongoing dialogue with the Administration.

6. The present report covers matters that, in the opinion of the Board, should be brought to the attention of the General Assembly. The Board's observations and conclusions were discussed with the Administration, whose views have been appropriately reflected in the report.

7. A summary of the Board's main recommendations is contained in paragraph 14 below. The detailed findings and recommendations are reported in paragraphs 17 to 391.

1. Previous recommendations not fully implemented

Biennium ended 31 December 2001

8. In accordance with section A, paragraph 7, of General Assembly resolution 51/225 of 3 April 1997, the Board has reviewed the action taken by UNICEF to implement the recommendations made in its report for the biennium ended 31 December 2001 and confirms that there are no outstanding matters except for those addressed in the present report.

Biennium ended 31 December 2003

9. In accordance with General Assembly resolutions 48/216 B of 23 December 1993 and 60/234 of 23 December 2005, the Board also reviewed the measures taken by the Administration to implement the recommendations made in its report for the biennium ended 31 December 2003. Details of the action taken and the comments of the Board are included in the report and have been summarized in the annex to the present chapter. Out of a total of 56 recommendations, 37 (66.1 per cent) were implemented, 18 (32.1 per cent) were under implementation and 1 (1.8 per cent) was not implemented.

Ageing of previous recommendations

10. The Board evaluated the ageing of its previous recommendations that had not yet been fully implemented, as requested by the Advisory Committee on Administrative and Budgetary Questions (A/59/736, para. 8). The biennium in which such recommendations were first made is indicated in the annex.

11. Of the 19 recommendations not yet implemented, 17 (89.5 per cent) related to the 2002-2003 biennium and 2 (10.5 per cent) to the 2000-2001 biennium. The Board has reiterated, in paragraphs 41, 46 and 61 of the present report, previous recommendations not yet implemented.

Request from the Advisory Committee on Administrative and Budgetary Questions

12. The Advisory Committee on Administrative and Budgetary Questions requested the Board (A/60/387, para. 27) to report on the implementation of its recommendation contained in paragraph 173 of A/59/5/Add.2. UNICEF informed the Board that it applied operational flexibility based on recommendations formalized by a human resources network of United Nations agencies, which reports to the High-level Committee on Management. It also reiterated its view that “the application and administration of staff entitlements are within the broad framework of the Staff Regulations and Rules, taking into account the operational flexibility required to meet the overall goals and objectives of the Organization” (ibid.).

13. The Board maintains that UNICEF’s practices deviated from United Nations staff rule 112.2 and posed the risk of fostering a costly competition among agencies to attract and retain relevant skills. These practices may be to the advantage of UNICEF and its staff, but could be detrimental to the United Nations system as a whole. The Board considers that its recommendation in paragraph 173 of A/59/5/Add.2 was not implemented.

2. Main recommendations

14. The Board's main recommendations are that UNICEF:

(a) **Consider reviewing whether it has the capacity to sustain the increase in its portfolio of supplementary funded projects (para. 29);**

(b) **Calculate, monitor and make available to National Committees the overall support costs of income and expenditure (para. 81);**

(c) **Expedite the development of its emergency "talent pool" (para. 104);**

(d) **Set and enforce quality standards for the supply and logistics components of emergency preparedness and response plans (para. 118);**

(e) **Systematically submit contracts involving significant financial commitments to the Senior Adviser (Legal) for clearance (para. 144);**

(f) **Review its relationships with National Committees in the light of the experience of the tsunami fund-raising (para. 157);**

(g) **Produce comprehensive multi-year budgets and workplans for utilizing funds received in excess of initial requirements (para. 176);**

(h) **Systematically seek explicit donor approval to extend or modify the geographic or thematic reach of funds with which it is entrusted (para. 183);**

(i) **Review the means necessary to fully discharge its sectoral lead responsibilities for the relevant cluster in the Inter-Agency Standing Committee framework (para. 207);**

(j) **Systematically advocate for joint premises to be considered when new or expanded premises are required in the context of a humanitarian crisis (para. 227);**

(k) **Include the active involvement of field offices in the development of common services as a criterion to assess the performance of country representatives and liaise with the United Nations Development Group Office to determine the options available to increase the proportion of common services in field offices (para. 237);**

(l) **Liaise with the Department of Peacekeeping Operations to clarify the respective mandates of UNICEF field offices and integrated peacekeeping missions in the area of child protection (para. 247);**

(m) **Initiate negotiations at the appropriate level to conclude a framework agreement on pharmaceutical procurement services with other relevant United Nations organizations (para. 270);**

(n) **Jointly purchase items of common interest with UNHCR (for example, tents, tarpaulins, blankets, collapsible jerry cans, mosquito bed nets), whenever it would result in cost or efficiency gains for the United Nations as a whole (para. 282);**

(o) **Implement a comprehensive risk-management framework to enhance its governance and management control processes (para. 294);**

(p) **Support the rapid expansion of the Office of Internal Audit audit coverage of all headquarters areas, including information technology (para. 306);**

(q) **Review the management of talking points and reports prepared by the Office of United Nations Affairs and External Relations (para. 340); and**

(r) **Adopt and implement a methodology to determine the total costs, including staff costs, of its major information technology projects (para. 379).**

15. The Board's other recommendations are shown in paragraphs 20, 21, 29, 36, 42, 47, 54, 58, 62, 66, 72, 78, 86, 91, 99, 104, 106, 108, 110, 113, 115, 121, 124, 128, 130, 133, 135, 141, 149, 159, 163, 165, 168, 170, 179, 186, 188, 193, 195, 197, 199, 203, 217, 218, 225, 243, 252, 258, 260, 262, 272, 277, 279, 300, 307, 310, 313, 317, 321, 323, 325, 328, 331, 332, 334, 342, 344, 347, 349, 353, 357, 359, 361, 363, 368, 370, 385, 387 and 389.

B. Coordination among oversight bodies

16. The Board continually coordinates with the other oversight bodies and experts, such as the UNICEF Office of Internal Audit and the Joint Inspection Unit, in the planning of its audits in order to avoid duplication of efforts. That includes consideration of the work planned and/or performed by the other oversight bodies, to determine the extent of reliance that could be placed on the work done by those bodies.

C. Detailed findings and recommendations

1. Financial overview

17. Since biennium 2002-2003 UNICEF's income has increased by 50.8 per cent, from $3.126 billion to $4.715 billion. The surge in emergency relief and rehabilitation resources accounted for over half of that increase ($837 million out of $1.589 billion, or 53 per cent of the overall rise in income), whereas the rise in supplementary resources represented more than a third of it ($598 million or 37.6 per cent). A limited rise in regular resources accounted for the balance ($154 million, or 9.7 per cent). The proportion of regular resources fell from nearly two thirds of UNICEF income in 1996-1997 (59.5 per cent) to only one third (33.5 per cent) in 2004-2005.

Table II.1
Composition of UNICEF income (1996-2005)
(Millions of United States dollars)

Type of income	*1996-1997*	*1998-1999*	*2000-2001*	*2002-2003*	*2004-2005*
Regular resources	1 098 (59.5%)	1 160 (55.7%)	1 099 (46.8%)	1 425 (45.6%)	1 579 (33.5%)
Supplementary funds	530 (28.7%)	611 (29.3%)	816 (34.7%)	1 018 (32.6%)	1 616 (34.3%)
Emergency relief and rehabilitation	218 (11.8%)	313 (15.0%)	434 (18.5%)	683 (21.8%)	1 520 (32.2%)
Total	**1 846**	**2 084**	**2 349**	**3 126**	**4 715**

18. One consequence of the reduction in the proportion of regular resources was that the funds available for UNICEF to finance the programme priorities approved by its Executive Board (medium-term strategic plan, in line with the Millennium Development Goals), but for which donors had not provided supplementary funds, went from $571.9 million or 42.3 per cent of programme expenditure in 1996-1997 to $884.0 million or 28.1 per cent in 2004-2005. That reduced UNICEF's ability to deliver the outcomes it had committed itself to, as the flow of supplementary funds from government donors did not exactly match the Executive Board approved priorities. Therefore, UNICEF's fund-raising strategy needed to address the challenge of increasing regular resources in proportion to total income.

19. For instance, the medium-term strategic plan projected that expenditure on HIV-AIDS projects would rise from 3 per cent of overall programme expenditure in 2000 to 14 per cent in 2005. That proportion reached only 8 per cent in 2005 ($157.3 million), even though 44.4 per cent of the expenditure ($69.2 million) was funded by non-earmarked, regular resources. Conversely, while UNICEF had planned to reduce its spending on integrated early childhood development from 33 per cent in 2000 to 27 per cent in 2005, that proportion increased to 38 per cent in 2005 ($747.1 million). That was an area that was financed mainly by supplementary funding (70.7 per cent of the total, or $528.2 million).

20. **The Board recommends that UNICEF review its allocation of resources within countries in the light of the disparity between UNICEF Board-approved strategic priorities and the allocation of supplementary funding.**

21. **The Board further recommends that the UNICEF fund-raising strategy identify ways of increasing the proportion of regular resources in relation to total income.**

22. Programme assistance expenditure (excluding recovery to the support budget from supplementary funds programme assistance) grew by 43.2 per cent, from $2.20 billion to $3.15 billion since the last biennium, a significantly slower rate than income growth. As a result, the ratio of expenditure to income has decreased from 87.5 per cent in 2002-2003 to 80.4 per cent in 2004-2005. That was due to the decline in emergency and rehabilitation funded projects, which fell from 88.7 per cent in 2002-2003 to 67.4 per cent in 2004-2005.

23. The reduction in the rate of consumption of allotments also led to a significant increase in total year-end unexpended funds, which nearly tripled, from $677 million in 2001 to $1.90 billion in 2005.

Table II.2
Year-end unexpended funds
(Millions of United States dollars)

	2000	*2001*	*2002*	*2003*	*2004*	*2005*
Regular resources	250	184	313	369	483	547
Supplementary funds	316	349	410	439	648	652
Emergency relief and rehabilitation	138	144	128	213	243	704
Total	**704**	**677**	**851**	**1 021**	**1 374**	**1 903**

24. UNICEF explained that the $547 million unexpended funds for regular resources included $455 million in cash assets, of which $384 million was available for use, as UNICEF is required to meet funded and unfunded liabilities from regular resources (funded reserves amounted to $71 million as at 31 December 2005). A total of $200 million out of the $384 million was set up as precautionary cash reserve, leaving $184 million to be disbursed in 2006-2007. With regard to supplementary funds, UNICEF pointed to the time frame for implementation of funded rehabilitation and recovery activities. It also highlighted its increasing portfolio of supplementary funded projects, for which funding must be received in advance of implementation, in accordance with financial regulation 8.3.

25. The Board noted that the rise in unexpended year-end balances resulted mainly from an increase in UNICEF's portfolio of supplementary funded projects. Although that was a positive indication of UNICEF's ability to attract funding, it could also prove unsustainable if the organization did not deploy sufficient capacity to expend those new resources in a timely and efficient fashion.

26. As a result of the rise in unexpended balances, UNICEF has further built up significant cash and term deposits which reached $2.194 billion, more than double the figure as at 31 December 2003 ($961 million). On the basis of average 2005 disbursements, cash and term deposits represented 10.6 months of activity, up from 7.3 months in 2003 and 4.6 months in 2001.

Table II.3
Key financial indicators

Description of ratio	*2000-2001*	*2002-2003*	*2004-2005*
Accounts receivable/total assets[a]	0.42	0.38	0.19
Cash/liability[b]	1.36	1.81	2.82

[a] A low indicator depicts a healthy financial position.
[b] Reflects the extent of cash available to settle debts.

27. UNICEF financial regulation 9.3 requires that expenditure for programme support and management and administration of the organization be financed from regular resources. However, the Executive Board has agreed that UNICEF should transfer a portion of its income from supplementary and emergency relief and rehabilitation funds to meet the indirect variable costs, the incremental increase in support and administration costs linked to the projects funded by those sources of income.[1] The recovery from programme assistance represented $162 million in 2004-2005, or 6.7 per cent of supplementary funded programme assistance expenditure. By contrast, programme support, management and administration expenditure, which carry the fixed costs incurred to run the organization, represented 54.4 per cent of programme assistance funded by regular resources. Therefore, any increase in the proportion of supplementary income and expenditure would automatically reduce the ratio of overheads to programme expenditure.

[1] UNICEF recovery policy (E/ICEF/2003/AB/L.5).

Table II.4
UNICEF support costs, including recovery from programme assistance (1996-2005)
(Millions of United States dollars)

	1996-1997	*1998-1999*	*2000-2001*	*2002-2003*	*2004-2005*
Programme expenditure	1 351 (73.6%)	1 431 (74.3%)	1 844 (79.0%)	2 198 (80.3%)	3 148 (83.0%)
Support, management and administration[a]	485 (26.4%)	496 (25.7%)	491 (21.0%)	539 (19.7%)	643 (17.0%)

[a] Cost recovery from programme assistance is included in support, management and administration.

28. Although that trend is positive, it may prejudice UNICEF's ability to use the funds it was entrusted with. The organization's capacity to deliver programmes and to implement projects was constrained by the finite size of its support, management and administration budgets, 74.8 per cent of which was funded by regular resources. The rise in unexpended balances at year-end is an indication that the limits of UNICEF's absorptive capacity might have been reached. UNICEF needs to find ways to adapt to the pace of growth of its supplementary funded programmes in the context of financial responsibility and accountability.

29. **UNICEF agreed with the Board's recommendation that it consider reviewing whether it has the capacity to sustain the increase in its portfolio of supplementary funded projects.**

2. United Nations System Accounting Standards

30. The Board assessed the extent to which the financial statements of UNICEF for the financial period ended 31 December 2005 conformed to the United Nations System Accounting Standards. The financial statements were consistent with the standards.

3. Presentation and disclosure of financial statements

31. The Board noted that UNICEF continued to improve the presentation of the statements. In particular, following the Board's review, UNICEF modified the presentation of its financial statements in relation to the disclosure of cost recovery from programme assistance (statements I and IV), the disclosure of income (schedule 1), the method of valuation of building assets (note 2) and the scope of income tax reimbursement (note 3).

United Nations Joint Staff Pension Fund

32. The Board recommended in paragraph 36 of its report that UNICEF assess more accurately the amount of the accounts payable to the Pension Fund, in coordination with the Fund. The UNICEF financial statements as at 31 December 2005 included $1.1 million as an account payable to the Pension Fund. UNICEF indicated that it had been working on a priority basis in close consultation with the Pension Fund office to have contribution payables reconciled and assessed more accurately. However, a difference of $1.9 million was yet to be reconciled by both organizations at the end of the biennium. A difference of $5.4 million had been identified at the

end of the previous biennium, of which $3.4 million had been reconciled during the biennium.

Unliquidated obligations

33. In paragraph 54 of its report for 2000-2001,[2] the Board recommended that UNICEF review more thoroughly its unliquidated obligations at year's end, in compliance with the Financial Regulations. For the biennium 2002-2003, UNICEF disclosed unliquidated obligations of $127.9 million. In 2004-2005, $22.6 million (17.7 per cent) was cancelled. The reasons for cancellations included exchange rate variations, defaults of suppliers and revisions of supply orders. Of that total, $4.8 million was reverted to the original funding source while $17.8 million was transformed into income to regular resources because the original funding source had expired. The percentage of obligations cancelled in 2004-2005 supported the concept that the continuous review of the validity of unliquidated obligations deserves attention.

34. The Board reviewed a total of $66.67 million of unliquidated obligations as at 31 December 2005 (23.5 per cent of the total of $283.73 million). Out of that sample, $1.25 million was identified as invalid (0.4 per cent of unliquidated obligations), including $0.8 million for which purchase orders had been raised but never issued to suppliers.

35. The United Nation System Accounting Standards, paragraph 41, states that "obligations unliquidated at the end of a financial period which continue to represent a charge against the resources of the organization should be maintained if the relevant regulations or rules so permit, and shown as a liability in the accounts. Any other remaining unliquidated obligations should be cancelled". No contract is perfected between UNICEF and its suppliers unless either (a) the purchase order is acknowledged or (b) the goods are delivered under the terms of the purchase order. No legal obligation existed otherwise, and hence there could be no corresponding unliquidated obligations. Purchase orders should be raised early enough for acknowledgements or deliveries to be received by the end of the financial period. The Board also found that a $60,800 outstanding obligation for freight was invalid owing to a double recording. UNICEF decided not to reverse those overstatements of liabilities and expenditure in the 2004-2005 accounts and financial statements in view of their immateriality.

36. **UNICEF agreed with the Board's recommendation that it review its procedure for raising and verifying programme supplies unliquidated obligations to ensure that only valid obligations are recognized at the end of the biennium.**

Medical insurance plan

37. The United Nations common system medical insurance plan funds health services for locally recruited field General Service staff members and national Professional Officers. Other staff members are covered by the United Nations Staff Mutual Insurance Society against Sickness and Accident, whose operations are

[2] *Official Records of the General Assembly, Fifty-seventh Session, Supplement No. 5B* and corrigendum (A/57/5/Add.2 and Corr.1).

reflected in statement X of the United Nations financial statements,[3] and to which administrative costs are charged.

38. The balance of the medical insurance plan has increased by $37.43 million since 1989 (from $2.14 million to $39.57 million in 2005). The 1987 percentage rates were still applicable in 2005. UNICEF indicated that the United Nations Secretariat, in collaboration with the participating organizations, had been leading a comprehensive review of the medical insurance plan. The review has not yet been completed.

39. Between 1987 and 2005 the plan's transactions were managed by UNICEF in the field offices. UNICEF did not compute the administrative cost, and no administrative cost was charged to the insurance plan. Since January 2006 UNICEF has outsourced the administration of the medical insurance plan to an outside firm.

40. Since the biennium 1996-1997, the medical insurance plan balance has been presented in the financial statements as a liability. UNICEF explained that the presentation is in line with the practice of the United Nations system. Such is not the practice, however, of the United Nations Development Programme (UNDP), which discloses the cash held for the insurance plan in its assets, or of the Office of the United Nations High Commissioner for Refugees (UNHCR), which reflects the insurance plan operations in the financial statements as a separate fund.

41. In paragraph 44 of its previous report (A59/5/Add.2), the Board recommended that UNICEF, in cooperation with other United Nations organizations, finalize its review of the funding of the plan and the way income and expenditure of the plan are disclosed. At the time of the audit, the inter-agency review had not been completed.

42. **The Board reiterates its recommendation that UNICEF, in cooperation with the other United Nations organizations, advocate the expeditious review of the medical insurance plan.**

Support costs disclosed as programme assistance

43. The Board indicated, in paragraph 45 of its previous report (A/59/5/Add.2), that expenditure for programme assistance disclosed in UNICEF's financial statements included the cost of the recovery of support and management costs charged to supplementary and emergency funds. That figure, included in the programme assistance line in statement I ($3.3 billion), increased to $162.4 million in 2004-2005, from $72.5 million in 2002-2003. Although the net effect on total expenditures is zero, UNICEF overstated programme assistance by $162.4 million and understated its support costs by the same amount (Programme support, management and administration).

44. UNICEF financial regulation 1.1 defines programme activities as those directly associated with the preparation, implementation and monitoring and evaluation of UNICEF cooperation. Programme support activities will typically include units that provide backstopping of programmes on a technical thematic, geographic, logistical or administrative basis, while management and administration activities will include units that carry out the functions of executive direction, organizational policy and evaluation, external relations, information and

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[3] Ibid., *Fifty-ninth Session, Supplement No. 1* (A/59/5), vol. I.

administration. To comply with those definitions, the recovery of support and management costs charged to supplementary and emergency funds should be disclosed within programme support expenditure — instead of within programme assistance — because they are representative of costs incurred for the provision of UNICEF administration of programme activities.

45. In its biennial support budget for 2004-2005 (E/ICEF/2003/AB/L.14) and for 2006-2007 (E/ICEF/2006/AB/L.1), UNICEF followed the correct convention by disclosing the cost recovery from supplementary funds within the support budget expenditures. Additionally, the support budget includes both regular resources and other resources programmes (E/ICEF/2006/AB/L.1, paras. 1-3). That presentation is in line with the harmonized United Nations Development Group approach and consistent with current definitions of programme support expenditure. UNICEF did not follow that approach in its financial statements and, instead, continued to include the recovery from supplementary funds in the programme assistance line.

46. At the Board's request, UNICEF agreed to cross-reference the programme assistance line in statement I to statement IV, where the full breakdown of the cost recovery from supplementary funded programmes has been included, and its link with programme assistance has been clarified. That allows readers to compare the support expenditures featuring in E/ICEF/2003/AB/L.14 with their actual implementation, per type of funding. UNICEF has also indicated that a broad review of its Financial Regulations and Rules was under way, which would address the issue of cost recovery. In the event that the review does not result in a revision of the Financial Regulations and Rules, UNICEF management has undertaken to submit a new definition of "programme support" to its Executive Board, no later than September 2007.

47. **UNICEF agreed with the Board's reiterated recommendation that it amend the presentation of its financial statements for cost recovery in statements I and IV or submit a redefinition of programme support expenditure to its Executive Board.**

Accounting for contributions in kind

48. The Board pointed out, in its last three biennial reports[4] that the UNICEF policy on contributions in kind was under review. The policy was approved on 7 July 2004. UNICEF welcomes in kind assistance from the private sector in principle, and distinguished between contributions in kind while setting up a procedure to ensure that no offer would be accepted unless it met a set of minimal technical requirements (only new supplies or equipment will be accepted, no unfair commercial advantage should be granted to the supplier, all direct costs must be met by the donor). The Directors of the Supply Division and the Division of Human Resources are in charge of verifying compliance before approving offers. The Comptroller is in charge of determining the accounting treatment and valuation of the offers.

49. The Board reviewed 20 contributions in kind (a sub-category of in kind assistance that encompasses offers specifically requested by UNICEF) out of 66

[4] Ibid., *Fifty-fifth Session, Supplement No. 5B* (A/55/5/Add.2); ibid., *Fifty-seventh Session, Supplement No. 5B* and corrigendum (A/57/5/Add.2 and Corr.1); and *Fifty-ninth Session, Supplement No. 5B* (A/59/5/Add.2).

received in 2005 representing $15.3 million, or 47.6 per cent of all contributions received in kind ($32.12 million). The valuation was generally fair and the recording was accurate. However, in one case, a shortfall in the quantity of goods delivered was not recorded, which resulted in the overstatement of income by $268,382. Conversely, UNICEF did not record as contribution in kind the pro bono assistance provided by a consulting firm as part of the tsunami operation. On the basis of the estimate provided by the UNICEF Office of Internal Audit, the total value of the donation was $135,450. Overall, the net misstatements on the value of in kind assistance in the financial statements was $132,932 (income overstated). UNICEF did not correct that amount in the financial statements, as it was deemed immaterial at 0.4 per cent of contributions received in kind.

50. Despite immaterial misstatements, which may be attributed to the introduction of a new policy, UNICEF has made some significant progress in the treatment and accounting of in kind assistance. The Board commends UNICEF for the implementation of a comprehensive policy on in kind assistance and invites UNICEF to share its experience with the United Nations Secretariat and other organizations.

4. Liabilities for annual leave, end-of-service and post-retirement benefits

51. As at 31 December 2005, the UNICEF accrued liability for after-service health insurance (note 20 to the financial statements) amounted to $292.4 million. As recommended by the Board in paragraph 23 of its report on 2000-2001,[5] UNICEF established in 2003 a reserve for after-service health insurance, with an initial contribution of $30 million. The reserve stood at $60 million as at 31 December 2005, or 20.5 per cent of the accrued liability. The net contingent liability for other staff benefits is estimated at $75.8 million for accumulated leave and repatriation grants. There was no provision for those benefits, the expenditure being charged against the budget appropriations of the periods when actual payments are made.

Table II.5
Annual leave and end-of-service and post-retirement benefits
(Millions of United States dollars)

	2000-2001	*2002-2003*	*2004-2005*
After-service health insurance net accrued liability	196.4	182.5	292.4
Accumulated leave	35.8	33.0	38.9
Repatriation grants	20.7	33.9	36.9
Total	**252.9**	**249.4**	**368.2**

5. Non-expendable property

52. Note 22 to the financial statements disclosed a total of $128.3 million for the cost of non-expendable property owned by UNICEF (paid from the support budget) or in its custody (paid from the programme budget). However, the reports that supported that figure were not produced through its main accounting system

[5] Ibid., *Fifty-seventh Session, Supplement 5B* (A/57/5/Add.2).

(SAP/FLS) but through a manual compilation based on the summary reports sent by the country offices.

53. Although some inaccuracies were identified in the samples ($30.7 million, representing 23.9 per cent of $128.3 million), most of them were corrected by UNICEF. Out of 157, only 3 locations comprising $2.1 million of non-expendable property (Geneva Regional Office, Madagascar Country Office, and Nigeria-Abuja Sub-Office) were unable to confirm that their records did not erroneously include items with a value below $1,500. Weaknesses were also found in the inventory of non-expendable property in 4 of the 11 country offices visited during the biennium (irregular updating of property records, physical inventories carried out at more than annual intervals, incomplete tagging of equipment, incomplete property records).

54. **UNICEF agreed with the Board's recommendation that it review and improve the procedure on the disclosure of the value of its non-expendable property.**

6. Accounts receivable and accounts payable

National Committee receivables

55. Amounts due from National Committees and other Private Sector Division partners amounted to $309.7 million in 2005, a decrease of 0.9 per cent since the last biennium, as reflected in the table II.6. That slight decrease was in line with a parallel trend in total net income (-0.3 per cent). The allowance for doubtful accounts ($7.3 million) had decreased by 6.4 per cent since 2003.

Table II.6
Private Sector Division accounts receivable
(Thousands of United States dollars)

	2003	*2004*	*2005*	*Variance (percentage)*
Accounts receivable	**312 504**	**305 011**	**309 692**	**-0.9**
Allowance for exchange rate fluctuation	19 155	9 578	0	
Allowance for doubtful accounts	9 086	6 387	7 265	
Net accounts receivable	**284 263**	**289 046**	**302 427**	**+6.4**

Contributions receivable

56. UNICEF records contributions as income in its financial statements during the year they are pledged. The amount of contributions receivable has decreased by 30.5 per cent compared with the previous biennium, from $269.1 million to $187.0 million. The ratio of contributions receivable to contributions received has also decreased from 8.7 to 3.9. The decrease of accounts receivable was partly due to UNICEF's recovery policy, which encouraged third parties to pay in advance to reduce the cost recovery charged to programmes. UNICEF has also made some progress on the monitoring and recovery of receivables, which resulted in the clearing of the 55 per cent of $240.9 million supplementary resources receivables reported in July 2005.

57. The Board reviewed a sample of four contributions receivable from 2005, amounting to $21.198 million (13 per cent of 2005 contributions receivables) and found that the recording and follow-up of recent contributions were in order. The Board also tested five long-outstanding contributions receivable amounting to $0.641 million (11.5 per cent of contributions receivables pre-dating 2003). In the first case ($0.016 million), no action had been taken since the end of 2002. In the second case ($0.208 million), no action had been performed until 2005 on the receivable dating from 1989. For the third case ($0.025 million), UNICEF was uncertain whether the amount had been paid. In the fourth case ($0.194 million, dating from 2003), as it was a locally negotiated contribution, UNICEF headquarters had no feedback concerning the implementation of the project. Finally, for the fifth case ($0.197 million) a write-off of that receivable outstanding since 2002 was requested following the Board's testing.

58. **UNICEF agreed with the Board's recommendation that it conduct a comprehensive analysis of long-outstanding contributions receivables and take appropriate action.**

7. Updating the UNICEF finance and accounting manuals

59. UNICEF had no consolidated and updated accounting manual. Book M, volume 1, Headquarters Accounts Manual had not been updated since the new information technology system was implemented in 1999. There was a risk that accounting staff would rely on the systems controls without sufficient awareness of the principles, regulations and rules that led to its design.

60. The Private Sector Division finance manual had not been updated since 1995, considering that the fiscal period changed in 1997 and the financial data processing system in 1999. The manual had yet to be updated by March 2006, although UNICEF had indicated in March 2005 that the task would be completed by the last quarter of 2005.

61. Similarly, UNICEF had yet to update the financial regulations and rules of the Private Sector Division (still entitled "Greeting Card Operation special supplement"). UNICEF had indicated in March 2005 that updates and required changes for the Private Sector Division supplement to regulations and rules were currently being identified by a Private Sector Division team along the evolved and updated Private Sector Division accountabilities and business processes, and that they would be duly discussed and reviewed with the Division of Finance, Administration and Management. However, that revision was still pending as at March 2006.

62. **UNICEF agreed with the Board's reiterated recommendation that it revise its manuals and the special supplement to its Financial Regulations and Rules.**

8. Write-off of losses of cash, receivables and property

63. UNICEF wrote off $12.5 million in cash, accounts receivable and other assets, a decrease of 24 per cent from the amount of $16.4 million for the previous biennium. It comprised $9.8 million in contributions and other receivables, $2.5 million in stock write-off and $0.1 million in other assets.

64. An amount of $5.4 million in obsolete inventory and in prior years' accounts receivable was written off against Private Sector Division income over the

biennium. UNICEF sets aside an amount of $5 million as a provision for the write-off of National Committee accounts receivable that has already been decided. That represented a 3.8 per cent decrease over the previous biennium.

65. Every biennium the Private Sector Division sets a provision for uncollectible accounts for all outstanding receivables at a rate of 3 per cent. As at 31 December 2005, the Division had written off all outstanding receivables dating back to 2001 and 2002, of which there were few collection prospects. Nevertheless, those receivables have not been subtracted from the amounts of receivables provisioned at 3 per cent. As a result, some receivables have been both written off and provisioned at 3 per cent. That leads to an overstatement of the allowance for doubtful accounts of $29,981. Conversely, despite slim prospects of collection, accounts receivable for 2003 and 2004 ($0.52 million and $0.75 million at 31 December 2005) were provisioned only at 3 per cent. A more prudent provision of 75 per cent for 2003 amounts and 50 per cent of 2004 amounts should have been made ($0.765 million). The net effect was to understate provisions for uncollectible receivables by $0.735 million.

66. **UNICEF agreed with the Board's recommendation that its Private Sector Division review its policy on the determination of the provision for uncollectible accounts receivable and ensure that it excludes written-off receivables from provisions for uncollectible receivables.**

9. Ex gratia payments

67. In line with UNICEF financial rule 113.9, the Administration informed the Board that there were no ex gratia payments during the biennium.

10. Management of the Private Sector Division

Follow-up of previous recommendations

68. In its report for 2002-2003,[3] the Board noted that the net income of the Private Sector Division had increased by 38 per cent between 2000-2001 and 2002-2003, to $462 million in 2003, as reflected in table II.7. That more than doubled to $1.05 billion in 2005 (a 127 per cent increase). Although regular resources stagnated, there was a sharp increase in other resources collected by the Division, in particular emergency other resources (Indian Ocean tsunami and South-East Asia earthquake).

69. The Private Sector Division's statement of income and expenditure reflected only (a) the sales of greeting cards and other products by the 36 National Committees, in charge of the sale of UNICEF products, and by a few field offices; and (b) the share of the private sector fund-raising activities income coming from National Committees and allocated to regular resources. It did not include the share of the National Committees' income provided to other UNICEF resources, which is reflected in statement I.

Table II.7
Private Sector Division income and expenditure
(Thousands of United States dollars)

	2003	*2004*	*2005*	*2003 to 2005 variance (percentage)*
1. Gross proceeds from cards and products	151 469	161 518	145 645	(3.8)
2. Operating charges	(109 902)	(114 374)	(98 481)	(10.4)
3. Other income	5 511	8 799	16 440	198.3
4. Net operating income for products	47 078	55 943	63 604	35.1
5. Fund-raising net operating income	249 517	250 671	255 677	2.5
6. Other charges	(7 179)	(15 489)	(30 716)	327.9
7. Net income (in financial statements)	**289 416**	**291 125**	**288 565**	**(0.3)**
8. *Income, including other resources, not included in Private Sector Division financial statements*	***461 600***	***509 925***	***1 048 765***	**127.2**

70. The task of negotiating and signing updated cooperation agreements with National Committees had been completed. However, as that process had been time-consuming (from 2002 to 2006 for 36 agreements to be signed with National Committees), the agreements were partly out of date. The agreements referred to the Joint Planning Process as “the primary mechanism to enable them to work bilaterally to increase revenues for UNICEF programmes and promote UNICEF’s goals”, even though the Joint Planning Process had been replaced by the Joint Strategic Planning, which used different monitoring tools. As at March 2006, only 9 National Committees out of 37 (including 2 of the 5 biggest) were covered by a signed Joint Strategic Planning agreement.

