United Nations

United Nations Children's Fund

Financial report and audited financial statements

for the biennium ended 31 December 2011

and

Report of the Board of Auditors

General Assembly
Official Records
Sixty-seventh Session
Supplement No. 5B

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Note

Symbols of United Nations documents are composed of letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

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Contents

Letters of transmittal

31 March 2012

Pursuant to United Nations Children's Fund financial regulation 13.3, enclosed are the financial report and statements for the biennium 2010-2011. 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*) Anthony **Lake**
Executive Director

Chair of the Board of Auditors
United Nations
New York

30 June 2012

I have the honour to transmit to you the financial statements of the United Nations Children's Fund (UNICEF) for the biennium ended 31 December 2011, which were submitted by the Executive Director of UNICEF. These statements have been examined by the Board of Auditors.

In addition, I have the honour to present the report of the Board of Auditors with respect to the above-mentioned accounts, including the audit opinion thereon.

(*Signed*) **Liu** Jiayi
Auditor-General of China
Chair of the Board of Auditors

President of the General Assembly
of the United Nations
New York

Chapter I

Report of the Board of Auditors on the financial statements: audit opinion

Report on the financial statements

We have audited the accompanying financial statements of the United Nations Children's Fund for the biennium ended 31 December 2011, which comprise the statement of income and expenditure and changes in reserve and fund balances (statement I); the statement of assets, liabilities, reserves and fund balances (statement II); the statement of cash flow (statement III); and the supporting statements, schedules and explanatory notes. The audit did not cover annexes I and II to the financial statements.

Management's responsibility for the financial statements

The Comptroller of the United Nations Children's Fund is responsible for the preparation and fair presentation of these financial statements in accordance with the United Nations system accounting standards, and for such internal control as management deems necessary to permit the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence that we have obtained is appropriate and sufficient to provide a basis for our audit opinion.

Audit opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the United Nations Children's Fund as at 31 December 2011 and its financial performance and cash flows for the period then ended, in accordance with the United Nations system accounting standards.

Report on other legal and regulatory requirements

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 Rules of the United Nations Children's Fund and legislative authority.

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

(*Signed*) **Liu** Jiayi
Auditor-General of China
Chair of the Board of Auditors
(Lead Auditor)

(*Signed*) Terence **Nombembe**
Auditor-General of South Africa

(*Signed*) Amyas **Morse**
Comptroller and Auditor-General of the
United Kingdom of Great Britain and Northern Ireland

30 June 2012

Chapter II
Long-form report of the Board of Auditors

Summary

The Board of Auditors has audited the financial statements and reviewed the operations of the United Nations Children's Fund (UNICEF) for the biennium ended 31 December 2011. The audit was carried out through field visits to two regional offices and 10 country offices, as well as a review of the financial transactions and operations at Headquarters in New York, Geneva and Copenhagen. The Board's opinion does not cover annexes I and II to the financial statements.

Audit opinion

The Board issued an unqualified audit opinion on the financial statements for the biennium ended 31 December 2011.

Financial statements and financial reporting

Compared with the previous biennium, total income for the biennium 2010-2011 increased, from $6.61 billion to $7.35 billion, largely because of an increase in voluntary contributions. Total expenditure also increased, from $6.32 billion to $7.42 billion, owing mainly to a general increase in programme assistance expenditure. This resulted in a shortfall of income over expenditure of $69.67 million, compared with an excess of $286.24 million for the prior biennium.

As at 31 December 2011, total assets amounted to $3.8 billion, relatively unchanged compared with the year-end balance for the biennium 2008-2009. Of this amount, $3.08 billion, or 81 per cent, comprised cash and term deposits as well as investments. The Board noted that the large amount of cash holding at year-end was intended mainly for programme activities to be carried out in 2012 and thereafter.

The Board's review of the accounts and financial statements for the biennium 2010-2011 revealed that management and administration expenditure had been understated by at least $166.11 million and that some items included in the financial statements needed to be more transparent.

Following the audit, UNICEF either made adjustments or added further disclosures to the financial statements to improve transparency and to clarify that the management and administration expenditure reflected in the statement of income and expenditure represented the expenditure incurred under the budget authority provided in the biennial support budget for 2010-2011.

Issues relating to the National Committees for the Fund

The National Committees for UNICEF are official and exclusive partners of the Fund that are established to raise private sector funds on behalf of and for UNICEF, raising approximately one third of its annual income. Given the significance of the National Committees' contribution to UNICEF, the Board reviewed the relationships between UNICEF and the Committees, the Fund's monitoring of Committee activities related to fundraising and child advocacy, and the Committees' financial performance and reporting, and noted the following deficiencies:

(a) *Complete reporting/recognition of income from donations raised by the National Committees on behalf of and for UNICEF*. Based on United Nations system accounting standards and generally accepted accounting principles,* the Board's review of the cooperation agreements between UNICEF and the National Committees indicates that while the Committees are independent from UNICEF, they are not donors and all donor funds raised by the Committees on behalf of and for UNICEF should belong to UNICEF. Therefore, in the financial statements, UNICEF should account for the gross proceeds, rather than the net proceeds, raised by the National Committees as UNICEF income unless there is sufficient evidence to demonstrate that funds raised by the Committees do not belong to the Fund. The portion of funds retained by the National Committees to cover the associated fundraising costs should be recorded as UNICEF expenditure (as is the case with agency commissions). For the biennium 2010-2011, the gross proceeds raised by the National Committees from private sector fundraising activities totalled $2,651.8 million, while the net proceeds paid to UNICEF were $2,024.9 million. Therefore, $626.9 million of the funds raised and retained by the National Committees was not recorded in the Fund's unadjusted financial statements. Furthermore, under the standard cooperation agreement between the National Committees and UNICEF, when National Committees are liquidated, all of their net assets (including reserves) are to be returned in full to the Fund except in countries with legal restrictions on the transfer of funds to UNICEF. According to generally accepted accounting principles, UNICEF must recognize the ownership of such reserves. However, the Board noted that a total of $104.4 million in accumulated reserves retained by the National Committees as at 31 December 2011 was not recognized and disclosed as contingent assets in the unadjusted financial statements. In addition, the Board presents in the present report deficiencies in the revenue and expenditure recognition of funds raised by the National Committees, including an uncertified $469.56 million in net funds from the Committees that UNICEF directly recognized as revenue, a $7.46 million donation that should have been transferred to UNICEF but that UNICEF allowed the relevant Committee to use to directly offset its expenditure (resulting in the understatement of UNICEF revenue), and other instances in which UNICEF income and expenditure may be further understated but the amount of understatement is immaterial. In total, the Board considers that, in the unadjusted financial statements for the biennium 2010-2011, UNICEF income and expenditure were understated by at least $626.9 million. Following the audit, UNICEF made additional disclosure in note 4 to the financial statements, which is allowed by its Financial Regulations and Rules, to appropriately reflect the revenue and expenditure relating to the private sector funds raised by the National Committees, including reserves totalling $104.4 million that would be transferred to UNICEF as income in the event of the liquidation of the National Committees, subject to the provisions of the cooperation agreement. The Board will keep this issue under review in its future audits;

(b) *High retention rates on the part of National Committees*. A review of UNICEF private sector fundraising activities revealed that both UNICEF and the National Committees had incurred high costs in relation to private sector fundraising. During the period 2006-2011, 36 National Committees retained a total of $2.02 billion

* Since the United Nations system accounting standards are silent on fundraising in the private sector and allow entities to apply international accounting standards where appropriate, the Board applies the most relevant criteria of International Accounting Standard 18 in the context of fundraising in determining the revenue recognition for cooperating with the National Committees to raise funds in the private sector (detailed information on this subject is contained in annex III).

(or 29 per cent of their total funds of $7.07 billion for the same period) of the donations raised to cover their expenses, whereas the target retention rate was less than 25 per cent under the cooperation agreement. For the biennium 2010-2011, the total expenses incurred by the Private Fundraising and Partnerships division of UNICEF and the National Committees amounted to $952.58 million, representing 33 per cent of its total private sector fundraising income of $2,881.08 million. In other words, during the biennium 2010-2011, for every $100 in donor contributions, an average of $33 was spent to cover fundraising costs before the funds were available for UNICEF programmes. The Board noted that high administrative costs were one of the reasons for high retention rates on the part of some National Committees;

(c) *Inadequate oversight of National Committee activities under the cooperation agreements*. While UNICEF has established controls to oversee National Committees' fund allocation and utilization, its oversight of the activities of the Committees in accordance with the cooperation agreement was considered insufficient and should be improved. For example, the cooperation agreement amendments signed by UNICEF and the United States Fund granted the United States Fund the unconditional right to use donations raised under the UNICEF name. This gave the United States Fund the authority to allocate funds for programmes other than those of UNICEF, and thus UNICEF could not effectively supervise the utilization of the funds by the United States Fund. The Board is concerned about the risk that the National Committees could raise funds under the authority of UNICEF but allocate them to non-UNICEF programmes without the Fund's effective supervision.

Budget management

The budget is a key tool for effective financial management and control, and thus is the central component of a process that provides oversight of the financial dimensions of an organization's operations. The Board examined the budget formulation process and identified a number of weaknesses, including:

(a) The vacancy rate applied in the formulation of the support budget was not fully justified. The Board noted that a fixed vacancy rate of 6 per cent had been applied in the formulation of the budget for international Professional posts without adequate information to justify such a rate. In addition, no vacancy factor had been applied in the preparation of the budget for local staff posts (General Service and National Professional Officer). If the historical vacancy rates with respect to international staff and local staff had been used, the UNICEF support budget for 2010-2011 would have been $23.68 million lower;

(b) The $527.68 million approved budget for advocacy, programme development and inter-country programmes was not supported by detailed activities and results, and the Board considers that improvement could be made in this regard for the next biennium;

(c) While the budgets of some headquarters divisions/offices were presented and approved by the Executive Board in accordance with the Financial Regulations and related Executive Board decisions, the Board considers that budgets were not presented in a consolidated manner, preventing the governing body from obtaining an overall picture of the goals to be achieved as well as the financial resources required by those divisions/offices.

The Board also noted weaknesses related to budget implementation and performance reporting, including:

(a) A request had been made for additional resources of $4 million under Systems, Applications and Products (SAP) licence costs to cover overspending of $3.1 million for a VISION (the UNICEF enterprise resource planning system) consultant and other expenditure;

(b) Inter-country budget overspending of $32.91 million by the Programme Division at headquarters had not been approved by senior management;

(c) Performance reporting on the implementation of the biennial support budget, although in accordance with the Financial Regulations and related Executive Board decisions, was insufficient, preventing the governing body from obtaining an overall picture of the implementation of budgets as well as the achievement of expected results by the administration.

Programme and project management

For the biennium 2010-2011, UNICEF expenditure on programme assistance amounted to $6.83 billion, or 92 per cent of total expenditure. Effective programme management requires that the administration clearly define objectives and outputs, establish performance indicators and deploy the resources necessary for the fulfilment of its mandate. For the period under review, the Board examined the Fund's programme management and noted the following deficiencies:

(a) UNICEF did not have a global annual/biennial workplan. As a result, the governing body cannot link achievements detailed in the Fund's annual reports to planned programme activities and resource input on a global basis;

(b) With respect to programme implementation, assurance activities such as microassessments, spot checks and scheduled audits were insufficient at some field offices. The Board also noted weaknesses in authorization and approval controls with regard to cash transfers;

(c) In terms of the performance reporting of programme activities, 37 of the 59 performance indicators could not be directly linked to activities carried out under UNICEF country programmes of cooperation. In addition, the programme performance reported by field offices was not fully supportive of the outcomes and achievements presented in the Fund's annual reports.

Implementation of the International Public Sector Accounting Standards

The implementation of the International Public Sector Accounting Standards (IPSAS) is a vital means of UNICEF business transformation. With respect to the period under review, the Board continued its assessment of the Fund's progress towards IPSAS implementation and recognized, inter alia, the following efforts: (a) the establishment of a well-functioning steering committee and change management office to keep the implementation plan on track; (b) the development of a complete set of IPSAS accounting policy papers and procedures; (c) the revision of its Financial Regulations and Rules and related accounting policies; and (d) the successful "going live" and roll-out of the VISION enterprise resource planning system as from 1 January 2012. These efforts supported the Board's overall conclusion that the Fund's IPSAS implementation was generally on track at the time of reporting.

Meanwhile, the Board continued to identify areas in need of improvement, which, if not properly addressed, could have negative effects on IPSAS implementation and the realization of its expected benefits, including in particular:

(a) The policy paper on the treatment of private sector funds raised by the National Committees had not been finalized, which could have a significant impact on the presentation of financial statements;

(b) Important deficiencies of the former enterprise resource planning systems remained to be addressed, and three important processes of the new VISION system had not been completed as planned.

Follow-up of previous recommendations

The Board had no major overall concern about the status of the 50 recommendations that it made for the biennium 2008-2009, of which 66 per cent had been fully implemented (compared with 68 per cent during the previous biennium), 30 per cent were under implementation (compared with 32 per cent the previous year) and 4 per cent had not been implemented. The Board comments in the present report on unimplemented recommendations made in previous periods.

Recommendations

The Board has made a number of recommendations on the basis of its audit. The main recommendations are that UNICEF:

(a) **Clearly define the scope of the term "support personnel" and disclose those staff costs relating to operational functions as administrative or programme support expenditure in the financial statements;**

(b) **Develop procedures and strengthen its monitoring of contributions (including contributions in kind) to ensure the completeness and accuracy of reporting on income due to UNICEF by the National Committees, including but not limited to obtaining sufficient agreements between the Committees and their donors; reviewing and improving, where appropriate, the reporting requirements with regard to the revenue and expenditure reports; and obtaining audited financial statements and certified revenue and expenditure reports in a timely manner; and strengthen communication with the National Committees to ensure that all eligible funds raised are transferred to UNICEF in a timely manner;**

(c) **Strengthen the monitoring of the administrative expenditure of the National Committees with a view to maximizing the resources to be used in UNICEF programmes for children; and, in cooperation with the Committees, bring down the costs related to private sector fundraising so that more money can be used for the delivery of the Fund's mandate;**

(d) **Conduct continuous monitoring and review of National Committee sales of UNICEF-owned cards and products and take more effective measures, based on a careful analysis of possible losses and gains, to enhance the net revenue therefrom or discontinue the operations if they are incurring losses on a recurrent basis;**

(e) **Strengthen the monitoring of National Committee conversions of regular resources to other resources to maximize the amount of unrestricted funds for UNICEF, review the rationale of the clause relating to funds conversion in the cooperation agreement, and carefully monitor donations that are raised under the UNICEF name but are not used for UNICEF programmes, so as to avoid possible reputational risk;**

(f) **Take into account historical vacancy rates and, where possible, quantify foreseeable factors that have an impact on the budget when preparing its support budget in future; and apply more reasonable and fully justified budget assumptions so as to present a more transparent and justified budget in future;**

(g) **Prepare programme budget proposals for each office that include detailed activities and outcomes based on the actual requirements and resources available;**

(h) **Review its current budget preparation methodology in order to ensure that budgets are prepared and presented in an integrated manner so that the Executive Board obtains an overall picture of the institutional and thematic resources needed to achieve the expected objectives;**

(i) **Ensure that financial resources have been reasonably determined so as to reflect the actual requirements for the achievement of the expected objectives set out in the budget;**

(j) **Comply strictly with the requirement of the Executive Board that it seek the approval of the appropriate authority when the budget ceiling is exceeded;**

(k) **Establish a mechanism for performance reporting to the Executive Board on the utilization of biennial support budget resources, the explanation of variances between the original budget and actual expenditure, and the fulfilment of expected results;**

(l) **Ensure that its headquarters divisions work with all country offices to ensure the implementation of capacity assessments and assurance activities in accordance with the Framework for Cash Transfers to Implementing Partners;**

(m) **Improve annual reporting by supplementing the Data Companion with more selective key indicators on programme performance to represent the direct actions and contributions of UNICEF through country programmes of cooperation;**

(n) **Ensure that all country offices improve their annual reports by integrating information on the in-depth analysis of programme performance disparities and the resulting impact on programme implementation; and analyse the performance disparities within country offices with respect to each strategy and provide support or guidance to those country offices whose performance falls far short of the benchmarks;**

(o) **Consider developing an IPSAS benefit realization plan to allow for the full achievement of the expected benefits of IPSAS; and expedite the finalization of its accounting policy position paper regarding the treatment of private sector funds raised by the National Committees to make it IPSAS-compliant.**

A. Mandate, scope and methodology

1. The United Nations Children's Fund (UNICEF) is mandated by the General Assembly to advocate the protection of children's rights, to help meet the basic needs of children and to expand the opportunities of children to enable them 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 establish appropriate policies and deliver services for children and their families.

2. The Board of Auditors has audited the financial statements and reviewed the operations of UNICEF for the biennium ended 31 December 2011, in accordance with General Assembly resolution 74 (I) of 1946. The audit was conducted in conformity with article XIV of the UNICEF Financial Regulations and Rules and the annex thereto, as well as with the International Standards on Auditing.

3. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements fairly presented the financial position of UNICEF as at 31 December 2011 and the results of its operations and cash flows for the financial period then ended, in accordance with the United Nations system accounting standards. This included an assessment as to whether the expenditure recorded in the financial statements had been incurred for the purposes approved by the governing body and whether income and expenditure had been properly classified and recorded in accordance with the United Nations system accounting standards. The audit included a general review of financial systems and internal controls and an examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

4. In addition to the auditing of accounts and financial transactions, the Board reviewed UNICEF operations under UNICEF financial regulation 12.5. This requires the Board to make observations with respect to the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of UNICEF operations.

5. The Board coordinated with the UNICEF Office of Internal Audit in the planning of its audits in order to avoid duplication of effort and to determine the extent to which the Board could rely on the latter's work.

6. The present report covers matters that, in the opinion of the Board, should be brought to the attention of the General Assembly, including specific requests from the General Assembly and the Advisory Committee on Administrative and Budgetary Questions. The Board's observations and conclusions were discussed with the administration, whose views are appropriately reflected in the report.

B. Main findings and recommendations

1. Follow-up of previous recommendations

7. Of the 50 recommendations made by the Board for the biennium 2008-2009, 33 (66 per cent) had been fully implemented, 15 (30 per cent) were under implementation and 2 (4 per cent) had not been implemented. With respect to the previous biennium, by way of comparison, 68 per cent of the recommendations

made had been fully implemented, while 32 per cent were under implementation. Details regarding actions taken in relation to the 2008-2009 recommendations are included in the present report and summarized in annex I.

Recommendations under implementation

8. At the time of audit, 15 recommendations for the biennium 2008-2009 were under implementation. The proportion of recommendations under implementation reflected a slight decrease compared with the previous biennium, from 32 per cent to 30 per cent. The Board noted that some recommendations were to be systematically addressed through the implementation of the International Public Sector Accounting Standards (IPSAS) or the VISION enterprise resource planning system. The Board has no major overall concern about these partially implemented recommendations, but would like to draw attention to the following issues:

(a) *The disclosure of end-of-service liabilities (including after-service health insurance).* In previous reports (A/63/5/Add.2 and Corr.1, paras. 109 to 114, and A/65/5/Add.2, paras. 59 to 62), the Board had noted that UNICEF continued to disclose its end-of-service liabilities (including after-service health insurance) in the notes to the financial statements and had recommended that UNICEF consider disclosing them on the face of the financial statements, which is an approach broadly adopted by United Nations agencies. The Board noted that, while UNICEF had not adjusted its approach during the biennium 2010-2011, it had revised its accounting policy, which had enabled it to book the end-of-service and other employee benefit liabilities as part of the opening balance for the implementation of IPSAS in 2012. Therefore, the Board does not reiterate its previous recommendation in the present report;

(b) *Funding for end-of-service liabilities (including after-service health insurance).* In previous reports (A/63/5/Add.2 and Corr.1, para. 114, and A/65/5/Add.2, para. 75), the Board had recommended that UNICEF set aside adequate reserves to fund end-of-service liabilities. The Board noted that as at 31 December 2011, the Fund's reserve for end-of-service liabilities (including after-service health insurance) amounted to $321.4 million, approximately one third of the $921.56 million end-of-service liabilities as at 31 December 2011. The large amount of unfunded end-of-service liabilities would have a significant impact on the financial position of UNICEF during the implementation of IPSAS. The Board was informed that UNICEF had developed a funding model for after-service health insurance liabilities in October 2011 and that the Fund would revise it as further information became available from the actuary;

(c) *High vacancy rate.* In its previous report (A/65/5/Add.2, paras. 193 to 195), the Board had recommended that UNICEF review the need for posts that had been vacant for long periods and take appropriate measures to fill the remaining vacancies. To address this, UNICEF required each division/office to review and abolish posts vacant for one or more years, and 383 vacant posts were abolished. It also analysed data for funded and unfunded posts separately, and provided periodic monitoring and encouraged timely action to fill funded vacant posts. As a result, the total of vacant posts was reduced from 1,898 to 1,587 during the period under review. The vacancy rate for all posts decreased to 16 per cent, with a funded vacancy rate of 3.63 per cent. However, the Board noted that the 1,587 remaining vacant posts had been vacant for an average of 399 days. In addition, 14 offices/divisions still had a vacancy rate higher than 10 per cent for funded posts. In the light of the actions taken by the administration, the Board makes a new recommendation to replace the previous one in this regard.

9. **The Board recommends that UNICEF: (a) further review the necessity and the fundraising capacity with respect to posts that have been vacant for long periods; (b) abolish those posts that are deemed unnecessary or that have lacked sufficient funding for a considerable period of time; and (c) take appropriate measures to fill the remaining vacancies.**

2. Financial statements and financial reporting

10. Compared with the previous biennium, total income increased, from $6.61 billion to $7.35 billion, largely because of an increase in voluntary contributions. Total expenditure also increased, from $6.32 billion to $7.42 billion, owing mainly to an increase in programme assistance expenditures. This resulted in a deficit of $69.67 million, compared with an excess of $286.24 million for the preceding biennium.

11. As at 31 December 2011, total assets remained relatively unchanged, at $3.8 billion, compared with the previous biennium. Of this amount, $3.08 billion, or 81 per cent, comprised cash and term deposits as well as investments (see table II.1). The Board noted that the large amount of cash holding at year-end was intended mainly for programme activities to be carried out in 2012 and thereafter.

Table II.1
Cash and term deposits and investments as at 31 December 2011
(Thousand of United States dollars)

Cash and term deposits	2 731 441
Investments	350 000
Total	**3 081 441**

Source: Financial statements of UNICEF.

Disclosure of management and administration expenditure

12. Currently, UNICEF expenditure is classified under four categories, "programme assistance", "programme support", "management and administration" and "security", on the face of the financial statements. Those categories reflect the budget authority under which the expenditure is incurred. The definition and scope of the expenditure are set out in the UNICEF Financial Regulations and Rules.

13. According to the unadjusted financial statements of UNICEF for the biennium 2010-2011, total expenditure amounted to $7,424 million, including $166.86 million in management and administration costs. The Board noted, however, that the figure of $166.86 million in the unadjusted financial statements did not provide a full picture of the administrative costs incurred by UNICEF during the biennium. The main weaknesses in this regard were:

(a) The inappropriate reclassification of $100.41 million in expenditure from management and administration to programme assistance, which was funded from indirect cost recoveries;

(b) The exclusion of $136.08 million in administrative costs of the Private Fundraising and Partnerships Division from management and administration expenditure, although this is permitted by the UNICEF Financial Regulations and Rules;

(c) The inclusion of at least $62.24 million in administrative staff costs in programme assistance expenditure. While UNICEF explained that its Financial Regulations and Rules provided that programme expenditure could include costs relating to "support personnel", the Board is of the view that the relevant regulation does not clearly define the scope of the term "support personnel" and that staff costs relating to operational functions should be reflected as administrative or programme support expenditure;

(d) The offsetting of $3.46 million in management and administration expenditure with miscellaneous income.