71. Provision 16 of the updated agreements mentions that all funds due to UNICEF shall be transferred in accordance with the time frame on financial reporting specified in a separate annex on financial reporting. No such annex was attached to the 8 agreements the Board reviewed (out of 36, 22 per cent). Similarly, provision 17 mentions that the National Committees’ auditors will be requested to certify national committees financial compliance with the agreements, which refer to their reporting of income and expenditure and net income transferable to the Private Sector Division. That provision was not complied with by most National Committees despite requests from the Private Sector Division, the revenue and expenditure reports of three National Committees only were certified by the National Committee auditors regarding the year 2003; for the 2004 campaign (reported in 2005), seven such reports have been certified by auditors.

72. **UNICEF agreed with the Board’s recommendation that it attach an annex on financial reporting and transfers of funds to its agreements with National Committees.**

Recording of income

73. In paragraph 114 of its previous report (A/59/5/Add.2), the Board recommended that UNICEF harmonize the accounting methods of the National

Committee's fund-raising income. No decision had been taken on the issue by March 2006. The fund-raising income for regular resources was recorded as receivables by the Geneva office, on the basis of provisional and then final revenue and expenditure reports, while payments were received by the New York Treasury, in line with paragraph 29 of the notes to the UNICEF financial statements. The Division of Financial and Administrative Management in New York recorded the fund-raising income for other resources as income in the UNICEF financial statements when it received the actual cash payments.

74. A footnote to the Private Sector Division financial statements for 2005 indicated that the net fund-raising income excluded $760.2 million recognized as other resources, compared with $218.8 million in 2004, and stated that it is shown in the UNICEF financial statements. The Division of Financial and Administrative Management provided the amount in the footnote to the Private Sector Division, which could not be reconciled with the amount in the revenue and expenditure report.

75. The Private Sector Division operations manual (section 9) states that income from private sector fund-raising activities is recorded on a cash basis of accounting, for example, the actual amount of cash received by partners from donors during the campaign period. The exchange rate used is that of the day of the transaction. This was not the case for funds allocated to regular resources, which were accounted for on an accrual basis, at the prevailing rate of exchange on 31 December of the year of recording.

76. The Private Sector Division acknowledged that, owing to that difference, "the amount recorded by UNICEF for other resources will always be different from the amounts reported for other resources by National Committees in the annual Revenue and Expenditure Reports. As formal and consistent monitoring procedures do not exist for reported other resources there, indeed, is a gap in procedures".

77. In May 2005, the Private Sector Division proposed to the Division of Financial and Administrative Management that it recognize all income on an accrual basis whatever its nature or source. The alternative, the recording of all private sector fund-raising income on a cash basis, would make it harder to ensure full payment for private sector fund-raising regular resources in the absence of accounts receivables. As at March 2006, no decision had been taken on that major and long-standing issue. Although the current practice was consistent with United Nations System Accounting Standards and UNICEF's financial reporting framework, it was not conducive to a comprehensive monitoring of all sources of income.

78. **UNICEF agreed with the Board's recommendation that it harmonize the accounting treatment of private sector fund-raising proceeds.**

Contribution reporting and fund-raising activities

79. The retention rate is the portion of gross proceeds kept by National Committees for their own expenditure. The contribution rate is the portion that is received by UNICEF. The total contribution rate from National Committees for sales and fund-raising has increased steadily recently, from 69.3 per cent in 2003 to 73.5 per cent in 2004 and 80.1 per cent in 2005 (provisional figures). That improvement was due partly to the surge in other resources from National

Committees for the tsunami and Pakistan emergencies, which raised the private sector fund-raising contribution rate from 74.6 per cent in 2004 to 81.3 in 2005.

80. Over the biennium 2004-2005, the fund-raising, greeting cards and product sales support costs represented $656.8 million, or 16.3 per cent of UNICEF's income. Those "upstream" support costs have to be added to the support costs incurred to administer the UNICEF programme expenditure (see para. 27 above). Thus, in aggregate, 65.7 per cent of UNICEF and National Committees' gross income is used for UNICEF programme expenditure, while support costs represent 34.3 per cent of the total. UNICEF does not usually publicize that figure, as it considers that National Committees are legally separate entities that are responsible for their own retention rates. However, the only way to satisfy the donor's request to know what proportion of the funds that they give to UNICEF is spent on programmes is to calculate that figure and disclose it.

81. **The Board recommends that UNICEF calculate, monitor and make available to National Committees the overall support costs of income and expenditure to ensure that they are appropriately explained and disclosed.**

82. The total net proceeds from private sector fund-raising for 2004-2005 were $529.4 million (in accordance with note 10 to the Private Sector Division financial report for 2005) a 5.1 per cent increase over the previous biennium. After deduction of Private Sector Division fund-raising operating expenses, the net operating income amounted to $506.4 million. The increase was obtained despite a negative effect of the value of the United States dollar on the proceeds in 2005 (-2.4 per cent), which more than offset the positive effect of the fall of the dollar in 2004 (+1.4 per cent).

83. Fund-raising is a geographically concentrated resource, as table II.7 shows. Five National Committees accounted for 72 per cent of the total net proceeds.

Table II.8
Net fund-raising proceeds 2004-2005
(Thousands of United States dollars)

National Committee	*2004-2005*	*Percentage of total*
Japan	169 823	31.6
France	75 405	14.0
Netherlands	66 926	12.4
Italy	45 996	8.6
Germany	31 988	5.9
Subtotal	**390 137**	**72.5**
Others	147 779	27.5
Total	**537 916**	**100**

Nota bene: this table excludes $8.5 million of negative adjustments between provisional and final revenue and expenditure reports from National Committees for the 2003 and 2004 campaigns.

84. The Executive Director indicated that the effort to increase regular resources is UNICEF's most critical fund-raising challenge. The Administration had set a target of 80 per cent of National Committee fund-raising proceeds transferred to UNICEF to be allocated to regular resources, and 20 per cent of other resources. This target excluded emergency other resources from the calculation. This proportion was only 64.3 per cent in 2002-2003, and did not increase in 2004-2005; it reached 63.7 per cent by the end of 2005.

85. The traditional distinction between private sector fund-raising regular resources and other resources had been called into question by the expansion of thematic contributions ($187.4 million for 2004 and prior years and $591.8 million for 2005). While allotted to private sector fund-raising other resources, thematic contributions shared a number of characteristics with regular resources. The projects towards which thematic contributions were raised (integrated childhood development, girls' education, immunization plus, fighting HIV/AIDS, child protection and humanitarian response) and were defined in broad terms compliant with the goals of the medium-term strategic plan. Thematic contributions aim at providing UNICEF with the kind of flexibility that was traditionally provided by regular resources.

86. **The Board recommends that UNICEF set and monitor a target for the proportion of thematic contributions within other resources, as part of its global fund-raising strategy.**

Country office sales and fund-raising in emerging economies

87. National Committees currently account for 95 per cent of all UNICEF funds raised from the private sector. However, local fund-raising by country offices in countries in transition audited by the Board during the biennium showed significant growth potential. In China, UNICEF had raised over $1 million since the first experience of direct-mail fund-raising in 2001, with some signs of acceleration in 2005. In Thailand, the funds that were raised locally amounted to $1.8 million in 2002, $2.1 million in 2003, $2.3 million in 2004 and $3.9 million in 2005. During 2005, the results of the tsunami appeals far exceeded the expectations of the country office. In Thailand, approximately two thirds of the budget for the country regular programme was usually funded by its private sector fund-raising activities.

88. **UNICEF agreed with the Board's recommendation that it set and monitor targets for local private-sector fund-raising in potential high-growth country offices.**

89. In Brazil, the sale of UNICEF products was decreasing continually from 2001-2004. The prices for the products sold in Brazil were set by the Private Sector Division Geneva, on a United States dollar basis. Therefore, the Brazil country office suffered from the fluctuations in the exchange rate of the local currency to the United States dollar. Texts and illustrations for the catalogue sometimes included items no longer on sale. As orders were made only once a year, the country office could not guarantee the availability for sale of successful items. That practice could result in unnecessary inventory and stock management difficulties.

90. It would technically be possible to print greeting cards locally, which may reduce manufacturing costs, avoid exchange rate variation risks and would provide more flexibility on the size of the orders. Although that could create difficulties

(quality-control, organization and skills in the Brazil country office, complexity of worldwide management by Private Sector Division Geneva), it deserved to be studied by the Private Sector Division.

91. **UNICEF agreed with the Board's recommendation that it review its supply-chain management to consider the cost-effectiveness of locally manufacturing part of its products.**

11. Office of Emergency Programmes

Background

92. Over the last three bienniums, UNICEF's emergency relief and rehabilitation income has more than tripled, from $434 million in 2000-2001 to $1.52 billion in 2004-2005, at the same time as the number and severity of humanitarian crises has increased. In 2003, UNICEF adopted a list of Core Commitments for Children in Emergencies.

93. In the first six to eight weeks following the outbreak of a crisis, UNICEF is committed to "assess, monitor, advocate for, report and communicate on the situation of women and children", as well as conduct activities in its five priority areas (health and nutrition, education, water and sanitation, child protection and HIV/AIDS). UNICEF has also taken operational commitments that pertain to the safety and security of its staff and assets in emergencies, communication and fund-raising, human resources mobilization, telecommunications, supplies, finance and administration.

94. The Office of Emergency Programmes is in charge of strengthening "UNICEF's capacity to effectively advocate for and assist children in emergency situations and to provide policy, technical and operations support to field offices dealing with complex emergency situations" (E/ICEF/Organization/Rev.3, 27 April 1998). In 2004-2005, its budget included $8.8 million in regular resources and $4.3 million in supplementary resources. The Office had 31 international Professional, 13 General Service and four Junior Professional Officers authorized posts.

The role of headquarter divisions in emergencies

95. The Office of Emergency Programmes has effectively contributed to strengthening the UNICEF emergency response, within the framework of a capacity building programme funded by the United Kingdom Department for International Development, from 1999, and by the European Community Humanitarian Office from 2004. UNICEF has defined a strategy to improve the speed, reliability and effectiveness of its emergency response and is in the process of implementing it. The Office of Emergency Programmes drives the implementation.

96. Although the Office of Emergency Programmes is supposed to be a catalyst for the implementation of the Core Commitments for Children in Emergencies, its specific accountabilities in that respect are not sufficiently clear. As UNICEF is highly decentralized, country offices typically provide the first response to emergency situations. Regional offices emergency officers play a back-up role to support country offices for larger-scale emergencies. For the most significant disasters, all headquarter divisions tend to be involved.

97. Out of 82 outputs or actions in the workplan designed to implement the Core Commitments for Children in Emergencies, only 10 (12 per cent) were assigned to the Office of Emergency Programmes on its own and 14 (17 per cent) to the Office of Emergency Programmes in conjunction with another division or office. In that latter case, no written operational procedure explained how those responsibilities were shared between divisions or described the workflows involving them. For nearly 9 outputs or actions out of 10, the Office of Emergency Programmes could rely on no specific procedure to hold other units accountable for their emergency response.

98. UNICEF stated that the headquarters emergency preparedness and response plans should take these issues into account. Those emergency preparedness and response plans had been updated by May 2006. Beyond that step, the respective accountabilities of each headquarters division in relation to emergencies were not spelled out in the strategic level document on the organization of UNICEF (E/ICEF/Organization/Rev.3), which had not been updated since 1998 and did not take the Core Commitments for Children in Emergencies into account. During the audit (November 2004), the Office of Emergency Programmes indicated that that document would be updated and submitted to the Executive Board for approval at its July 2005 session. By March 2005, the target date for approval had been moved to January 2006 and by February 2006, it had slipped further, to June 2006.

99. **UNICEF agreed with the Board's recommendation that it revise E/ICEF/Organization/Rev.3 to adapt the accountabilities of each unit to the Core Commitments for Children in Emergencies.**

100. In practice, the involvement of UNICEF divisions in emergency response has been uneven. Although the Water, Environment and Sanitation Section of Programme Division was invited to meetings on emergency capacity-building projects, it was not fully involved in those projects. Since there are no water, environment and sanitation officers at the regional level, support to country offices must be directly provided by headquarters. That would be difficult if support were to be requested simultaneously by numerous country offices, as evidenced in the case of the Indian Ocean tsunami (see paras. 150 to 210 below).

101. A May 2003 review of humanitarian response capacity disclosed that, within programme expenditure on emergency and rehabilitation, figures show a notably lower level of spending on Core Commitments for Children in Emergencies in nutrition (ranging between 2 per cent in 1998 and 0.1 per cent in 2002) and water, environment and sanitation (ranging between 8 per cent in 1998 and 2 per cent in 2002). By comparison, 40 per cent was devoted to child protection and 32 per cent going to area-based programmes in 2002. UNICEF acknowledged that its emergency response was not always up to the Core Commitments for Children in Emergencies in the area of nutrition, as illustrated by the situation in Chad, the Sudan (Darfur) and Uganda.

102. Similarly, the deployment of extra international professionals to support the UNICEF presence in the Sudan did not immediately follow the identification of the needs. The crisis started during the summer of 2003 and was highlighted as a humanitarian priority at the 2 December 2003 meeting of the Executive Committee on humanitarian affairs. Yet no extra staff was deployed until one Professional had been sent to the area in March and another in April 2004. That was followed by a request for 15 extra staff received on 19 April 2004. On 27 May 2004, the Deputy

Executive Director declared Darfur a corporate priority in an initiated document. Only then were 33 extra Professionals sent to the Sudan.

103. Although the difficult political and security situation in Darfur posed a real challenge to deploy staff earlier, other factors also came into play. The UNICEF human resources information system is not geared towards easily identifying staff qualified and willing to take part in emergency operations. The reliability of the global web roster, which should have been used by the field to recruit staff in emergency situations, was questioned by operational managers. According to a UNICEF survey, only between 0 and 30 per cent of staff recruited in emergency situations had been identified through that roster. At the headquarters level, the Human Resources Information System did not support the type of multi-criteria searches that would have been needed to identify staff for emergencies. UNICEF indicated that it was working on the merger of the Global web roster and the Human Resources Information System to create under the SAP environment a database of staff with relevant skills, with a target date of the second quarter of 2006. By June 2006, the target had been moved to the second quarter of 2007.

104. **UNICEF agreed with the Board's recommendation that it expedite the development of its emergency "talent pool".**

105. When a humanitarian crisis erupts, UNICEF may compete with other United Nations agencies (such as OCHA, UNHCR or WFP) to identify experienced humanitarian officers for deployment. It also benefits from an average of 34 secondments per year from standby agreements with humanitarian organizations that also have agreements with other United Nations agencies. The United Nations system would benefit from a more coordinated approach to the identification of human resources for emergencies. The Inter-Agency Standing Committee would be the appropriate framework for such a topic.

106. **The Board recommends that UNICEF bring the identification and recruitment of human resources for emergencies to the attention of the Inter-Agency Standing Committee.**

Emergency preparedness

107. Between 2000 and 2004, UNICEF had completed 120 emergency preparedness and response plans, a 76 per cent coverage rate. By June 2006, 90 country offices had drafted new emergency preparedness and response plans, to enhance their state of readiness. As the UNICEF quantitative objectives are being reached, it may now concentrate on the timeliness of updates and the relevance of the plans. Feedback from the field underlined the fact that emergency preparedness and response plans were not systematically used in the management of emergency situations. Although the process of drafting such a plan raised awareness and helped build capacity in the field, the existing plans were not sufficiently operational as crisis management tools, whether in the area of human resources mobilization, supply and logistics or financial management. UNICEF needed to ensure that all of its emergency preparedness and response plans met a set of minimum quality standards in those areas.

108. **The Board recommends that UNICEF establish and monitor the implementation of quality standards for emergency preparedness and response plans.**

The operations centre

109. UNICEF had been operating an operations centre, open 7 days a week, 24 hours a day, since the Kosovo refugee crisis in 1999. The UNICEF operations centre employed 10 staff members and cost $1.2 million to run in 2005. At the time of audit, the only other centre that operated 24 hours a day within the United Nations system was that of the Department of Peacekeeping Operations, although the Department of Safety and Security also intended to create its own centre. The UNHCR and WFP situation rooms did not operate on a continuous basis, and OCHA used its Geneva and New York offices to cover a wide range of time zones but did not maintain a centre that is open 24 hours a day. UNICEF reported that work was under way to develop the exchange of information among United Nations agencies, to reduce duplication and increase effectiveness through more focused analysis and output. However, the option of sharing a single operations centre with other United Nations entities had not been considered.

110. **UNICEF agreed with the Board's recommendation that it consider sharing its 24-hour operations centre with other United Nations agencies.**

12. Supply Division

111. Procurement expenditure increased by 55 per cent over the previous biennium, to $1.936 billion, excluding the Global Alliance for Vaccines and Immunization. The part handled by the Supply Division amounted to $1.472 billion (76 per cent). The Division, based mainly in Copenhagen, oversees procurement for UNICEF and operates a large central warehouse. It also manages procurement on behalf of United Nations agencies, Governments and non-governmental organizations.

Emergency procurement

Background

112. Offshore emergency procurement increased from $12.7 million in 2000 to $44.6 million in 2004 and $72.0 million in 2005. Emergency local procurement (as opposed to international, or "offshore" procurement) went up from $12.2 million in 2003 to $20.8 million in 2004. Figures for 2005 were not available. In 2003-2004, 47.9 per cent of the emergency local orders were created after the target arrival date of the items. Furthermore, 10.4 per cent of those orders were issued after the actual delivery of the goods. The Supply Manual states (Book G, 7.6.8) that, in principle, that should not occur. Notes for the record should document exceptional purchase orders issued after the event. Such a practice poses a significant risk of non-compliance with regulations and rules.

113. **UNICEF agreed with the Board's recommendation to monitor more closely the target arrival date of emergency local orders and the date of their issuance.**

Emergency organization and procedures

114. The UNICEF Supply Division emergency preparedness and response plan, prepared in 2003 and updated in March 2004, aims to maintain the ability to send emergency supplies within 24 to 48 hours and to maintain a sufficient contingency stock. The number of beneficiaries or of days of stock to be kept has not been

specified in that plan. The emergency preparedness and response plan identifies the emergency actions of each Supply Division unit as well as the goals they should integrate into their working plans. However, the role of the Emergency Coordination Unit has not been defined. As at audit date, staff members in charge and implementation dates were not specified.

115. **UNICEF agreed with the Board recommendation that it update the Supply Division's emergency preparedness and response plan.**

Emergency supply planning

116. Emergencies may have an unexpected impact on the demand for supplies; some degree of anticipation can be achieved for ongoing emergencies, recurrent natural disasters or dual-use items (also used in non-emergency situations). Two processes should have helped the Supply Division to adapt its response to anticipate demand for emergency or dual usage items. However, neither of the two processes was entirely effective.

117. Following a 1998 set of recommendations to improve its response to children in unstable situations, UNICEF initiated an internal capacity-building process supported by the United Kingdom Department for International Development. Each field office was encouraged to produce an emergency preparedness and response plan. In practice, the passages devoted to supply and logistics issues in emergency preparedness and response plans were not always detailed enough for those documents to be operational for the Supply Division in an emergency situation. The Emergency Coordination Unit and the Customer Services Centre had no access to those plans but did not consider them operational.

118. **UNICEF agreed with the Board's recommendation that it set and enforce quality standards for the supply and logistics components of emergency preparedness and response plans.**

119. The Supply Division has a supply-planning module in ProMS, the integrated information system used by field offices. In 2002-2003, it made an effort to increase the quality and quantity of supply plans, by involving both supply and programme staff under the supervision of the country representative. Guidelines and tools were issued to assist country offices in using supply inputs for planning (for instance Executive Directive dated 12 March 2003). The Supply Division created an environment in ProMS that integrated supply planning into the annual project planning. The Supply Manual (Book G) was updated accordingly. As of February 2006, the module was used to anticipate some announced peaks in demand for dual-use items.

120. However, the proportion of field offices using the module (around 50 per cent according to UNICEF) was still too low to consistently provide reliable forecasts. Of the 11 country offices visited by the Board during the biennium, 4 did not prepare adequate annual supply plans in a timely fashion.

121. **UNICEF agreed with the Board's recommendation that it increase the proportion of field offices using the supply-planning module by further awareness-raising and training efforts.**

UNICEF emergency stocks

122. A study of UNICEF emergency warehousing and logistics needs carried out in 2002 identified four locations best suited as potential regional hubs: Sharjah, Panama City, Bangkok and Johannesburg. At a 2003 consultation on the UNICEF humanitarian response, UNICEF decided to outsource those warehousing functions to the private sector or, in Panama, to the International Federation of the Red Cross and Red Crescent Society.

123. The Johannesburg hub was opened in October 2003, followed by the Sharjah hub in June 2004 and the Panama hub in 2005. Overall, this policy should allow UNICEF to cater for the needs of 320,000 people within one or several emergencies. The list of “approved emergency items” on the basis of which these stocks were accumulated was defined in 2002. Some items are warehoused, while others are available at short notice from suppliers. The list was compiled mainly by considering the nine preceding years, the cost and the shelf life of the items. It has not been revised since then. Neither the overall population coverage targets nor the procedure used to define the optimal stock levels are featured in the Supply Division emergency preparedness and response plan.

124. **UNICEF agreed with the Board’s recommendation that it update the list of approved emergency items.**

125. UNICEF Financial Regulations and Rules require competitive bidding for all purchases. However, under financial rule 112.29, point C, competitive tendering can be waived under circumstances such as emergency situations that do not permit the delay attendant upon the issuance of invitations to bid on requests for proposals of the reissue thereof in cases where such solicitation has failed to achieve satisfactory results. The Supply Division reported that it had not used that clause since 2003.

126. The screening of product specifications and potential sources follows the same procedures as for standard procurement. The Supply Division uses by order of preference, suppliers with long-term arrangements with UNICEF or other United Nations organizations, qualified sources in its Vendor Master or any suitable company identified through a quick market survey, including unsolicited offers.

127. A list of “Approved Emergency Items” covers offshore procurement, with 102 items, 94 per cent of them through long-term arrangements at the time of audit. Out of over 1,700 items in the Supply Division catalogue, 1,157 are available through long-term arrangements or about 68 per cent. Long-term arrangements were created to speed up procurement. They guaranteed UNICEF a ceiling price, without committing the organization to a specific supplier or volume of purchases. The Board’s tests found that long-term arrangements effectively protected UNICEF from the price increases that typically occur at the time of major emergencies. Long-term arrangements were tailored to fit the needs identified in the list of “approved emergency items” dating back to 2002, and may therefore also be outdated.

128. **UNICEF agreed with the Board’s recommendation that it revise long-term arrangements with suppliers after updating its approved emergency items list.**

Assessment of the timeliness of emergency deliveries

129. The Quality Assurance Centre issues a monthly report with indicators generated by the Warehouse and Logistics Centre such as the percentage of supplies

delivered at port of entry within the requested target arrival date, or of emergency response supplies delivered within 48 hours. The Supply Division stated that "95 per cent of the deliveries" were "on target". Yet the Warehouse and Logistics Centre indicated upon request from the Board that the 48-hour key performance indicator for emergency response was a subjective assessment by its staff, and that there was no method to measure its actual performance for rapid response. While UNICEF had committed itself to delivering within 48 hours of major, acute emergency requests, it did not monitor the implementation of that target.

130. **UNICEF agreed with the Board's recommendation that it assess the reliability and accuracy of the Supply Division's key performance indicators, such as delivery within 48 hours for acute emergencies.**

Financial controls and information systems

Segregation of duties

131. Under United Nations financial rule 105.4, "all commitments, obligations and expenditures must first be signed ("certified") by a duly designated certifying officer. Following certification, duly designated approving officers must then sign to approve the establishment of obligations and the recording of expenditures in the accounts and the processing of payments". Financial rule 105.6 and financial circular number 34 state that "the certifying officer should not be the same person as either the authorizing or approving officer".

132. For invoices of a monetary value of $50,000 or more, the accounting officer in charge of certifying a payment was also the one who approved it. That practice was not compliant with financial circular 34 or rule 105.6. The Board examined a sample of 36 purchase orders totalling $67 million, or 7.8 per cent, of 2005 purchase orders placed by the Supply Division. The sample was unsatisfactory: 84 per cent of payments (in value) were non-compliant as approved by the certifying officer. In many cases, the approving officer no longer signed, as he had already signed as certifying officer.

133. **UNICEF agreed with the Board's recommendation that it comply with rules regarding the segregation of duties between certifying and approving officer.**

Implementation of the enterprise-resource planning

134. The user profile in SAP did not support an appropriate segregation of duties. For example, the Vendor Creation Unit was composed of two officers, whereas 18 users had a vendor creation authorization in the system. There was a centralized unit (one officer) of material master creation in the UNICEF Supply Division, whereas 52 users had the material master creation authorization in SAP. Four users had access to purchase order creation, goods receipt and invoice creation simultaneously. That pattern of authorization was not compliant with basic segregation of duties. This situation created serious IT security risks and urgently had to be corrected. However, the Board has verified that of a sample of 12,403 purchase orders issued in 2005, no single user created purchase orders, received the goods and created the relevant invoice.

135. **UNICEF agreed with the Board's recommendation that it regularly review all user profiles in SAP to ensure an adequate segregation of duties.**

Development of electronic scales in partnership with a private enterprise

136. A contract was signed in 1992 between UNICEF and a supplier for the development and manufacture of a scale for use in primary health-care programmes. The scale was supposed to make the weighing of children and women easy because small children would be weighed while being held in their mothers' arms. The inventor of the technology had licensed the product to UNICEF in 1990. A Member State had paid the licensing fee on behalf of UNICEF. At the time, UNICEF had no guidelines on investments in research and development.

137. Under the contract, UNICEF was required to make advance payments, which amounted to a total of about $2 million. The advance payments were to meet the costs of re-equipping the plant used to produce the scales; they constituted part of the purchase price of the scales but could also be characterized as UNICEF's investment in the production of the scales. The contract provided for the delivery of 400,000 scales, at a rate of 50,000 a year for eight years, with an option for an additional 100,000.

138. The introduction of the scale in the programme activities was difficult, owing to problems of corrosion of the batteries because of contact with humid atmospheres. In 1997, the total delivery was reduced to 200,000 scales, at a rate of 25,000 per year for the remaining quantity. In 1998, an agreement was reached to improve the performance of the electronic module with a newer "Class-S-Scale". The Supply Division shipped only "Class-S" scales to the field, starting in 1999.

139. The earlier model scales, still in quarantine in the UNICEF Copenhagen warehouse in February 2005, totalled 27,321 units, valued at $2.27 million. Discussions with the supplier failed to find a solution. The write-off of these scales was decided at the 24 July 2001 Property Survey Board meeting, and should have been included in the 2000-2001 financial statements; it eventually occurred in 2002-2003 ($1.10 million) and 2004 ($1.18 million).

140. In addition, UNICEF gradually found that neither the original forecast of 50,000 units per year nor the revised one of 25,000 units per year were proper targets. Deliveries to the warehouse were only 18,750 in 2001 and 11,542 in 2002. At the end of the programme, the total advance from UNICEF still pending recovery on the delivery of scales amounted to $1.12 million, which was also written off.

141. **UNICEF agreed with the Board's recommendation that it issue a guideline on investments in research and development to avoid the recurrence of advance payments for untested or faulty items, and to improve demand forecasting.**

142. The contract with the supplier had been drafted in terms that did not sufficiently safeguard the interests of UNICEF and had not been submitted for review to the Senior Adviser (Legal). In the contract, by exercising in 1997 the option to decrease the initial purchase and delivery obligations, UNICEF had forfeited its right to recover or claim repayments of the amounts outstanding on the advance payment, even though 27,321 units were faulty and quarantined.

143. The contract contained a paragraph that stated that the supplier had to repair or replace any faulty scale reported by UNICEF. Yet agreement was reached that it

would replace every three faulty scales by two S-class scales. That unfavourable outcome was the result of the poor drafting of the contract and the lack of legal review.

144. **The Board recommends that UNICEF adopt and implement a policy that would require contracts involving significant financial commitments to be submitted to the Senior Adviser (Legal) for clearance.**

145. Thirteen years after the inception of the scale project, the final cost has therefore been $3.48 million in write-off of assets over the years.

China country office supply section

146. The China country office supply section has processed $16.9 million of procurement in 2005, as against $8 million in 2004. Owing to the changes that China has experienced, the nature of activities undertaken by UNICEF has also progressively changed, away from direct implementation and supply assistance, towards more technical assistance for policy developments. Therefore, the volume of procurement carried out for the China country programme has decreased from $4.3 million in 2003 and $3.1 million in 2004 to $2.4 million in 2005. During the same period, because of the progressive improvement of the local supply market, the Office has been called upon increasingly to process procurement for other UNICEF field offices. In 2004, 92.5 per cent of the $8 million of procurement processed by the China country office (of which $4.9 million or 61.2 per cent was shipped to other countries) was locally sourced.

147. In 2003, 36.7 per cent of the $4.7 million in supplies was for 12 consignees in the region and the field. The total purchases increased to $4.9 million in 2004 and $14.5 million in 2005, including $1.4 million for the Democratic People’s Republic of Korea, and $13.1 million for tsunami-affected countries. The largest purchase consisted of clothes and hygiene kits sent to Sri Lanka and Thailand, following a post-tsunami request on 4 January 2005.

148. As the nature of the China country programme has evolved, the country office’s supply section has also been increasingly working for Supply Division headquarters, on the local sourcing of vaccines, anti-malarial drugs, school-in-a-box kits and long-lasting insecticide treated nets. That situation might prove unsustainable in the long run, as no service charge or cost recovery is levied on the UNICEF offices that use those services provided, at a cost for itself, by UNICEF China. Conversely, the decline in the needs for supplies of the China country programme might be such that the section’s new activities could be absorbed within existing resources.

149. **The Board recommends that UNICEF review the sustainability of the increase in procurement activity of the China country office on behalf of other country offices.**

13. The Indian Ocean tsunami

Background

150. On 26 December 2004, a 9.0 magnitude undersea earthquake occurred off the west coast of the northern Indonesian island of Sumatra. The quake initiated a series of massive tsunamis, up to 10 metres in height, which subsequently devastated

coastal towns and villages across South and South-east Asia. According to official estimates, over 227,000 people were reported dead or missing, 1.8 million people were displaced and losses amounted to an estimated $9.9 billion.[6]

151. The Board visited UNICEF country offices in India, Indonesia, Sri Lanka and Thailand, as well as the UNICEF Supply Division to review their responses to the tsunami. The Board relied on the Office of Internal Audit's assessment of the UNICEF response in the Maldives, Indonesia and Sri Lanka (internal audit visits in the latter two country offices took place four to five months prior to the Board's visits), as well as the two regional offices and seven headquarters divisions that had been involved in it. The Board did not review the tsunami operations in Malaysia, Myanmar and Somalia, which received $19.4 million or 2.9 per cent of funds.

Income

152. UNICEF requested $144 million for six months as part of the 6 January 2005 Indian Ocean flash appeal. That amount was increased to $152 million in April 2005 (midterm review), and to $326.2 million a month later, to cover operations for one year. UNICEF also indicated that it needed funds to cover its rehabilitation and reconstruction programmes in addition to flash appeal amounts, although estimates of these needs varied over time. By 24 January 2005, total project implementation needs were estimated at $300 million through the end of 2007, whereas projections of funds to be received totalled $345 million. The Executive Director requested that no new initiatives be undertaken to raise funds for the tsunami-affected region, although events already planned could go ahead. Governments would no longer be approached by UNICEF for the tsunami.

153. By 14 March 2006, projected receipts reached $550 million ($517 million programmable). UNICEF wrote to National Committees that the latest expenditure projections are based on similar figures, and have been confirmed by field offices. That implies that UNICEF has the capacity to implement that amount and that it is the maximum amount needed for that emergency, as foreseen at that point. UNICEF requested National Committees to refuse conditional donations and to ensure that any contributions received are "allocated in the most flexible manner, e.g., thematic humanitarian funding (i.e., funds free to use for any tsunami-related purpose and in any tsunami-affected country of our choice).