14. Table II.2 presents a summary of the effects of the above-mentioned weaknesses on the unadjusted financial statements. Following the audit, UNICEF made either adjustments or further disclosures in the financial statements, except with regard to the above-mentioned $3.46 million understatement of management and administration expenditure, because of its immateriality to the financial statements.

Table II.2
Summary of effects of disclosure practices on the unadjusted financial statements relating to management and administration expenditure[a]

(Millions of United States dollars)

Practice	*Programme assistance (overstatement)*	*Management and administration (understatement)*	*Miscellaneous income (understatement)*
Reclassification of expenditure from management and administration to programme assistance	100.41	100.41	
Offsetting of management and administration expenditure with miscellaneous income		3.46	3.46
Inclusion of administrative staff costs in programme assistance expenditure	62.24	62.24	
Total	**162.65**	**166.11**	**3.46**

Source: Analysis of the Board.

[a] Since the UNICEF Financial Regulations and Rules require that the net operating income of the Private Funding and Partnership Division be reported on the face of the financial statements, the exclusion of $136.08 million of the Division's administrative costs from the management and administration expenditure did not affect the financial statements.

15. **The Board recommends that UNICEF clearly define the scope of the term "support personnel" and disclose those staff costs relating to operational functions as administrative or programme support expenditure in the financial statements.**

Recognition of income and expenditure for four trust funds and the GAVI Alliance agency fee

16. In accordance with the United Nations system accounting standards and International Accounting Standard 18, the Board reviewed all 20 trust funds of UNICEF as at 31 December 2011, and considers that UNICEF is acting as a principal for four trust funds (see annex II). However, the receipts and disbursements of the four funds for the biennium 2010-2011, totalling $47.92 million and $51.35 million, respectively, were not recognized as income and expenditure in the unadjusted financial statements. Given that this practice was allowed by the UNICEF Financial Regulations and Rules and that fund receipts and disbursements were disclosed in schedule 3 of the financial statements, the Board agreed that UNICEF should recognize the receipts and disbursements of the four trust funds as income and expenditure after the adoption of IPSAS in 2012.

17. In addition, the Board noted that the income of $19.61 million and expenditure of $13.53 million relating to the GAVI Alliance agency fee (a kind of fee charged by UNICEF for the provision of procurement services to Governments) were not recognized in the interim financial statements. In the light of the Board's findings, UNICEF changed its accounting policy and made adjustments in the financial statements.

End-of-service liabilities (including after-service health insurance)

18. As at 31 December 2011, the end-of-service liabilities of UNICEF totalled $921.56 million, compared with $578.28 million as at 31 December 2009, an increase of $343.28 million, or 59 per cent. This increase is attributed mainly to a decrease in the discount rate from 6 per cent to 4.5 per cent, which was one of the major assumptions used in the actuarial valuation of these liabilities.

Payment of after-service health insurance

19. In 2003, UNICEF established a funded reserve to cover liabilities arising from after-service health insurance for staff, with an initial allocation of $30 million from regular resources. The reserve was increased each year thereafter, bringing the balance to $270 million for the biennium ended 31 December 2011.

20. The Board noted that, despite the establishment of the funded reserve, disbursements for after-service health insurance had been charged against the support budget appropriations for the periods during which actual payments were made. The expenditure on after-service health insurance disbursements for 2010-2011 amounted to $11.48 million. The Board is of the view that by charging against the support budget rather than the funded reserve, UNICEF increased its expenditure for the biennium 2010-2011.

21. In the funding proposal for after-service health insurance approved by the Deputy Executive Director in October 2011, UNICEF planned to use the reserve to make actual payments for after-service health insurance as from 2012. However, the

Board found that the procedures regarding the use of the reserve for after-service health insurance were not clearly and specifically defined.

22. **UNICEF agreed with the Board's recommendation that it develop procedures to appropriately use the reserve for after-service health insurance and correctly reflect its expenditure in the financial statements.**

3. Budget management

23. The UNICEF budget includes a programme budget and a support budget. The programme budget provides funds required for the implementation of programmes for women and children approved by the Executive Board. The support budget includes all costs that are not directly attributable to a particular programme or project, but are necessary to maintain the Fund's presence in a country, as well as the management and administrative costs of headquarters. Bearing in mind significance and risk assessment, the Board focused mainly on the following matters: (a) whether the budget assumptions were well justified; (b) whether the implementation of the budget had reflected the approved budget; and (c) whether the results of such implementation were adequately reported so that the governing body could obtain a full picture of the objectives achieved and the resources utilized.

Budget formulation

24. On the basis of its risk assessment, the Board selected the support budget to determine whether the assumptions used in the formulation of the budget were fully justified; selected the advocacy, programme development and inter-country programme budget to examine the sufficiency of the justifications made for requesting the financial resources; and reviewed whether the budgets of divisions/offices were presented in an integrated manner.

Insufficient justifications for the vacancy rate applied in the formulation of the support budget

25. The use of clear and well-justified budget assumptions is vital in the formulation of an effective budget. Such assumptions should take into account both historical trends and foreseeable factors relating to a budget period. Any deviation from historical vacancy rates, as well as foreseeable factors that have an impact on the budget, should be fully justified and, where possible, quantified in order to arrive at a reasonable vacancy rate to apply in the budget.

26. The Executive Board approved a support budget of $1,010 million for the biennium 2010-2011, of which $487 million was allocated for international Professional staff and $192.38 million for local staff. The Board reviewed the use of the vacancy rate, a key assumption used in the preparation of the 2010-2011 support budget, and noted variance between the vacancy rates applied and the relevant historical trend data:

(a) *Insufficient justifications for the vacancy rate used for the international Professional post budget for the biennium 2010-2011*. The Board noted that while UNICEF had used a fixed 6 per cent vacancy rate with a 75 per cent discount rate (resulting in a final vacancy rate of 4.5 per cent; the main reason for the use of a 75 per cent discount rate was the consideration of potential recruitment in the following budget cycle, which could result in a decrease in the vacancy rate) in the formulation of the international Professional post budget, this vacancy rate needed to be fully justified by historical trend data and foreseeable factors. For the biennium 2010-2011, the total international Professional post budget amounted to $487 million. A vacancy trend analysis revealed that the average vacancy rate with respect to international Professional posts funded by the support budget during 2006-2008 had been 8.06 per cent. If a vacancy rate of 8.06 per cent had been used, the global international Professional post allocation in the 2010-2011 support budget would have been $480.52 million. This implies that the international Professional post budget could have been overestimated by $6.48 million. The inappropriateness of the application of the fixed 6 per cent vacancy rate was demonstrated by the actual international Professional post vacancy rate of 11.05 per cent in the biennium 2010-2011;

(b) *Non-application of a vacancy rate assumption in formulating the local staff budget.* The Board noted that UNICEF had not applied any vacancy rate when preparing the 2010-2011 support budget for local staff (General Service and National Professional Officer). If the average actual local staff vacancy rate of 8.96 per cent during 2010-2011 had been used, the local staff budget would have been $175.18 million, as compared with the $192.38 million provided for in the budget, a potential overestimation of $17.2 million.

27. While budgetary overestimations will generally be reflected as savings, further review by the Board revealed that the majority of the total potential overestimation of $23.68 million mentioned in paragraph 26 (a) and (b) above had been transferred to Division of Information Technology Solutions and Services infrastructure and VISION training development. UNICEF explained that resource allocation and utilization decisions were based on the organizational management results and priorities articulated in the biennial support budget.

28. The Board is of the view that budget assumptions should be fully justified when applied. Any foreseeable factors that could have an impact on the budget should be quantified to the extent possible. The absence of clear justifications makes it nearly impossible for managers to exercise meaningful budgetary control and undermines effective financial management.

29. **The Board recommends that UNICEF: (a) take into account historical vacancy rates and, where possible, quantify foreseeable factors that have an impact on the budget when preparing its support budget in future; and (b) apply more reasonable and fully justified budget assumptions so as to present a more transparent and justified budget in future.**

No detailed information on activities or results relating to advocacy, programme development and inter-country programme budget

30. Generally, results-based budgeting requires that a budget include a number of key elements, including activities (what will be undertaken), expected results (what will be achieved), indicators (how to measure achievements against input) and financial resources requested (the amount of resources required). The Board considers that the lack of this key information will lead to an incomplete and non-fully justified budget.

31. For the biennium 2010-2011, the Executive Board approved a budget of $527.68 million relating to advocacy, programme development and inter-country programmes, separate from the biennial support budget (see table II.3). The Board noted, however, that the advocacy, programme development and inter-country programmes budget was not supported by detailed activities and results, and thus it was not clear what those resources should be used for.

32. As a result, the Board noted that the actual expenditure for headquarters amounted to 162 per cent of the approved budget for advocacy and programme development, and that the overspent amount of $116.43 million was covered by the redeployed budget for advocacy and programme development for seven regions and the redeployed budget for inter-country programmes. UNICEF explained that the budget for inter-country programmes was provided with flexibility when some offices exceeded their own budget ceilings.

Table II.3
Advocacy, programme development and inter-country programme budget compared with actual expenditure, 2010-2011
(Thousands of United States dollars)

	Approved expenditure	*Actual expenditure*	*Variance in percentage*
Budget	*A*	*B*	*B/A*
Advocacy and programme development budget for headquarters	187 000	303 434	162.26
Advocacy and programme development budget for seven regions	180 675	108 010	59.78
Inter-country programme budget	160 000	39 463	24.66
Total	**527 675**	**450 907**	**85.45**

Source: Data provided by UNICEF.

33. The Board is of the view that the lack of detailed activities and results with respect to the advocacy, programme development and inter-country programme budget would make it difficult for UNICEF to monitor the utilization of resources.

34. **The Board recommends that UNICEF prepare programme budget proposals for each office that include detailed activities and outcomes based on the actual requirements and resources available.**

Budgets of some headquarters divisions/offices fragmented

35. Generally, the budget of an office should be formulated and presented for approval in an integrated manner, so that the governing body can obtain an overall picture of the results to be achieved as well as of the institutional and thematic budgets required by those offices. While recognizing that the presentation of and reporting on budgets were in compliance with the UNICEF Financial Regulations and Rules and related decisions of the Executive Board, the Board of Auditors considered that the budgets of some UNICEF headquarters offices/divisions were somewhat fragmented.

36. For example, the Private Fundraising and Partnerships Division budget for 2010-2011 comprised three parts: a biennial support budget of $12.82 million, an offset budget of $279.43 million, and an inter-country programme budget of $1.8 million. The Board reviewed the budget proposals of the Division and noted that the expected results set out in its biennial support budget were nearly identical to those set out in its official budget.

37. Similarly, the Board noted that the budgets of the Office of the Executive Director, the Division of Human Resources, the Division of Information Technology Solutions and Services and the Public Sector Alliances and Resource Mobilization Office comprised two parts: a biennial support budget and an inter-country programme budget (see table II.4).

Table II.4
Budgets for four UNICEF headquarters divisions/offices
(Thousands of United States dollars)

Budget	*Office of the Executive Director*	*Division of Human Resources*	*Division of Information Technology Solutions and Services*	*Public Sector Alliances and Resource Mobilization Office*
Inter-country programme	5 600	5 000	2 000	1 300
Biennial support	13 393	30 578	67 406	21 376

Source: Data provided by UNICEF.

38. Furthermore, the Board noted that in the advocacy, programme development and inter-country programme budget, some administrative divisions or offices were allocated resources under the programme budget. The Board is of the view that the programme budget is intended to provide funds for programmes for women and children and should not cover any costs that are not directly attributable to a particular programme or project.