154. On 27 April 2005, projected receipts amounted to $653 million. UNICEF then wrote to National Committees that "while the assessments of rehabilitation and reconstruction needs are not fully completed, we have a thorough enough understanding of the likely roles that UNICEF will play in these activities to confirm that with the amounts on hand we have sufficient monies to finance our foreseeable work in the aftermath of the disaster". Therefore, "NOW we need to STOP accepting all funds which are earmarked for the tsunami".

155. UNICEF requested that, if possible, the funds be reallocated to other emergencies. In most cases, that was not possible as the funds were received for the specific tsunami appeals launched by the National Committees. Some National Committees continued to appeal for tsunami funds after April in spite of the request to the contrary. UNICEF was not successful in convincing them of the need to stop tsunami fund-raising, and decided not to widely communicate its decision to stop

[6] TEC, USAID, AFP, IRIN, UNICEF Office of Evaluation.

new fund-raising initiatives from January 2005 and accepting further donations from April 2005.

156. Overall, as at 24 May 2006, the funds received totalled $672.3 million, three quarters of which came from UNICEF National Committees and 22.3 per cent from Governments (the balance came from the United Nations, field-office private-sector fund-raising and international non-governmental organizations). At the same time, during 2005, a number of UNICEF emergency appeals were less than 50 per cent funded, such as the appeals for the Sudan ($328.3 million requested, only 34.7 per cent funded), Côte d'Ivoire ($15.9 million requested, 22.6 per cent funded) and Eritrea ($13.1 million requested, 34.6 per cent funded). The contrast between the tsunami operation and these other emergency operations should be an incentive for UNICEF to review its relationships with National Committees. The risks would be for them to continue providing a disproportionate amount of funds for causes that spontaneously attract donor sympathy while not focusing sufficiently on providing funds for less well-received emergencies.

157. **UNICEF agreed with the Board's recommendation that it review its relationships with National Committees in the light of the experience of the tsunami fund-raising.**

Expenditure

158. Field offices that have taken part in the tsunami response have not recorded emergency programmes in a consistent and harmonized way in the ProMS software. As a result, reporting on allocations and expenditure for the flash appeal or other tsunami-related projects requires a time-consuming and potentially error-prone manual processing. The Board thus identified a number of discrepancies between headquarters and field office figures with regard to the breakdown of expenditure per flash appeal sector (the overall amount did, however, match). UNICEF undertook to reconcile those discrepancies and had yet to report to the Board on the results of that exercise.

159. **UNICEF agreed with the Board's recommendation that it provide guidance to field offices on the appropriate method to structure emergency programmes for reporting purposes.**

160. The level of expenditure seems particularly low for Indonesia compared with the allocations, as reflected in the table II.9. That results from the fact that, initially, all the contributions earmarked for Indonesia were allocated to that country office for expenditure during 2005, whereas its tsunami programme had to be spread out over a number of years. Other offices did not receive the totality of their allocation for future years in 2005.

Table II.9
Expenditure on tsunami projects in 2005
(Millions of United States dollars)

	Allocation (1)	*Expenditure (2)*	*(2)/(1) (percentage)*
Indonesia	241.3	84.8	35.1
Sri Lanka	65.6	56.3	85.8
Maldives	31.7	22.4	70.7
Thailand	8.2	7.0	85.4
India	17.4	14.5	83.3
Other countries	19.4	7.1	36.6
Regional offices	4.8	4.2	87.5
Headquarters	4.5	4.4	97.8
Total	**392.9**	**200.7**	**51.1**

Source: Country offices, Office of Internal Audit reports, Cognos management information reports. The total is not equal to overall tsunami income as $40.1 million have been set aside for support costs as part of the cost recovery process, including $14.6 million in 2005. Resources have also been allocated for future years. "Other countries" include Malaysia, Myanmar and Somalia.

Emergency preparedness

161. Up-to-date, reliable and concrete emergency preparedness and response plans would have greatly assisted the affected country offices. According to the UNICEF programme, policy and procedure manual, all offices are requested to develop such a plan and keep it updated. Although all the offices involved in the response had drafted an emergency preparedness and response plan, none was fully satisfactory. They lacked three key elements to be truly operational: a clear human resources mobilization plan, lists of essential supplies and an emergency in-country logistics plan.

162. Knowledge of existing plans was also variable. For instance, in Indonesia, some staff were not aware of the existence of the emergency preparedness and response plan, while in Thailand the staff was not sufficiently trained in the details of the plan. In practice, the offices placed little reliance on the existing plans and addressed problems for the most part on an ad hoc basis.

163. **UNICEF agreed with the Board's recommendation that it review its guidance on emergency preparedness and response planning to ensure that critical areas such as human resources and supply are covered in sufficient detail.**

164. Although regional offices had provided assistance to the affected countries in 2004, they had not ensured that the emergency preparedness and response plans were sufficiently concrete to be of real assistance.

165. **UNICEF agreed with the Board's recommendation that regional offices regularly monitor the status and quality of country office emergency preparedness and response plans.**

Assessment of needs, its links with requests and allocation of funds

166. The rapid assessment of the situation of women and children affected by the tsunami represented a massive challenge that had to be carried out in difficult circumstances. UNICEF staff performed well in the initial stages of the disaster, providing useful data that was fed into situation reports produced within hours of the disaster. However, the Office of Internal Audit found that UNICEF lacked standard assessment tools and guidance to support a consistent approach to rapid assessments and ensure comprehensive coverage and quality of assessment data. Only the Sri Lankan country office developed standard assessment templates to ensure data comparability. However, they were not systematically used in the field.

167. Since the tsunami, UNICEF had issued an updated emergency field handbook (July 2005), which addresses the conduct of initial assessments. It also developed a draft manual for rapid assessment, which could be beneficial to other United Nations agencies engaged in humanitarian activities, as they have yet to agree on a common rapid assessment methodology.

168. **UNICEF agreed with the Board's recommendation that it finalize the development of its "rapid assessment manual" and share it with members of the Inter-Agency Standing Committee to form the basis of a common methodology.**

169. The core commitments to children in emergencies required country offices to produce expanded assessments within the first six to eight weeks following the disaster. They were not produced in India, Sri Lanka or the Maldives. As the Sri Lankan office chose to rely on the numerous assessments already available from other sources to avoid duplication, its coverage of the issues within the UNICEF mandate was not comprehensive (lack of gender-disaggregated data) and the various sources of data used could not be reliably consolidated.

170. **UNICEF agreed with the Board's recommendation that it assist country offices to ensure that they produce an extended assessment in compliance with the core commitments to children in emergencies.**

171. The process that led to the allocation of funds to field offices resulted from the combination of the assessment of needs and the availability of funds. UNICEF decided that any funds received for the tsunami above and beyond the flash appeal amounts would be spent in a time-span of two to five years. However, that was not consistently based on a multi-year planning process. Whereas Sri Lanka developed an overall three-year plan in April 2005, neither Indonesia nor Maldives drafted similar plans.

172. The combination of flash appeal amounts and rehabilitation and recovery funds far exceeded initial assessments of needs. In Sri Lanka, the final draft of the UNICEF contribution to the flash appeal, dated 2 January 2005, requested $24 million. The next day, the figure had been doubled, to $47.8 million. The eventual allocation was $170.4 million as at 24 May 2006, 7 times the initial assessment and 3.6 times the initial flash appeal amount. Similarly, the allocation to Indonesia ($284.6 million) represents 5.6 times the amount of the initial flash appeal ($50.4 million). The equivalent ratio is 2.5 for India (the February 2005 funding proposal was $11.5 million), and 2.4 for Maldives.

173. Admittedly, the generosity of the public has been exceptional and, as such, difficult to accurately predict. UNICEF indicated that it had worked in the tsunami-affected countries prior to the disaster and "will continue to work in these countries after the initial emergency phase is over. It is therefore understood that UNICEF would need funding beyond the emergency phase to cover its rehabilitation and reconstruction programmes".

174. It also highlighted that the majority of the tsunami funding (about 55 per cent) took the form of thematic humanitarian funding, which allowed it to be spent during a three-to-five-year period following the disaster. The willingness of donors to direct their funds towards that more flexible type of funding reflected effective advocacy by UNICEF.

175. By accepting funds earmarked for the tsunami that far exceeded initial and revised requests from the field without benefiting from comprehensive multi-year budgets based on fully developed workplans, UNICEF took some risks. They included the risk that actions would need to be targeted to indirectly affected or unaffected communities. There was also a risk that the UNICEF absorptive capacity (as well as that of local contractors and suppliers) would not be equal to the challenge of effectively and expeditiously managing recovery programmes on such a scale. Both risks could have an indirect impact on the reputation of UNICEF with donors and beneficiaries, whose expectations were commensurate with the exceptional level of funds accepted.

176. **UNICEF agreed with the Board's recommendation that it produce comprehensive multi-year budgets and workplans for utilizing funds received in excess of initial requirements.**

Contributions management and donor reporting

177. UNICEF allocated $26.9 million of funds to affected field offices and kept a detailed record of each allocation decision. The first funds were sent to Sri Lanka and Maldives on 29 December 2004 and to Indonesia the next day. Donor conditions were accurately recorded and passed on to field offices.

178. Beyond the initial phase, decisions taken for the allocation of thematic humanitarian funding earmarked for the tsunami were made on the basis of the degree of funding of the flash appeal for that country, information contained in situation reports and other sources and projections on likely available funding per country. The flash appeal targets were used as guides for the allocation of funds to the affected countries with no formal or explicit assessment of the relative needs of the country offices, beyond the initial rapid assessment made to support the flash appeal. That guide was used to allocate funding above and beyond initial flash appeal amounts.

179. **UNICEF agreed with the Board's recommendation that it allocate emergency funding to field offices in the context of appeals or other validated plans.**

180. UNICEF decided to extend its assistance not only over time, but also geographically and thematically, to include indirectly affected communities, in order to avoid creating tension between beneficiaries and neighbouring communities. That approach also resulted in a higher implementation rate of the funds received, in a

context in which a great number of humanitarian organizations were present in the field.

181. In Sri Lanka, that district-wide approach represented between 9.5 and 17.8 per cent of expenditures, depending on the sector, between May and December 2005 (earlier data was not available). Some projects excluded from the district-wide approach were not directly tsunami-related either. For instance, a $23.4 million water scheme programme included a $5.3 million project whose objective was to "augment water supply" — although it was located in an affected district, the water network itself had not suffered damage from the tsunami. The project had been added to the programme in July 2005, even though it did not feature in a February water and sanitation assessment of needs and workplan. UNICEF also agreed to provide $1.2 million to a non-governmental organization over a two-year period to look after unaccompanied minors, separated children and children who had lost one parent as a result of the tsunami. The implementing partner was unable to indicate the exact number of tsunami-affected children who were taking part in its programmes and had in fact lost track of most of them.

182. The Board reviewed a sample of six donation files for Sri Lanka, representing $36 million that were used at least partly to fund the district-wide approach, to determine whether donor conditions were compatible with that approach. One file contained an explicit indication that the donor left it to UNICEF to determine where funds were most needed. None of the other files contained any indication that the donor had approved the use of funds for projects that were not directly tsunami-related. In one case, a report sent to the donor made it clear that the remaining balances would be used for the district-wide approach, but the donor's consent to that effect was not documented in the file.

183. **UNICEF agreed with the Board's recommendation that it systematically seek explicit donor approval to extend or modify the geographic or thematic reach of funds with which it is entrusted.**

Human resources mobilization

184. Given the size of the human resources challenge created by the tsunami, UNICEF performed adequately in terms of quantity and quality of staff recruited. By September 2005, 450 persons had been deployed at least for some period to the tsunami-affected areas, some of them taken from a pool of 700 spontaneous applications received as a result of the tsunami.

185. However, there was excessive turnover of staff deployed on surge support missions to fill key positions. For instance, in the first half of 2005, six staff members acted as the main resource for human resources issues in Sri Lanka, while five people dealt successively with supply and logistics in the Maldives. The impact of the turnover was compounded by inconsistent procedures to identify the skills and experience of short-term staff before clearance, and poor handover procedures. The forthcoming review of human resources should address that issue.

186. **UNICEF agreed with the Board's recommendation that it include the management of emergency surge capacity in its strategic review of human resources.**

187. UNICEF field offices also recruited a significant number of fixed-term and temporary fixed-term staff as part of the tsunami response. For instance, 98 posts

were created for Indonesia, 78 for Sri Lanka, 14 for Thailand and Maldives. The time frame for that recruitment was not quite satisfactory. In Indonesia and Sri Lanka, the majority of arrivals occurred between four and nine months after the tsunami. In Thailand, all the temporary fixed-term staff was recruited over nine months after the disaster. The temporary fixed-term recruitment procedure proved particularly cumbersome in an emergency context, characterized by strong competition between agencies for qualified candidates.

188. **UNICEF agreed with the Board's recommendation that it include the recruitment process of temporary fixed-term staff for emergencies in its strategic review of human resources.**

Procurement and supplies management

189. The affected offices' flow of supplies increased on average tenfold in the aftermath of tsunami. That created significant risks in terms of effectiveness (timeliness and adequacy of supplies), safeguarding of UNICEF's financial interests and compliance with regulations and rules.

190. The Board reviewed all the offshore emergency deliveries to India, Indonesia, Maldives and Sri Lanka (there were none to Thailand) made during the initial phase of the operation, between 26 December 2004 and 11 February 2005. The deliveries amounted to $4 million and complied with regulations and rules. However, 70 per cent of the items (per value) were delivered at least one day after the target arrival date, 20 per cent more than 10 days after and 12 per cent later than 26 days after. Deliveries behind schedule were largely proportionate to the total shipped by country, except for Sri Lanka's deliveries, which were more delayed. The Board noted in its field visits that the target arrival dates set by the offices were often unrealistic. Local processing time of purchase orders was satisfactory in Indonesia, Maldives and India, whereas it was delayed in Thailand and, especially, in Sri Lanka, where an average of 22 days was recorded between authorized supply requisition and signed purchase orders.

191. Although basic financial controls have been complied with for local procurement, the Board noted weak supply and distribution planning, as well as market searches in most of the affected countries (the UNICEF Chennai office did produce an emergency supply plan). That resulted in a number of wasteful purchases. In Indonesia, $745,000 worth of collapsible tanks were ordered in error. A total of 463 tents valued at $520,000 were also bought in excess of needs. A total of 10,000 rubber boots and 2,477 squatting plates were purchased even though they were not suited to local needs and customs, and had been left idle in the Banda Aceh warehouse for at least five months at the time of the audit in January 2006.

192. In Sri Lanka, children's clothes, exercise books and cooking sets worth about $1 million were not used because they did not meet local needs or quality standards (the children's clothes were in synthetic fabric and contained too many small sizes). In Thailand, the lack of a comprehensive distribution plan led to gaps and delays in the distribution of sports items and books to 100 schools, a situation that was mirrored for office supplies in Maldives.

193. **UNICEF agreed with the Board's recommendation that it improve the quality of its supply and distribution planning in emergencies in the context of avoiding wastage.**

Management of cash assistance

194. Cash assistance represented 40 per cent of 2005 tsunami expenditures. UNICEF was therefore largely dependent on strong counterparts with adequate capacity to successfully implement its programmes while minimizing the risk of financial mismanagement. However, in Indonesia, the Office of Internal Audit identified a number of cases where counterparts lacked capacity to effectively manage funds. In Maldives, the capacity of one of the office's main partners had not been assessed and its staff was unaware of a number of its obligations. The UNICEF Office of Internal Audit reported that UNICEF staff were often not aware of weaknesses in counterpart systems, such as poor internal financial reporting or low financial management expertise.

195. **UNICEF agreed with the Board's recommendation that it identify ways of quickly assessing and raising financial and administrative capacity of implementing partners during emergencies.**

196. Standard rates had not been set for allowances for training sessions, workshops and participation in programme activities in Indonesia and Thailand. That created inequality and inefficiencies. For instance, in Indonesia, the amount paid for volunteers in child centres varied over time between $50 and $900 per month. A different rate was set for local and non-local workers, although it was not always consistently applied. That put UNICEF staff in the difficult position of having to increase payments to ensure participation.

197. **UNICEF agreed with the Board's recommendation that it use standard rates of allowances for training sessions, workshops and other activities funded by cash assistance.**

198. The variation in rates also complicated the liquidation process. The Board found multiple instances of poor documentation of amendments, inaccuracies in the liquidation process and lack of sufficient oversight of implementing partners in Indonesia. In Sri Lanka, the documentation of amendments to cash assistance projects was also unsatisfactory. Advances had been paid to partners for over three months of activity, which was not compliant with Financial Circular 15, revision 2, paragraph 10. For instance, one implementing partner held $297,934 from UNICEF on its bank account as at the end of December 2005, even though it had only spent $38,841 during the first six months of the project.

199. **UNICEF agreed with the Board's recommendation that it improve compliance of its cash assistance in Indonesia and Sri Lanka with the requirements of Financial Circular 15, revision 3.**

Management of construction projects

200. UNICEF is supporting construction projects for schools, health centres, and water and sanitation networks in Indonesia, Sri Lanka and the Maldives that represent an aggregate budget of $152.1 million. The three country offices had little experience, if any, overseeing major construction works. They entered into contracts with UNOPS (for the permanent structures) and the International Organization for Migration (IOM) (for temporary schools in Indonesia) without clearing their clauses with the UNICEF Senior Adviser (Legal) resulting in the interests of UNICEF not adequately safeguarded. For instance, the Indonesian school construction contract with UNOPS ($90 million) committed UNICEF to a set unit cost per building, over

a three-year period, with no clause covering a rise in prices. In both the Indonesian and the Sri Lankan construction contracts with UNOPS, no clause allowed penalties to be imposed on UNOPS for delays in the completion of the buildings.

201. UNICEF had supported Governments in setting up 600 temporary learning centres in Indonesia, Sri Lanka and Maldives. In Indonesia alone, the UNICEF and IOM achievement in the temporary schools construction project was considerable, as 124 units had been built in a year, despite difficult circumstances. Yet that achievement was overshadowed by two factors. Expectations had been excessively raised by the agencies, which aimed to complete 200 temporary schools in 70 days. The delays in the permanent schools project also affected UNICEF's local reputation. UNICEF and UNOPS initially planned to complete 17 reconstructions and 4 refurbishments in 2005. Yet, at the end of January 2006, no permanent school had been completed. Two showcase schools built under special "fast-track" procedures at a cost of $438,000 for the one-year anniversary of the tsunami were not completed by 26 December 2005.

202. Initial time frames were unrealistic as UNICEF failed to set up a consistent mechanism to follow up the implementation of the projects, monitor the work of contractors and manage the relationship with UNOPS. In Sri Lanka, UNICEF agreed to let UNOPS implement directly a number of construction projects, to make up for the lack of reliable contractors. However, the procedures established for the processing of construction expenditures, and in particular for worker's wages, were far from satisfactory. It essentially relied on trust and may expose UNICEF's financial interest.

203. **UNICEF agreed with the Board's recommendation that it liaise with UNOPS to ensure that financial procedures for direct construction adequately safeguard UNICEF's interests.**

Contribution of UNICEF to the coordination of the response

204. UNICEF participated fully in existing coordination arrangements in the affected countries. It took part in a significant number of joint assessments and shared some of its facilities with other agencies (for instance, in the Chennai state office). It took sectoral leads in water and sanitation, education, and child protection and assisted WHO in leading the health sector. UNICEF made consistent efforts to achieve some degree of coordination in those three sectors, but met with varying degrees of success.

205. Coordination was the most effective in the child protection sector, whereas water and sanitation proved least effective and education was intermediate. According to the UNICEF Evaluation Office, the factors that proved successful in the case of child protection included timely joint assessments, common databases of information, early issuance of common standards and principles, action-oriented coordination initiatives and joint advocacy.

206. The efforts of UNICEF in the water and sanitation sector were hampered by a lack of consistent leadership in the months following the emergency, as staff turned over or there were gaps in posts being filled. It did not place sufficient emphasis on the need for a strong degree of integration with programmes carried out in the temporary and permanent shelter sectors. In Banda Aceh and Sri Lanka, numerous temporary or permanent shelter sites were selected without due consideration to

issues of drainage, water or sanitation. Some were provided to beneficiaries by other agencies without adequate sanitary conditions. Although UNICEF cannot be held accountable for other organizations' failures, it did not discharge its duties as sector leader with sufficient consistency, authority or leadership. It paid the price for the absence of large water and sanitation programmes in the affected countries, and the absence of regional water and sanitation advisers in both of the affected regions.

207. **UNICEF agreed with the Board's recommendation that it review the means necessary to fully discharge its sectoral lead responsibilities for the relevant cluster in the Inter-Agency Standing Committee framework.**

Meeting UNICEF programme commitments

208. The evidence reviewed by the Board showed that the UNICEF response to the tsunami in the first six to eight weeks was consistent with the programme commitments it made, both in terms of focus and breadth of coverage. That was the case both regarding the implementation of programmes in the field and the support provided by headquarters, in particular the Office of Emergency Programmes. Given the scale of the devastation and the challenges of access to the affected areas, the UNICEF staff who took part in the operation deserve credit for their very effective action.

209. The Board commends UNICEF for the compliance of its initial response to the disaster to the programme core commitments to children in emergencies despite a very challenging environment.

210. The UNICEF response was devoted to education (one third of expenditure as at 31 December 2005), health (22 per cent), water and sanitation (21 per cent) and child protection (10 per cent). Although it was too early to assess the outcome of the actions taken in the recovery period, the Board noted that UNICEF has produced outputs that were consistent with the programme core commitments to children.

14. Inter-agency coordination

UNICEF involvement in inter-agency coordination in the field

211. The importance of increased coordination between United Nations agencies was reaffirmed by the report of the Secretary-General to the General Assembly at its fifty-ninth session that "at every stage of United Nations activities, the senior United Nations official present in any given country — special representative, resident coordinator or humanitarian coordinator — should have the authority and resources necessary to manage an integrated United Nations mission or country presence so that the United Nations can truly function as one integrated entity". The Board has reviewed UNICEF involvement in inter-agency coordination as part of its field audits in five country offices: Brazil, China, the Democratic Republic of the Congo, India and Serbia and Montenegro.

UNICEF involvement in the country coordination framework

212. The United Nations country team is in charge of strategic coordination. Pursuant to General Assembly resolutions 47/199 and 50/120, the country team was designed mainly to focus on joint programming ("review substantive activities — including draft country programmes, sectoral programmes and projects ... and ...

exchange experience acquired”). The Operations Management Team (OMT), which is convened at the level of senior operations officer, is the main administrative coordination body in the field. The common country assessment (CCA) and United Nations Development Assistance Framework (UNDAF) are the main tools around which inter-agency coordination should revolve in the field.

213. In Serbia and Montenegro, the Democratic Republic of the Congo and China, UNICEF regularly took part in inter-agency coordination meetings. In India, however, where UNICEF is the biggest single agency and accounts for about 40 per cent of yearly United Nations expenditure in the country (a total of about $200 million in 2004), UNICEF attended only two of the five Operations Management Team meetings that took place between January 2003 and May 2005. The very limited achievements of the Operations Management Team in terms of common services and premises may have been a contributing factor as well as a consequence of the low level of involvement of UNICEF.

214. In Brazil, the UNICEF representative (or officer-in-charge) attended only 8 of the 17 United Nations country team meetings held between September 2003 and May 2005. The minutes for the 17 meetings reflected grave concerns with regard to the poor quality of inter-agency coordination. At the 29 September 2004 United Nations country team meeting, the United Nations Resident Coordinator noted that “Brazil was still far from meeting United Nations reform targets in United Nations system coordination”. One representative emphasized “the limited knowledge agencies have of one another”. Another commented that “the UN structure in Brazil as a system has never existed and does not exist. Discussions to strengthen United Nations system coordination will not succeed if there is continued competition for cost-sharing resources”. He quoted two main institutions that competed for resources, UNESCO and UNDP, stressed that each agency had a common identity and asked how to work on overlapping areas, such as UNESCO and UNICEF. He also pointed out that so far the United Nations country team had discussed only “marginal issues and has not focused on the central themes of mandates”.

215. In October 2004, a working group on institutional diagnosis addressed issues such as overlapping mandates, United Nations image (“enhanced competition and relationship problems among United Nations system organizations have led to the deterioration of the United Nations image before national partners and the public at large”) and common services. It highlighted a controversy over exclusive mandates. A March 2005 letter from the Director of the United Nations Development Group (UNDG) pointed out that a lead agency does not mean that that agency takes the sole responsibility for the actions in that programming area. The conclusions of the working group were not officially approved, but the United Nations country team agreed to move forward with the recommendations of the working group and the CCA/UNDAF.

216. UNICEF claimed that the situation in Brazil had recently improved. A 2005 letter from the Latin American Regional Directors team gave a positive appraisal to the United Nations Resident Coordinator and the United Nations country team for its 2004 report.

217. **UNICEF agreed with the Board’s recommendation that it monitor the involvement of its senior field management teams in inter-agency coordination forums.**

218. **UNICEF agreed with the Board's recommendation that it systematically bring unsatisfactory levels of inter-agency coordination to the attention of regional directors, of the United Nations Development Group and, where appropriate, of the High-Level Committee on Management.**

Common premises

219. In its resolution 44/211 of 22 December 1989, the General Assembly requested "all organs, organizations and bodies of the United Nations system to make, without delay, the necessary arrangements, in co-operation with host Governments and without additional cost to developing countries, to establish common premises at the country level, and to request the Director-General for Development and International Economic Cooperation to include in his annual reports on operational activities information on progress made in that area".

220. None of the UNICEF country offices was located in joint United Nations premises in the countries reviewed. Although that issue had been considered in all locations, the main obstacles to its implementation were the fact that only some United Nations agencies benefited from free or preferential accommodation in accordance with their Basic Cooperation Agreement.

221. In Kinshasa, a United Nations Common House approach had so far been unsuccessful. Until 1997, UNHCR, UNDP, WFP, FAO, UNFPA, UNESCO, WHO and ILO, but not UNICEF, had shared a United Nations House. At the time of the Board's visit (June 2005), only five agencies shared common premises (UNDP, WFP, OHCHR, OCHA and ILO). A common approach was under consideration by the United Nations country team. Similarly, the creation of a United Nations House was contemplated in Belgrade and Podgorica (Serbia and Montenegro) at the time of the audit (December 2004).

222. In New Delhi, the 18 United Nations agencies were based in 13 different locations. UNICEF and six United Nations agencies were housed free of charge in one compound. The other United Nations agencies rented their premises. Given the rent-free nature of the UNICEF premises, the creation of a single United Nations House in Delhi would probably generate additional costs. However, the consolidation of the 12 other sites into one location would certainly prove beneficial, especially if it is accompanied by more common services and combined programming. A similar situation occurred in Brasilia, where UNICEF benefited from free accommodation and had few incentives to promote a United Nations House.

223. In Beijing, the 18 United Nations agencies and their 600 staff members were housed in eight locations, including one United Nations compound which houses four agencies (UNDP, WFP, UNEP and UNIFEM) and the UNICEF premises. Although the China United Nations country team workplan for 2005-2006 included the objective of moving towards the establishment of a United Nations House in China through the consolidation and restructuring/expansion of United Nations agency locations, the United Nations country team has in fact explored less ambitious options, aiming to reduce the number of locations to six, then to three (the UNDP compound, the UNICEF compound and a third location). The Resident Coordinator indicated the view of the country team that, although a "one-building" approach was "not feasible", the concept of United Nations House remains an objective, even if it means a United Nations compound with three locations".

224. The last documented survey about the cost of leasing office space in Beijing for United Nations agencies dated from 2002. Rates ranged from $6 per square metre (UNESCO) to $16 (UNHCR). The Board conducted a survey in June 2005 for five agencies (UNICEF, WHO, UNDP, UNHCR, UNAIDS). Rates ranged from $7.80 per square metre (UNICEF) to $17.70 (WHO). UNDP, at $11, was close to the average. If the four other agencies obtained UNICEF's conditions for the same surfaces as they are currently occupying, the yearly saving would be $181,488 dollars. The savings could be greater were a single rent-free building to be obtained for the whole United Nations family, especially if ancillary services were also shared on favourable terms. Beyond cost-savings, joint premises would also encourage informal interactions between staff members, which could lead to future joint programming.

225. **The Board recommends that UNICEF, in consultation with the United Nations country team, advocate for an extension of the preferential conditions it benefits from for its accommodation in China, to other United Nations agencies.**

226. UNICEF had also taken part in some attempts at sharing premises for its sub-offices. For instance, an arrangement has been found with UNDP for joint sub-offices in Sao Paulo and Manaus (Brazil). UNICEF had also been sharing its Chennai zone office with ILO since 2002. However, in that city, it has not moved to the joint premises chosen by the Resident Coordinator to house the non-governmental organization resources centre and the United Nations recovery team, following the tsunami. By contrast, in the aftermath of the 1999 Orissa cyclone, the UNICEF sub-office in Bhubaneshwar (India) had been converted into a United Nations house. Within the framework of UNDGO, UNICEF could negotiate stand-by agreements with other United Nations humanitarian agencies to ensure that, when emergencies require the setting-up of new premises or the upgrade of existing ones, joint premises would be systematically considered.

227. **The Board recommends that UNICEF systematically advocate for joint premises to be considered by United Nations country teams when new or expanded premises are required in the context of a humanitarian crisis.**

Common services

228. Overall, despite numerous time-consuming diagnostic exercises pointing to the potential benefits of a joint approach, the range of common services was extremely limited in the countries reviewed. In India, the Democratic Republic of the Congo and China, common services were implemented in the area of security. United Nations agencies also shared travel services in China, courier services in India, as well as a dispensary and a petrol station in the Democratic Republic of the Congo. Some bulk purchases for satellite phones and paper were initiated in Brazil, although UNICEF did not take part in the initiative as it already benefited from equivalent conditions.

229. The succession of failed attempts at establishing other common services in India was illustrative. Following a 1998 joint assessment of travel requirements and offers by UNICEF, UNDP and WHO, recommendations were issued by two working groups, in favour of one supplier. While UNICEF awarded its contract to that supplier, UNDP and WHO did not. Given the amounts involved (about $500,000 per year for the whole of the United Nations agencies based in India), this was a

significant lost opportunity. Conversely, in 1999/2000, following a joint assessment by UNICEF, UNDP, UNHCR, WHO, WFP, and UNFPA, the joint assessment team recommendations were issued in favour of one bank. UNICEF renewed its contract with another bank, while UNHCR contracted with a third one and other United Nations agencies selected the bank that had been recommended by the joint assessment.

230. Other initiatives were not followed up. A questionnaire circulated in March 2003 to eight agencies showed that while most of them were contracting with the same mobile phone company, only UNICEF benefited from advantageous conditions. However, there was no follow-up on this issue. In May 2003, the resident coordinator circulated a model lease agreement to ensure that United Nations agencies did not include misuse charges clauses in their leases, but that did not lead to any tangible results at the time.

231. The benefits of a greater range of common services were obvious in all the countries reviewed. In the Democratic Republic of the Congo, the banking infrastructure and the level of services could warrant a more proactive exploring of the possibility of joint banking agreements, currently non-existent. UNICEF had not obtained the same level of service as the United Nations Organization Mission in the Democratic Republic of the Congo (MONUC), the United Nations peacekeeping operation in the Democratic Republic of the Congo, which was usually given preference over other United Nations agencies for obtaining liquidities. Similarly, even though in-country cash transfers were necessary for programme implementation in areas where United Nations agencies had no offices and where there were no banking facilities, each agency had been negotiating terms and conditions independently. Operating costs and risks for both the United Nations agencies and the banks may therefore be higher than necessary; their reduction could ease liquidity constraints and promote safer and timelier cash transfers to implementing partners.

232. In China, a survey on five agencies and programmes (UNICEF, WHO, UNDP, UNHCR and UNAIDS) showed that the monthly cost of mobile phone services varied from $12 to $46, whereas annual Internet access costs ranged from $7.80 to $17.70 per person. Potential yearly savings on those two items were estimated at $18,000, on the basis of the extension of best conditions to the other four agencies. Similarly, the costs of 500 sheets of paper went from $2.78 to $4.25 (the volume of usage was not known). In all cases, the smaller agencies' conditions were less favourable than bigger agencies, even though there were also differences within that category, as UNICEF had consistently obtained the cheapest conditions.