39. **The Board recommends that UNICEF review its current budget preparation methodology in order to ensure that budgets are prepared and presented in an integrated manner so that the Executive Board obtains an overall picture of the institutional and thematic resources needed to achieve the expected objectives.**

Budget implementation

40. The Board examined budget implementation against the approved budget, focusing on: (a) reasons leading to significant variances between actual expenditure and that set out in the budget; and (b) whether approvals had been obtained for overspending against the budget.

Request for extra resources for Systems, Applications and Products licence to cover overspending against the VISION consultant allocation

41. It is important that the administration make its resource requests on the basis of its actual needs and report the final results. The Board noted that a $5 million allocation for the Systems, Applications and Products (SAP) licence had been

approved in the 2010-2011 biennial support budget. In December 2011, an additional $4 million allocation for the licence had been approved by the VISION steering committee. However, the Board noted that the actual expenditure on the licence had been only $5.9 million, with the remaining $3.1 million having been used to cover overspending related to a VISION consultant.

42. UNICEF explained that the variance between the approved allocation and the actual expenditure relating to the VISION consultant was attributable in large part to a change in the scope and duration of the VISION project.

43. **The Board recommends that UNICEF ensure that financial resources are reasonably determined so as to reflect the actual requirements for the achievement of the expected objectives set out in the budget.**

Lack of approval by senior management of overspending against the advocacy and programme development budget

44. For the biennium 2010-2011, a total budget of $164.4 million for advocacy and programme development (other resources) was allocated for UNICEF headquarters. Of this amount, $50 million was for the Programme Division. As at December 2011, the actual expenditure for the Division was $82.91 million, $32.91 million more than the approved expenditure. However, the Board noted that the Division had not submitted to the Executive Director any request for approval to increase the ceiling, as required by the Executive Board.

45. **The Board recommends that UNICEF comply strictly with the requirement of the Executive Board that it seek the approval of the appropriate authority when the budget ceiling is exceeded.**

Budget performance reporting

46. Budget performance reporting is a vital part of budget management. By the end of the budget cycle, the administration should provide a formal performance report to its governing body (the Executive Board) indicating the utilization of budget resources, explaining significant variances between the original budget and actual expenditure, and indicating what has been achieved as a result of the utilization of resources. For the period under review, the Board examined the performance reporting mechanism with regard to the support budget and noted the following weaknesses.

Lack of a performance report on the implementation of the biennial support budget

47. At UNICEF, the biennial support budget was prepared in a results-based-budgeting format, reflecting organizational accountabilities articulated against results, with clear alignment among planned actions, performance indicators and targets, and proposed budgets. It followed a harmonized framework agreed upon with the United Nations Development Programme (UNDP) and the United Nations Population Fund in which key management results were organized according to 16 functions. The Board reviewed the performance reporting mechanism for the biennial support budget and noted the following deficiencies:

(a) *Currently, UNICEF does not provide its Executive Board with a performance report on the biennial support budget*. This prevents the Executive Board from obtaining an overall picture of the implementation of the budget or the fulfilment of the results set out therein. For example, the global staff expenditure approved for the 2010-2011 biennial support budget amounted to $550.6 million. As at 31 December 2011, actual expenditure for global staff totalled $467.7 million. Of the $82.9 million in savings, $65.9 million had been transferred to cover expenses related to, inter alia, Division of Information Technology Solutions and Services infrastructure and VISION training development. This was not reported to the Executive Board in a performance report to assist its decision-making;

(b) *There is inadequate monitoring of the achievement of expected results in the field offices*. During its field visits, the Board noted instances in which country offices had not regularly monitored progress towards the achievement of the results and targets set out in the biennial support budget. Results-based-budgeting data collection and compilation work had not been carried out.

48. **The Board recommends that UNICEF establish a mechanism for performance reporting to the Executive Board on the utilization of biennial support budget resources, the explanation of variances between the original budget and actual expenditure, and the fulfilment of expected results.**

4. Programme and project management

Programme planning

49. Programme planning is the process by which an organization formulates its objectives and establishes its programme of work with a view to meeting those objectives. Effective programme planning enables an organization to set appropriate goals and put in place effective plans to achieve them. These processes should also enable an organization to measure outcomes, determine whether it is using its resources effectively and hold people to account for the effective use of those resources.

Lack of an annual/biennial global workplan

50. The Board reviewed the planning framework of UNICEF and noted that the Fund had no annual/biennial global workplan. UNICEF is mandated by the General Assembly to promote the survival, protection and development of all children worldwide through fundraising, advocacy and education. To fulfil its mandate, UNICEF prepares a medium-term strategic plan (the current version of which covers the period 2006-2013), setting out its vision and core strategies to guide the Fund’s work as a whole. The plan outlines five focus areas to which UNICEF dedicates its resources and which contribute to the fulfilment of the Millennium Development Goals and other key commitments for children.

51. Under the medium-term strategic plan, each UNICEF country office prepares an annual workplan, rolling workplan and a multiyear workplan during the programme cycle on the basis of a country programme document approved by the Executive Board. The workplans provide detailed activity planning and set out what will be accomplished during specific time periods.

52. From the perspective of financial resources, UNICEF submits a financial plan to the Executive Board through three routes: a country programme document is presented to and approved by the Executive Board at the beginning of each programme cycle; an institutional budget is presented every two years; and the advocacy, programme development and inter-country programme carried out by

headquarters divisions and regional offices is approved on a biennial basis. In addition, UNICEF prepares a rolling planned financial estimate every four years.

53. UNICEF explained that the country programme document outlines an organization's contribution to shared results at the country level. The institutional budget and the advocacy, programme development and inter-country programme budget could be considered a high-level biennial workplan for institutional contributions to development results. However, the Board is concerned at the fact that the country programme document, the institutional budget and the inter-country programme budget are separate planning documents.

54. While the Board understands that UNICEF is a decentralized organization that relies on its country offices and regional offices to fulfil its mandate, and that it might be difficult for the Fund to prepare a comprehensive global workplan on an annual or biennial basis to achieve the targets set out in the medium-term strategic plan, the Board is concerned that the lack of such a workplan will result in fragmented information regarding programmes and prevent the governing body from obtaining a complete picture as to what programmes UNICEF is to deliver, how many resources are available and what the Fund is expected to finally achieve. It could also be difficult for the governing body to gain a full understanding of the linkage between organizational performance reporting and input regarding planned programme activities and resources.

Preparation and implementation of the annual management plan/annual workplan

55. The annual workplans of UNICEF country offices are documents that are used by Government counterparts and other partners to implement activities and request resources from UNICEF. The annual management plan is a separate tool for managing the daily operations of a country office. The inclusion of inappropriate targets in these plans, and the partial implementation of the plans, will have an impact on the fulfilment of the expected objectives of country offices.

56. In its previous report (A/65/5/Add.2, paras. 139 to 142), the Board noted delays in the preparation and implementation of annual management plans at some field offices. During the biennium 2010-2011, the Board noted that at the country offices in Indonesia, Mali and Sri Lanka, as well as at the Middle East and North Africa Regional Office and the West and Central Africa Regional Office, some management indicators contained in the annual management plans lacked baselines and targets. For example, in the 2010 annual management plan of the Sri Lanka country office, none of the management indicators were linked to specific baselines or targets.

57. Furthermore, the Board noted that at the country offices in India, Indonesia, Myanmar and Sri Lanka, the activities set out in the annual workplan and the annual management plan had not been fully implemented. For example, while the 2010 annual management plan of the Indonesia country office required that all supply requisitions be authorized by the end of October 2010; out of 158 valid requisitions, 22 (14 per cent) had not been authorized by 3 November 2010.

58. **UNICEF agreed with the Board's recommendations that it require its country offices to: (a) comply with the provisions of the UNICEF Programme Policy and Procedure Manual requiring the preparation of an annual management plan with clearly defined baselines, targets and performance**

indicators; and (b) periodically review the annual workplan/annual management plan and expedite the implementation of planned activities to ensure that all targets are met.

Programme implementation

59. Implementation is maximized through collaborative arrangements agreed upon with partners during the work planning phase. These programme arrangements include cash transfers, technical assistance and programme support and the provision of equipment and supplies. During the biennium 2010-2011, 133 UNICEF country offices and regional offices made a total of $2.11 billion in cash transfers to Governments or implementing partners, accounting for 31 per cent of programme assistance expenditure ($6.83 billion). In terms of programme implementation, the Board examined the sufficiency of assurance activities as well as the authorization and approval controls with regard to cash transfers. The Board noted the following deficiencies.

Insufficient capacity assessment and assurance activities in relation to cash transfers

60. At UNICEF, assurance regarding the appropriate utilization of cash transfers is obtained through sufficient and effective macroassessments, microassessments,[1] scheduled audits and spot checks. In its previous report (A/65/5/Add.2, paras. 111 to 116), the Board noted that at some field offices assurance activities with regard to cash transfers to implementing partners were insufficient. Inadequate microassessments may influence a country office's judgement regarding an implementing partner's internal control system, which is the basis for determining the modalities and procedures for cash transfers as well as the scale of assurance activities, while insufficient spot checks and scheduled audits could result in failure to obtain sufficient assurance regarding the proper utilization of cash transfers to implementing partners.

61. On the basis of the number of cash transfers released by country offices, the Board reviewed the capacity assessment and assurance activities carried out by 18 country offices (including through field visits to 10 country offices) and identified the following weaknesses in capacity assessment and assurance activities regarding cash transfers:

(a) *Microassessments are not fully implemented*. During its field visits to the country offices in Angola, Colombia, Indonesia, Mali and Sri Lanka, the Board noted that microassessments had not been fully implemented. For example, 19 of the

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[1] A harmonized approach to cash transfers to implementing partners was launched in April 2005. The approach introduces a new way of managing the process of transferring cash to implementing partners. Pursuant to General Assembly resolution 56/201 and the triennial policy review of operational activities for development of the United Nations system, the United Nations Development Group Executive Committee agencies (UNDP, UNICEF, UNFPA and the World Food Programme) adopted the common operational framework. The implementation of this approach is expected to significantly reduce transaction costs and lessen the burden that the multiplicity of United Nations procedures and rules creates for its implementing partners. The new approach uses macro- and microassessments, conducted with implementing partners during programme preparation, to determine levels of risk and capacity gaps. It uses assurance activities such as audits and spot checks during implementation and introduces a new harmonized format for implementing partners to request funds and report on how they have been used.

44 implementing partners, each of which had received more than $100,000 from the Sri Lanka country office during the period from 1 January to 30 September 2010, had not been subject to microassessments. The total amount involved with respect to the 19 implementing partners had been $1.57 million. The Sri Lanka country office explained that the insufficient microassessment had been due mainly to the separation of key staff of UNDP, which was the main coordinator for this activity. Similar observations were made in the survey conducted at headquarters. For example, in 2010, 163 implementing partners had received annual cash transfers of more than $100,000 from the Congo country offices, but only 3 of them had received microassessments.

(b) *Spot checks are insufficient*. During the field audits, the Board noted that spot checks had not been sufficiently implemented in the country offices in Angola, India, Indonesia and Nigeria. For example, at the Indonesia country office, out of the 213 spot checks to be finished by the end of 30 September 2010, only 90 (42 per cent) had been completed on time. On the basis of the survey finding, the Board noted that the country offices in Afghanistan, Bangladesh and Somalia had not prepared an office-wide plan for spot checks as required. At the country offices in the Congo and Pakistan, spot checks had been planned, but the planned activities had not been fully implemented.

(c) *Scheduled audits are also insufficient*. Insufficient scheduled audits were also noted during the field visits to the country offices in Colombia, Ethiopia, India and Indonesia. For example, the Ethiopia country office had prepared an audit plan for 17 implementing partners, each of which had received more than $500,000 during the programme cycle 2007-2011, but the scheduled audits had not been carried out at the time of audit. The Ethiopia country office explained that as a result of emerging situations in Ethiopia and preparations for the migration to the VISION system, the planned scheduled audits would be delayed until the first quarter of 2012. Similar observations were noted by the Board in the survey conducted at headquarters. For example, the scheduled audits conducted by seven country offices had not covered all of their implementing partners, each of which had received more than $500,000 for the programme cycle 2007-2011.