233. In China, at the time of the audit (July 2005), negotiations with the Government on the terms and conditions of direct recruitment of local United Nations staff were monopolizing a large proportion of the resident coordinator's time and resources in the area of common services. The complexity of the situation had been compounded by the uncoordinated approach of UNDP to the issue. Following negotiations started in 1997, it agreed in 2001 to pay a recurrent "management fee" to the Government per local United Nations staff per month. That was a condition for the Government to allow UNDP to convert the status of government officials seconded to the United Nations into directly hired local United Nations staff. UNICEF, which had nearly 50 seconded staff members, was of the view that the fee was not compliant with the Convention on privileges and

immunities (article V, 18 b). Nevertheless, the UNDP agreement had set a precedent that affected most of the other United Nations agencies, including UNICEF. Since 2001, a more coordinated approach has been taken on the issue by the resident coordinator, and it was his intention, following the conclusion of the negotiations, to resume the development of other common services.

234. Recent attempts had also been made to increase the range of common services in other countries. In the Brazil 2004 annual report, the UNICEF country office noted that common services establishment was still at the very early stage. A workshop took place in May 2005 in which the way forward for further progress on common services was to be identified. A similar workshop was to take place in June 2005 in India. In the Democratic Republic of the Congo, UNICEF indicated that, following the Board's audit, the Operations Management Team had worked on joint banking arrangements and cash transfer modalities.

235. There were two major obstacles to further progress. Small agencies stand to benefit proportionately more from the economies of scales brought about by common services than larger agencies. That reduces the incentives for large agencies to get involved in the process. Nevertheless, if they did not take part, the benefits would be substantially reduced and the United Nations system as a whole would lose out. Regional directors could be tasked with the assessment of the reality and effectiveness of the involvement of country offices, taking into account the nature of initiatives taken by resident coordinators.

236. The other major obstacle was the difficulty of achieving consensus among 20 different agencies on actions to be taken following the joint assessments. One way to overcome the difficulty was to reduce the number of players. That was the route taken by the India operations management team when it decided to restrict its membership from 15 to 7 agencies in March 2005. Another option would be for agencies to commit themselves in advance to abide by the recommendations of the joint assessment. That could be done only on the basis of guarantees on the procedure that would be followed by the assessment team to take the constraints of each agency into account to the full extent reasonable.

237. **UNICEF agreed with the Board's recommendation that it include the active involvement of field offices in the development of common services in the criteria used to assess the performance of country representatives and liaise with the United Nations Development Group Office to determine the options available to increase the proportion of common services in field offices.**

UNICEF involvement in inter-agency coordination on programmes

238. Within the context of common country assessments (CCA) and UNDAF, the objective of joint programmes was to ensure a streamlined and mutually reinforcing approach of the United Nations system in favour of the achievement of Millennium Development Goals. UNDG guidelines required that the CCA and UNDAF be completed by the end of the penultimate year of the United Nations harmonized programming cycle, or at least one year before the start of a new cycle, so as to provide the basis for the agency country programmes.

239. In the case of China, whereas the CCA was produced on time (in 2004), the UNDAF was produced only in March 2005, the final year of the programming cycle. As most agencies had to produce their country programmes at about the same

time for the June 2005 Executive Board meetings, there was little opportunity for them, including UNICEF, to use the UNDAF as the basis for the country programmes.

240. In India, the CCA and UNDAF were initially drafted in 1999-2000. By 2004, the UNICEF office indicated that the CCA was not used as the latest resource at that time, as it was based on 1991 census data and 1998 statistics. The CCA was not replaced in 2005, with the concurrence of UNDGO, owing to the wealth of data readily available on India. Although the UNDAF was supposed to have been launched by May 2005 (after the end of the Board's audit visit), it had not taken place by May 2006. Eight inter-agency working groups were set up following the adoption of the UNDAF (on gender, decentralization, population, primary education, rural development, water and sanitation, child labour and database), but they progressively lost momentum. They were eventually abolished in 2004, although no formal assessment of their successes and failures was made. They were replaced by a knowledge management partnership initiative, renamed "solution exchange" in 2005.

241. In Brazil, the 2002-2006 CCA and UNDAF, which had been prepared by an external consultant, were not regularly monitored by UNICEF. In its 2004 annual report, the UNICEF country office described the CCA and UNDAF as "totally useless so far". The process leading to the preparation of the 2007-2011 CCA and UNDAF was more participatory, although the document had not yet been issued by May 2006.

242. In the Democratic Republic of the Congo, the UNICEF country programme could not be based on the country programme either. The preparation of the CCA and UNDAF was one of the objectives assigned to the United Nations country team for 2004, in accordance with its coordinated workplan. However, at the time of the Board's visit (June 2005), the CCA had yet to be finalized while the preparation and drafting of the UNDAF was at a very early stage. Both documents were expected to be finalized by December 2005 at the earliest, which would not allow for proper harmonization with the 2006 strategic plans of individual organizations, including UNICEF.

243. **UNICEF agreed with the Board's recommendation that it liaise with the United Nations Development Group Office to identify ways of improving the timeliness and relevance of the common country assessments/United Nations Development Assistance Framework process.**

244. In the Democratic Republic of the Congo, the UNICEF country office needed to find an arrangement with MONUC to ensure that the latter's child protection activities were fully consistent with UNICEF policies.

245. The Mission's role was not to directly implement programmes for children but to work with UNICEF, authorities and operational partners such as non-governmental organizations in the area of child protection. However, in practice, the MONUC Child Protection Section, which had 20 staff members and 30 posts, undertook a wide range of activities which would normally have fallen within the UNICEF mandate. In the few months before June 2005, it had:

- Documented serious abuses against children committed by police, armed forces and groups

- Referred victims to medical and legal support services
- Helped build capacity of support to non-governmental organizations
- Monitored cases before the courts
- Visited police stations and prisons to document the presence of children, liaised with non-governmental organizations with similar activities
- Gathered information about the presence of children in Congolese armed forces or groups
- Facilitated the repatriation of children associated with foreign armed groups
- Monitored how laws were applied and advocated for better child protection legislation
- Raised awareness of the risks of exploitation of children in the electoral process

246. There was a need for clarity on the respective mandates of MONUC and UNICEF within the "integrated mission" framework.

247. **UNICEF agreed with the Board's recommendation that it liaise with the Department of Peacekeeping Operations to clarify the respective mandates of UNICEF field offices and integrated peacekeeping missions in the area of child protection.**

248. The Board reviewed UNICEF involvement in inter-agency coordination on HIV/AIDS in China and India. In India, the expanded thematic group on HIV/AIDS was co-chaired by the Director General of the national AIDS control organization and the United Nations Resident Coordinator. Although UNICEF did not chair the group, it regularly attended its meetings.

249. The Board reviewed UNICEF involvement in the CHARCA project (Coordinated HIV/AIDS Response through Capacity-building and Awareness), a partnership between the Government, non-governmental organizations and nine United Nations agencies (UNICEF, ILO, UNDP, UNESCO, UNFPA, UNIFEM, UNODC, WHO and UNAIDS). The project, which aims to reduce young women's vulnerability to HIV/AIDS, has operated with a $5.6 million budget since 2004 in six districts. UNICEF is the lead agency for two districts. The Resident Coordinator stated that one of the most significant outcomes of the initiative in 2005 had been "the visibility and dialogue it has created on women's vulnerability to HIV/AIDS at every level".

250. However, the project's 2004 annual report acknowledged delays in implementation, owing to general elections and to lengthy discussions on multisectoral partnerships. The cumbersome financial implementation modalities also contributed to slowing down the process. Funds were not pooled, so that cash requests had to be submitted by the country offices of each agency to their respective headquarters, for submission to the donor. Once approved, funds would be sent to the headquarters of each agency, transferred to its country office for implementation by the agency or payment of inter-agency activities. Similarly, each agency reported separately on the implementation to its headquarters, which, in turn, reported to the donors. In 2004, inter-agency activities represented only 16 per cent of overall expenditures ($.150 million out of $.955 million), and were related

mainly to monitoring and evaluation, advocacy and the CHARCA project secretariat. There was little joint implementation at the district level, and UNICEF did not provide any cross-district inputs to this end, unlike UNIFEM, ILO, UNESCO and WHO.

251. In early 2006, United Nations agencies were supposed to start implementing a new joint project, the United Nations HIV Northeast project, which was meant to learn from the CHARCA project experience and address some of its shortcomings, in particular with regard to the design of joint financial implementation and reporting modalities. However, the Board has not reviewed its implementation, which had not started at audit time.

252. **The Board recommends that UNICEF draw lessons learned from its lack of provision of inputs for joint district-level implementation of the CHARCA (Coordinated HIV/AIDS Response through Capacity-building and Awareness) project to implement corrective action for the joint United Nations HIV Northeast project.**

253. In China, sustained coordination efforts have been undertaken by the United Nations country team since at least 2002. Despite some successes during the initial advocacy phase, coordination remains a challenge and few joint initiatives have been implemented, even though the Board found no evidence of a lack of willingness to cooperate on the part of agencies.

254. UNICEF chaired the United Nations extended thematic group on HIV/AIDS that regularly met and was well attended. Its main achievement had been a successful advocacy towards the Government of China. Whereas the issue was not on the political agenda in 2002, the issuance of a joint assessment of the epidemic, co-signed between the Ministry of Health and the United Nations country team in December 2003 raised its profile. It reported that if the epidemic was left unchecked, the number of people living with HIV and AIDS could reach 10 million by 2010. The Prime Minister met with HIV/AIDS patients in 2003. That was followed by the issuance of a comprehensive HIV-AIDS policy.

255. Although both the CCA and UNDAF included a chapter on HIV/AIDS, no consolidated action plan had been drafted at the time of the audit (July 2005). Agencies had focused their efforts on the same 10 to 15 most affected provinces. The Board has also identified substantial thematic overlaps between UNICEF, UNESCO, WHO and UNODC. For instance, UNICEF, WHO and UNESCO all aimed to reduce vulnerability and risk behaviour among target groups most at risk: “children and adolescents at risk for HIV infection” for UNICEF, “migrants, young people and other vulnerable groups” for UNESCO, and “sex workers and their clients, men having sex with men, drug users and other groups at risk” for WHO. Similarly, UNICEF, UNESCO and UNAIDS share the objective of increasing awareness of HIV/AIDS, reducing stigma and discrimination.

256. In theory, UNICEF focused on discrimination against children and adolescents affected by or infected with HIV/AIDS, whereas UNESCO puts an emphasis on migrant populations. In practice, UNICEF HIV-AIDS projects cannot always draw boundaries between target groups according to their age or gender, and focus on the groups most at risk (e.g., sex workers, migrant workers, prisons and other collective institutions).

257. The “baby theme group on youth and HIV/AIDS” itself has identified areas of overlap and potential cooperation: life skills education projects (UNICEF, UNESCO and UNFPA have projects in this field), work with university students (UNICEF, UNESCO, UNFPA) and out-of-school youth (UNICEF, ILO, UNDP, UNFPA, WHO). However, although those areas had been identified, the United Nations country team had not coordinated or streamlined their workplans to ensure a unified approach.

258. **UNICEF agreed with the Board’s recommendation that it invite the China United Nations country team to draft and approve an integrated HIV/AIDS master plan of operation that focuses on reducing programme duplication and maximizing effectiveness.**

259. While the United Nations country team has no integrated plan, it has endeavoured to obtain $8 million from the Canadian International Development Agency for a joint programme starting in 2006. However, there would be no joint implementation of a single project, but only the pooling of funds for projects separately implemented by each participating agency, at a risk of less cost-effectiveness.

260. **UNICEF agreed with the Board’s recommendation that it invite the China United Nations country team to develop projects involving joint implementation.**

261. While the Board is not in a position to review the medical scope of the UNICEF China HIV/AIDS programme, it noted that some of the objectives pursued, for instance with regard to advocacy and the fight against stigma or discrimination, were wide enough in their target groups to create the risk of overlaps with agencies whose mandates cover the whole population, such as UNDP or WHO. The risk materialized when UNICEF programmes were not closely focused on children and women. By contrast, the Office did not have any reliable national data on the number of children orphaned by HIV/AIDS, their geographic spread or their conditions of life, even though that issue clearly falls within the specific mandate of UNICEF.

262. **The Board recommends that UNICEF review whether its approach to the HIV/AIDS epidemic is sufficiently closely aligned to its mandate, in order to limit overlaps with other agencies.**

UNICEF involvement in inter-agency collaborative purchasing

Background

263. Efforts towards collaborative purchasing between United Nations agencies have been initiated for decades. The Chairman of the first, 1976 meeting of the Inter-Agency Procurement Working Group (IAPWG) referred to the UNDP strong desire of the Governing Council to ascertain on the basis of careful inter-agency studies whether some form of cooperative procurement among the executive agencies would result in cost savings, speedier deliveries, better maintenance, and various other improvements in current procurement activities. UNICEF did not take part in that first meeting (which included the United Nations Secretariat, FAO, ILO, UNDP, UNESCO, and WHO).

264. It participated in the second one, which in 1977 agreed to consider as common-user items vehicles and office equipment and also to give thought to choosing some additional items for study by lead agencies, i.e., those in the United Nations system currently procuring the major part of purchases of a particular item and having the expertise required to ensure optimal procurement performance. Since then, 29 annual meetings have taken place.

265. Early in 2005, the group had yet to agree on the actual list of lead agencies or the exact nature of the responsibilities the task involved. The item was on the agenda of the May 2005 meeting of the IAPWG, towards a mutual recognition of pre-qualification procedures for suppliers.

UNICEF involvement in collaborative purchasing

266. UNICEF ranked as the third purchaser, in 2004 dollar value, among the United Nations agencies, funds and programmes, with about 13 per cent of total purchases (with $798.4 million, behind WFP and the United Nations Secretariat).

267. Overall, purchases through long-term arrangements shared with at least one other United Nations agency was $55.6 million in 2004, which represented 8.7 per cent of UNICEF's offshore procurement ($637.4 million), 7 per cent of its overall procurement, and less than 1 per cent of the above-indicated total United Nations system procurement. UNICEF had taken an active part in the IAPWG process since its inception, and the Director of the Supply Division was the Chairman of the IAPWG in 2003-2004. However, instances of collaborative purchasing have remained the exception rather than the rule. Between 2000 and 2004, the inter-agency direct procurement by UNICEF amounted to an average $1.97 million a year, not including the joint long-term arrangements mentioned later. That represents 2.1 per cent of the UNICEF Procurement Services overall expenditure over the same period. Over three quarters of the total had to do with HIV-related drugs, such as antiretroviral drugs, bought by UNICEF on behalf of WHO ($1.68 million in 2003) and UNDP ($6.37 million in 2004).

268. UNICEF may not engage in such transactions in the absence of a memorandum of understanding. At the time of the audit, such agreements had been signed with UNDP and UNFPA, but not with WHO. As the head of Procurement Services wrote in 2003, "WHO gives no sign of recognizing UNICEF as a lead agency other than in vaccine procurement. It also consistently ignores our requirement for some form of an agreement." As a result, WHO was informed that the UNICEF Procurement Services would no longer provide them with quotations for antiretroviral kits.

269. UNICEF also realized that a number of other procurement agencies from the United Nations were in fact competing with each other, which reduced its willingness to cooperate. Thus, the UNICEF Supply Division noted that "sister agencies such as WHO, UNOPS and UNDP/IAPSO have established or strengthened procurement capacity for pharmaceuticals, an area which has been referred to UNICEF for lead procurement". That type of competition between United Nations agencies cannot ensure that the United Nations as a whole gets the best possible deal from suppliers.

270. **UNICEF agreed with the Board's recommendation that it initiate negotiations at the appropriate level to conclude a framework agreement on**

pharmaceutical procurement services with other relevant United Nations organizations.

271. Conditions offered by UNICEF Procurement Services — or, for that matter, by any procurement agency — may not always be perceived by potential customers as competitive, be it in terms of lead-time for delivery, amount of the handling fee or payment conditions. For instance, UNHCR indicated to the Board of Auditors in 2005 that UNICEF treated it as any customer, imposed advance payment, indicated delivery time after the payment of the advance and charged a 7 per cent administrative fee. Those conditions were not conducive to the use of UNICEF Procurement Services according to UNHCR.

272. **UNICEF agreed with the Board's recommendation that its Procurement Services benchmark with United Nations and other public procurement services, considering each organization's specificities, to determine whether the level of its handling charge for cost recovery is appropriate.**

273. Similarly, the proportion of supplies purchased by UNICEF through other United Nations agencies has remained very limited. In 2000-2004, UNICEF purchased $6.94 million worth of supplies from other United Nations agencies, an average of $1.4 million a year, i.e. 0.22 per cent of overall purchases and 0.32 per cent of all offshore purchases (purchases made from Copenhagen or New York) over the period 2000-2005.

274. Those figures did not include purchases under long-term arrangements negotiated with suppliers with or by other United Nations agencies. The IAPWG secretariat has compiled a list that contains the long-term arrangements of seven United Nations agencies (United Nations, IAPSO, IFAD, UNICEF, UNOPS, UNRWA, WFP); but no consolidated data existed on the prices involved or the use of those long-term arrangements by other United Nations agencies. The data discussed below was collated for the purposes of the audit.

275. The most significant cooperation relates to two freight-forwarding long-term arrangements, shared with other United Nations agencies ($36.7 million in 2004). The expenditure of other Copenhagen-based United Nations procurement units (IAPSO, UNOPS, UNFPA) within the same framework was not known. For vehicles ($13.5 million in 2004), UNICEF has its own long-term arrangements based on the IAPSO agreement, at the same price. However, because of the production lead times in the IAPSO agreement (based on direct orders to the automotive industry), vehicles were not usually available from stock for immediate delivery. UNICEF has therefore negotiated two other long-term arrangements with car dealers delivering immediately from stocks, at a premium of approximately 20 per cent, and sources from them when normal factory delivery times were not acceptable.

276. Similarly, UNICEF purchased HIV test kits and contraceptives via long-term arrangements shared respectively with WHO and UNFPA, for a total of $5.4 million in 2004, as well as various medical devices and safety gear (helmets, etc.) for about $0.5 million. In 2005, UNICEF claimed that its procurement done "with inter-agency collaboration" reached $759 million, or 67 per cent of overall purchases of offshore purchases ($846 million) — however that figure included instances where another agency had given technical advice on the purchase, but did not use UNICEF to procure that type of product (e.g., WHO for some vaccines).

277. **UNICEF agreed with the Board's recommendation that it monitor the proportion of its purchases that take place within a collaborative United Nations framework.**

278. Other United Nations agencies have used UNICEF long-term arrangements. For instance, UNHCR has used the long-term arrangement on mosquito bed nets to purchase some 150,000 nets at a price of $3.80 per unit, instead of $4.70 (price quoted by supplier to UNHCR), saving $0.135 million. The very high volume of UNICEF mosquito bed net orders compared to UNHCR's explained the price difference. UNICEF claimed to be the largest buyer of mosquito nets in the world, procuring nearly 14.6 million nets in 2005 for a total of $69 million. However, that type of "piggy-backing" could not be systematic, owing to the absence of a centrally available source of up-to-date information on the long-term arrangements of the major purchasing United Nations agencies, including the ceiling prices and availability for other partners.

279. **UNICEF agreed with the Board's recommendation that it take further steps to encourage other United Nations agencies to use its procurement services and long-term arrangements.**

280. UNHCR used space in the Copenhagen and Dubai UNICEF warehouses, where both agencies stock some identical items: for instance 110,000 blankets and 69,750 collapsible jerry cans for UNHCR in Copenhagen in early February 2005; and 167 blankets for UNICEF (11,100 were ordered for delivery on 23 March 2005) and 15,783 collapsible jerry cans. Similarly, UNHCR and UNICEF acquired tents from the same suppliers. The need for tarpaulins was also similar in both agencies.

281. However, UNICEF and UNHCR did not combine their orders to get bulk discounts from suppliers, and sometimes compete for production capacity within the same suppliers. Their stocks were managed separately in the above-mentioned shared premises. There had been no joint management, which could result either in a lowering of the overall amount of stock or in economies of scale. When UNICEF runs out of stock, it cannot call upon UNHCR's stock to help meet its needs.

282. **UNICEF agreed with the Board's recommendation that it endeavour to jointly purchase items of common interest with UNHCR (for example, tents, tarpaulins, blankets, collapsible jerry cans, mosquito bed nets), whenever it would result in cost or efficiency gains for the United Nations as a whole.**

UNICEF involvement in information technology coordination: the human resources enterprise-resource planning module

283. UNICEF took significant steps to ensure that other United Nations system agencies and Bretton Woods institutions benefited from the investments ICT had made in the SAP Human Resources project. In 2001, senior UNICEF and UNDP executives had already met to discuss the UNICEF ICT strategy. Following that discussion, the UNDP Chief Information Officer wrote to the UNICEF Chief Information Officer on 25 June 2001 that the Director of the Bureau of Management was "quite enthused" about the idea of UNDP collaborating with UNICEF on the SAP Human Resources project.

284. UNICEF proposed that UNDP participate fully in the project, with a view to influencing its scope and functionality from its inception. The cost-sharing fee that UNDP would have had to pay was estimated, at this preliminary stage of the

discussions, at $2 million. On 16 January 2002, UNICEF wrote to UNDP to share the functional requirements in the area of human resources with them. However, on 6 May 2002, UNDP announced to UNICEF that ICT had decided not to pursue that avenue and that ICT would instead conclude an agreement with a SAP competitor.

285. UNICEF also repeatedly communicated with other United Nations system organizations on the project, its rationale, advantages and mode of operation. It did so both in the formal setting of the three SAP-SIG meetings held in 2004 and 2005 and in the informal context of responses to queries from ICAO, IMO, IOM, ITU, UNESCO and WFP.

286. The main advantage of the project, from the point of view of other United Nations agencies, was that, following UNICEF's initial investment, the Human Resources module became the SAP industry standard software for not-for-profit organizations. That meant that it became commercially available to United Nations agencies that ran SAP, for a price limited to the license and maintenance fees (in the case of UNICEF, it amounted to $0.61 million for 2005). Each agency would have to meet a number of custom implementation costs (hardware, training, interfaces, and upgrades) on top of that price to actually use the software.

287. UNICEF also negotiated two provisions in its agreement with SAP that could be particularly beneficial both to itself and to other United Nations organizations. The price of the maintenance of any new features of the SAP Human Resources module charged by SAP was made to depend on the number of United Nations organizations using this software. The Board calculated that, on the basis of the current support base for the maintenance, UNICEF would save $0.248 million in new features maintenance costs over five years if at least three other United Nations organizations purchased the licence for the Human Resources product. At the time of the audit, UNICEF informed the Board that that condition was likely to be met (ICC, ITU and OECD).

288. The contract also included a commitment by SAP to accommodate, free of charge, changes in the personnel rules brought about by the United Nations or the International Civil Service Commission: "if technically feasible and commercially reasonable in SAP's reasonable, good faith, professional opinion, SAP shall, at no additional charge, provide changes to the new features incorporated into the SAP standard software … to accommodate mandates that may be promulgated from time to time, and in the manner required by the United Nations and/or the International Civil Service Commission".

289. Overall, UNICEF coordination with other United Nations agencies was compliant with the Board's recommendation contained in its previous report (A/59/5/Add.2, para. 224) to continue "to establish and maintain information and communication technology standards and operational practices in line with best practices, and share them, wherever feasible, with other United Nations organizations, with a view to reducing risks and costs".

290. The Board commends UNICEF for reaching out to other international funds, programmes and agencies in the context of the implementation of its enterprise resource planning payroll migration.

15. Office of Internal Audit

UNICEF governance and control environment

291. The Board reviewed the strategies, objectives, management plans, progress reports and other relevant UNICEF documents in the light of results-based management and governance issues in the Board's previous report (A/59/5/Add.2, paras. 29-33), and General Assembly resolution 57/278 of 20 December 2002. They reflected a good exposition of organizational strategies, plans, desired results, and assigned accountabilities and constitute an appropriate basis on which the Office of Internal Audit can construct a comprehensive audit risk universe.

292. UNICEF did not, however, have a single consolidated overview of the hierarchy of risks it faces, classified into risk categories (e.g., reputation, strategies, funding, programme and process effectiveness, technology, management information, transactions, and policy/procedure compliance) and measured in consistent terms. Risks were not organized into units, such as those representing prime responsibilities for programmes, authorities for direction or oversight of specified activities or defined types of significant decisions, broken down to the lowest accountable management level.

293. There was no evidence of a common perception and understanding of risk in the terms described above, for example, either of the specific accountabilities or an adequate level of acceptance of "ownership" of risks and the related management controls — among the several levels of UNICEF management. In addition to its organizational benefits, a risk identification and evaluation exercise would also help to achieve such understanding and "ownership". A primary purpose of the framework described above (compiling, evaluating and implementing a comprehensive governance/risk management framework) would be to facilitate review of management performance and accountability in terms of measurable responsibilities and results. A secondary purpose would be to optimize the work of independent quality assurance, process improvement, audit, and evaluation functions within UNICEF, along with that of the external auditors.

294. **UNICEF agreed with the Board's recommendation that it implement a comprehensive risk-management framework to enhance its governance and management control processes.**

Internal Audit Committee

295. The Internal Audit Committee is composed of 11 members, and has only one external member (the Director of the UNDP Office of Audit and Performance Review). While the latter was useful from both external review and benchmarking perspectives, a single outsider did not provide a high degree of independent oversight. The external member was not provided copies of all internal audit reports.

296. The Internal Audit Committee is therefore not an independent body, but rather a management forum. That matter was raised in a quality assessment of the Office of Internal Audit (OIA) by the Institute of Internal Audit in 2001, which led to some changes to the advisory and support activities of the Committee, but without full implementation of the recommendations.

297. It provides input and guidance to the Office of Internal Audit, facilitating its work, and driving implementation of audit recommendations. However, several

features of the composition and functions of the Internal Audit Committee raise both independence and long-term effectiveness issues. The Internal Audit Committee "charter" excluded most responsibilities and functions of the audit committees prescribed in other sectors. The Internal Audit Committee did not review financial statements, did not consider external audit, policy guidance and review of risk management and internal control structures and policies, and had no general oversight duty regarding the systems for monitoring compliance.

298. Internal Audit Committee membership includes division directors, who are to be audited by the Office of Internal Audit, more frequently so as the Office of Internal Audit increases its coverage of headquarters units. There could be at least the perception that those division directors could unduly influence where audit resources are deployed, scope of work, or reporting of results. The Internal Audit Committee meets infrequently (only twice during a period of 17 months). Its agenda are narrowly focused on internal audit plans and on the status of implementation of audit recommendations. It is an internal management committee rather than an independent audit committee.

299. In paragraph 164 (b) of its resolution 60/1, the General Assembly requested a comprehensive review of governance and oversight within the United Nations funds, programmes and specialized agencies. UNICEF should take the results of that review into account when considering the changes it needs to implement in the terms of reference, composition and methods of the Internal Audit Committee.

300. **UNICEF agreed with the Board's recommendation that it review the terms of reference of its audit committee in line with the United Nations governance review.**

Scope of the work of the Office of Internal Audit

301. The deployment of most Office of Internal Audit resources to the field has led to limitations of its coverage of the 18 headquarters offices and divisions. From 1999 to 2005, the Office of Internal Audit conducted between one and four headquarters audits a year, excluding summary reports (between three and six including these reports). Some divisions or offices such as Evaluation or the Innocenti Research Centre were never audited by the Office of Internal Audit during the period.

302. In a number of cases, the areas reviewed did not pertain to the core activity of the relevant division. The limits of the thrust areas covered are also clear with regard to information technology (IT). Except for a review of the Financial Logistics System security and authorization carried out in 2001, there had been no audit of data centres, systems, applications, networks, security, data integrity, data interface, change control, and new development. The Office of Internal Audit has not had any IT expert within its staff since 2003. Overall, significant audit risks were not being dealt with adequately by internal audit. Members of senior management stated that they would like to see more coverage of headquarters areas, as well as assistance in process improvement and problem-solving.

303. The Internal Audit Committee, at its meeting on 7 December 2004, noted that the Office of Internal Audit was requested to consider undertaking more headquarters and systems audits to be considered in the development of the OIA 2006-2007 Office Management Plan. At that meeting, the Internal Audit Committee

mentioned that that increase in headquarters and systems audits should be achieved while maintaining the level of country office coverage. The 2005 audit plan did not totally cover the defined country office coverage (audits at least every five years), as 5 of the 129 field offices contained in the risk model will not be audited for a period exceeding five years.

304. An indicator of possible Office of Internal Audit understaffing is that UNICEF income has increased by 56.7 percent, and reserves and fund balances have doubled between 2000 and 2004, while the OIA's headcount has been reduced by one unit to 22 posts (including one temporary post). During the same period, the number of country offices, sub-offices, and programme activities has expanded significantly: new offices were opened in the former Soviet Union and Office of Internal Audit resources have been drawn by the increase in the numbers of complex emergencies dealt with, including Iraq, Afghanistan, the Sudan and the tsunami.

305. Improved planning and staff management processes, training and other measures have permitted the Office of Internal Audit to cope to some degree with that expansion of its field audit universe, but that has also been at the expense of headquarters audit coverage. The internal audit coverage that is required has not been expanded as much as it could be by a combination of three types of resources: achieving efficiency gains from field audits; using other UNICEF staff to leverage audit resources; and providing additional staff to the Office of Internal Audit.

306. **UNICEF agreed with the Board's recommendation that it support the rapid expansion of the Office of Internal Audit audit coverage of all headquarters areas, including information technology.** Since the Board's audit, UNICEF indicated that it had secured resources for IT audit.

307. **UNICEF agreed with the Board's recommendation that it give high priority to a review of the adequacy of the Office of Internal Audit resources in the light of the expanded coverage required and of the various options available to meet that requirement.**

Investigations

308. In 2004, the Office of Internal Audit reviewed investigation issues reported by 11 country offices. It conducted three investigations itself and provided technical advice for the implementation of locally managed investigations of minor issues in six offices. OIA capacity for undertaking investigations was strengthened in late 2004 with the recruitment of a professional investigator with experience in the anti-corruption unit of a regional development bank.

309. However, UNICEF had not implemented the Board's recommendation to review its overall anti-fraud policies and tools (see A/59/5/Add.2, para. 263). The Office of Internal Audit did not have a clear framework in which to conduct investigations. Draft Procedures for Reporting and Addressing Complaints and Allegations of Fraud, Corruption and Other Misconduct Involving UNICEF Staff was prepared in February 2005, but had not been finalized or cleared by March 2006.

310. **UNICEF agreed with the Board's recommendation that it expedite the approval of its updated anti-fraud procedures.**

Quality assurance and timeliness of reports

311. One of the common themes in the customer survey, as well as the Board's discussions with UNICEF and Office of Internal Audit executives was the lengthy period from completion of audit field work to issuance of the final report. Those who mentioned that issue acknowledged that the delay in final report issuance seemed excessive. In the 1999 report (A/55/5/Add.2, paras. 59 to 62) the Board noted that delays between the completion of the audit and the issuance of the report had decreased from 22 weeks in 1998 to 15.8 weeks in 1999. A new benchmark had been set at eight weeks in 2000 and 10 weeks in 2004. That year, the average lead time was 12 weeks (15 in 2003).

312. Draft reports were, in a very large proportion, issued during the field work of the assignment itself, which provided some scope for reducing the time of issuance of the final report.

313. **UNICEF agreed with the Board's recommendation that it review its internal audit procedures and work with the Audit Committee to ensure it significantly improves its report-issuance lead time.**

314. The Office of Internal Audit has implemented many of the quality assurance processes required by Institute of Internal Audit standards or recommended in its Practice Advisories. However, the Office of Internal Audit could benefit from further improvements, such as the institution of peer file reviews and the tasking of one staff member with the research of emerging best practices.

315. The Board reviewed 16 of the 33 working papers included in the Office of Internal Audit 2004 audit database (48.5 per cent) and had a general overview of the completion tables. In paragraph 53 of its 1999 report (A/55/5/Add.2), the Board recommended that the UNICEF Office of Internal Audit formulate policy guidelines on the preparation of working papers in compliance with accepted auditing standards. Working papers were now generally compliant with the standards.

316. The Board had also recommended that evidence of a supervisory review confirm on all working papers that they have been subjected to a proper review. Although the working papers sampled had been reviewed, it had not always been reviewed by an auditor who had not taken part in the assignment.

317. **The Board recommends that the UNICEF Office of Internal Audit take steps to improve its internal quality assurance processes.** Following the audit, the Office of Internal Audit indicated that it had implemented all the recommendations pertaining to quality assurance.

318. Overall, evidence from the Board's review indicated that Office of Internal Audit planned and performed its assignments with due professional care.

16. Executive offices

Office of the Executive Director

319. The Office of the Executive Director is responsible for the general direction of UNICEF operations under policy directives of the Executive Board, the Economic and Social Council and the General Assembly (E/ICEF/Organization/Rev.3, 24 April 1998). The Office had 20 staff members, including the Executive Director and three Deputy Executive Directors, plus two drivers. Its initial budget was $7.1 million for

the biennium 2004-2005 and it spent $9.3 million during the biennium; the allotment for the biennium 2006-2007 would be $10.7 million.

320. UNICEF rules (Human Resources Manual 02, appendix 2.A) indicate that the incumbent of the post is provided a copy of the job description once finalized, approved and classified for work planning and periodic evaluation report purposes. The job descriptions for the Deputy Executive Directors had not been updated since 1986 or 1994, depending on the post. They did not record the current task-sharing among the three Deputy Executive Directors. Similarly, the job descriptions of a special adviser and of an Executive Officer were missing. The job description of the legal adviser, appointed in 1998, had not been updated since 1996.

321. **UNICEF agreed with the Board's recommendation that it update the job descriptions of its senior staff.**

322. UNICEF indicated that the performance of the three deputy directors (Assistant Secretaries-General) was not intended to be assessed, owing to a custom in place at UNICEF as well as in other parts of the United Nations. Yet, United Nations staff rule 101.3 (c) indicates that: "Performance reports shall be prepared regularly for all staff members, including at the assistant secretary-general level and above".

323. **UNICEF agreed with the Board's recommendation that it file performance reports for all staff members, including at the Assistant Secretary-General level and above, in compliance with United Nations staff rule 101.3 (c).**

324. The Office had no guidelines for received gifts, despite the specific position of its members in that regard. Small gifts may be received by the Executive Director and the Deputy Executive Directors. Depending of their nature, the gifts were kept in the Office of the Executive Director, given to the UNICEF library or to the Staff Association. But there was no record allowing to check if all received gifts had actually been handed over. The Office of the Executive Director had not considered the procedure drafted by the Supply Division to define guidelines adapted to its activities. Small gifts such as UNICEF scarves or ties were given to outside officials. There was no guideline or comprehensive record accounting for the expenditure.

325. **UNICEF agreed with the Board's recommendation that it define guidelines on gifts received and given, record them, and consider introducing a single, UNICEF-wide instruction to that effect.**

326. The objectives described in the Office Management Plan for 2004-2005 were very general and applicable to UNICEF as a whole, without specific Office of the Executive Director tasks: for the biennium 2004-2005, the Office of the Executive Director will keep working in that direction, further enhancing the agenda for children in all forums. The Office Management Plan for 2006-2007 lists some priorities: review by the Executive Director of the organization's strategic directions, policies and structures may be expected to lead to changes; the new configuration (two new Deputy Executive Directors) may also yield changes in direction and structures; the call for UNICEF to take a leadership role in selected areas; positioning UNICEF at the centre of the United Nations reform process; high level of engagement of the Executive Director and the Deputies will be required for the sixtieth anniversary year of UNICEF.

327. None of those general objectives had been translated into detailed, measurable and achievable indicators. The Office has not applied the results-based management framework that it requires other UNICEF divisions and field offices to follow in their management plans and annual reports.

328. **UNICEF agreed with the Board's recommendation that it monitor detailed, measurable and achievable indicators for all its entities.**

329. Due to numerous overseas travels, only two of the four most senior officers were usually present at the same time at New York headquarters. On average, the three Deputy Executive Directors each travelled between 8.3 and 12 days per month in 2004 and 2005. Yet, travel planning was based mainly on individual decisions, without a strategy taking into account clear priorities and travels already done or planned. There had been, at least until 1994, a rolling record of travel during the last five years by the most senior Office of the Executive Director officers, but it was discontinued.

330. There was no formal provision for a Deputy Executive Director present at New York headquarters to act as a substitute for an absent Deputy Executive Director, regarding the Divisions reporting to the latter. Such a provision could improve the planning of travels and other foreseen tasks, and foster more interchangeability among the Deputy Executive Directors, in particular regarding the oversight of Divisions. The Office of the Executive Director agreed that the interchangeability among Deputy Executive Directors needs to be maintained to the extent possible, but noted the importance of establishing a clear set of accountabilities for each Deputy Executive Director.

331. **UNICEF agreed with the Board's recommendation that it establish a travel plan for staff members of the Office of the Executive Director.**

332. **UNICEF agreed with the Board's recommendation that it achieve greater interchangeability among Deputy Executive Directors, in particular regarding the oversight of Divisions.**

333. The Board reviewed at random 10 briefing notes (out of about 100 per month) issued by Divisions for meetings between the Executive Director and external senior officials, to check their compliance with the guidelines issued by the Chief of Staff on 8 August 2005. Four briefing notes out of 10 did not provide the Executive Director with talking points. Only two included biographies or biographical data of the external participants. For two, there was no heading with information on the meeting and for one, the date was erroneous. Most of them were sent to the Office of the Executive Director only one day before the meeting, two of them the same day. The lack of compliance with the 8 August 2005 guidelines risked weakening UNICEF advocacy capacity.

334. **UNICEF agreed with the Board's recommendation that it ensure that briefing notes for the Executive Director abide by the deadlines and comply with the harmonized format.**

Office of United Nations Affairs and External Relations

335. The objective of the Office of United Nations Affairs and External Relations is mainly to "further the range of UNICEF activities through active involvement within the United Nations system and with external partners"

(E/ICEF/Organization/Rev.3). The Office has eight staff members. Its budget was $2.1 million for the biennium 2004-2005, all of which was spent during the biennium. The allotment for the biennium 2006-2007 was $2.3 million.

336. The Office had prepared 54 talking points for the Secretary-General of the United Nations during the period between January 2004 and November 2005, mostly for travel and the Secretary-General's bilateral meetings. The Office had not always complied with the deadlines set by the Executive Office of the Secretary-General, owing to organizational issues, or to difficulties in gathering material from country or regional offices.

337. For instance, the Executive Office of the Secretary-General had forwarded a request for a briefing to the Office of United Nations Affairs and External Relations on 2 September 2004. The UNICEF staff member tasked with the reply was informed only on 7 September 2004 with a deadline of 1 p.m. on 8 September. The Office sent 32 talking points after the deadline, between 13 and 17 September 2004. For one of the Secretary-General's trips to Africa, an inter-office memorandum was issued on 20 October 2004, requesting talking points by 4 November. Only 3 of 12 country offices answered on time.

338. There was a decline in the number of talking points provided to the Secretary-General (6 in 2005, against 48 in 2004, 32 in 2003 and 116 in 2002), owing, at least in one 2005 occurrence, to miscommunication from United Nations Headquarters, the Office was omitted from the mailing list of a memorandum sent on 12 August 2005 to request talking points for the Secretary-General at the sixtieth session of the General Assembly. When UNICEF realized the error, it was able to provide only five talking points to the Executive Office of the Secretary-General, whereas it had produced about 50 for the previous session. That posed a risk of impairing the effectiveness of UNICEF's advocacy.

339. The Office of United Nations Affairs and External Relations had also faced delays in the preparation of annual reports. According to statistics maintained by the Office of the Secretariat of the Executive Board, the only document submitted late to the Executive Board's first regular session, in 2004 and 2005, was the annual report of the Executive Director to the Economic and Social Council, prepared by the Office of United Nations Affairs and External Relations.

340. **UNICEF agreed with the Board's recommendation that it review the management of talking points and reports prepared by the Office of United Nations Affairs and External Relations.**

341. While the recruitment process unfolded for a vacant General Service post, a total of $15,585 was paid to an outside service provider for a temporary assistant (May to September 2005). That was within the framework of an institutional contract signed on 21 April 2005 between the Division of Human Resources and the service provider for hiring of temporary assistance for headquarters divisions in accordance with requests until 31 December 2005. The Human Resources Manual, chapter 6, section 2, stated that temporary assistance contracts could be of three types: temporary fixed-term, consultant or individual contractors, institutional/ corporate contracts. With regard to the latter, separate guidelines would be issued by the Supply Division on the use of those contracts. No guidelines were issued.

342. **UNICEF agreed with the Board's recommendation that it draft the guidelines requested by the Human Resources Manual, chapter 6, section 2, on temporary assistance.**

343. The contract was awarded to a service provider without competitive bidding, based on an informal selection among interim agencies performed four years earlier, and without signing a contract at that time. The 2005 contract stated that a total fee of some $50,000 would be charged to various headquarters divisions. The overall payments in 2004 ($84,773) and in 2005 ($92,221) exceeded the above figure. UNICEF Financial Circular 19, Rev.2, point 7, stated that the advice of a Contracts Review Committee is required for all financial commitments "where the amount to be committed in the framework of the contract/purchase order will be equal to or above the following $70,000: New York". The contract proposal was not submitted to a Contracts Review Committee. While the contract was signed in April 2005, New York headquarters had been using the services of the vendor since 2003, without a legal basis, contrary to Regulations and Rules.

344. **UNICEF agreed with the Board's recommendation that it identify the reasons for the breakdown in financial controls that led to paying for temporary assistance in the absence of the required contract, and address them.**

Office of the Secretariat of the Executive Board

345. The Office of the Secretary of the Executive Board, in supporting the Executive Board in carrying out its mandate as the governing body of UNICEF "is responsible for promoting a mutually effective relationship between the Executive Board and the UNICEF secretariat and between members of the United Nations system and UNICEF on matters relating to the Board's deliberations and actions" (E/ICEF/Organization/Rev.3). The Office has nine staff members. The initial budget was $2.6 million for 2004-2005 while expenditures were $3.0 million; the allotment for the 2006-2007 biennium was $2.8 million.

346. The Executive Board holds an annual session, usually in June, as well as two regular sessions, generally in January and September. According to guidelines issued by the Department for General Assembly and Conference Management (DGACM), documents were to be submitted to the Department eight weeks prior to each session, and to be issued in all languages at least four weeks before the session. There were 16 late submissions in 2004, but none in 2005, except for the report of the Executive Director to the Economic and Social Council.

347. **UNICEF agreed with the Board's recommendation that it provide senior managers with statistics regarding the timely submission of documents by their Offices and Divisions.**

348. The total expenditure for Executive Board members' field trips increased from $71,250 in 2002 to $100,375 in 2005. Since 2003, there had been three Board members' field visits per year. Formal guidelines on the modalities of those visits were adopted by the Board in 2004 (E/ICEF/2004/19). They included the provision for a yearly, joint field visit by members of the Executive Board of UNDP/UNFPA, UNICEF and WFP. In addition, there were six visits by the President of the Executive Board, the general modalities of which are not defined.

349. **UNICEF agreed with the Board's recommendation that it propose to the Executive Board to extend the scope of the guidelines for field visits to the President's travel.**

350. Two representatives of Member States who were part of the UNICEF Executive Board were subsequently recruited by UNICEF to become staff members. One of the individuals recruited had been a Chairperson of the Board. Even though no wrongdoing was identified, that situation presents the risk of conflict of interest or perception thereof, between the oversight duties of those representatives and their desire to gain future employment.

351. UNICEF commented that there is no provision in the Charter of the United Nations or the Staff Regulations and Rules that forbids the appointment of former Board members. In fact, "in recent resolutions on human resources, the General Assembly requested the United Nations to widely circulate its vacancy announcements among the delegations of the Member States. To our knowledge, there is only one subsidiary organ of the General Assembly, namely the International Civil Service Commission (ICSC) that in its Statute prohibits its members from seeking employment during the member's term of office and three years thereafter with any of the organizations. The ICSC is responsible for the regulation and coordination of the conditions of service of the United Nations common system. It should be pointed out that the members of the ICSC are appointed in their personal capacity to the Commission". UNICEF Board members are delegated by Member States, which may delegate anyone to represent them. That differed from the ICSC members, who are individuals elected in their personal capacity.

352. That issue could not be dealt with within UNICEF in isolation from the rest of the United Nations, especially in the context of the comprehensive review of governance arrangements undertaken as a follow-up to the September 2005 World Summit (A/60/568 and Corr.1 and 2).

353. **UNICEF agreed with the Board's recommendation that it consult United Nations Headquarters on best practices regarding the recruitment as staff members of former representatives to its Executive Board.**

17. Information technology

Information and communication technology fraud prevention and management

Monitoring misuse of computers facilities

354. UNICEF has developed a comprehensive policy package, including a code of conduct for the use of IT facilities, an IT fraud prevention policy, IT change management policies and IT security best practices. Procedures for reporting and addressing complaints and allegations of fraud, corruption and other misconduct involving UNICEF staff are currently being drafted. Furthermore, UNICEF has recently improved the logical security on password management and developed end-user communication on good practices.

355. The Board commends UNICEF for developing a comprehensive IT security policy and improving it progressively.

356. Nevertheless, UNICEF did not systematically monitor the misuse of computer facilities. It had no automated alerts, or statistics which could detect the fraud or

misuse of IT resources. Therefore, most of the few reported misuse cases of systems such as the Financial and Logistics System were identified by managers rather than by automated controls. UNICEF did not implement automatic filters on Internet content or automatic statistics on Internet activities, but did periodically inspect and monitor Internet logs. That control did not sufficiently cover the risk of misuse of Internet access. For 2004, UNICEF headquarters has reported only one case of inappropriate Internet activities. Only five other cases were reported worldwide. Overall, there is a significant risk that the very low number of reported cases may be due to the lack of automated controls rather than to near-perfect compliance.

357. **UNICEF agreed with the Board's recommendation that it implement automated alerts and statistics on the use of information and communication technology resources.**

358. UNICEF firewall's implementation, which is the first line of protection from unauthorized Internet access, had not been tested since an April 2000 outsourced vulnerability assessment. That review was no longer relevant as the infrastructure had changed. UNICEF was finalizing the qualification of a firewall project at the time of the audit, and had planned to outsource a security assessment. Leaving a five-year interval between two external assessments of firewall security created a risk that new technological developments would render the previous assessment obsolete. That would not be fully compliant with the Information Security Forum Standard of Good Practice for Information Security number 7.

359. **UNICEF agreed with the Board's recommendation that it implement vulnerability assessment of firewalls on a more regular basis, to be determined after considering United Nations and private sector best practices in this respect.**

Access security and segregation of duties

360. UNICEF best practices, available on the Intranet, describe the process for choosing a password. Nevertheless, UNICEF does not use "easy-to-guess restrictions" when creating passwords, and does not perform tests with password-breaking software to determine the degree of security. UNICEF responded that it had included the further strengthening of the existing logical security controls in the office management plan and support budget for 2006-2007.

361. **UNICEF agreed with the Board's recommendation that it implement logical security controls in order to strengthen the protection of computer facilities against fraud or misuse.**

362. UNICEF allows remote access to its information systems including its accounting system to some employees. Its authentication measures are limited to passwords, with no smart cards or similar sophisticated devices. That may present a security risk for an organization as decentralized as UNICEF. For instance, three laptops were stolen in November 2004 from the Botswana country office — password-breaking software could have been used to access UNICEF IT systems from those devices. UNICEF commented that: "No budget was currently available for this or foreseen in the next biennium. At present the concept is being discussed by the United Nations Department of Safety and Security, on a strategic level. We do not yet know implications for UNICEF."

363. **UNICEF agreed with the Board's recommendation that it strengthen remote access security, with due consideration of the inter-agency context.**

364. Financial Circular 34 states that in order to maintain proper financial control in a UNICEF office, there should be allotment, authorization, expenditure, and payment controls, which should be exercised by authorizing, certifying, approving and paying officers. That group is currently composed of 77 staff members at Headquarters. The Board's test disclosed that 13 employees were granted access rights on all four different duties. That is not compliant with the basic segregation of duties controls and represents a risk for the organization because the same person could access the creation of a supplier, the posting of an invoice and the payment of a supplier.

365. UNICEF commented that "those staff members who have access to both parking and posting, do not perform both functions on any one particular document". UNICEF had no guarantee that that ideal scheme would in fact have been respected.

366. The Board also observed that 42 of the 77 people in the group of certifying, approving and paying officers were granted with modification access to the General Ledger Account parameters. That access right is critical and covers parameters such as Account destination and taxes management, and must be limited to the strict authorized and qualified personnel. UNICEF answered that "That point is a carryover from the 4.7 upgrade in 2003 when there was a problem with posting transactions. In order to troubleshoot the problem, this authorization was turned on, but unfortunately it was never reset … We are currently taking action to prevent the other users from having modification access." The Board's review of all General Ledger Account modifications from the time of the upgrade confirmed that only qualified personnel had in fact changed these parameters.

367. UNICEF controlled access rights of FLS every six months by editing the list of employees and correspondent access rights, and sending the list to the Supply Division and Private Sector Division for validation. That control did not ensure an adequate segregation of FLS duties and access rights. UNICEF was to implement an automatic segregation of duties report in FLS.

368. **UNICEF agreed with the Board's recommendation that it ensure a proper segregation of duties in its information technology systems.**

369. Eight users have an adapted super-user access (seven in New York, one in Geneva). Users with such access are able to erase every trace of their actions in the system as they have access to all system tables. The extended authorizations represent a security risk.

370. **UNICEF agreed with the Board's recommendation that it review its policy on extended access in the production system.**

UNICEF payroll migration

Background

371. The development of IMIS for the United Nations was approved in 1988 with the stated purpose of having an integrated system for processing and reporting on administrative actions at all major duty stations. Following a thorough review and

evaluation of the United Nations IMIS, UNICEF adopted the view that IMIS did not provide the functionality it required for finance, programmes and contributions. Additionally, the account structure did not support the UNICEF Financial Regulations and Rules — reflecting variances from those of the United Nations — or the commercial aspects required by UNICEF for fund-raising and management of its Private Sector Division.

372. In 1998 and 1999, UNICEF implemented add-on modules and enhancements incorporated into the IMIS base system. Implementation of add-on covering payroll had been planned for 1997-1998 but owing to delays in the overall development of IMIS at the United Nations, the date was postponed. UNICEF then opted for SAP, in 2003 regarding payroll. The SAP project scope included master data and payroll processes concerning the local staff of New York, Geneva, Copenhagen, Huningue and Brussels locations as well as worldwide international Professional staff members, totalling 2,897 at the time of the Board's audit. It also included master data, only for worldwide local staff and non-staff, to support the travel management process.

373. The management project structure was such that the UNICEF Chief Information Officer was the "Executive Sponsor" of the project. The project "owners", responsible for providing long-term goals and objectives and supporting the project, were the Chief Information Officer, the Comptroller and the Director of Human Resources. The Project Board (Director of Human Resources, Division of Financial and Administrative Management and the Information Technology Division) provided functional and technical oversight. The project manager had the primary ownership of the project deliverables and would provide day-to-day direction to the project team. He was also responsible for maintaining the project plan, streamlining resolution of issues and communicating the project status to project owners.

Budget and delivery schedule

374. The project went into production on 4 March 2005, on schedule. The Agreement dated 31 March 2003 defined the total estimate of the overall budget at $7.02 million plus maintenance. At the time of the audit, the expenditures stood at $5.73 million, which was not a final figure. No significant deviation from the initial budget was identified and the budget was expected to remain in line with the initial forecast.

375. The Board commends UNICEF for implementing the payroll migration project on schedule and on budget.

376. According to the "Statement of Work 2" to the Agreement, section 7, UNICEF agreed to provide the vendor, SAP, with appropriate resources, including but not limited to personnel such as a Project Manager. However, UNICEF did not forecast those internal costs in the budget. The project team did not have time sheets, and therefore did not track internal staff costs. It was unable to provide the Board with an estimate of internal resources devoted to the project.

377. UNICEF commented that other United Nations organizations, including the United Nations, UNDP, WHO and WFP, did not have either a system of time sheets for their systems development process or for ERP implementation. That negative benchmarking does not provide a justification. In its report A/59/5/Add.2, para. 221,

the Board had recommended in 2004 "that UNICEF adopt a common methodology with the other United Nations organizations for (a) determining the total cost of ownership of ICT, (b) determining the variations in cost in different parts of the organization, (c) determining whether or not outsourcing of ICT activities may be a viable option and (d) evaluating ICT projects, their benefits, costs and risks, based on best practices".

378. UNICEF had indicated on 16 May 2003 that the budget process for the 2004-2005 biennium, and subsequent establishment of specific cost centres for such projects, "will ensure that major ICT projects are easily trackable. In addition, ITD [Information Technology Division] will document the funding sources of the project in the Project Charters to facilitate tracking and monitoring".

379. **UNICEF agreed with the Board's recommendation that it adopt and implement a methodology to determine the total costs, including staff costs, of its major information technology projects.**

System selection

380. The International Telecommunication Union had sponsored a meeting in November 1998 to review the feasibility of a SAP solution for management of human resources and payroll within the United Nations system. UNICEF further reviewed the options under consideration, focusing on the alternative of IMIS versus SAP. In the meantime, the World Food Programme began the implementation of a SAP solution through a contract with IBM. UNICEF envisaged contracting out its payroll to a third-party service provider, and conducted extensive discussions on that option in 2000-2001. However, the vendor concluded that they "could not easily accommodate the requirements of the United Nations". UNICEF concluded in April 2001 that it should implement a long-term solution based on the SAP Human Resources (HR) suite of products.

381. The selection of the SAP HR implementation partners was then limited to two parties: SAP AG and IBM. On the one hand, IBM Global services offered to implement the HR application which their Italian partner developed for the World Food Programme, based on the SAP AG software. On the other hand, SAP Public services, Inc., a fully owned subsidiary of SAP AG, the developer and owner of the SAP suite of products, offered to develop a new HR application based on its suite of products and drawing on its experience with ITU. UNICEF chose the latter.

382. UNICEF Financial Circular 19 (10 (d) (i)) states that it is the responsibility of a contracts review committee to ensure that … at least three bids have been obtained or in cases where ICT was not able to obtain three bids, the reasons are recorded in detailed file notes as part of the Contract Review Committee submission. In that case, the Supply Division submission file notes indicate that: "It was felt that only these companies offered the breadth and depth of technical expertise and knowledge of the SAP software and could leverage experience gained in past implementation" of the HR system for a United Nations agency based on the SAP software (i.e., SAP for ITU and IBM for WFP). Although that explains why only two suppliers were solicited to implement the SAP solution, ICT did not justify why a third quote was not requested from a competitor offering an alternative to the SAP solution. As no such offer was requested from a SAP competitor, UNICEF was not able to perform a full costs/benefits analysis, weighting the costs of a non-SAP solution against its potential benefits.

383. Management explained that a SAP competitor's solution would have been inconsistent with the UNICEF ICT strategy, which aimed — through the use of one single ERP (Enterprise Resource Planning), i.e., SAP — to reduce the number of applications and platforms or skills sets required to run them ("technological footprint"), as well as the number of interfaces. That explanation was not entirely convincing, as the alternative IBM offer solicited by UNICEF relied on an interface with the UNICEF existing systems — it was based on a different version of SAP than UNICEF's own. The Contract Review Committee was presented with two offers, one of which required an interface with the existing UNICEF SAP financial and logistics system. UNICEF had had, therefore, no objection in principle to such interfaces, and could have solicited a third bid from a non-SAP competitor, also based on an interface. That alternative might have been more costly (platform, skill set, interface, etc.), but the only way to ascertain that was to ask for a bid and to compare the figures. That was not done.

384. Therefore, instead of fully complying with United Nations financial regulation 5.12 (c), UNICEF financial rule 112.30 and Financial Circular 19 (10), UNICEF did not demonstrate that "it was not possible to obtain three bids" to meet its requirement, defined as "the migration to the next generation of automated systems for the management of its human resources" in paragraph 1.1 of the Contract Review Committee submission. At least one third option could be found through UNHCR, which was developing at the same time a similar Human Resources solution, based on another platform (PeopleSoft).

385. **UNICEF agreed with the Board's recommendation that it improve the documentation of its information and communication technology system selection by performing formal multi-vendor, cost/benefit evaluations in compliance with UNICEF Financial Circular 19.**

Implementation of the migration

386. The Board reviewed, on a test basis, the payroll master data and was satisfied that its integrity and consistency had been safeguarded by adequate project management and migration procedures. However, IT projects quality assurance processes should be upgraded for UNICEF to be fully in line with industry best practices. That includes formalizing the quality assurance function in ICT project management, improving the documentation of data migration strategies and of the audit trails of system tests.

387. **UNICEF agreed with the Board's recommendation that it further improve its information technology quality assurance process to bring it fully into line with industry best practices.**

18. Country audits

388. During the biennium 2004-2005, the Board visited 11 field offices. Significant findings from those visits have been included in the previous sections. Each office was left to devise its own procedure to monitor the implementation of the Board's recommendations. In one case (the Democratic Republic of the Congo), the Office had failed to follow up on the implementation of the Board's previous recommendations.

389. **UNICEF agreed with the Board's recommendation that it issue an instruction on the follow-up of external audit recommendation.**

19. Fraud and presumptive fraud

390. During the biennium 2004-2005, UNICEF reported 42 cases of fraud or presumptive fraud to the Board (as against 37 in 2002-2003). UNICEF had not yet determined the financial loss in one case, but estimated a total loss of $482,979 in the other 41. Those cases related to, among other things, theft of cash, counterfeit cheques, theft of vehicles, poor management of inventory, misappropriation of funds and other financial irregularities. UNICEF recovered $210,884 of the total loss.

Table II.10
Cases of fraud and presumptive fraud, 2004-2005
(United States dollars)

	Number of cases	*Amount involved*	*Amount recovered*
Theft or robbery	7	221 864	57 594
Misuse of assets	13	21 892	3 154
Loss of assets	7	85 362	3 898
Forgery or attempted forgery	7	135 655	135 655
Procurement irregularities	3	0	0
Irregularities in programme implementation	8	18 206	10 583
Total	**45**	**482 979**	**210 884**

391. Remedial action against the staff members involved in those cases included 7 summary dismissals, 5 non-renewals of contracts, 1 termination of secondment, 25 written reprimands and 3 other measures. Three staff members resigned following the discovery of the cases. There was no indication of the involvement of any UNICEF staff member in 7 cases out of 42 (16.7 per cent). UNICEF reported insufficient evidence for disciplinary proceedings to be undertaken in three further cases. In all cases, UNICEF has identified the conditions that facilitated the fraud or presumptive fraud and has reported having addressed any weaknesses identified in its systems and procedures.

D. Acknowledgement

392. The Board of Auditors wishes to express its appreciation for the cooperation and assistance extended by the Executive Director and staff of the United Nations Children's Fund.

(*Signed*) Philippe **Séguin**
First President of the Court of Accounts of France
Lead Auditor

(*Signed*) Shauket A. **Fakie**
Chairman, Auditor-General of the Republic of South Africa

(*Signed*) Guillermo N. **Carague**
Chairman, Philippine Commission on Audit

28 July 2006

Note: The members of the Board of Auditors have signed only the original English version of the present report.

Annex

Summary of status of implementation of recommendations of the Board of Auditors in its report for the biennium ended 31 December 2003[a]

Topic	*Biennium first reported*	*Implemented*	*Under implementation*	*Not implemented*	*Reference in present report*
Payables and receivables		para. 23			
Presentation of financial statements		paras. 36, 51 and 53	—		
	2002-2003	—	paras. 33 and 44		paras. 36-41
	2000-2001	—	para. 48		paras. 42-46
Liabilities		para. 56	—	—	
Non-expendable property	2002-2003		paras. 60 and 63		paras. 52-54
Accounts receivable		para. 79	—	—	
		para. 66		—	
	2002-2003		para. 72		paras. 52-57
		para. 76	—		
Programme expenditure		para. 135			
Human resources		paras. 140, 144, 148, 152, 157, 162, 167, 170, 176, 181 and 184	—	—	
	2002-2003	—	para. 138	—	paras. 12-13
	2002-2003	—	—	para. 173	paras. 12-13
Supply Division		para. 192	—	—	
	2000-2001	—	para. 188	—	paras. 118-120
Information and communication technology		paras. 199, 204, 216, 221, 224, 231 and 235			
	2002-2003	—	paras. 202, 226 and 233		paras. 281-288
Innocenti Research Centre		paras. 239, 244 and 247	—	—	
Country offices		para. 253	—	—	
	2002-2003		para. 249	—	—
Division of communication		paras. 255 and 259	—	—	
Fraud		para. 263	—	—	
Private Sector Division		paras. 109 and 118	—	—	
	2002-2003	—	paras. 81, 90, 99, 105, 114 and 123	—	paras. 67-90
Total		**37**	**18**	**1**	
Percentage		**66.1**	**32.1**	**1.8**	

[a] *Official Records of the General Assembly, Fifty-ninth Session, Supplement No. 5B* (A/59/5/Add.2), chap. II.

Chapter III
Audit opinion

We have audited the accompanying financial statements of the United Nations Children's Fund, comprising statements I to VII, schedules 1 to 3 and the supporting notes for the biennium ended 31 December 2005. These financial statements are the responsibility of the Executive Director. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the common auditing standards of the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency and with the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Executive Director, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for the audit opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position as at 31 December 2005, and the results of its operations and its cash flows for the period then ended, in accordance with the United Nations system accounting standards.

Furthermore, in our opinion, the transactions of the United Nations Children's Fund that have come to our notice or that we have tested as part of our audit have, in all significant respects, been in accordance with the Financial Regulations and legislative authority.

In accordance with article VII of the Financial Regulations, we have also issued a long-form report on our audit of the United Nations Children's Fund's financial statements.

(*Signed*) Philippe **Séguin**
First President of the Court of Accounts of France
Lead Auditor

(*Signed*) Shauket A. **Fakie**
Chairman, Auditor-General of the Republic of South Africa

(*Signed*) Guillermo N. **Carague**
Chairman, Philippine Commission on Audit

28 July 2006

Note: The members of the Board of Auditors have signed only the original English version of the present report.

Chapter IV
Financial statements for the biennium ended 31 December 2005

A. Financial statements

STATEMENT I

INCOME AND EXPENDITURES AND CHANGES IN RESERVES AND FUND BALANCES
FOR THE BIENNIUM ENDED 31 DECEMBER 2005
(In thousands of United States dollars)

		2004 - 2005				2002 - 2003
			Other resources			
		Regular resources	Supplementary funds	Emergency relief & rehabilitation	Total	Total
INCOME						
Voluntary contributions						
Governments	(schedule 1)	906,232	1,003,730	847,252	2,757,214	2,049,509
Less: Transfer to biennium support budget	(note 3)	(24,177)			(24,177)	(15,849)
		882,055	1,003,730	847,252	2,733,037	2,033,660
Non-governmental/private sector	(schedule 1)	1,552	475,917	662,937	1,140,406	387,297
Private Sector Division	(note 4)	579,690			579,690	570,796
Funds received under inter-organization arrangements	(schedule 1)	144	136,311	10,068	146,523	39,362
Other income						
Interest income		91,054			91,054	30,368
Miscellaneous income	(note 5)	59,882			59,882	38,543
Currency exchange adjustments		(35,319)			(35,319)	26,738
TOTAL INCOME		1,579,058	1,615,958	1,520,257	4,715,273	3,126,764
EXPENDITURE						
Programme assistance	(statement IV)	884,014	1,400,643	1,024,603	3,309,260	2,269,988
Programme support	(statement IV)	301,615			301,615	300,335
Total programme cooperation		1,185,629	1,400,643	1,024,603	3,610,875	2,570,323
Management and administration	(statement IV)	179,724			179,724	165,805
TOTAL EXPENDITURES		1,365,353	1,400,643	1,024,603	3,790,599	2,736,128
EXCESS OF INCOME OVER EXPENDITURES		213,705	215,315	495,654	924,674	390,636
Write-offs/prior period's adjustments	(note 6)	4,457	2,665	5,344	12,466	16,401
NET EXCESS OF INCOME OVER EXPENDITURES		209,248	212,650	490,310	912,208	374,235
Reserve balances, 1 January		59,014			59,014	28,933
Transfer to reserves for after-service health insurance	(note 7)	(30,000)			(30,000)	(30,000)
Increase in reserves	(note 7)	30,067			30,067	30,081
Fund balances, 1 January		368,036	439,540	213,565	1,021,141	676,906
RESERVES AND FUND BALANCES, 31 DECEMBER		636,365	652,190	703,875	1,992,430	1,080,155

The accompanying notes form an integral part of this statement and should be read in conjunction with it.