(d) *Cash transfers are released without appropriate authorization*. It is vital to obtain appropriate authorization before the release of cash transfers to implementing partners. During its field visits to the country offices in Ethiopia and Sri Lanka, the Board noted, on a sample basis, cases of non-compliance with the requirement that approval be obtained from the appropriate authorities before the release of direct cash transfers to implementing partners. For example, at the Ethiopia country office a total of $512,986 had been as released without prior authorization from the Regional Director, to five implementing partners that had not reported on their use of previously transferred funds for more than six months, which was not in line with the Fund's financial circular 15 (Rev. 3).

62. The deficiencies referred to above were echoed in a fraud case reported by UNICEF internal audit services in relation to an implementing partner of a country office. The main deficiencies were related to the insufficient monitoring of programme activities and the release/approval of cash transfers to implementing partners without appropriate authorization. The Board is concerned that insufficient assurance activities will expose UNICEF to a significant risk of being unable to

obtain sufficient assurance as to the appropriate utilization of cash transfers made to partners, and even to a significant risk of fraud cases.

63. **The Board recommends that the headquarters divisions of UNICEF work with all country offices to ensure the implementation of capacity assessments and assurance activities in accordance with the Framework for Cash Transfers to Implementing Partners.**

64. **The Board also recommends that UNICEF ensure that its country offices strictly monitor the payment procedure in order to ensure that appropriate authorizations are obtained prior to the release of cash transfers to implementing partners.**

Raising requisitions and making disbursements before signing annual workplans

65. At UNICEF, a signed annual workplan provides a basis for the raising of requisitions. No disbursements should be made before the approval and signature of the annual workplan. Raising requisitions and making disbursements without an approved annual workplan may result in inconsistency with the disbursements and activities subsequently set out in the signed workplans, thus exposing country offices to a risk of dispute if partners carry out activities that are different from those set out in the workplan.

66. At the country offices in Angola, Colombia and Myanmar, large requisitions were raised before the annual workplans were signed. The Angola country office had authorized $2.5 million in cash requisitions and $1.27 million in supply requisitions before the annual workplans were signed in 2010. Furthermore, direct cash transfers totalling $1.78 million, representing 71.2 per cent of the cash requisitions authorized in advance, had been disbursed to implementing partners before the annual workplans were signed. The Angola country office explained that the disbursement of funds was carried out on the basis of agreed annual workplans to avoid delays in programme implementation and that requests for disbursement were checked against specific activity lines in the plans pending signature by partners.

67. **UNICEF agreed with the Board's recommendation that it comply with the relevant requirements of its Programme Policy and Procedure Manual with regard to raising requisitions and making disbursements.**

Monitoring and evaluation of programme activities

68. Each country office sets out planned programme activities and expected results in the annual workplan/annual management plan. An effective monitoring and evaluation mechanism for programme activities will facilitate programme implementation and the achievement of expected results. With respect to the period under review, the Board examined the monitoring methodology for the utilization of direct cash transfers and the conduct of evaluation activities in country offices.

Monitoring of the long-outstanding direct cash transfers

69. At UNICEF country offices, direct cash transfers to implementing partners are administered on a rolling six-month basis. On a quarterly basis, country offices are required to report to headquarters and regional offices the status of outstanding direct cash transfers, including those outstanding for more than six months. The

current monitoring methodology is focused on the outstanding direct cash transfer balances at the end of March, June, September and December.

70. On a sample basis, the Board reviewed the direct cash transfer data of the Ethiopia, Nigeria and Pakistan country offices and noted that out of the $36.85 million in outstanding direct cash transfers as at 31 December 2010, only $1.37 million, or 3.72 per cent, had been outstanding for more than six months. Although this reflected favourably on the year-end status of outstanding direct cash transfers at those offices, a review of the liquidation of those direct cash transfers in 2010 revealed that the utilization of such transfers in the three country offices had been unsatisfactory.

71. In 2010, $133.76 million in direct cash transfers had been liquidated in the three country offices. The Board compared the liquidation date of each direct cash transfer with its release date, and noted that $56.54 million (or 42 per cent) had been liquidated more than six months after the release of the direct cash transfer, which revealed a picture very different from the year-end status with regard to outstanding direct cash transfers. Similar observations were made by the Board in the country offices in Angola, Colombia and Indonesia. As a result of the above analysis, the Board considers that the current methodology for the quarterly monitoring of the status of outstanding direct cash transfers needs to be improved.

72. **UNICEF agreed with the Board's recommendation that it consider revising the methodology and periodicity with respect to the monitoring of direct cash transfer utilization.**

Low implementation rates with respect to annual integrated monitoring and evaluation plans

73. According to the UNICEF Programme Policy and Procedure Manual, country offices are required to prepare and implement an annual integrated monitoring and evaluation plan as a management tool to review progress made in collecting critical information related to programme planning and implementation.

74. In its previous report (A/65/5/Add.2, paras. 143 to 145), the Board noted low completion rates with respect to integrated monitoring and evaluation plan activities at six country offices, and recommended that UNICEF ensure that its field offices improve completion rates. The Board noted that UNICEF had requested country offices to list completed evaluations, studies and surveys in the annual report and to upload their integrated monitoring and evaluation plans from 2010 to the UNICEF intranet. However, during the biennium 2010-2011, the Board noted that at the country offices in Angola, Colombia, Ethiopia, India, Indonesia, Nigeria and Sri Lanka, out of a total of 281 activities set out in their 2010 integrated monitoring and evaluation plans, 86 had been postponed until 2011 and 30 had been cancelled.

75. The Sri Lanka country office explained that the delays had been due to a failure to fully consider the timing of activities given the types of end users, practical implementation requirements and capacities of the country office and its partners. The Ethiopia country office explained that the delays had been due mainly to the long negotiation process regarding the development of terms of reference with key stakeholders, as well as to shifting priorities, especially on the part of key Government counterparts. The Board noted various reasons for the delayed implementation of integrated monitoring and evaluation plans, and is concerned

about the low completion rates with respect to the plans and the resulting impact on the collection of information related to programme planning and implementation.

76. **The Board reiterates its previous recommendation that UNICEF ensure that its country offices prepare realistic integrated monitoring and evaluation plans and make every effort to improve their completion rates.**

Performance reporting on programme activities

77. Performance reporting is the mechanism by which an organization monitors progress towards the achievement of its objectives, and thus is essential if the governing body and the public are to gain a comprehensive understanding of the achievements of an organization and the efficiency and effectiveness demonstrated in the delivery of its mandate.

Indicators used for performance reporting on programme activities

78. Every year, the Executive Director of UNICEF submits to the Executive Board an annual report, which presents the results and analysis of programme progress and achievements in each focus area of the UNICEF medium-term strategic plan, as well as organizational performance. Trends in programme performance against 65 indicators are also presented in an accompanying Data Companion. In the 2011 Data Companion, 59 of these indicators were relevant to the five focus areas of the medium-term strategic plan for 2006-2013 and the other 6 were closely related to UNICEF emergency preparedness and response in 2011.

79. The Board noted that of the 59 indicators, only 22 indicators be directly linked to the activities of the Fund's country programmes of cooperation (see table II.5).

Table II.5
Indicators set out in the 2011 Data Companion relevant to the five focus areas of the medium-term strategic plan

Focus area	*Indicators directly linked to programme activities*	*Indicators that reflect outcomes resulting partly from UNICEF contribution*	*Indicators on statistical data from host Government on local situation*
Young child survival and development	5	15	2
Basic education and gender equality	6	2	2
HIV/AIDS and children	0	3	1
Child protection	4	4	5
Policy advocacy and partnerships for children's rights	7	3	0
Total	**22**	**27**	**10**

Source: Data provided by UNICEF.

80. Since only fewer than half of the indicators set out in the Data Companion were directly related to UNICEF country programme implementation, the Board is concerned that the Executive Board and the public may not gain a comprehensive

and clear understanding regarding the full impact of the Fund's direct actions and contributions through country programmes on behalf of children worldwide.

81. **UNICEF agreed with the Board's recommendation that it improve annual reporting by supplementing the Data Companion with more selective key indicators on programme performance to represent the direct actions and contributions of UNICEF through country programmes of cooperation.**

82. UNICEF commented that various performance measures would be examined as part of the review of the medium-term strategic plan and in the development of the forthcoming plan, for the period 2014-2017.

Inconsistent performance reporting on programme activities

83. In 2010, UNICEF established nine key programme strategies as well as benchmarks for each strategy to measure the performance and results of country offices in terms of programme and management activities. Performance relating to each key programme strategy was classified according to four ratings: "initiating action to meet benchmarks", "partially met benchmarks", "mostly met benchmarks" and "fully met benchmarks".

84. At the time of reporting, 126 country offices had submitted their 2011 annual reports including self-assessments on each strategy. Global analysis of the performance of country offices with respect to the nine strategies revealed that performance on some strategies had been unsatisfactory. For example, with regard to four strategies (44 per cent), approximately half of the 126 country offices had not achieved either of the top two performance ratings, "mostly met benchmarks" or "fully met benchmarks".

85. The Board also noted that out of the 126 country offices, only 15 (12 per cent) had achieved the "mostly met benchmarks" or "fully met benchmarks" performance rating. A total of 25 country offices (20 per cent) had achieved the rating "initiating action to meet benchmarks" or "partially met benchmarks" with respect to more than half of the nine strategies.

86. The Board reviewed the draft version of the 2011 annual report of UNICEF and noted that most of the indicators set out for each of the five focus areas of the medium-term strategic plan reflected positive progress. Given the underperformance of many country offices in terms of programme strategies, the Board is concerned that the actual programme performance of field offices was not fully supportive of the outcomes and achievements presented in the Fund's annual reports.

87. **UNICEF agreed with the Board's recommendations that it: (a) ensure that all country offices improve their annual reports by integrating information on the in-depth analysis of programme performance disparities and the resulting impact on programme implementation; and (b) analyse the performance disparities within country offices with respect to each strategy and provide support or guidance to those country offices whose performance falls far short of the benchmarks.**

5. Issues relating to the National Committees for UNICEF

88. The National Committees for UNICEF are partners of the Fund that are established to raise funds in the private sector on behalf of and for UNICEF. As at

31 December 2011, 36 National Committees worldwide raised approximately one third of the Fund's annual revenue.

89. Given the significance of the National Committees' contribution to UNICEF, the Board reviewed their relationships with the Fund, the implementation of cooperation agreements and the role of UNICEF in the oversight and monitoring of the activities of the Committees, including their financial performance and reporting, and noted the following deficiencies.

Complete reporting/recognition of income from donations raised by the National Committees

90. According to the standard cooperation agreement between UNICEF and the National Committees, the Committees are legally independent entities that use the name, logo, brand and any other associated intellectual property of UNICEF to raise funds or in-kind assistance on behalf of and for UNICEF. According to the cooperation agreement, the Committees may retain up to 25 per cent of their gross proceeds to cover the costs of their activities and should strive to reach the standard minimum contribution rate of 75 per cent, which means that the targeted retention rate is less than 25 per cent. Variances with respect to retention rates may be agreed upon jointly. The Committees may also retain funds as reserves, depending upon the policy and the decision of their governing boards. The remaining funds are to be transferred to UNICEF.