(signed) Terry BROWN
Comptroller

STATEMENT II
ASSETS, LIABILITIES, RESERVES AND FUND BALANCES
AS AT 31 DECEMBER 2005
(In thousands of United States dollars)

		2005	2003
ASSETS			
Cash and term deposits	(note 8)	2,194,511	961,359
Accounts receivable			
Contributions receivable	(note 9/schedule 2)	187,049	269,093
Less: Provision for uncollectible contributions	(note 10)	(5,000)	(5,000)
Net contributions receivable		182,049	264,093
Other	(note 11)	353,319	344,898
Inventories	(note 12)	25,542	28,519
Buildings and equipment	(note 13)	15,821	13,029
TOTAL ASSETS		2,771,242	1,611,898
LIABILITIES			
Contributions received in advance	(note 14)	18,058	2,750
Unliquidated obligations	(note 15)	283,727	127,891
Accounts payable	(note 16)	100,873	80,255
Trust funds	(note 17/schedule 3)	336,585	289,397
Medical insurance plans	(note 18)	39,569	31,450
TOTAL LIABILITIES		778,812	531,743
RESERVES AND FUND BALANCES			
Reserves			
For procurement services - staff and related costs	(note 7)	2,000	2,000
For insurance	(note 7)	115	142
For capital assets	(note 7)	26,966	26,872
For after-service health insurance	(note 7)	60,000	30,000
Total reserves		89,081	59,014
Fund balances			
Regular resources		547,284	368,036
Supplementary funds		652,190	439,540
Emergency relief and rehabilitation		703,875	213,565
Total fund balances		1,903,349	1,021,141
TOTAL RESERVES AND FUND BALANCES		1,992,430	1,080,155
TOTAL LIABILITIES, RESERVES AND FUND BALANCES		2,771,242	1,611,898

The accompanying notes form an integral part of this statement and should be read in conjunction with it.

(signed) Terry BROWN
Comptroller

STATEMENT III

CASH FLOWS FOR THE BIENNIUM ENDED 31 DECEMBER 2005
(In thousands of United States dollars)

	2005	2003
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net excess of income over expenditures	912 208	374 235
(Increase) decrease in contributions receivable	82 044	(56 505)
(Increase) in other accounts receivable	(8 421)	(55 812)
(Increase) decrease in other assets	2 977	(2 811)
Increase (decrease) in contributions received in advance	15 308	(709)
Increase in accounts payable	28 737	12 222
Increase (decrease) in unliquidated obligations	155 836	(45 349)
Less: Interest income	(91 054)	(30 368)
NET CASH FROM OPERATING ACTIVITIES	1 097 635	194 903
CASH FLOW FROM INVESTING AND FINANCING ACTIVITIES		
Increase in balances on trust funds	47 188	91 766
Plus: Interest income	91 054	30 368
NET CASH FROM INVESTING AND FINANCING ACTIVITIES	138 242	122 134
CASH FLOWS FROM OTHER SOURCES:		
(Increase) in land and buildings	(2 792)	(309)
Transfer to reserve for after-service health insurance	30 000	30 000
Transfer from regular resources	(30 000)	(30 000)
Increase in regular resources fund	67	81
NET CASH FROM OTHER SOURCES	(2 725)	(228)
NET INCREASE IN CASH AND TERM DEPOSITS	1 233 152	316 809
CASH AND TERM DEPOSITS, 1 JANUARY	961 359	644 550
CASH AND TERM DEPOSITS, 31 DECEMBER	2 194 511	961 359

STATEMENT IV

STATEMENT OF APPROPRIATIONS FOR THE 2004-2005 BIENNIUM AS AT 31 DECEMBER 2005

(In thousands of United States dollars)

	Appropriations				Expenditures a/			
	Original	Supplement	Transfers/ adjustments	Revised	Programme support	Management and administration	Total	Unspent
Programme support								
Country and regional offices	373 014	3 000	(6 239)	369 775	357 484		357 484	12 291
Headquarters	96 088		4 532	100 620	98 007		98 007	2 613
Subtotal	469 102	3 000	(1 707)	470 395	455 491		455 491	14 904
Management and administration	229 804		1 707	231 511		226 748	226 748	4 763
Total	698 906	3 000		701 906	455 491	226 748	682 239	19 667

		Programme support	Management and administration	Total
a/	Expenditures	455 491	226 748	682 239
Less:	Recovery from packing and assembly activities	10 647		10 647
	Recovery from programme assistance (supplementary-funded projects) b/	74 613	14 413	89 026
	Recovery from programme assistance (emergency relief and rehabilitation-funded projects)b/	59 956	13 458	73 414
	Agency commissions from administration of non-procurement trust funds and Junior Professional Officers		3 636	3 636
	Government contribution towards local costs	346		346
	Transfer from income in respect of income tax reimbursement	8 314	15 517	23 831
	Subtotal	153 876	47 024	200 900
	Net expenditures (statement I)	301 615	179 724	481 339

b/ The figures are presented in line with the 2004-2005 biennium support budget preparation.

STATEMENT V

ALL FINANCIAL RESOURCES

FOR THE BIENNIUM ENDED 31 DECEMBER 2005

(In thousands of United States dollars)

	2004 - 2005					2002 - 2003
		Other resources				
	Regular resources	Supplementary funds	Emergency relief and rehabilitation	Trust funds	Total	Total
Opening balances	368 036	439 540	213 565	268 374	1 289 515	799 499
Income/receipts	1 579 058	1 615 958	1 520 257	1 357 428	6 072 701	4 107 409
Funds available	1 947 094	2 055 498	1 733 822	1 625 802	7 362 216	4 906 908
Expenditures	1 365 353	1 400 643	1 024 603	1 293 910	5 084 509	3 570 992
Write-offs/prior periods' adjustments	4 457	2 665	5 344		12 466	16 401
Transfer to reserve for after-service health insurance	30 000				30 000	30 000
Closing balances	547 284	652 190	703 875	331 892	2 235 241	1 289 515

STATEMENT VI
STATUS OF FUNDING FOR APPROVED REGULAR RESOURCES, SUPPLEMENTARY FUNDS AND EMERGENCY RELIEF AND REHABILITATION AS AT 31 DECEMBER 2005

(In thousands of United States dollars)

	Regular resources	Other resources		Total
		Supplementary funds	Emergency relief and rehabilitation	
Unspent balances of programmes as at 1 January 2004	1 841 449	564 222	251 876	2 657 547
Approved at the Executive Board sessions a/				
New programmes	735 647			735 647
Made between Executive Board sessions b/	149 831	1 767 308	1 500 054	3 417 193
Write-off of pledges		(2 665)	(5 344)	(8 009)
Programme cancellations c/	(40 481)			(40 481)
Savings of 2004-2005 budget	(19 667)			(19 667)
Recoveries to the budget	(200 900)			(200 900)
Subtotal	2 465 879	2 328 865	1 746 586	6 541 330
Expenditures	1 365 353	1 400 643	1 024 603	3 790 599
Unspent balances of programmes as at 31 December 2005	1 100 526	928 222	721 983	2 750 731
Fund balances as at 31 December 2005	547 284	652 190	703 875	1 903 349
To be financed from future income	553 242	276 032	18 108	847 382

a/ E/ICEF/2003/P/L.1 to E/2003/ICEF/P/L.13 (decision 2003/6); E/ICEF/2003/P/L.15 to E/ICEF/2003/P/L.17 (decision 2003/12); E/ICEF/2003/AB/L.14 (decisions 2003/17 and 2005/15); E/ICEF/2003/P/L.29 (decision 2003/18); E/ICEF/2004/P/L.25 (decision 2004/11); E/ICEF/2004/P/L.1 to E/ICEF/2004/P/L.23 (decision 2004/6); E/ICEF/2005/P/L.1 to E/ICEF/2005/P/L.20 (decisions 2005/4, 2005/12, and 2005/14); Decision 2005/5 (additional regular resources for 2005 and 2006); Decision 2005/6 (additional other resources); E/ICEF/2005/P/L.30 to E/ICEF/2005/P/L.36; E/ICEF/2005/P/L.38 (decision 2005/13); and E/ICEF/2004/7/Rev.1 and E/ICEF/2004/AB/L.2 (decision 2005/16).

b/ 2004 and 2005 programme budget allotments arising from Private Sector Division income, regular resources for unfunded other resources projects.

c/ Regular resources programme cancellations represent unspent balances in the amounts approved by the Executive Board for various programme recommendations which expired between 2002 and 2005.

STATEMENT VII

PROGRAMME COOPERATION: STATEMENT OF APPROVED PROGRAMMES, EXPENDITURES AND UNSPENT BALANCES FOR REGULAR RESOURCES, SUPPLEMENTARY FUNDS AND EMERGENCY RELIEF AND REHABILITATION FOR THE BIENNIUM ENDED 31 DECEMBER 2005

(In thousands of United States dollars)

Area and country assistance	Approved programmes unspent balances as at January 2004	New programmes and cancellations	Total programmes	Total expenditures	Approved programmes unspent balances as at 31 December 2005
AFRICA					
Angola	14 305	75 317	89 622	52 889	36 733
Benin	13 103	11 704	24 807	14 955	9 852
Botswana	2 849	3 570	6 419	3 390	3 029
Burkina Faso	13 575	51 493	65 068	25 767	39 301
Burundi	7 246	45 123	52 369	35 563	16 806
Cameroon	14 305	10 932	25 237	16 244	8 993
Cape Verde	1 215	4 909	6 124	2 077	4 047
Central African Republic	6 254	10 465	16 719	11 109	5 610
Chad	9 583	57 356	66 939	36 717	30 222
Comoros	3 179	2 554	5 733	2 424	3 309
Congo	5 478	8 543	14 021	6 838	7 183
Côte d'Ivoire	22 507	24 124	46 631	34 546	12 085
Democractic Republic of the Congo	44 470	139 492	183 962	119 083	64 879
Equatorial Guinea	2 270	1 783	4 053	2 201	1 852
Eritrea	17 316	14 871	32 187	22 807	9 380
Ethiopia	88 478	88 896	177 374	138 921	38 453
Gabon	2 093	1 285	3 378	2 550	828
Gambia	3 530	2 431	5 961	3 713	2 248
Ghana	19 029	33 385	52 414	28 980	23 434
Guinea	9 738	12 761	22 499	15 757	6 742
Guinea-Bissau	5 961	6 271	12 232	5 786	6 446
Kenya	30 648	25 146	55 794	25 065	30 729
Lesotho	5 424	5 992	11 416	6 999	4 417
Liberia	10 837	42 274	53 111	34 966	18 145
Madagascar	7 905	39 175	47 080	21 805	25 275
Malawi	26 347	39 383	65 730	42 344	23 386
Mali	26 488	15 500	41 988	27 260	14 728
Mauritania	10 419	5 619	16 038	9 737	6 301
Mauritius	47	(19)	28		28
Mozambique	42 700	17 721	60 421	39 678	20 743
Namibia	3 343	10 482	13 825	7 061	6 764
Niger	36 537	28 664	65 201	44 068	21 133
Nigeria	98 713	148 136	246 849	100 504	146 345
Rwanda	10 110	12 084	22 194	13 418	8 776
Sao Tome and Principe	1 874	645	2 519	1 566	953
Senegal	11 503	14 337	25 840	14 183	11 657
Sierra Leone	19 574	18 886	38 460	24 539	13 921
Somalia	33 061	65 782	98 843	58 591	40 252

STATEMENT VII (continued)

Area and country assistance	Approved programmes unspent balances as at January 2004	New programmes and cancellations	Total programmes	Total expenditures	Approved programmes unspent balances as at 31 December 2005
South Africa	5 593	10 862	16 455	10 010	6 445
Swaziland	4 784	9 943	14 727	7 970	6 757
Togo	6 412	4 963	11 375	6 692	4 683
Uganda	21 069	93 591	114 660	54 246	60 414
United Republic of Tanzania	36 083	27 236	63 319	38 759	24 560
Zambia	17 677	11 044	28 721	16 997	11 724
Zimbabwe	12 095	27 583	39 678	25 127	14 551
Regional	8 158	3 328	11 486	4 873	6 613
Area total	793 885	1 285 622	2 079 507	1 218 775	860 732
THE AMERICAS AND THE CARIBBEAN					
Argentina	2 468	7 663	10 131	6 285	3 846
Barbados		266	266		266
Belize	1 996	374	2 370	1 695	675
Bolivia	12 084	19 403	31 487	15 521	15 966
Brazil	9 803	17 072	26 875	21 052	5 823
Chile	774	1 827	2 601	1 584	1 017
Colombia	6 338	9 679	16 017	9 828	6 189
Costa Rica	2 126	182	2 308	1 507	801
Cuba	2 630	1 848	4 478	3 045	1 433
Dominican Republic	5 738	1 060	6 798	4 875	1 923
Ecuador	5 857	4 209	10 066	6 244	3 822
El Salvador	3 141	4 508	7 649	4 660	2 989
Guatemala	7 114	15 788	22 902	9 950	12 952
Guyana	2 024	5 755	7 779	2 934	4 845
Haiti	8 705	23 460	32 165	21 317	10 848
Honduras	3 577	2 808	6 385	3 806	2 579
Jamaica	2 780	3 278	6 058	4 399	1 659
Mexico	4 531	6 580	11 111	6 538	4 573
Nicaragua	12 728	3 713	16 441	10 342	6 099
Panama	1 161	1 122	2 283	1 533	750
Paraguay	2 829	1 997	4 826	3 729	1 097
Peru	2 993	10 997	13 990	8 189	5 801
Suriname		1 877	1 877		1 877
Uruguay	1 303	2 592	3 895	2 009	1 886
Venezuela	2 216	1 378	3 594	2 664	930
Regional	8 942	3 940	12 882	6 830	6 052
Area total	113 858	153 376	267 234	160 536	106 698
EAST ASIA AND THE PACIFIC					
Cambodia	26 720	49 227	75 947	32 130	43 817
China	29 885	76 149	106 034	36 604	69 430

STATEMENT VII (continued)

Area and country assistance	Approved programmes unspent balances as at January 2004	New programmes and cancellations	Total programmes	Total expenditures	Approved programmes unspent balances as at 31 December 2005
Democratic People's Republic of Korea	5 931	29 711	35 642	30 770	4 872
Indonesia	14 999	403 061	418 060	138 271	279 789
Lao People's Democratic Republic	11 126	6 886	18 012	11 978	6 034
Malaysia	672	5 411	6 083	1 616	4 467
Mongolia	3 602	2 953	6 555	4 493	2 062
Myanmar	18 872	64 203	83 075	25 899	57 176
Pacific island countries	9 349	5 420	14 769	7 446	7 323
Papua New Guinea	5 428	9 616	15 044	5 385	9 659
Philippines	4 040	45 181	49 221	14 236	34 985
Thailand	7 151	30 763	37 914	17 062	20 852
Timor-Leste	11 024	11 272	22 296	12 364	9 932
Viet Nam	18 012	35 354	53 366	23 393	29 973
Regional		6 386	6 386	2 223	4 163
Area total	166 811	781 593	948 404	363 870	584 534
SOUTH ASIA					
Afghanistan	51 355	120 783	172 138	105 397	66 741
Bangladesh	56 468	158 165	214 633	88 550	126 083
Bhutan	3 942	3 393	7 335	5 051	2 284
India	171 153	170 173	341 326	193 085	148 241
Maldives	2 703	56 108	58 811	25 337	33 474
Nepal	20 871	22 324	43 195	28 523	14 672
Pakistan	85 038	125 727	210 765	117 787	92 978
Sri Lanka	14 610	200 644	215 254	87 550	127 704
Regional		5 465	5 465	2 195	3 270
Area total	406 140	862 782	1 268 922	653 475	615 447
MIDDLE EAST AND NORTH AFRICA					
Algeria	4 463	895	5 358	3 318	2 040
Djibouti	4 102	3 630	7 732	4 852	2 880
Egypt	14 749	18 503	33 252	23 390	9 862
Iran (Islamic Republic of)	4 184	39 440	43 624	27 445	16 179
Iraq	98 798	143 775	242 573	194 854	47 719
Jordan	3 664	808	4 472	2 311	2 161
Kuwait	30		30		30
Lebanon	2 190	783	2 973	1 909	1 064
Morocco	6 900	3 398	10 298	7 010	3 288
Oman	170	1 188	1 358	965	393
Palestinian children and mothers	9 419	36 697	46 116	25 913	20 203
Sudan	33 862	282 007	315 869	234 812	81 057
Syrian Arab Republic	3 386	850	4 236	2 275	1 961
Tunisia	2 437	830	3 267	2 153	1 114

STATEMENT VII (continued)

Area and country assistance	Approved programmes unspent balances as at January 2004	New programmes and cancellations	Total programmes	Total expenditures	Approved programmes unspent balances as at 31 December 2005
Yemen	20 645	19 066	39 711	22 738	16 973
Regional	18 607	3 223	21 830	9 434	12 396
Area total	227 606	555 093	782 699	563 379	219 320
CENTRAL AND EASTERN EUROPE, THE COMMONWEALTH OF INDEPENDENT STATES AND THE BALTIC STATES					
Albania	5 413	9 907	15 320	6 628	8 692
Armenia	1 028	4 621	5 649	2 061	3 588
Azerbaijan	1 648	8 626	10 274	4 540	5 734
Belarus	1 708	3 735	5 443	1 716	3 727
Bulgaria	214	2 766	2 980		2 980
Bosnia and Herzegovina	4 924	9 037	13 961	8 684	5 277
Croatia	267	1 700	1 967	1 101	866
Georgia	2 043	6 123	8 166	3 061	5 105
Kazakhstan	1 245	7 703	8 948	3 380	5 568
Kosovo, Serbia and Montenegro	2 921	4 870	7 791	6 424	1 367
Kyrgyzstan	1 492	5 751	7 243	2 459	4 784
Republic of Moldova	4 184	8 745	12 929	5 482	7 447
Romania	3 696	6 520	10 216	5 610	4 606
Russian Federation	3 643	24 060	27 703	19 017	8 686
Serbia and Montenegro	5 409	7 242	12 651	6 175	6 476
Tajikistan	3 529	12 750	16 279	10 221	6 058
The former Yugoslav Republic of Macedonia	2 760	5 411	8 171	3 613	4 558
Turkey	3 270	17 384	20 654	5 950	14 704
Turkmenistan	1 395	4 702	6 097	2 278	3 819
Ukraine	2 750	7 142	9 892	4 570	5 322
Uzbekistan	2 184	10 765	12 949	4 826	8 123
Yugoslavia (former)	24		24		24
Regional	11 944	617	12 561	4 082	8 479
Area total	67 691	170 177	237 868	111 878	125 990
GLOBAL ASSISTANCE					
Emergency Programme Fund	47 111	23 856	70 967	20 256	50 711
Immunization	3 537	7 824	11 361	5 521	5 840
Inter-country programmes	124 553	227 638	352 191	204 242	147 949
Innocenti Research Centre	7 449	7 789	15 238	7 328	7 910
Total GLOBAL ASSISTANCE	182 650	267 107	449 757	237 347	212 410
TOTAL PROGRAMME ASSISTANCE	1 958 641	4 075 750	6 034 391	3 309 260	2 725 131

STATEMENT VII (concluded)

Area and country assistance	Approved programmes unspent balances as at January 2004	New programmes and cancellations	Total programmes	Total expenditures	Approved programmes unspent balances as at 31 December 2005
Programme support	469 102	3 767	472 869	455 491	17 378
Management and administration	229 804	5 166	234 970	226 748	8 222
Recoveries to the budget		(200 900)	(200 900)	(200 900)	
TOTAL BUDGET	698 906	(191 967)	506 939	481 339	25 600
TOTAL COOPERATION	2 657 547	3 883 783	6 541 330	3 790 599	2 750 731

STATEMENT VII-1

PROGRAMME COOPERATION: STATEMENT OF APPROVED PROGRAMMES, EXPENDITURES AND UNSPENT BALANCES FOR REGULAR RESOURCES FOR THE BIENNIUM ENDED 31 DECEMBER 2005

(In thousands of United States dollars)

Area and country assistance	Approved programmes unspent balances at at January 2004	New programmes and cancellations	Total programmes	Total expenditures	Approved programmes unspent balances as at 31 December 2005
AFRICA					
Angola	5 725	23 642	29 367	12 987	16 380
Benin	9 632	991	10 623	5 192	5 431
Botswana	2 614	593	3 207	1 581	1 626
Burkina Faso	8 562	38 121	46 683	11 973	34 710
Burundi	3 167	14 203	17 370	8 153	9 217
Cameroon	12 005	112	12 117	5 919	6 198
Cape Verde	669	4 210	4 879	1 311	3 568
Central African Republic	4 854	3 242	8 096	5 436	2 660
Chad	6 432	26 578	33 010	13 194	19 816
Comoros	2 832	(77)	2 755	1 433	1 322
Congo	4 925	433	5 358	2 154	3 204
Côte d'Ivoire	14 928	284	15 212	7 787	7 425
Democractic Republic of the Congo	33 244	51 895	85 139	40 358	44 781
Equatorial Guinea	1 963	216	2 179	1 435	744
Eritrea	4 280	2 212	6 492	4 093	2 399
Ethiopia	52 363	11 904	64 267	41 716	22 551
Gabon	1 842		1 842	1 189	653
Gambia	2 493	811	3 304	1 959	1 345
Ghana	7 333	19 922	27 255	8 408	18 847
Guinea	7 537	2 911	10 448	6 444	4 004
Guinea-Bissau	4 543	1 864	6 407	2 837	3 570
Kenya	26 068	906	26 974	10 205	16 769
Lesotho	4 007	500	4 507	2 759	1 748
Liberia	3 361	7 510	10 871	6 950	3 921
Madagascar	6 133	24 654	30 787	9 690	21 097
Malawi	15 151	2 138	17 289	10 876	6 413
Mali	21 933	(1 072)	20 861	12 501	8 360
Mauritania	7 099	(464)	6 635	3 104	3 531
Mauritius	44	(19)	25		25
Mozambique	24 790	949	25 739	16 448	9 291
Namibia	1 640	4 215	5 855	2 197	3 658
Niger	33 155	(6 883)	26 272	15 004	11 268
Nigeria	87 044	5 457	92 501	48 199	44 302
Rwanda	7 723	5 164	12 887	7 906	4 981
Sao Tome and Principe	1 842	91	1 933	1 298	635
Senegal	6 501	3 601	10 102	6 109	3 993
Sierra Leone	12 246	(437)	11 809	7 074	4 735

STATEMENT VII-1 (continued)

Area and country assistance	Approved programmes unspent balances as at January 2004	New programmes and cancellations	Total programmes	Total expenditures	Approved programmes unspent balances as at 31 December 2005
Somalia	23 011	1 560	24 571	12 603	11 968
South Africa	2 944	933	3 877	2 471	1 406
Swaziland	1 806	3 906	5 712	1 941	3 771
Togo	5 180	829	6 009	3 290	2 719
Uganda	10 741	48 785	59 526	16 392	43 134
United Republic of Tanzania	24 961	9 905	34 866	20 881	13 985
Zambia	11 989	1 851	13 840	8 536	5 304
Zimbabwe	2 423	4 462	6 885	4 471	2 414
Area total	533 735	322 608	856 343	416 464	439 879
THE AMERICAS AND THE CARIBBEAN					
Argentina	89	3 042	3 131	1 088	2 043
Belize	1 915	298	2 213	1 561	652
Bolivia	4 948	1 063	6 011	3 786	2 225
Brazil	2 111	2 798	4 909	4 044	865
Chile	627	1 053	1 680	954	726
Colombia	3 476	646	4 122	2 369	1 753
Costa Rica	1 882	120	2 002	1 293	709
Cuba	2 106	51	2 157	1 376	781
Dominican Republic	2 317	321	2 638	1 593	1 045
Ecuador	4 284	444	4 728	2 363	2 365
El Salvador	2 159	370	2 529	1 695	834
Guatemala	3 042	3 998	7 040	2 126	4 914
Guyana	1 925	4 055	5 980	2 158	3 822
Haiti	7 273	3 095	10 368	7 183	3 185
Honduras	3 332	380	3 712	2 636	1 076
Jamaica	2 122	625	2 747	1 885	862
Mexico	2 625	551	3 176	2 017	1 159
Nicaragua	3 116	430	3 546	1 852	1 694
Panama	1 113	417	1 530	1 053	477
Paraguay	2 118	421	2 539	1 658	881
Peru	1 915	5 943	7 858	2 950	4 908
Uruguay	759	2 034	2 793	1 049	1 744
Venezuela	1 825	400	2 225	1 555	670
Regional	6 364	1 234	7 598	4 391	3 207
Area total	63 443	33 789	97 232	54 635	42 597
EAST ASIA AND THE PACIFIC					
Cambodia	7 686	24 884	32 570	8 909	23 661
China	25 121	63 207	88 328	26 733	61 595

STATEMENT VII-1 (continued)

Area and country assistance	Approved programmes unspent balances as at January 2004	New programmes and cancellations	Total programmes	Total expenditures	Approved programmes unspent balances as at 31 December 2005
Democratic People's Republic of Korea	3 650	1 932	5 582	3 666	1 916
Indonesia	10 546	30 230	40 776	11 896	28 880
Lao People's Democratic Republic	5 154	832	5 986	3 963	2 023
Malaysia	672	1 500	2 172	909	1 263
Mongolia	2 520	399	2 919	1 993	926
Myanmar	13 988	44 260	58 248	15 617	42 631
Pacific island countries	8 493	954	9 447	5 317	4 130
Papua New Guinea	4 545	765	5 310	3 014	2 296
Philippines	2 347	12 905	15 252	5 117	10 135
Thailand	3 100	999	4 099	2 155	1 944
Timor-Leste	1 271	3 045	4 316	2 662	1 654
Viet Nam	9 583	20 570	30 153	9 525	20 628
Area total	98 676	206 482	305 158	101 476	203 682
SOUTH ASIA					
Afghanistan	18 818	52 220	71 038	28 226	42 812
Bangladesh	30 685	60 710	91 395	22 496	68 899
Bhutan	2 706	739	3 445	2 433	1 012
India	131 146	(1 390)	129 756	63 516	66 240
Maldives	2 683	(111)	2 572	1 245	1 327
Nepal	15 131	1 409	16 540	10 288	6 252
Pakistan	67 083	(3 255)	63 828	26 627	37 201
Sri Lanka	2 707		2 707	1 678	1 029
Area total	270 959	110 322	381 281	156 509	224 772
MIDDLE EAST AND NORTH AFRICA					
Algeria	3 663		3 663	2 304	1 359
Djibouti	3 592	-642	2 950	1 648	1 302
Egypt	5 932	2 347	8 279	5 387	2 892
Iran, (Islamic Republic of)	2 380	8 514	10 894	3 858	7 036
Iraq	2 850	4 028	6 878	3 135	3 743
Jordan	3 100	109	3 209	1 769	1 440
Lebanon	1 937	165	2 102	1 374	728
Morocco	4 683	609	5 292	3 443	1 849
Oman	45	106	151	10	141
Palestinian children and mothers	3 368	5 024	8 392	3 556	4 836
Sudan	15 757	20 041	35 798	27 055	8 743
Syrian Arab Republic	3 119	430	3 549	1 999	1 550
Tunisia	2 180	343	2 523	1 524	999
Yemen	12 863	1 069	13 932	8 718	5 214
Regional	17	426	443	238	205
Area total	65 486	42 569	108 055	66 018	42 037

STATEMENT VII-1 (continued)

Area and country assistance	Approved programmes unspent balances as at January 2004	New programmes and cancellations	Total programmes	Total expenditures	Approved programmes unspent balances as at 31 December 2005
CENTRAL AND EASTERN EUROPE, THE COMMONWEALTH OF INDEPENDENT STATES AND THE BALTIC STATES					
Albania	1 495	4 096	5 591	1 675	3 916
Armenia	723	3 506	4 229	1 507	2 722
Azerbaijan	1 107	5 395	6 502	2 277	4 225
Belarus	1 323	3 486	4 809	1 330	3 479
Bosnia and Herzegovina	939	3 163	4 102	1 729	2 373
Bulgaria		2 464	2 464		2 464
Croatia	(17)	484	467	457	10
Georgia	1 517	3 670	5 187	1 640	3 547
Kazakhstan	1 000	5 221	6 221	2 297	3 924
Kosovo, Serbia and Montenegro	1 489	2 410	3 899	3 079	820
Kyrgyzstan	1 157	5 567	6 724	2 035	4 689
Republic of Moldova	2 282	300	2 582	1 754	828
Romania	888	3 905	4 793	1 619	3 174
Russian Federation	1 906	5 412	7 318	2 507	4 811
Tajikistan	1 384	6 421	7 805	3 155	4 650
The former Yugoslav Republic of Macedonia	717	3 597	4 314	1 725	2 589
Turkey	2 229	6 333	8 562	3 137	5 425
Turkmenistan	1 100	4 680	5 780	1 940	3 840
Ukraine	2 243	5 465	7 708	2 467	5 241
Uzbekistan	1 869	9 730	11 599	4 144	7 455
Serbia and Montenegro	879	3 487	4 366	1 728	2 638
Yugoslavia (former)	1		1		1
Regional	4 820	(189)	4 631	2 385	2 246
Area total	31 051	88 603	119 654	44 587	75 067
GLOBAL ASSISTANCE					
Emergency Programme Fund	42 064	(13 442)	28 622	9 948	18 674
Immunization	737		737		737
Inter-country programmes	36 392	25 466	61 858	34 377	27 481
TOTAL GLOBAL ASSISTANCE	79 193	12 024	91 217	44 325	46 892
TOTAL PROGRAMME ASSISTANCE	1 142 543	816 397	1 958 940	884 014	1 074 926

STATEMENT VII-1 (concluded)

Area and country assistance	Approved programmes unspent balances as at January 2004	New programmes and cancellations	Total programmes	Total expenditures	Approved programmes unspent balances as at 31 December 2005
Programme support	469 102	3 767	472 869	455 491	17 378
Management and administration	229 804	5 166	234 970	226 748	8 222
Recoveries to the budget		(200 900)	(200 900)	(200 900)	
TOTAL BUDGET	698 906	(191 967)	506 939	481 339	25 600
TOTAL COOPERATION	1 841 449	624 430	2 465 879	1 365 353	1 100 526

STATEMENT VII-2

PROGRAMME COOPERATION: STATEMENT OF APPROVED PROGRAMMES, EXPENDITURES AND UNSPENT BALANCES FOR SUPPLEMENTARY FUNDS FOR THE BIENNIUM ENDED 31 DECEMBER 2005

(In thousands of United States dollars)

Area and country assistance	Approved programmes unspent balances as at January 2004	New programmes and cancellations	Total programmes	Total expenditures	Approved programmes unspent balances as at 31 December 2005
AFRICA					
Angola	5 118	34 916	40 034	23 010	17 024
Benin	3 460	8 877	12 337	8 839	3 498
Botswana	293	2 997	3 290	1 836	1 454
Burkina Faso	5 044	13 139	18 183	13 530	4 653
Burundi	1 390	10 492	11 882	6 772	5 110
Cameroon	2 300	10 271	12 571	9 833	2 738
Cape Verde	546	699	1 245	766	479
Central African Republic	1 225	4 230	5 455	3 384	2 071
Chad	3 150	11 462	14 612	10 423	4 189
Comoros	99	2 031	2 130	259	1 871
Congo	108	6 327	6 435	3 888	2 547
Côte d'Ivoire	1 972	15 223	17 195	13 932	3 263
Democratic Republic of the Congo	5 657	44 104	49 761	33 020	16 741
Equatorial Guinea	307	1 567	1 874	766	1 108
Eritrea	8 857	3 845	12 702	8 378	4 324
Ethiopia	20 057	42 265	62 322	50 513	11 809
Gabon	251	1 285	1 536	1 361	175
Gambia	1 037	1 515	2 552	1 754	798
Ghana	11 637	13 240	24 877	20 317	4 560
Guinea	1 950	7 341	9 291	6 443	2 848
Guinea-Bissau	1 387	3 769	5 156	2 949	2 207
Kenya	3 736	20 342	24 078	10 708	13 370
Lesotho	1 059	5 195	6 254	3 687	2 567
Liberia	2 609	7 168	9 777	5 324	4 453
Madagascar	1 598	13 889	15 487	11 485	4 002
Malawi	8 408	25 024	33 432	25 366	8 066
Mali	4 588	15 818	20 406	14 659	5 747
Mauritania	2 094	4 933	7 027	4 571	2 456
Mauritius	3		3		3
Mozambique	14 141	14 879	29 020	18 628	10 392
Namibia	1 703	5 846	7 549	4 799	2 750
Niger	3 382	16 528	19 910	13 105	6 805
Nigeria	11 669	142 679	154 348	52 305	102 043
Rwanda	3 180	6 363	9 543	5 382	4 161
Sao Tome and Principe	32	238	270	268	2
Senegal	4 193	10 161	14 354	7 257	7 097