91. On the basis of the United Nations system accounting standards and generally accepted accounting principles,[2] the Board examined the role of the National Committees in the conduct of private sector fundraising activities on behalf of and for UNICEF. While UNICEF indicates that it regards the National Committees as donors, the Board considers that the Committees use the brand and logo of UNICEF to raise funds, which means that they raise funds from original donors on behalf of and for UNICEF. This in turn means that the Committees are not real donors and that the funds raised by them in this context should belong to UNICEF unless there is sufficient evidence indicating that the funds they raise are not UNICEF revenue. Therefore, the Board is of the view that in the financial statements, UNICEF should account for the gross proceeds, rather than the net proceeds, raised by the National Committees as UNICEF income unless there is sufficient evidence to demonstrate that funds raised by the National Committees do not belong to the Fund. The portion of funds retained by the Committees to cover the related fundraising costs should be recorded as UNICEF expenditure (as is the case with agency commissions). For the biennium 2010-2011, the gross proceeds raised by the National Committees from private sector fundraising activities totalled $2,651.8 million, while their net proceeds amounted to $2,024.9 million. Therefore, $626.9 million in funds raised and retained by the National Committees was not recorded in the UNICEF financial statements.

92. Furthermore, according to the standard cooperation agreement between the National Committees and UNICEF, when National Committees are liquidated, all of

[2] Since the United Nations system accounting standards are silent on fundraising in the private sector but allow entities to apply international accounting standards where appropriate, the Board applies the most relevant criteria of International Accounting Standard 18 in the context of fundraising in determining the revenue recognition for cooperating with the National Committees to raise funds in the private sector. For more detailed information refer to annex III.

their net assets (including reserves) are to be returned in full to the Fund except in countries with legal restrictions on the transfer of funds to UNICEF. According to the United Nations system accounting standards and generally accepted accounting principles, UNICEF must recognize the ownership of these reserves. However, the Board noted that a total of $104.4 million in accumulated reserves retained by the National Committees as at 31 December 2011 was not recognized and disclosed as contingent assets in the unadjusted financial statements.

93. Following the audit, UNICEF made additional disclosure in note 4 to the financial statements, which is allowed by the UNICEF Financial Regulations and Rules, to appropriately reflect the revenue and expenditure relating to the private sector funds raised by the National Committees, including reserves totalling $104.4 million, which would be transferred to UNICEF as income in the event of the liquidation of the National Committees and subject to the provisions of the cooperation agreement. The Board will keep this issue under review in its future audits.

Agreements between original donors and National Committees

94. To ensure accuracy with respect to the funds that belong to UNICEF, it is vital that UNICEF have in place sufficient agreements between the original donors and the National Committees to precisely determine the ownership of the funds raised by the Committees. The Board requested UNICEF to provide the agreements regarding the funds raised by the Committees on behalf of and for UNICEF, but was informed that the Committees would not provide those agreements. Considering the deficiencies of the current revenue recognition mechanism presented below, the Board is of the view that these agreements enable UNICEF to precisely compute the amount of funds owed it by the National Committees so that it can obtain assurance as to the completeness and accuracy of the revenue and expenditure figures set out in the financial statements.

Deficiencies in the recognition of revenue from National Committees

95. Currently, the National Committees prepare revenue and expenditure reports based on their audited financial statements to report on an annual basis their gross revenue (donations in cash or kind), expenditure and net amounts due to UNICEF. The reports are certified by the Committees' external auditors and submitted to UNICEF, together with the audited financial statements. On the basis of the certified reports, in relation to cash contributions that it receives from the National Committees, UNICEF makes reconciliations and recognizes the contributions as revenue; with respect to in-kind contributions, only if such assistance is received by UNICEF and used in its programmes does the Fund recognize it as revenue, on the basis of a valuation carried out by its Supply Division.

96. One of the arguments made as to whether UNICEF should be provided with donor agreements is that the Fund can rely on the National Committees' financial statements and revenue and expenditure reports to determine the value of funds belonging to it since those statements and reports are either audited or certified by their external auditors. While the Board considers that the donor agreement is the primary source for determining the accurate value of funds belonging to UNICEF, it checked the audited financial statements and revenue and expenditure reports and found the following deficiencies in the current revenue recognition process:

(a) *Significant delay in obtaining certified revenue and expenditure reports*. The Board noted that at the time of audit, UNICEF had not received 2010 certified revenue and expenditure reports from nine National Committees; in each case, they were more than a year late. On the basis of the uncertified reports of the nine Committees and its past experience, UNICEF recorded the total net amount due to it as $469.56 million; the Board, however, is of the view that this assurance as to the accuracy of this figure is insufficient. The Board noted similar delays in obtaining certified reports in previous years;

(b) *Deficiencies in the reconciliation of audited financial statements and revenue and expenditure reports*. Owing to differences in the reporting frameworks involved, there are variances between the audited financial statements and the revenue and expenditure reports prepared by the National Committees. Those variances should be certified by the Committees' external auditors and reconciled by UNICEF to ensure the accuracy of the revenue figures disclosed in the Fund's financial statements. However, the Board noted the following deficiencies:

(i) The total variance between the gross revenues reported in the 2010 audited financial statements of the 36 National Committees and those reported in their 2010 revenue and expenditure reports amounted to $234.09 million. Despite the fact that these statements and reports had been audited/certified by the Committees' external auditors, the Board noted that the reconciliation process with respect to the variance was not shown in the certified reports;

(ii) The Board's examination on a sample basis revealed that UNICEF had not conducted reconciliation of variances for four National Committees whose revenue and expenditure reports showed greater gross revenue than their audited financial statements. The total variances were $5.36 million, which meant that the revenue disclosed in the Fund's financial statements could be overstated by that amount;

(c) *Errors in the revenue and expenditure reports of some National Committees or in the recognition of revenue by UNICEF*. The Board examined a sample of the financial statements and revenue and expenditure reports of National Committees and found that:

(i) During the biennium 2010-2011, the United States Fund reported in its revenue and expenditure reports that $181.82 million in contributions in kind had been provided to UNICEF, while UNICEF financial statements included only $1.31 million in such contributions from the United States Fund. At the request of the Board, UNICEF checked and found that $153.32 million of the in-kind contributions had been contributed not to UNICEF, but to the Ministry of Health of a Member State in relation to the onchocerciasis control programme; the difference of $28.5 million had been due mainly to the difference in financial year between UNICEF and the United States Fund;

(ii) In respect of the Canadian National Committee, its revenue and expenditure reports for 2010 and 2011 (the 2010 report was certified, while the 2011 report was not, owing to the fact that the financial year of the Committee was non-coterminous with that of UNICEF) reflected $73.14 million in contributions in kind to UNICEF, while the Fund's financial statements included only $15,260 in such contributions from the Committee. Further examination revealed that UNICEF had received $40.34 million in contributions in kind from the Committee (the value was provided by the Committee); the remaining $32.8 million had not been delivered to UNICEF, since the amount disclosed by the Committee in its revenue and expenditure reports had been based on its delivery plan. Owing to the fact that different valuation methodologies were used, the Fund's own assessment of the contributions in kind was only $0.19 million;

(d) *Insufficient or no information provided to UNICEF about a transferral of $21.51 million from National Committees to other entities*.

(i) The Board noted that according to the amendments to the cooperation agreement between UNICEF and the United States Fund, the United States Fund was allowed to use donations that it raised without restrictions. This is quite different from the standard cooperation agreement which gives National Committees very limited authority to use funds (25 per cent plus agreed reserves between UNICEF and National Committees). The Board noted that in the United States Fund's audited financial statements for the fiscal year ended 30 June 2011, the United States Fund indicated that it had transferred grants of $14.05 million to other non-governmental organizations without providing UNICEF with any information about the transfer. At the time of audit, UNICEF could not provide evidence to determine whether or not the funds transferred to other non-governmental organizations belonged to UNICEF;

(ii) The audited financial statements of the Japan National Committee for the year ended 31 March 2011 reflected the fact that $7.46 million in donations had not been transferred to UNICEF, but rather kept by the Japan National Committee for its own use to cover expenditure related to the earthquake and the tsunami. This would result in an understatement of $7.46 million in both income and expenditure in the Fund's financial statements;

(e) *Delay in transferring donations to UNICEF*. In 2007, the Norway National Committee, in cooperation with the Norwegian Broadcasting Corporation (NRK), raised $35.86 million in donations for UNICEF. The Committee kept this donation as reserves, paying it to UNICEF gradually from 2008 to 2011. This was due to the agreement between the Committee and NRK, which required that donations raised be deposited in Norwegian banks and given to UNICEF over a five-year period. At the time of audit, most of the funds raised had been transferred to UNICEF. The Board is concerned about the delay in revenue recognition for UNICEF.

97. Given the deficiencies mentioned above, the Board is of the view that the donor agreements between original donors and the National Committees enable UNICEF to precisely determine the ownership of funds raised by National Committees.

98. **The Board recommends that UNICEF: (a) develop procedures and strengthen its monitoring of contributions (including contributions in kind) to ensure the completeness and accuracy of reporting on income due to UNICEF by the National Committees, including but not limited to obtaining sufficient agreements between the Committees and their donors; reviewing and improving, where appropriate, the reporting requirements with respect to the revenue and expenditure reports; and obtaining audited financial statements**

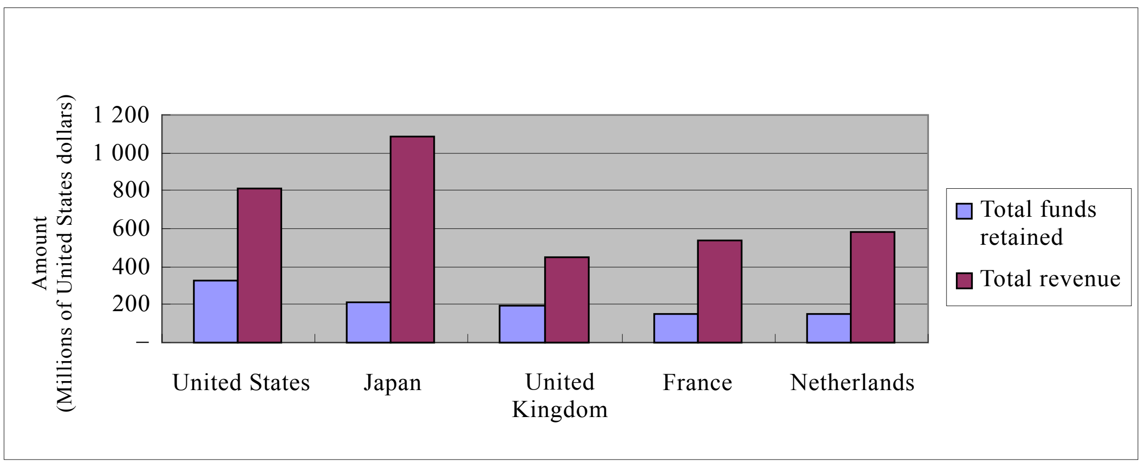
and certified revenue and expenditure reports in a timely manner; and (b) strengthen communication with the National Committees to ensure that all eligible funds raised are transferred to UNICEF in a timely manner.

High retention rates on the part of National Committees

99. The current cooperation agreement between UNICEF and the National Committees allows the Committees to retain up to 25 per cent of their gross proceeds to cover the costs of their activities. The Board noted that during the period 2006-2011, 36 National Committees had raised donations totalling $7.07 billion gross. Of this amount, the Committees had retained $2.02 billion (or 29 per cent) to cover their expenses and $5.05 billion (71 per cent) had been transferred to UNICEF. In comparison, during the same period, UNICEF country offices kept less than 10 per cent of the gross proceeds from their private sector fundraising.

100. Figure II.I shows the top five National Committees for the period 2006-2011 in terms of retention amount (including transfers to reserves). The Board noted that the total retained amount of $1,026 million for these five Committees represented 51 per cent of all the funds retained by the Committees.

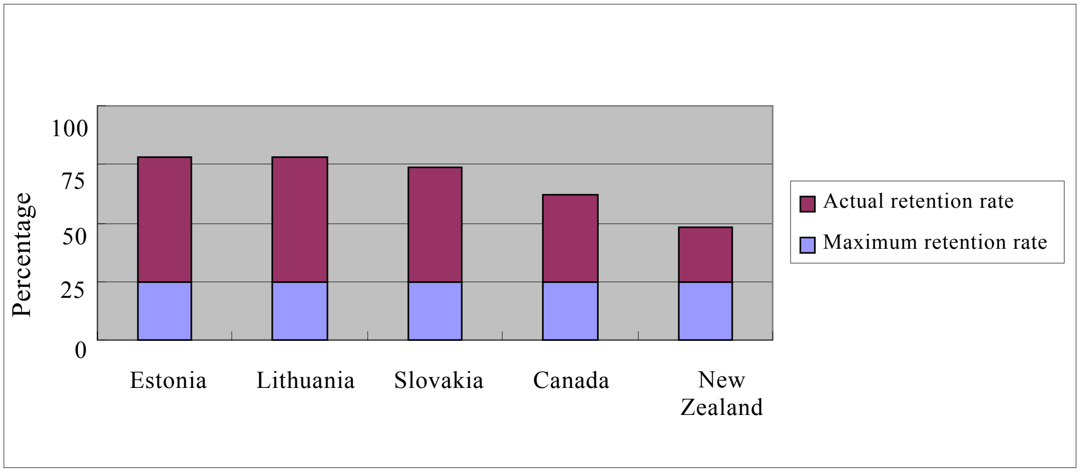
Figure II.I
Top five National Committees for 2006-2011 in terms of amounts of funds retained



Source: Certified statements provided by UNICEF.

101. Figure II.II shows the top five National Committees for the period 2006-2011 in terms of retention rate. The retention rates of the five Committees exceeded the limit of 25 per cent by between 23 and 53 per cent.

Figure II.II
Top five National Committees for 2006-2011 in terms of retention rate



Source: Certified statements provided by UNICEF.

102. Furthermore, the Board noted that the Private Fundraising and Partnerships Division of UNICEF had itself incurred expenses in relation to the funds raised by the National Committees. For the biennium 2010-2011, the expenses incurred by the Division and the National Committees together totalled $952.58 million, representing 33 per cent of their total private sector fundraising income of $2,881 million. In other words, during the biennium 2010-2011, for every $100 contribution from donors, an average of $33 was spent to cover fundraising costs before the funds were available for UNICEF programmes, not to mention other costs, including personnel costs of UNICEF relating to the delivery of the programmes.

103. The Board is concerned that the amount of private sector fundraising donations retained by the National Committees is high compared with the amount raised by the Fund's own country offices, which limits the amount of funds available for recipients and potentially exposes UNICEF to reputational risk. Given these high fundraising costs, UNICEF should reassess its fundraising mechanism in terms of efficiency and consistency.

Inconsistency in the retention rates of National Committees

104. The Board noted that while the standard cooperation agreement sets the minimum level for National Committee contributions to UNICEF at 75 per cent of gross proceeds raised — which means that the retention rate should be a maximum of 25 per cent —in practice retention rates vary significantly from Committee to Committee. The Board noted that during the biennium 2010-2011, the highest retention rate was 87 per cent, while the lowest was about 5 per cent, with an average of 27 per cent — 2 per cent higher than the targeted retention rate set out in the cooperation agreement.

105. The Board is very concerned about the inconsistency in retention rates, as it shows a serious weakness in financial control that could adversely affect the amount of funds that UNICEF receives for the delivery of its mandate.

Low contribution rates of National Committees with respect to funds raised through card and product sales

106. According to the cooperation agreement between UNICEF and the National Committees, in addition to the role of fundraising for UNICEF through the exclusive use of the UNICEF logo and brand, the Committees play an important role in selling greeting cards and products provided by UNICEF as a means of fundraising. All income from card sales is recorded as income due to UNICEF, of which a maximum of 25 per cent can be retained by the Committees to cover related costs.

107. During the period 2007-2011, the turnover of UNICEF-owned cards and products by National Committees decreased 49 per cent, from $142.77 million in 2007 to $72.4 million in 2011. The number of Committees with sales contribution rates above 75 per cent decreased from seven to three during the same period. In particular, five of the 36 Committees had negative sales contribution rates in 2010 and 2011, ranging from negative 58.8 per cent to negative 5 per cent. While the Board noted that the absolute value of the negative amounts had been small, at just $0.26 million (compared with original costs of about $1.19 million), it is concerned that UNICEF provided these Committees with free cards and gift products to sell but received no money in return, which undermines the Fund's capacity to maximize resources for the delivery of its mandate.

108. UNICEF explained that the principal reasons for the negative sales contribution rates of the five National Committees were (a) a challenging economic environment and (b) the short-term negative impact of a change in the business model in the middle of the year.

109. UNICEF also commented that it had noted this issue and put in place various measures to address it, including a profitability analysis conducted in 2009 and discussions held in 2010 on actions to be taken with countries to improve performance with respect to card and gift sales. Notwithstanding those measures, the Board still noted a decreasing trend in 2010 and 2011.

High administrative expenses in some National Committees

110. According to the cooperation agreement between UNICEF and the National Committees, the primary objective of Committee fundraising efforts is to maximize the net financial contribution to UNICEF programmes for children.

111. The Board noted that in the financial statements of some National Committees, administration expenses appeared to be high compared with average charity industry levels in their respective countries. This was also one of the reasons for the high retention rates. The Board is of the view that UNICEF should be more proactive in questioning the administrative costs of National Committees so as to maximize the contributions of the Committees with a view to delivering its programmes for children.

112. **The Board recommends that UNICEF: (a) strengthen the monitoring of the administrative expenditure of the National Committees with a view to maximizing the resources to be used in UNICEF programmes for children; (b) in cooperation with the Committees, bring down the costs related to private sector fundraising so that more money can be used for the delivery of the Fund's mandate; and (c) conduct continuous monitoring and review of National**

Committee sales of UNICEF-owned cards and products and take more effective measures, based on a careful analysis of possible losses and gains, to enhance the net revenue therefrom or discontinue the operations if they are incurring losses on a recurrent basis.

Inadequate oversight of National Committee activities

Insufficient monitoring of funds converted by the Committees

113. While UNICEF has established controls to oversee the allocation and utilization of funds by the National Committees, its oversight of Committee activities in accordance with the cooperation agreement is considered insufficient and should be improved.

114. The cooperation agreement between UNICEF and the National Committees provides that conversions of regular (unrestricted) resources to other (earmarked) resources should be carried out only in accordance with the policies approved by the governing boards of the Committees, and that the Committees must consult with UNICEF when conversions to other resources of amounts of more than $50,000 are planned.

115. The Board noted that UNICEF oversight of fund conversion by the National Committees was weak because UNICEF had no information about the total amount of funds converted or about individual conversions of more than $50,000. In addition, UNICEF did not collect any information as to whether Committees had notified their donors of specific fund conversions or the justifications for them.

116. The Board notes that while the cooperation agreements stipulate that it is the policy of UNICEF to strive to maximize the amount of unrestricted funds for children, the National Committees' discretion regarding fund conversion might reduce the amount of such funds and weaken the discretion of UNICEF concerning the allocation of funds to its programmes. Meanwhile, converting funds without notifying donors might have a negative impact in terms of future sources of fundraising for UNICEF.

117. In particular, the Board noted that the cooperation agreement amendments signed by UNICEF and the United States Fund granted the United States Fund the unconditional right to use donations raised using the UNICEF name. During the biennium 2010-2011, $377 million in donated medicine was raised by the United States Fund to eliminate blinding trachoma in various countries as part of a global programme managed by a non-governmental organization, but UNICEF did not receive, use or provide any support for those donations.

118. The Board considers that the brand and the logo of UNICEF include all National Committees, and is concerned that the Fund may be unaware that National Committees may claim to raise funds for and on behalf of UNICEF but in reality allocate funds to non-UNICEF programmes that the Fund cannot effectively oversee.

Monitoring advocacy and education for development activities of National Committees

119. The standard cooperation agreement between UNICEF and the National Committees permits the Committees to use part of their retained funds for child

rights advocacy and education for development while requiring them to bear in mind a balance between domestic and international advocacy. The Board noted that UNICEF is unaware of the costs of Committee activities relating to advocacy and education, since the Committees are not required to disclose such costs either in the financial statements or in the revenue and expenditure reports that they submit to UNICEF.

120. The Board is of the view that UNICEF needs to be aware of the costs of National Committee activities relating to advocacy and education for development so that it can remain in conformity with its policy and deliver its mandate in a more efficient way.

Lack of monitoring of National Committees' affiliated parties

121. Affiliated parties are separate legal entities established and controlled by a National Committee. At the time of audit, five National Committees had established an affiliated party. The Board noted that:

(a) All five existing affiliated parties had used the UNICEF brand (including the name, logo and other property of UNICEF) without the approval of UNICEF;

(b) There were no provisions concerning the management and monitoring of the affiliated parties established by the United States Fund, the Switzerland National Committee and the New Zealand National Committee, owing to the absence of a joint strategy plan between the National Committees and UNICEF;

(c) At the time of audit, the United States Fund and the United Kingdom National Committee had not submitted to UNICEF the statutes for their affiliated parties.

122. The Board is concerned that weak oversight with respect to affiliated parties will expose UNICEF to significant reputational risk if the parties do not use the UNICEF brand in an appropriate way.

123. **The Board recommends that UNICEF: (a) strengthen the monitoring of National Committee conversions of regular resources to other resources to maximize the amount of unrestricted funds for UNICEF, review the rationale of the clause relating to funds conversion in the cooperation agreement, and carefully monitor donations that are raised under the UNICEF name but are not used in UNICEF programmes, so as to avoid reputational risk; (b) require the National Committees to disclose discretely in their revenue and expenditure reports the costs of advocacy and education for development, and ensure that advocacy resources are used by the Committees for the benefit of the most disadvantaged children; and (c) in collaboration with all National Committees, fully comply with the requirements of the cooperation agreement in order to ensure that the Committees' affiliated parties are duly monitored.**

6. Progress towards the implementation of the International Public Sector Accounting Standards

124. The General Assembly, in its resolution 60/283, decided to approve the adoption by the United Nations of IPSAS. UNICEF, together with other United Nations agencies, had originally planned to adopt the Standards in 2010. In June

2009, the UNICEF Executive Board took note of the proposal to defer the full adoption of IPSAS until 2012.

125. The Board continued to examine its progress towards IPSAS implementation and recognized the efforts made by UNICEF since the previous biennium for smooth implementation, including: the development and finalization of 36 accounting policy position papers and nine formal policies covering almost all IPSAS-related issues; the updating of its Financial Regulations and Rules in 2011, with effect from 2012; the "going live" and roll-out of the VISION enterprise resource planning system on 1 January 2012 as planned; and the migration of all data to the VISION system, as reported by the administration.

126. However, the Board identified the following issues for further improvement:

(a) *The management of IPSAS benefits in need of enhancement*. While recognizing the roll-out of a performance management system to realize the benefits of the VISION enterprise resource planning project, the Board noted that a well-defined and well-documented IPSAS benefit realization plan had yet to be developed. In the Board's view, such a plan will provide an opportunity for UNICEF to maximize the achievement of its IPSAS implementation;

(b) *One policy paper in need of finalization*. With respect to the 36 IPSAS accounting policy position papers developed by UNICEF, the Board is of the view that all are generally in compliance with IPSAS except one, regarding the treatment of private sector funds raised by National Committees, which the Board does not believe to be fully IPSAS-compliant. The main difference between the Board and UNICEF is their different understanding of the role of the National Committees. Essentially, UNICEF considers the Committees to be donors, while the Board regards them as intermediaries or agents that raise funds on behalf of UNICEF;

(c) *Delayed processes relating to VISION implementation*. At the time of audit, all of the new processes relating to the VISION system had been implemented as planned except three in the finance and administration modules, whose implementation had been deferred. The Board is concerned that the absence of these processes may lead to inefficiencies in budget and treasury management and delay some of the expected benefits of the implementation of the enterprise resource planning system;

(d) *Deficiencies in terms of data migration, system security and controls*. In its interim audit in 2011, the Board observed that potentially redundant and inactive master data records existed in the enterprise resource planning system; that some accounts of terminated employees had not been closed in a timely manner after the departure of the staff members; and that some users with segregation-of-duties conflicts had been granted access to the enterprise resource planning system. The Board was informed that UNICEF had since made efforts to address these issues, such as updating policies and procedures regarding system authorization and rolling out the SAP enterprise resource planning governance, risk and compliance management tool Approva. In its future audits, the Board will determine whether the deficiencies mentioned above have been fully addressed.