STATEMENT VII-2 (continued)

Area and country assistance	Approved programmes unspent balances as at January 2004	New programmes and cancellations	Total programmes	Total expenditures	Approved programmes unspent balances as at 31 December 2005
Sierra Leone	3 270	16 075	19 345	10 777	8 568
Somalia	6 732	33 965	40 697	22 728	17 969
South Africa	2 649	9 929	12 578	7 539	5 039
Swaziland	1 004	4 998	6 002	3 188	2 814
Togo	1 232	4 134	5 366	3 402	1 964
Uganda	8 923	10 410	19 333	14 421	4 912
United Republic of Tanzania	9 486	12 571	22 057	12 443	9 614
Zambia	4 143	8 804	12 947	6 630	6 317
Zimbabwe	3 395	13 460	16 855	9 493	7 362
Regional	845	307	1 152	564	588
Area total	179 919	643 311	823 230	490 702	332 528
THE AMERICAS AND THE CARIBBEAN					
Argentina	2 379	4 635	7 014	5 197	1 817
Barbados		54	54		54
Belize	81	76	157	134	23
Bolivia	7 134	18 173	25 307	11 567	13 740
Brazil	7 692	14 274	21 966	17 008	4 958
Chile	147	774	921	630	291
Colombia	1 577	6 885	8 462	5 756	2 706
Costa Rica	244	62	306	214	92
Cuba	523	1 674	2 197	1 546	651
Dominican Republic	3 424	729	4 153	3 276	877
Ecuador	1 551	3 765	5 316	3 881	1 435
El Salvador	927	1 305	2 232	1 623	609
Guatemala	4 169	6 959	11 128	6 531	4 597
Guyana	99	1 202	1 301	283	1 018
Haiti	1 432	10 581	12 013	6 013	6 000
Honduras	279	2 428	2 707	1 159	1 548
Jamaica	658	2 429	3 087	2 352	735
Mexico	1 906	5 160	7 066	4 521	2 545
Nicaragua	9 612	2 517	12 129	7 766	4 363
Panama	48	705	753	480	273
Paraguay	711	1 576	2 287	2 071	216
Peru	1 053	4 944	5 997	5 110	887
Suriname		1 877	1 877		1 877
Uruguay	544	558	1 102	960	142
Venezuela	377	885	1 262	1 018	244
Regional	1 387	2 915	4 302	2 129	2 173
Area total	47 954	97 142	145 096	91 225	53 871

STATEMENT VII-2 (continued)

Area and country assistance	Approved programmes unspent balances as at January 2004	New programmes and cancellations	Total programmes	Total expenditures	Approved programmes unspent balances as at 31 December 2005
EAST ASIA AND THE PACIFIC					
Cambodia	19 074	24 343	43 417	23 221	20 196
China	4 766	12 776	17 542	9 704	7 838
Democratic People's Republic of Korea	534	2 411	2 945	1 861	1 084
Indonesia	3 741	63 531	67 272	30 490	36 782
Lao People's Democratic Republic	5 972	6 054	12 026	8 015	4 011
Malaysia		215	215	30	185
Mongolia	1 044	2 578	3 622	2 500	1 122
Myanmar	4 884	9 526	14 410	6 449	7 961
Pacific island countries	856	4 466	5 322	2 129	3 193
Papua New Guinea	883	8 851	9 734	2 371	7 363
Philippines	1 693	30 852	32 545	7 696	24 849
Thailand	4 051	6 428	10 479	7 440	3 039
Timor-Leste	9 026	8 025	17 051	9 088	7 963
Viet Nam	8 415	14 598	23 013	13 805	9 208
Area total	64 939	194 654	259 593	124 799	134 794
SOUTH ASIA					
Afghanistan	17 693	59 071	76 764	57 894	18 870
Bangladesh	25 562	78 984	104 546	50 066	54 480
Bhutan	1 236	2 654	3 890	2 618	1 272
India	38 183	137 754	175 937	111 486	64 451
Maldives	20	532	552	99	453
Nepal	5 740	20 915	26 655	18 235	8 420
Pakistan	17 952	32 272	50 224	40 775	9 449
Sri Lanka	1 972	11 765	13 737	7 885	5 852
Area total	108 358	343 947	452 305	289 058	163 247
MIDDLE EAST AND NORTH AFRICA					
Algeria	705	573	1 278	774	504
Djibouti	516	3 932	4 448	2 907	1 541
Egypt	8 817	16 156	24 973	18 003	6 970
Iran (Islamic Republic of)	733	2 452	3 185	1 459	1 726
Iraq	2 571	137 717	140 288	103 485	36 803
Jordan	590	700	1 290	548	742
Lebanon	262	618	880	535	345
Morocco	2 217	2 149	4 366	2 999	1 367
Oman	125	1 082	1 207	955	252
Palestinian children and mothers	4 192	6 027	10 219	6 850	3 369
Sudan	1 522	20 472	21 994	14 657	7 337

STATEMENT VII-2 (continued)

Area and country assistance	Approved programmes unspent balances as at January 2004	New programmes and cancellations	Total programmes	Total expenditures	Approved programmes unspent balances as at 31 December 2005
Syrian Arab Republic	290	463	753	276	477
Tunisia	257	487	744	629	115
Yemen	7 781	16 999	24 780	13 767	11 013
Regional	110	1 362	1 472	225	1 247
Area total	30 688	211 189	241 877	168 069	73 808
CENTRAL AND EASTERN EUROPE, THE COMMONWEALTH OF INDEPENDENT STATES AND THE BALTIC STATES					
Albania	3 678	5 848	9 526	4 957	4 569
Armenia	317	1 277	1 594	566	1 028
Azerbaijan	539	3 233	3 772	2 263	1 509
Belarus	383	249	632	386	246
Bosnia and Herzegovina	2 789	5 844	8 633	6 465	2 168
Bulgaria	214	302	516		516
Croatia	64	1 216	1 280	645	635
Georgia	489	1 770	2 259	986	1 273
Kazakhstan	245	2 482	2 727	1 083	1 644
Kosovo, Serbia and Montenegro	1 344	2 381	3 725	2 117	1 608
Kyrgyzstan	335	184	519	424	95
Republic of Moldova	1 902	8 445	10 347	3 728	6 619
Romania	2 802	2 615	5 417	3 991	1 426
Russian Federation	983	5 611	6 594	3 677	2 917
Serbia and Montenegro	3 897	3 862	7 759	4 301	3 458
Tajikistan	1 038	3 881	4 919	3 620	1 299
The former Yugoslav Republic of Macedonia	1 917	1 826	3 743	1 816	1 927
Turkey	982	11 070	12 052	2 803	9 249
Turkmenistan	291	29	320	341	(21)
Ukraine	492	1 677	2 169	2 103	66
Uzbekistan	315	1 035	1 350	682	668
Regional	3 901	884	4 785	1 711	3 074
Area total	28 917	65 721	94 638	48 665	45 973
GLOBAL ASSISTANCE					
Emergency Programme Fund	5 047	13 457	18 504	9 215	9 289
Immunization	2 800	7 824	10 624	5 521	5 103

STATEMENT VII-2 (concluded)

Area and country assistance	Approved programmes unspent balances as at January 2004	New programmes and cancellations	Total programmes	Total expenditures	Approved programmes unspent balances as at 31 December 2005
Inter-country programmes	**88 151**	**179 609**	**267 760**	**166 061**	**101 699**
Innocenti Research Centre	**7 449**	**7 789**	**15 238**	**7 328**	**7 910**
TOTAL GLOBAL ASSISTANCE	**103 447**	**208 679**	**312 126**	**188 125**	**124 001**
TOTAL PROGRAMME ASSISTANCE	**564 222**	**1 764 643**	**2 328 865**	**1 400 643**	**928 222**

STATEMENT VII-3

PROGRAMME COOPERATION: STATEMENT OF APPROVED PROGRAMMES, EXPENDITURES AND UNSPENT BALANCES FOR EMERGENCY RELIEF AND REHABILITATION FOR THE BIENNIUM ENDED 31 DECEMBER 2005

(In thousands of United States dollars)

Area and country assistance	Approved programmes unspent balances as at January 2004	New programmes and cancellations	Total programmes	Total expenditures	Approved programmes unspent balances as at 31 December 2005
AFRICA					
Angola	3 462	16 759	20 221	16 892	3 329
Benin	11	1 836	1 847	924	923
Botswana	(58)	(20)	(78)	(27)	(51)
Burkina Faso	(31)	233	202	264	(62)
Burundi	2 689	20 428	23 117	20 638	2 479
Cameroon		549	549	492	57
Central African Republic	175	2 993	3 168	2 289	879
Chad	1	19 316	19 317	13 100	6 217
Comoros	248	600	848	732	116
Congo	445	1 783	2 228	796	1 432
Côte d'Ivoire	5 607	8 617	14 224	12 827	1 397
Democratic Republic of the Congo	5 569	43 493	49 062	45 705	3 357
Eritrea	4 179	8 814	12 993	10 336	2 657
Ethiopia	16 058	34 727	50 785	46 692	4 093
Gambia		105	105		105
Ghana	59	223	282	255	27
Guinea	251	2 628	2 879	2 870	9
Guinea-Bissau	31	519	550		550
Kenya	844	3 898	4 742	4 152	590
Lesotho	358	297	655	553	102
Liberia	4 867	27 596	32 463	22 692	9 771
Madagascar	174	632	806	630	176
Malawi	2 788	12 221	15 009	6 102	8 907
Mali	(33)	754	721	100	621
Mauritania	1 226	1 150	2 376	2 062	314
Mozambique	3 769	1 893	5 662	4 602	1 060
Namibia		421	421	65	356
Niger		19 019	19 019	15 959	3 060
Rwanda	(793)	557	(236)	130	(366)
Sao Tome and Principe		316	316		316
Senegal	809	575	1 384	817	567
Sierra Leone	4 058	3 248	7 306	6 688	618
Somalia	3 318	30 257	33 575	23 260	10 315
Swaziland	1 974	1 039	3 013	2 841	172
Uganda	1 405	34 396	35 801	23 433	12 368

STATEMENT VII-3 (continued)

Area and country assistance	Approved programmes unspent balances as at January 2004	New programmes and cancellations	Total programmes	Total expenditures	Approved programmes unspent balances as at 31 December 2005
United Republic of Tanzania	1 636	4 760	6 396	5 435	961
Zambia	1 545	389	1 934	1 831	103
Zimbabwe	6 277	9 661	15 938	11 163	4 775
Regional	7 313	3 021	10 334	4 309	6 025
Area total	80 231	319 703	399 934	311 609	88 325
THE AMERICAS AND THE CARIBBEAN					
Argentina		(14)	(14)		(14)
Barbados		212	212		212
Belize					
Bolivia	2	167	169	168	1
Colombia	1 285	2 148	3 433	1 703	1 730
Cuba	1	123	124	123	1
Dominican Republic	(3)	10	7	6	1
Ecuador	22		22		22
El Salvador	55	2 833	2 888	1 342	1 546
Guatemala	(97)	4 831	4 734	1 293	3 441
Guyana		498	498	493	5
Haiti		9 784	9 784	8 121	1 663
Honduras	(34)		(34)	11	(45)
Jamaica		224	224	162	62
Mexico		869	869		869
Nicaragua		766	766	724	42
Peru	25	110	135	129	6
Venezuela	14	93	107	91	16
Regional	1 191	(209)	982	310	672
Area total	2 461	22 445	24 906	14 676	10 230
EAST ASIA AND THE PACIFIC					
Cambodia	(40)		(40)		(40)
China	(2)	166	164	167	(3)
Democratic People's Republic of Korea	1 747	25 368	27 115	25 243	1 872
Indonesia	712	309 300	310 012	95 885	214 127
Malaysia		3 696	3 696	677	3 019
Mongolia	38	(24)	14		14
Myanmar		10 417	10 417	3 833	6 584
Philippines		1 424	1 424	1 423	1
Thailand		23 336	23 336	7 467	15 869
Timor-Leste	727	202	929	614	315

STATEMENT VII-3 (continued)

Area and country assistance	Approved programmes unspent balances as at January 2004	New programmes and cancellations	Total programmes	Total expenditures	Approved programmes unspent balances as at 31 December 2005
Viet Nam	14	186	200	63	137
Regional		6 386	6 386	2 223	4 163
Area total	3 196	380 457	383 653	137 595	246 058
SOUTH ASIA					
Bangladesh	221	18 471	18 692	15 988	2 704
India	1 824	33 809	35 633	18 083	17 550
Maldives		55 687	55 687	23 993	31 694
Pakistan	3	96 710	96 713	50 385	46 328
Sri Lanka	9 931	188 879	198 810	77 987	120 823
Regional		5 465	5 465	2 195	3 270
Area total	11 979	399 021	411 000	188 631	222 369
MIDDLE EAST AND NORTH AFRICA					
Algeria	95	160	255	240	15
Djibouti	(6)	340	334	297	37
Iran (Islamic Republic of)	1 071	28 474	29 545	22 128	7 417
Iraq	93 377	2 030	95 407	88 234	7 173
Jordan	(26)	(1)	(27)	(6)	(21)
Kuwait	30		30		30
Lebanon	(9)		(9)		(9)
Morocco		640	640	568	72
Palestinian children and mothers	1 859	25 646	27 505	15 507	11 998
Sudan	16 583	241 494	258 077	193 100	64 977
Syrian Arab Republic	(23)	(43)	(66)		(66)
Yemen	1	998	999	253	746
Regional	18 480	1 435	19 915	8 971	10 944
Area total	131 432	301 173	432 605	329 292	103 313
CENTRAL AND EASTERN EUROPE, THE COMMONWEALTH OF INDEPENDENT STATES AND THE BALTIC STATES					
Albania	240	(37)	203	(4)	207
Armenia	(12)		(12)	(12)	
Azerbaijan	2	(2)			
Belarus	2		2		2
Bosnia and Herzegovina	1 196	30	1 226	490	736
Croatia	220		220	(1)	221
Georgia	37	683	720	435	285

STATEMENT VII-3 (concluded)

Area and country assistance	Approved programmes unspent balances as at January 2004	New programmes and cancellations	Total programmes	Total expenditures	Approved programmes unspent balances as at 31 December 2005
Kosovo, Serbia and Montenegro	**88**	**79**	**167**	**1 228**	**(1 061)**
Romania	**6**		**6**		**6**
Russian Federation	**754**	**13 037**	**13 791**	**12 833**	**958**
Serbia and Montenegro	**633**	**(107)**	**526**	**146**	**380**
Tajikistan	**1 107**	**2 448**	**3 555**	**3 446**	**109**
The former Yugoslav Republic of Macedonia	**126**	**(12)**	**114**	**72**	**42**
Turkey	**59**	**(19)**	**40**	**10**	**30**
Turkmenistan	**4**	**(7)**	**(3)**	**(3)**	
Ukraine	**15**		**15**		**15**
Yugoslavia (former)	**23**		**23**		**23**
Regional	**3 223**	**(78)**	**3 145**	**(14)**	**3 159**
Area total	**7 723**	**16 015**	**23 738**	**18 626**	**5 112**
GLOBAL ASSISTANCE					
Emergency Programme Fund		**23 841**	**23 841**	**1 093**	**22 748**
Inter-dcountry programmes	**10**	**22 563**	**22 573**	**3 804**	**18 769**
TOTAL GLOBAL ASSISTANCE	**10**	**46 404**	**46 414**	**4 897**	**41 517**
TOTAL PROGRAMME ASSISTANCE	**237 032**	**1 485 218**	**1 722 250**	**1 005 326**	**716 924**

B. Notes to the financial statements

Note 1
Statement of the objectives and activities of UNICEF

1. UNICEF is mandated by the United Nations General Assembly to advocate for the protection of children's rights, to help meet their basic needs and to expand their opportunities to reach their full potential. The organization mobilizes political will and material resources to help countries, particularly developing countries, ensure a "first call for children" and build their capacity to form appropriate policies and deliver services for children and their families.

Note 2
Summary of significant accounting policies

Accounting conventions

2. The financial statements are prepared in accordance with the Financial Regulations and Rules of UNICEF and the United Nations system accounting standards.

3. In line with the goal of achieving harmonization of the presentation of the accounts by agencies in the United Nations system, the financial statements are presented in line with the formats agreed upon by the United Nations System Chief Executives Board for Coordination.

Financial period

4. In accordance with the UNICEF Financial Regulations and Rules, the accounts are maintained on a biennial basis.

Unit of account

5. 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 rate of exchange.

Translation of currencies

6. Differences between the valuation of the currencies when entered into the accounts and when actual transactions are completed are accounted for as gains or losses on exchange transactions. Periodically, assets and liabilities in currencies other than United States dollars are revalued for accounting purposes at the prevailing United Nations operational rates of exchange. Any variance due to fluctuation of those rates is accounted for as income or loss and shown separately in the statement of income and expenditure. In accordance with UNICEF Executive Board decision 1990/28,[a] differences resulting from the payment of contributions pledged in currencies other than United States dollars are recorded against the contributions.

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[a] See *Official Records of the Economic and Social Council 1990, Supplement No. 8* (E/1990/28), chap. IV.

Income

7. Income consists of regular resources, supplementary funds and funds for emergency relief and rehabilitation. Regular resources include funds from the voluntary annual contributions of Governments, intergovernmental organizations and NGOs, the net income from the Private Sector Division, unearmarked funds contributed by the public and other income. Supplementary funds are those contributed to UNICEF by Governments, intergovernmental organizations, NGOs and the United Nations system for specific purposes within the programmes approved by the UNICEF Executive Board. Emergency relief and rehabilitation funds include those contributed for emergency operations.

8. Income is recorded on the basis of funds or pledges received for the current year. Funds received for future years for purposes specified by donors are considered deferred income and recorded as “contributions received in advance”.

9. Contribution income received from National Committees for UNICEF is accounted for on a cash basis, with the exception of contributions for supplementary funds and for emergency relief and rehabilitation, which may be recorded on the basis of a valid pledge from a National Committee. The validity of the pledge is determined by the existence of funds raised and a statement from the National Committee that it is committing funds to UNICEF in the form of a pledge.

10. The statement of income and expenditures does not include funds received and disbursements made from trust funds. Those transactions that do not require commitments by the Executive Board are maintained as trust funds.

11. All other income received by UNICEF is classified as miscellaneous income and is credited as regular resources.

12. Contributions in kind (supplies) are valued by management and reflect the cost UNICEF would normally pay for similar items.

13. Supported deliveries are not reflected in the financial accounts of UNICEF, although they are handled through the administrative structures of the organization.

Expenditure

14. All expenditures of UNICEF are accounted for on an accrual basis, except for those relating to staff entitlements, which are accounted for on the basis of cash disbursements only.

15. Deferred charges comprise expenditure items which are not properly chargeable in the current financial period and which will be charged as expenditure in a subsequent financial period.

16. No provision is made for staff entitlements such as repatriation, that will arise in the future or to meet contingencies under appendix D of the United Nations Staff Rules, as funds are provided in the budget appropriations as required.

Cash

17. All funds received, including those under trust fund arrangements, are deposited into UNICEF bank accounts and are reflected as cash holdings.

Stock

18. The stock of programme supplies at the UNICEF Supply Division warehouses is shown at average cost. All costs associated with bringing the goods to the warehouse are considered as part of the average cost. Goods in transit to the warehouse are valued at actual cost.

Capital assets cost

19. Capital assets consist of buildings and staff housing presented at their acquisition cost. The Private Sector Division machinery and equipment are depreciated over the estimated useful life of these assets.

Non-expendable property

20. Furniture, equipment and other non-expendable property are not included in the assets of the organization. Acquisitions are charged against budgetary accounts in the year of purchase.

Capital asset reserve

21. By its decision 1990/26,[a] the Executive Board authorized the establishment of a capital asset reserve fund to better control future purchases of UNICEF capital assets, mainly buildings to be purchased for office accommodation and staff housing in the field. At such time as may be necessary, additional authorized appropriations will be made to replenish the capital asset reserve.

Consolidation of Private Sector Division accounts

22. The financial report and accounts reflect UNICEF income, expenditure, assets and liabilities, including the net operating income, assets and liabilities of the Private Sector Division. Inter-office transactions between UNICEF and the Division are eliminated for Private Sector Division consolidation purposes.

Private Sector Division accounting conventions

23. The Private Sector Division accounts are maintained in accordance with the Financial Regulations and Rules of UNICEF and the Greeting Card Operation special supplement thereto.

Private Sector Division translation of currencies

24. Proceeds are recorded in local currency on the basis of annual reporting and are converted to United States dollars at the United Nations operational rates of exchange prevailing on 31 December.

Private Sector Division allowance for exchange rate fluctuation and doubtful accounts receivable

25. The policy of making an allowance of 10 per cent of non-United States dollar-denominated outstanding accounts receivable as at 31 December as a provision for delays in the collection thereof was discontinued effective 31 December 2003. In accordance with Private Sector Division accounting policy, a provision to cover accounts receivable that are considered doubtful for collection may be established.

Private Sector Division inventories

26. The inventory of work in process and finished goods are valued at standard cost, while raw materials are valued at moving average cost. It is Private Sector Division policy to write down unsold cards and dated products at the end of the first sales campaign year and all other products at the end of the second sales campaign year. Products that have been written down and carried forward are valued at their add-on cost. All publicity and promotion materials produced in the current campaign year but relating to future campaign years are shown at standard cost and included in inventory.

Private Sector Division capital assets

27. Capital assets costing $100,000 or more are capitalized and depreciated over their estimated useful life.

Private Sector Division liabilities

28. Liabilities are accrued in the Private Sector Division accounts following recognized accounting standards, and appropriate cut-off procedures are followed consistently.

Private Sector Division income

29. Gross proceeds from the sale of cards and products are recorded in foreign currency and accrued on the basis of the provisional sales reports received from the sales partners at year’s end. They are converted into United States dollars at the United Nations operational rates of exchange prevailing on 31 December of the year in question. The accrual is adjusted in the following year on receipt of the final sales report. If the provisional sales report is not received from a sales partner by the end-of-year closure, gross proceeds are accrued on the basis of that sales partner’s average sales-to-delivery ratio for the current year.

30. Income from private sector fund-raising activities and related expenses are recorded separately in the Private Sector Division accounts. The net proceeds raised by National Committees from private sector fund-raising activities are recorded on the basis of the reports they submit at year’s end, while the net proceeds raised by field offices from private sector fund-raising activities are recorded upon receipt of funds.

Note 3
Transfer to the biennium support budget

31. A transfer is made from income to the biennium support budget, in keeping with the budget harmonization of UNDP, the United Nations Population Fund (UNFPA) and UNICEF, as follows:

	2004-2005	2002-2003
	(thousands of United States dollars)	
Government contributions towards local costs	346	571
Income tax reimbursement	23 831	15 278
Total	**24 177**	**15 849**

32. In line with the recommendation of the external auditors, UNICEF included the income tax reimbursement for the short-term staff in the transfer to support budget items for the biennium 2004-2005. If the same basis had been applied, the figure for income tax reimbursement for 2002-2003 would have been $4.183 million more, a total of $19.461 million.

Note 4
Private Sector Division income

33. Net income from the Private Sector Division for the biennium ended 31 December 2005 was $579,689,000, broken down as follows:

	2004	2005	Total	2002-2003
	(thousands of United States dollars)			
Income:				
Gross proceeds from sales	161 518	145 645	307 163	277 394
Private sector fund-raising	260 988	268 353	529 341	503 687
Other income	8 799	16 440	25 239	10 972
Total	**431 305**	**430 438**	**861 743**	**792 053**
Total expenditures	140 180	141 873	282 053	221 257
Net income	**291 125**	**288 565**	**579 690**	**570 796**

Note 5
Miscellaneous income

	2004-2005	2002-2003
	(thousands of United States dollars)	
Liquidation of prior year's outstanding budgetary obligations	17 766	26 507
Income from the sale of surplus and obsolete property	2 022	1 729
Agency commissions from procurement services	12 689	1 915
Gains and losses on foreign exchange transactions	15 183	5 222
Miscellaneous — others	12 222	3 170
Total	**59 882**	**38 543**

Note 6
Write-offs

	Regular resources	Supplementary funds	Emergency relief and rehabilitation	Total 2004-2005	Total 2002-2003
	(thousands of United States dollars)				
Uncollectible contributions	110	2665	5 344	8 119	12 453
Stock write-offs and other write-offs	4 347			4 347	3 904
Prior periods' adjustments					44
Total	**4457**	**2 665**	**5 344**	**12 466**	**16 401**

Note 7
Reserves

Reserve for after-service health insurance

34. In 2003, the Executive Board authorized the establishment of a funded reserve for after-service health insurance for $30 million. The reserve was increased by $30 million during 2004-2005. Currently, disbursements for retirees are charged against the budget appropriations of the periods when actual payments are made (see note 19 for actuarial valuation).

Reserve for procurement services — staff and related costs

35. In 1993, the Executive Board authorized the establishment of a reserve for procurement services at $2 million.[b] There were no movements in the reserve during 2004-2005.

36. The income and expenditures relating to procurement services amounted to:

	2004-2005	2002-2003
	(thousands of United States dollars)	
Funds received	28 710	12 160
Staff-related expenses	16 021	10 245
Transfer to miscellaneous income	**12 689**	**1 915**

Reserve for losses of programme supplies and equipment and property loss

37. In 1950, the Executive Board authorized the establishment of a reserve for insurance of $200,000 to absorb losses of UNICEF programme supplies and equipment not covered by commercial insurance. In 1987, UNICEF established a reserve of $100,000 to self-insure for property losses.

[b] See *Official Records of the Economic and Social Council 1993, Supplement No. 14* (E/1993/34-E/ICEF/1993/14), chap. IV, decision 1993/19.

Reserve for capital asset fund

38. In 1990, the Executive Board authorized the establishment of a reserve for capital asset fund for field office accommodation, and staff housing in a total amount of $25 million.

39. The activities on all reserves are shown as follows:

	Balances as at 1 January 2004	*Funds received*	*Expenses/ adjustments*	*Balances as at 31 December 2005*
	(thousands of United States dollars)			
Reserve for procurement services	2 000			2 000
Reserve for insurance	142		27	115
Reserve for capital assets	26 872	94		26 966
Reserve for after-service health insurance	30 000	30 000		60 000
Total	**59 014**	**30 094**	**27**	**89 081**

Note 8
Cash and term deposits

	2005	*2003*
	(thousands of United States dollars)	
Term deposits	2 125 318	927 233
Cash (convertible)	61 636	26 867
Cash (non-convertible)	7 557	7 259
Total cash and term deposits	**2 194 511**	**961 359**

Note 9
Ageing analysis of contributions receivable

Prior to 2003	*2003*	*2004*	*2005*	*Total 2005*	*Total 2003*
		(thousands of United States dollars)			
5 535	3 134	14 629	163 751	187 049	269 093

Note 10
Provision for uncollectible contributions receivable

40. In line with the recommendation of the external auditors,[c] UNICEF maintains a provision for potentially uncollectible contributions receivable. This provision is set at $5 million.

[c] See *Official Records of the General Assembly, Fifty-first Session, Supplement No. 5B* (A/51/5/Add.2), para. 35.

Note 11
Other accounts receivable

	2005	2003
	(thousands of United States dollars)	
From NGOs for fund-raising campaigns of National Committees for UNICEF	309 692	312 504
Less Private Sector Division allowance for exchange rate fluctuation and uncollectible accounts	(7 265)	(28 241)
From Governments, United Nations agencies and other organizations for trust funds	4 693	21 022
From United Nations and specialized agencies	8 556	4 959
From staff members	21 025	21 432
From banks — accrued interest	6 640	3 074
Advances to suppliers for goods and freight	7 714	8 296
From Governments — other	1 133	1 083
Deposits and prepayments	967	612
Miscellaneous	164	157
Total	**353 319**	**344 898**

Note 12
Inventories

	2005	2003
	(thousands of United States dollars)	
Programme supplies in warehouse	18 343	23 222
Packing materials in warehouse	304	251
Private Sector Division — raw materials	2 809	2 402
— work in progress	116	189
— finished goods	3 970	2 455
Total	**25 542**	**28 519**

Note 13
Buildings and equipment

	UNICEF office buildings	*UNICEF housing*	*Private Sector Division machinery and equipment*	*Total*
	(thousands of United States dollars)			
As at 31 December 2003	**12 373**	**580**	**76**	**13 029**
Additions	2 821	47		2 868
Depreciation			76	76
As at 31 December 2005	**15 194**	**627**		**15 821**

Note 14
Contributions received in advance

	2005	*2003*
	(thousands of United States dollars)	
Governments and intergovernmental agencies	18 057	1 852
Others	1	898
Total	**18 058**	**2 750**

41. Further to contributions received in advance, pledges amounting to $282,217,000 have already been received for future years.

Note 15
Unliquidated obligations

	2005	*2003*
	(thousands of United States dollars)	
Programme accounts	265 844	117 810
Administrative accounts	17 883	10 081
Total	**283 727**	**127 891**

Note 16
Accounts payable

	2005	2003
	(thousands of United States dollars)	
To the United Nations and specialized agencies	18 831	2 621
Central Emergency Revolving Fund	3 621	3 427
Supplies, services and freight	65 954	65 716
Miscellaneous	12 467	8 491
Total	**100 873**	**80 255**

Note 17
Trust funds

	2005	2003
	(thousands of United States dollars)	
Net balance	331 892	268 374
Receivable from trust funds	4 693	21 023
Gross balance	**336 585**	**289 397**

Note 18
Medical insurance plans

	2004-2005	2002-2003
	(thousands of United States dollars)	
Opening balance	**31 450**	**24 343**
Premiums	17 921	15 996
Expenditures	9 802	8 889
Ending balance	**39 569**	**31 450**

42. The Medical Insurance Plan is a health and dental insurance plan operated by the United Nations, UNDP, the Office of the United Nations High Commissioner for Refugees (UNHCR) and UNICEF at designated duty stations for the benefit of locally recruited General Service staff members, national Professional officers, former staff members and their eligible family members. Staff and the organization share in the cost of the premiums. The balance represents premiums less expenses.

Note 19
After-service health insurance liability

43. In order to gain a better understanding of the financial dimensions of the organization’s liability for after-service health insurance, a consulting actuary was

engaged to carry out an actuarial valuation of post-retirement health insurance benefits as at 31 December 2005. On the basis of that study, it has been estimated that UNICEF liability as at 31 December 2005 for after-service health insurance benefits covering all participants is as follows:

	Present value of future benefits as at 31 December 2005	*Accrued liability as at 31 December 2005*
	(thousands of United States dollars)	
Gross liability	589 213	368 946
Offset from retirees	121 769	76 566
Total	**467 444**	**292 380**

44. The present value of future benefits is the discounted value of all benefits, less retiree contributions, to be paid in the future to all current retirees and active employees expected to retire in the future. In actuarial terminology, it is called the expected post-retirement benefit obligation.

45. The accrued liability for future benefits represents that portion of the present value of benefits that has accrued from the employee's date of hire until the valuation date. An active employee's benefit is fully accrued when that employee has reached the date of full eligibility for benefits. Thus, for retirees and active employees who are eligible to retire with benefits, the present value of future benefits and the accrued liability are equal. In actuarial terminology, the accrued liability is called the accumulated post-retirement benefit obligation.

46. As at 31 December 2005, the balance for after-service health insurance reserve is $60 million (see note 7, para. 34).

Note 20
Other end-of-service liabilities

47. The net contingent liability for staff benefits as at 31 December 2005 is estimated at $75,811,000, consisting of the following:

	2005	*2003*
	(thousands of United States dollars)	
Accumulated leave	38 902	33 041
Repatriation grant	36 909	33 911
Total	**75 811**	**66 952**

48. There is no provision in the accounts for the above amount. The expenditures will be charged against the budget appropriations of the periods when actual payments are made.

Note 21
United Nations Joint Staff Pension Fund

49. UNICEF is a member organization participating in the United Nations Joint Staff Pension Fund, which was established by the General Assembly to provide retirement, death, disability and related benefits. The Pension Fund is a funded defined benefit plan. The financial obligations of the organization to the Pension Fund consist of its mandated contribution at the rate established by the General Assembly, together with any share of any actuarial deficiency payments under article 26 of the Regulations and Rules of the Fund. Such deficiency payments are payable only if and when the General Assembly has invoked the provision of article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Fund as of the valuation date.

50. At the time of preparation of the present report, the General Assembly had not invoked this provision.

Note 22
Non-expendable property

	2005	*2003*
	(thousands of United States dollars)	
Cost of non-expendable property — UNICEF	44 611	52 922
Cost of non-expendable property — under UNICEF custody	83 676	65 708
Total	**128 287**	**118 630**

51. All non-expendable property is charged against current year expenditure at the time of acquisition.

Note 23
Liquidity

52. UNICEF internal liquidity guidelines recommend a year-end regular resources convertible cash balance equal to at least 10 per cent of projected regular resources income for the following year.

53. The financial plan for 2005 recommended a minimum regular resource convertible cash balance of $84 million.

54. For the purpose of complying with that internal guideline, UNICEF cash balances, excluding trust funds, are estimated to be split between regular resources and other resources as follows:

	Regular resources	Other resources
	(thousands of United States dollars)	
Convertible cash balance	447 391	1 402 978
Non-convertible cash balance	7 557	
Total	**454 948**	**1 402 978**

55. UNICEF complied with its internal liquidity guideline for the year 2005.

Note 24
In-kind contributions

56. During the biennium 2004-2005 UNICEF provided in-kind contributions to the organizations listed below.

	Total 2004-2005	Total 2002-2003
	(thousands of United States dollars)	
Global Alliance for Vaccines and Immunization	512	953
Joint United Nations Programme on HIV/AIDS	118	113
United Nations Board of Auditors	57	45
Total	**687**	**1 109**

C. Schedules to the financial statements

SCHEDULE 1
CONTRIBUTIONS RECEIVED OR PLEDGED FOR THE BIENNIUM ENDED 31 DECEMBER 2005
(In thousands of United States Dollars)

	Regular resources				Other resources: Supplementary funds			Other resources: Emergency relief and rehabilitation			
Donor	Governments and inter-governmental agencies	Non-governmental sources	Transfer to biennium support budget	Subtotal	Governments and inter-governmental agencies	Non-governmental sources	Subtotal	Governments and inter-governmental agencies	Non-governmental sources	Subtotal	TOTAL
COUNTRIES											
Afghanistan									5	5	5
Algeria	48			48		34	34				82
Andorra	56			56	855	748	1 603	78	333	411	2 070
Argentina						4 291	4 291		84	84	4 375
Armenia	2			2		30	30				32
Australia	8 427			8 427	31 020	7 549	38 569	29 562	11 336	40 898	87 894
Austria	2 640			2 640	950	647	1 597	473	1 777	2 250	6 487
Azerbaijan	14			14	127		127				141
Bahamas	2			2							2
Bangladesh	69			69	338	8	346		218	218	633
Barbados	9			9							9
Belgium	7 431			7 431	9 604	2 984	12 588	8 369	16 760	25 129	45 148
Belize	100			100		4	4				104
Bhutan	15			15					14	14	29
Bolivia					47	140	187				187
Botswana	8		(8)			57	57		17	17	74
Brazil						9 179	9 179		760	760	9 939
Brunei Darussalam								116		116	116
Bulgaria	6			6							6
Burkina Faso									1	1	1
Burundi	2			2							2
Cambodia	15			15					1	1	16
Canada	21 083			21 083	89 235	9 547	98 782	80 214	21 127	101 341	221 206
Cayman Islands	9			9							9
Chile	155			155	107	584	691	25	800	825	1 671
China	2 417			2 417		1 384	1 384	1 000	176	1 176	4 977
Colombia	1 200			1 200		2 720	2 720		22	22	3 942
Costa Rica	16			16							16
Côte D'Ivoire					88		88	460	3	463	551
Croatia	1			1	51	1 165	1 216				1 217
Cuba	10			10							10
Cyprus	44			44							44
Czech Republic	562			562	39	453	492	232	1 191	1 423	2 477
Democratic People's Republic of Korea									3	3	3
Denmark	60 317			60 317	9 726	2 226	11 952	11 605	8 568	20 173	92 442
Djibouti	1			1							1
East Timor									2	2	2
Ecuador						1 236	1 236		4	4	1 240
Egypt									3	3	3
Estonia	50			50	38		38	31		31	119
Ethiopia	100			100							100
Fiji					98		98		2	2	100
Finland	33 651			33 651	2 823	2 935	5 758	10 433	3 149	13 582	52 991

SCHEDULE 1 (continued)
CONTRIBUTIONS RECEIVED OR PLEDGED FOR THE BIENNIUM ENDED 31 DECEMBER 2005
(In thousands of United States Dollars)

	Regular resources				Other resources						
					Supplementary funds			Emergency relief and rehabilitation			
Donor	Governments and inter-governmental agencies	Non-governmental sources	Transfer to biennium support budget	Subtotal	Governments and inter-governmental agencies	Non-governmental sources	Subtotal	Governments and inter-governmental agencies	Non-governmental sources	Subtotal	TOTAL
France	21 457			21 457	7 477	13 608	21 085	9 888	78 042	87 930	130 472
Gabon					194	322	516				516
Gambia					112		112				112
Georgia	2			2				54		54	56
Germany	11 578			11 578	250	45 053	45 303	7 640	104 939	112 579	169 460
Ghana	15			15							15
Greece	600			600		1 283	1 283	68	68	136	2 019
Grenada	1			1							1
Guatemala	1			1					12	12	13
Guinea						13	13				13
Guyana	8			8				70	66	136	144
Haiti	10			10							10
Honduras	61			61	622		622				683
Hong Kong (China)						4 302	4 302	17	26 844	26 861	31 163
Hungary	48			48		117	117	47	87	134	299
Iceland	374			374	71	329	400	102	350	452	1 226
India	2 270			2 270	2 874	34	2 908		46	46	5 224
Indonesia	200			200		978	978		1 030	1 030	2 208
Iran, Islamic Republic of	54			54		9	9		8	8	71
Iraq									127	127	127
Ireland	21 977			21 977	4 540	2 094	6 634	8 864	3 984	12 848	41 459
Israel	120			120					33	33	153
Italy	29 004			29 004	15 085	24 096	39 181	19 753	31 075	50 828	119 013
Jamaica	1		(1)						78	78	78
Japan	47 240			47 240	118 957	12 135	131 092	120 886	31 549	152 435	330 767
Jordan	15			15		4	4		1	1	20
Kazakhstan	29			29				22	2	24	53
Kenya						405	405		16	16	421
Kuwait	600			600				500		500	1 100
Lao People's Democratic Republic	16			16					1	1	17
Lebanon	10			10		283	283		113	113	406
Liechtenstein	17			17	56		56	162		162	235
Lithuania									17	17	17
Luxembourg	2 289			2 289	5 317	670	5 987	3 414	2 243	5 657	13 933
Malawi	9			9					24	24	33
Malaysia	252			252		68	68		447	447	767
Maldives	15			15		10	10				25
Mali									3	3	3
Mauritania	22			22							22
Mauritius	9			9				50		50	59
Mexico	428			428	11	3 992	4 003		3 201	3 201	7 632
Moldova, Republic of	1			1							1
Monaco	50			50				1		1	51
Mongolia	22			22					44	44	66
Morocco	258			258	11	62	73		753	753	1 084
Myanmar	1		(1)								
Namibia	3			3		120	120				123
Nepal	15			15					1	1	16
Netherlands	72 029			72 029	62 638	14 804	77 442	95 921	44 532	140 453	289 924

SCHEDULE 1 (continued)
CONTRIBUTIONS RECEIVED OR PLEDGED FOR THE BIENNIUM ENDED 31 DECEMBER 2005
(In thousands of United States Dollars)

					Other resources						
	Regular resources				Supplementary funds			Emergency relief and rehabilitation			
Donor	Governments and inter-governmental agencies	Non-governmental sources	Transfer to biennium support budget	Subtotal	Governments and inter-governmental agencies	Non-governmental sources	Subtotal	Governments and inter-governmental agencies	Non-governmental sources	Subtotal	TOTAL
New Zealand	3 038			3 038	5 779	698	6 477	2 163	937	3 100	12 615
Nicaragua	7			7		1	1		4	4	12
Nigeria						654	654				654
Norway	95 676			95 676	154 755	1 306	156 061	90 181	2 098	92 279	344 016
Oman	110			110	1 013	13	1 026		62	62	1 198
Others, Regular resources	2			2							2
Pakistan	150		(46)	104		44	44		4	4	152
Panama	54			54	600	179	779		8	8	841
Papua New Guinea									1	1	1
Paraguay						41	41				41
Peru	20			20		426	426		3	3	449
Philippines	88		(34)	54		1 299	1 299		221	221	1 574
Poland	40			40		62	62	200	164	364	466
Portugal	340			340	868	669	1 537	662	3 537	4 199	6 076
Qatar	100			100							100
Republic of Korea	4 200			4 200		2 613	2 613	3 100	3 100	6 200	13 013
Romania	26			26					735	735	761
Russian Federation	1 000			1 000		377	377	3 176	64	3 240	4 617
Rwanda	1			1							1
Saint Vincent and the Grenadines	2			2							2
Samoa	2			2							2
San Marino						97	97		11	11	108
Saudi Arabia	1 000			1 000	500	1 186	1 686		974	974	3 660
Senegal	26			26	177		177		1	1	204
Sierra Leone					524		524				524
Singapore	100			100	10		10				110
Slovak Republic	24			24		95	95	224	322	546	665
Slovenia	45			45		247	247	77	2 119	2 196	2 488
South Africa	31			31		14	14	356	57	413	458
Spain	4 993			4 993	2 967	14 509	17 476	5 432	19 939	25 371	47 840
Sri Lanka	15			15	216		216		33	33	264
Sweden	99 987			99 987	80 301	7 838	88 139	57 547	8 538	66 085	254 211
Switzerland	28 299			28 299	3 721	11 349	15 070	2 558	2 894	5 452	48 821
Syrian Arab Republic	6			6							6
Tajikistan									25	25	25
Thailand	469		(245)	224	295	4 437	4 732		2 433	2 433	7 389
Togo					44	23	67				67
Trinidad and Tobago	20			20							20
Tunisia	72		(11)	61		18	18	1	9	10	89
Turkey	240			240		598	598	500	1 010	1 510	2 348
Ukraine								47	2	49	49
United Arab Emirates	200			200	825	1 428	2 253	510		510	2 963
United Kingdom of Great Britain and Northern Ireland	69 338			69 338	155 968	29 698	185 666	121 880	50 139	172 019	427 023
United States of America	243 292		(23 831)	219 461	174 848	75 306	250 154	78 529	163 446	241 975	711 590
Uruguay						476	476		3	3	479
Venezuela	94			94		550	550		34	34	678
Viet Nam	33			33		11	11		100	100	144
Yemen	20			20							20

SCHEDULE 1 (continued)
CONTRIBUTIONS RECEIVED OR PLEDGED FOR THE BIENNIUM ENDED 31 DECEMBER 2005
(In thousands of United States Dollars)

	Regular resources				Other resources						
					Supplementary funds			Emergency relief and rehabilitation			
Donor	Governments and inter-governmental agencies	Non-governmental sources	Transfer to biennium support budget	Subtotal	Governments and inter-governmental agencies	Non-governmental sources	Subtotal	Governments and inter-governmental agencies	Non-governmental sources	Subtotal	TOTAL
Yugoslavia, Federal Republic of						249	249	353	18	371	620
Zambia									7	7	7
Zimbabwe						6	6		43	43	49
Subtotal, countries	902 731		(24 177)	878 554	946 772	329 229	1 276 001	777 553	659 187	1 436 740	3 591 295
INTERGOVERNMENTAL AGENCIES											
Agfund					220		220	150		150	370
Asian Development Bank					80		80				80
Council of Europe								23		23	23
European Commission Humanitarian Office					19 659		19 659	73 848		73 848	93 507
European Economic Community					40 038		40 038	5 869		5 869	45 907
OPEC Fund					2 150		2 150	300		300	2 450
Organization for Security					26		26				26
Subtotal, intergovernmental agencies					62 173		62 173	80 190		80 190	142 363
Income adjustments to prior periods	3 501			3 501	(1 224)	551	(673)	(2 574)	(373)	(2 947)	(119)
Refund of contributions					(3 992)	(99)	(4 091)	(7 915)	(73)	(7 988)	(12 079)
TOTAL GOVERNMENT AND INTERGOVERNMENTAL AGENCIES	906 232		(24 177)	882 055	1 003 729	329 681	1 333 410	847 254	658 741	1 505 995	3 721 460
NON-GOVERNMENTAL ORGANIZATIONS											
Barbados		2		2							2
Bhutan						58	58				58
Canada						16 072	16 072				16 072
Catholic Relief Services (CARE)									150	150	150
Côte D’Ivoire		1		1		56	56				57
Denmark						59	59				59
France						142	142		291	291	433
GAVI Global Fund for Children’s Vaccines						7 824	7 824				7 824
Germany						29	29		25	25	54
Haiti		2		2							2
India						28	28				28
Indonesia						232	232		199	199	431

SCHEDULE 1 (continued)
CONTRIBUTIONS RECEIVED OR PLEDGED FOR THE BIENNIUM ENDED 31 DECEMBER 2005
(In thousands of United States Dollars)

					Other resources						
	Regular resources				Supplementary funds			Emergency relief and rehabilitation			
Donor	Governments and inter-governmental agencies	Non-governmental sources	Transfer to biennium support budget	Subtotal	Governments and inter-governmental agencies	Non-governmental sources	Subtotal	Governments and inter-governmental agencies	Non-governmental sources	Subtotal	TOTAL
International Federation of Red Cross and Crescent						100	100				100
Jamaica		4		4							4
Japan		176		176		29	29		1 000	1 000	1 205
Liechtenstein						25	25				25
NetAID Foundation									15	15	15
Netherlands						121	121				121
Others, Regular resources		1		1							1
Romania						120	120				120
Rotary International						16 400	16 400				16 400
Rwanda		1		1							1
Singapore									10	10	10
Switzerland		22		22		15 781	15 781				15 803
Thailand						32	32				32
Tunisia									66	66	66
United Nations Women's Guild									129	129	129
United Nations staff - Emergencies									37	37	37
United Nations, Secretariat						5	5				5
United Arab Emirates						40	40				40
United Kingdom of Great Britain and Northern Ireland						50	50				50
United States of America		4		4		90 426	90 426		3 275	3 275	93 705
Subtotal, non-governmental organizations		213		213		147 629	147 629		5 197	5 197	153 039
Income adjustments to prior periods		487		487		272	272		(1 003)	(1 003)	(244)
Refund of contributions						(812)	(812)				(812)
TOTAL GOVERNMENTS, INTERGOVERNMENTAL AND NON-GOVERNMENTAL AGENCIES	906 232	700	(24 177)	882 755	1 003 729	476 770	1 480 499	847 254	662 935	1 510 189	3 873 443
INTER-ORGANIZATION ARRANGEMENTS											
Ethiopia						44	44				44
ILO						53	53				53
Joint United Nations Programme on HIV/AIDS						9 534	9 534				9 534
Sudan									491	491	491
United Nations Trust Fund for Human Security						8 290	8 290				8 290
United Nations staff - Emergencies									10	10	10

SCHEDULE 1 (concluded)
CONTRIBUTIONS RECEIVED OR PLEDGED FOR THE BIENNIUM ENDED 31 DECEMBER 2005
(In thousands of United States Dollars)

	Regular resources				Other resources: Supplementary funds			Other resources: Emergency relief and rehabilitation			
Donor	Governments and inter-governmental agencies	Non-governmental sources	Transfer to biennium support budget	Subtotal	Governments and inter-governmental agencies	Non-governmental sources	Subtotal	Governments and inter-governmental agencies	Non-governmental sources	Subtotal	TOTAL
UNDG						93 244	93 244 *				93 244
UNDP						867	867		4 874	4 874	5 741
UNESCO						386	386				386
UNFPA						1 898	1 898		116	116	2 014
UNOCHA									3 351	3 351	3 351
United Nations Capital Development Fund						63	63				63
United Nations Centre for Human Settlement						71	71				71
WHO						10 927	10 927		760	760	11 687
World Bank						10 785	10 785		548	548	11 333
World Food Programme						105	105				105
Subtotal, inter-organizational arrangements						136 267	136 267		10 150	10 150	146 417
Income adjustments to prior periods		144		144		300	300				444
Refund of contributions						(256)	(256)		(82)	(82)	(338)
TOTAL INTER-ORGANIZATIONAL ARRANGEMENTS		144		144		136 311	136 311		10 068	10 068	146 523
GRAND TOTAL	906 232	844	(24 177)	882 899	1 003 729	613 081	1 616 810	847 254	673 003	1 520 257	4 019 966

SUMMARY	Regular Resources	Supplementary Funds	Emergency Relief & Rehabilitation	Total
Governments	881 979	941 904	768 168	2 592 051
Intergovernmental agencies	76	61 826	79 086	140 988
National Committees		329 681	658 741	988 422
Non-governmental organizations	700	147 088	4 194	151 982
Inter-organization arrangements	144	136 311	10 068	146 523
GRAND TOTAL	882 899	1 616 810	1 520 257	4 019 966
Contributions received in cash				3 987 844
Contributions received in kind				32 122
TOTAL CONTRIBUTIONS				4 019 966

* Includes $53.5 million from UNDG-ITF, which it received from the Government of Japan.

SCHEDULE 2

CONTRIBUTIONS RECEIVABLE FOR REGULAR RESOURCES, SUPPLEMENTARY FUNDS AND EMERGENCY RELIEF AND REHABILITATION
AS AT 31 DECEMBER 2005

(In thousands of United States dollars)

	Regular resources			Other resources: Supplementary funds			Other resources: Emergency relief and rehabilitation			
Donor	Governments and inter-governmental agencies	Non-govern-mental sources	Subtotal	Governments and inter-governmental agencies	Non-govern-mental sources	Subtotal	Governments and inter-governmental agencies	Non-govern-mental sources	Subtotal	Total
GOVERNMENTS										
Andorra				272		272				272
Australia				1 126		1 126				1 126
Belgium				1 328		1 328	2 352		2 352	3 680
Bhutan	29		29							29
Bulgaria	3		3							3
Cameroon	14		14							14
Canada				9 343		9 343	8 940		8 940	18 283
Cape Verde	1		1							1
Colombia	307		307							307
Denmark				613		613				613
Djibouti	1		1							1
Finland	(35)		(35)							(35)
France				6 298		6 298	3		3	6 301
Germany				73		73				73
Iran	54		54							54
Ireland				210		210				210
Italy				350		350				350
Lao, People's Democratic Republic	5		5							5
Lesotho	3		3							3
Luxembourg				372		372	141		141	513
Malaysia	84		84							84
Maldives, Republic of	8		8							8
Mauritius	10		10							10
Mongolia	22		22							22
Morocco	5		5							5
Netherlands				2 977		2 977	1 680		1 680	4 657
New Zealand				235		235				235
Nicaragua	4		4							4
Norway				4 925		4 925	291		291	5 216
Panama	9		9							9
Portugal							61		61	61
Spain	2 118		2 118							2 118
Sweden				583		583	1 864		1 864	2 447
Switzerland				82		82				82
Syrian Arab Republic	6		6							6
United States of America				44 628		44 628	34 159		34 159	78 787
United Kingdom of Great Britain and Northern Ireland				22 915		22 915	538		538	23 453
United Arab Emirates	100		100				49		49	149
Vietnam	20		20							20
Yemen, Republic of	2		2							2
Subtotal Governments	**2 770**		**2 770**	**96 330**		**96 330**	**50 078**		**50 078**	**149 178**

SCHEDULE 2 (continued)

Donor	Regular resources			Other resources: Supplementary funds			Other resources: Emergency relief and rehabilitation			Total
	Governments and inter-governmental agencies	Non-govern-mental sources	Subtotal	Governments and inter-governmental agencies	Non-govern-mental sources	Subtotal	Governments and inter-governmental agencies	Non-govern-mental sources	Subtotal	
INTERGOVERNMENTAL AGENCIES										
Agfund				111		111				111
Delegation of Commission of the European Union				11 348		11 348	2 594		2 594	13 942
European Commission Humanitarian				4 213		4 213	12 052		12 052	16 265
OPEC Fund				100		100	50		50	150
Subtotal intergovernmental agencies				15 772		15 772	14 696		14 696	30 468
NATIONAL COMMITTEES FOR UNICEF										
Subtotal National Committees										
NON-GOVERNMENTAL ORGANIZATIONS										
Micronutrient Initiative					243	243				243
Rotary International					8 185	8 185				8 185
Subtotal non-governmental agencies					8 428	8 428				8 428
INTER-ORGANIZATIONAL ARRANGEMENTS										
UNDCP - Vienna					6	6				6
United Nations Secretariat					77	77				77
Subtotal inter-organization arrangements					83	83				83
ADJUSTMENTS										
Revaluation - contribution receivable - prior years			(1 103)			428			(433)	(1 108)
GRAND TOTAL	2 770		1 667	112 102	8 511	121 041	64 774		64 341	187 049

SCHEDULE 2 (concluded)

Donor	Regular resources			Other resources: Supplementary funds			Other resources: Emergency relief and rehabilitation			Total
	Governments and inter-governmental agencies	Non-govern-mental sources	Subtotal	Governments and inter-governmental agencies	Non-govern-mental sources	Subtotal	Governments and inter-governmental agencies	Non-govern-mental sources	Subtotal	
SUMMARY										
Governments			**2 770**			**96 330**			**50 078**	**149 178**
Intergovernmental agencies						**15 772**			**14 696**	**30 468**
Non-governmental organizations						**8 428**				**8 428**
Inter-organization arrangements						**83**				**83**
Contribution revaluation			**(1 103)**			**428**			**(433)**	**(1 108)**
GRAND TOTAL			**1 667**			**121 041**			**64 341**	**187 049**

Schedule 3

TRUST FUNDS FOR THE BIENNIUM ENDED 31 DECEMBER 2005

(In thousands of United States dollars)

	Balances as at 1 January 2004	Funds received and adjustments	Funds disbursed	Balances as at 31 December 2005
Government and others				
Procurement Services	63 517	587 091	530 730	119 878
Procurement Services on behalf of GAVI	145 849	226 173	258 428	113 594
Junior Professional Officers	12 660	22 355	22 124	12 891
Other trust funds	59 297	471 948	459 465	71 780
Subtotal	281 323	1 307 567	1 270 747	318 143
United Nations system				
International Labour Organization (ILO)	2			2
United Nations agencies	11	1 121	426	706
United Nations Secretariat	(13 851)	23 317	9 465	1
UNAIDS	719	(395)	305	19
UNESCO		23		23
UNFPA	22	515	416	121
UNHCR		47	47	
UNICT		18	18	
United Nations Development Programme	357	23 466	11 422	12 401
United Nations University		6	6	
UNRWA	12	(5)	7	
World Bank	(300)	300		
World Food Programme	(9)	582	480	93
World Health Organization	88	866	571	383
Subtotal	(12 949)	49 861	23 163	13 749
Net balance	**268 374**	**1 357 428**	**1 293 910**	**331 892**
Receivable for trust funds	**21 023**			**4 693**
Gross balance	**289 397**			**336 585**

Annex I

Income and expenditures and changes in reserves and fund balances for the years ended 31 December 2004 and 31 December 2005

(In thousands of United States dollars)

	Regular resources		Other resources: Supplementary funds		Other resources: Emergency relief and rehabilitation		Total	
	2005	2004	2005	2004	2005	2004	2005	2004
INCOME								
Voluntary contributions								
Governments	468 593	437 639	412 811	590 919	536 791	310 461	1 418 195	1 339 019
Less: Transfer to support budget	(15 264)	(8 913)					(15 264)	(8 913)
	453 329	428 726	412 811	590 919	536 791	310 461	1 402 931	1 330 106
Non-governmental/private sector	635	917	289 336	186 581	586 152	76 785	876 123	264 283
Private Sector Division	288 565	291 125					288 565	291 125
Funds received under inter-organization arrangements		144	118 304	18 007	6 241	3 827	124 545	21 978
Other income								
Interest income	68 062	22 992					68 062	22 992
Miscellaneous income	29 406	30 476					29 406	30 476
Currency exchange adjustments	(42 898)	7 579					(42 898)	7 579
TOTAL INCOME	797 099	781 959	820 451	795 507	1 129 184	391 073	2 746 734	1 968 539
EXPENDITURE								
Programme assistance	484 759	399 255	815 167	585 476	665 580	359 023	1 965 506	1 343 754
Programme support	137 230	164 385					137 230	164 385
Total programme cooperation	621 989	563 640	815 167	585 476	665 580	359 023	2 102 736	1 508 139
Management and administration	88 383	91 341					88 383	91 341
TOTAL EXPENDITURES	710 372	654 981	815 167	585 476	665 580	359 023	2 191 119	1 599 480
EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURES	86 727	126 978	5 284	210 031	463 604	32 050	555 615	369 059
Write-offs/prior period's adjustments	2 183	2 274	1 162	1 503	2 960	2 384	6 305	6 161
NET EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURES	84 544	124 704	4 122	208 528	460 644	29 666	549 310	362 898
Reserve balances, 1 January	69 055	59 014					69 055	59 014
Reserve for after-service health insurance	(20 000)	(10 000)					(20 000)	(10 000)
Increase in reserves	20 026	10 041					20 026	10 041
Fund balances, 1 January	482 740	368 036	648 068	439 540	243 231	213 565	1 374 039	1 021 141
RESERVES AND FUND BALANCES, 31 DECEMBER	636 365	551 795	652 190	648 068	703 875	243 231	1 992 430	1 443 094

Annex II

Glossary of selected UNICEF terminology

accounts, audited. The financial statements of the organization for a specified period or at a specified date audited by the External Auditors (United Nations Board of Auditors).

accrual basis of accounting. The accrual basis of accounting for revenue in each financial period means that income is recognized when it is due and not when it is received. Accrual of expenditures in each financial period means that costs are recognized when obligations arise or liabilities are incurred and not when payments are made.

asset. An asset is a resource owned by or due to the organization as a result of past events.

budget. A plan in financial terms for carrying out proposed activities in a specified time. The term “budget” is used to refer to UNICEF programme support, management and administration costs, and programme assistance, as well as to the Private Sector Division. However, the Executive Board approves an appropriation of funds only for the UNICEF support budget and the regular resources part of intercountry programmes.

budget appropriations. The total appropriation of funds approved by the Executive Board for UNICEF programme support, management and administration costs, and programme assistance against which obligations may be incurred for those purposes up to the amount so approved.

budget estimates. Estimates of the costs of proposed programme support, management and administration, and programme assistance prepared for submission to the UNICEF Executive Board for the approval of relevant appropriations.

budget estimates, revised. Resulting from Executive Board approval of “supplementary estimates” proposed to adjust an approved budget.

cash holdings. The aggregation of all the funds of the organization, including coins, bank notes, cheques, balances in current and call accounts, savings 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, over those needed for immediate requirement, 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.

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 future time.

currencies of "restricted use" for UNICEF. Currencies, the use of which (mainly in respect of transferability and convertibility) is limited because of foreign exchange regulations or a donor's wish. When those limitations do not exist, the currencies are considered by UNICEF as "unrestricted" because they are fully convertible.

earmark. 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.

expenditures. Expenditure for a financial period is the sum of the disbursements and valid unliquidated obligations made against the appropriation/allocation for the period.

financial periods. The operating period of the organization, covered by the financial statements, is the biennium.

financial regulations. Until 31 December 1987, UNICEF accounts were maintained in accordance with the Financial Regulations of the United Nations, with such modifications as required by the nature of UNICEF work. Since 1 January 1988, UNICEF accounts have been maintained in accordance with the UNICEF Financial Regulations and Rules.

fund balance. Fund balances and reserves represent the difference between the assets and the liabilities of the organization. A fund balance consists of funds available for the implementation of programmes funded by regular resources and supplementary funds as well as funds available for the acquisition of capital assets.

income. Income for a financial period is defined as money or money equivalent received or accrued during the financial period which increases existing net assets. UNICEF income is recorded on the basis of funds or pledges received for the current year. It comprises funds classified as "regular resources", "supplementary funds" and "emergency relief and rehabilitation".

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, regular resources. Unearmarked income, which includes funds from voluntary annual contributions of Governments, the net income from the Private Sector Division, funds contributed by the public and certain other (or miscellaneous) income.

income, other. Also referred to as "miscellaneous income" for regular resources. Miscellaneous income is defined in the United Nations system as income other than (a) the value of assessed or voluntary contributions; and (b) such other income items as may be excluded under the organization's Financial Regulations and Rules. In UNICEF, this includes income other than the value of the voluntary contributions and the net income of the Private Sector Division.

income, supplementary funds. Specific contributions for programmes approved by the UNICEF Executive Board, in addition to regular resources, which then become part of UNICEF programmes. It consists of funds contributed to UNICEF by

Governments, non-governmental organizations and United Nations agencies for specific purposes.

income, emergency relief and rehabilitation. Consists of funds contributed to UNICEF by Governments, non-governmental organizations and United Nations agencies for emergency appeals.

inventory. The value of supplies and equipment for programmes owned by the organization, as well as Private Sector Division materials, at the end of an accounting or financial period.

liability. A liability is a present obligation of the organization arising from past events, the settlement of which is expected to result in an outflow of resources from the organization.

liquidity policy. Owing to the nature of programme implementation and UNICEF cash flows, there may occur, from time to time, short-term imbalances between regular resources cash disbursements and cash receipts. The UNICEF liquidity policy allows these temporary imbalances to be offset by up to one half of the balance of supplementary cash on hand.

liquidity requirement. In order to meet UNICEF liquidity requirements, regular resources convertible cash balances, at the end of each fiscal year, are required to equal 10 per cent of projected regular resources income for the next fiscal year.

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.

non-expendable property. Items of property and equipment charged to the administrative budget with an individual unit cost of at least $1,500.

obligation. Obligations are amounts of orders placed, contracts awarded, services received and other transactions which involve a charge against the resources of the current financial period. Obligations may be maintained either for that period or until liquidated or cancelled.

pledge. A written commitment by a prospective donor to make a voluntary contribution to UNICEF. A written commitment which is subject to the need to secure appropriate national legislative approval is considered a pledge.

procurement services. UNICEF assists Governments, United Nations agencies and non-governmental organizations working in fields of benefit to children by undertaking, on request and on a reimbursable basis, the 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 **trust funds**).

rates of exchange. The UNICEF accounts are maintained in United States dollars. Transactions in other currencies are converted for recording into United States dollars, in principle, at the United Nations operational rates of exchange.

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 for programme supplies. UNICEF also has a reserve for third-party liability, which had a balance as of 31 December 2005 of $26,399.

schedule. Explanatory or supporting analyses accompanying financial statements.

trust funds. Funds accepted by UNICEF mainly to cover the costs of procurement of supplies and services undertaken by UNICEF on behalf of others. They also include financing provided by sponsors to cover the costs relating to Junior Professional Officers, as well as those relating to projects funded by the World Bank, the oil-for-food programme in Iraq and the Global Alliance for Vaccines and Immunization. These funds are not considered to be UNICEF income.

specific contributions. Programme recommendations are often prepared in excess of the input available from regular resources. These recommendations are approved by the Executive Board as suitable for funding by supplementary contributions and contributions for emergency relief and rehabilitation from donors. When a contribution for specific purposes is made for such a programme, the corresponding commitment enters into effect (usually between Executive Board sessions).

unencumbered balance. That portion of the approved budget 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.

write-off. An adjustment to the accounts in order to record the loss of or reduction in the value of an asset.

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