127. **The Board recommends that UNICEF: (a) consider developing an IPSAS benefit realization plan to allow for the full achievement of the expected benefits of IPSAS; and (b) continue its active communication with the Board to expedite the timely finalization of its accounting policy position paper**

regarding the treatment of private sector funds raised by the National Committees.

128. **The Board also recommends that UNICEF: (a) make timely decisions regarding the merits of implementing the deferred functionalities included in the original scope of the enterprise resource planning project and, if appropriate, accelerate the completion of all processes relating to the enterprise resource planning system as planned; and (b) expedite the implementation of Approva to manage sensitive system access and the process of managing segregation of duties in accordance with the internal controls policy.**

7. Procurement and contract management

129. During the biennium 2010-2011, UNICEF procured $4.1 billion in goods, 28 per cent more than during the previous biennium ($3.21 billion). Procurement expenditure accounted for 55 per cent of the Fund's total expenditure ($7.42 billion). Effective procurement is vital for UNICEF operations and requires that the Fund implement effective procedures to ensure sufficient competition, and thus to achieve value for money and reduce the risks of fraud.

Non-compliance with competitive bidding requirements

130. The UNICEF Supply Manual specifies that with certain exceptions, all purchases must be the result of competitive bidding. In its previous report (A/65/5/Add.2, para. 155), the Board noted that five offices had not complied with the requirement of competitive bidding. Despite the fact that some progress was achieved, similar observations were made during field visits during the biennium 2010-2011. For instance, at the Private Fundraising and Partnerships Division, the Board reviewed a sample of 46 procurement cases and noted that with respect to two procurements, valued at $160,294 and $39,158, despite the solicitation of proposals from more than three vendors, only two valid proposals had been received in bidding processes. The Division continued the bidding process and awarded the contract to one of the two bidders in each case. Similar cases were noted at the Indonesia country office.

131. **UNICEF agreed with the Board's reiterated recommendation that it ensure that its offices strictly comply with the provisions set out in the Supply Manual in relation to competitive bidding.**

Delayed delivery of programme supplies

132. The UNICEF Supply Manual requires that all offshore and local procurement supplies be delivered to the respective end-users in a timely manner. Moreover, the relevant key performance indicator set out in the medium-term strategic plan for 2006-2013 requires 100 per cent on-time delivery of supplies to country offices and procurement service partners. Delays in the delivery of supplies could have an adverse impact on the timely implementation of programme activities, as well as on costs.

133. The Board reviewed the procurement case files and noted delayed delivery in the Supply Division, the West and Central Africa Regional Office, the Middle East and North Africa Regional Office and the country offices in Nigeria and Myanmar. For example, during the biennium 2010-2011, 11,142 (or 23 per cent) of the

purchase order lines of the Supply Division were delivered behind schedule, with delays ranging from one day to one year, showing a declining rate in on-time delivery over the past two years. UNICEF explained that the delays were attributable mainly to delays on the part of suppliers and freight forwarders, unrealistic target arrival dates, limited product and freight availability, and unclearly defined terms of contract with regard to conditions for packaging or transport. The Board is concerned that the delays in the delivery of supplies could affect the Fund's timely delivery of programmes.

134. **UNICEF agreed with the Board's recommendation that it ensure that all offices enhance communication with suppliers to identify the reasons for delays and take measures to ensure the delivery of supplies in a timely manner.**

8. Assets management

135. Non-expendable property consists of property and equipment that is valued at $1,500 or more per unit at the time of purchase and has a serviceable life of five years or more. As disclosed in the notes to the financial statements, the value of non-expendable property as at 31 December 2011 amounted to $177 million, reflecting a 14 per cent increase compared with the previous biennium.

Insufficient coverage of the physical count of non-expendable property

136. The 2011 year-end closure instructions require that by 30 November 2011, field offices conduct a physical verification of non-expendable property and reconcile the results of the count with the records contained in the Lotus non-expendable property database. Without sufficient coverage of the physical count of non-expendable property, the amount of such property disclosed in the notes to the financial statement might not be accurate.

137. The Board was informed that the Côte d'lvoire and Liberia country offices had not conducted a physical count of their non-expendable property, which amounted to $5.38 million (3 per cent of a global total of $177 million) and reported the value of their non-expendable property to headquarters solely on the basis of database records at the end of 2011. UNICEF explained that the physical count had been delayed owing to instability, war and emergencies in the environment in which the offices operated, and that it was scheduled to be conducted for the 2012 interim closure. The Board also noted during its field visit that the Colombia country office had not conducted a physical count of non-expendable property as at 2010 year-end.

138. **The Board recommends that UNICEF take measures to ensure that country offices conduct a physical count of non-expendable property and reconcile the results of the physical count with the database records by year-end to the extent possible.**

Discrepancies between actual non-expendable property and database records

139. In its previous report (A/65/5/Add.2, paras. 174 to 178), the Board noted that at UNICEF headquarters and nine field offices, there were discrepancies between the physical status of non-expendable property items and their records in the database. Therefore, the Board recommended that UNICEF ensure the completeness and accuracy of non-expendable property records. While UNICEF had strengthened its non-expendable property management procedures, the Board noted deficiencies

that undermined the accuracy of the asset databases as well as the accuracy of non-expendable property disclosures in the notes to the financial statements, including:

(a) *Delay in recording the acquisition of non-expendable property*. At UNICEF headquarters, the Board noted that non-expendable property items were not registered in the database before distribution to users. Instead, they were added to the database when users requested the Division of Financial and Administrative Management to tag the items. In 2010, 54 items, valued at $371,856 (or 37 per cent of total non-expendable property purchased in 2010), were not included in the database as at year-end. As suggested by the Board, UNICEF investigated those items and adjusted the database records accordingly, and also applied a supplementary manual procedure to ensure that non-expendable property was recorded in the database in a timely manner in 2011. Similar observations were also made at the Sri Lanka and Mali country offices. The Board was informed that an asset/non-expendable property module for the automatic capture of the acquisition of assets had been included in the VISION system and that non-expendable property policies and procedures had been reviewed and revised to reflect system changes;

(b) *Discrepancies between the actual locations of non-expendable property and database records*. At the Ethiopia country office, 25 of 60 sampled non-expendable property items had been found in locations different from those indicated in the database records, while five items had not been found. Similar observations were made at the country offices in Indonesia, Nigeria and Sri Lanka;

(c) *Incomplete information contained in non-expendable property database records*. At the Mali country office, of the 1,253 items recorded in the database, more than 1,115 lacked key information such as expected lifespan, value and ownership. Similar observations were made at the country offices in Egypt, Ethiopia and Sri Lanka.

140. **The Board reiterates its previous recommendation that UNICEF take appropriate measures to improve its management of non-expendable property in order to ensure the completeness and accuracy of records concerning non-expendable property.**

9. Consultants and individual contractors

141. Consultants and individual contractors are utilized when specific capacity or expertise is not readily available within UNICEF. The authority to issue and administer contracts in these cases is delegated to heads of offices/division directors, within certain limitations.

Selection of a single source

142. At UNICEF, a single-source approach can be used only in those cases in which it can be demonstrated that a consultant or individual contractor is the only available source that can provide the required service at an acceptable level of quality and cost, and/or it can be demonstrated that a true emergency situation prevents a competitive selection process. The Board is of the view that the use of the single-source approach in the selection of consultants and individual contractors should be exceptional and fully justified; otherwise, it could affect the fairness and

transparency of the selection process, thus exposing UNICEF to poor value for money or even an increased risk of fraud.

143. For the period under review, the Board continued to observe the following deficiencies in the selection of consultants and individual contractors:

(a) *Extensive use of the single-source approach*. At UNICEF headquarters, out of the total of 1,582 contracts, amounting to $38.61 million, entered into with consultants and individual contractors during the biennium 2010-2011, 450 (28 per cent) were entered into using the single-source approach, with the highest proportion of such use (82 per cent) seen in the Division of Financial and Administrative Management;

(b) *Insufficient justifications for the use of the single-source approach*. At UNICEF headquarters, the Board reviewed a sample of 33 contracts with consultants and individual contractors that had been entered into by means of the single-source approach, and noted that the justifications used for the selection of four consultants were not consistent with the requirements set out in the UNICEF Human Resources Manual. For instance, the UNICEF Programme Division had used the justification of an emergency situation for entering into a contract with a consultant by means of the sole-source approach to provide meeting facilitation in April 2010. The Board noted that the meeting plan had been included in the annual workplan for 2010 and that a staff member in the section had communicated with the consultant by e-mail about the relevant fee rate 20 days before the meeting, which indicated that this had not been an emergency case. The Board also noted that the consultant was a former high-level (D-1) UNICEF staff member who had retired in March 2009, and that therefore the fee rate had been much higher than that for a normal meeting facilitator. Similar findings were also observed by the Board in its field audits at the Middle East and North Africa Regional Office and the country offices in Indonesia and Ethiopia.

144. **The Board reiterates its previous recommendation that UNICEF comply strictly with the requirements of the UNICEF Human Resources Manual in relation to the selection process so as to secure transparency, fairness and competitiveness.**

Employing consultants on a continuous basis

145. Generally, outside consultants are engaged by an entity on a temporary basis for the provision of advisory or consultative services that staff members do not have the special skills or knowledge to perform. UNICEF offices are allowed to issue a consultant contract rather than offer a temporary fixed-term appointment if it is expected that the services will definitely not be needed for more than three months. The employment of consultants on a continuous basis to perform staff-related functions could be misused as a way to shift staff costs to consultant expenditure.

146. The Board reviewed a sample of 30 contracts with consultants and individual contractors at UNICEF headquarters and noted that three consultants had provided services in the Programme Division on a continuous basis. For example, a consultant had been selected to support the Office of the Director of the Division. Most of the tasks performed by the consultant had been the functions of current staff. Meanwhile, the contract with the consultant had been extended several times, with the total duration of the consultant’s term of service having been from

December 2009 to April 2011. In addition, the initial contract with the consultant had covered the period from December 2009 to March 2010, which is more than three months. According to the UNICEF Human Resources Manual, these services should have been performed by a staff member on a temporary fixed-term appointment rather than by a consultant.

147. UNICEF explained that funding constraints usually compelled sections to rely more on consultants and individual contractors than on the establishment of posts or the employment of temporary assistance.

148. **UNICEF agreed with the Board's recommendation that it: (a) adhere strictly to the requirements of the UNICEF Human Resources Manual in issuing contracts for consultants and individual contractors; and (b) consider employing temporary assistance instead of issuing such contracts if the services are needed on a continuous basis beyond a three-month period.**

149. **UNICEF also agreed with the Board's recommendation that it: (a) conduct a comprehensive review of the functions currently performed by consultants in order to identify functions needed on an ongoing basis; and (b) mobilize sufficient funds to support posts deemed to be needed on a continuous basis.**

C. Disclosures by management

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

150. In accordance with its financial rule 113.9, UNICEF reported to the Board that asset losses of $21.76 million ($30.71 million in 2008-2009) had been written off during the biennium 2010-2011, including $16.02 million of contributions receivable losses written off because they were considered uncollectible. Losses relating to inventory and other assets amounting to $5.74 million had been written off because some inventory was obsolete and accounts receivable from inter-agency bodies and staff were considered irrecoverable.

2. Ex gratia payments

151. As required by its financial rule 113.9, UNICEF reported to the Board three ex gratia payments, amounting to $2.34 million, as follows: (a) $1.64 million in termination payments to several temporary fixed-term staff with extended length of service, upon the closure of a warehouse; (b) $682,743 to several former personnel of the Government of a Member State who had worked in a country office under a deployment arrangement prior to becoming UNICEF staff, for retroactive enrolment in the United Nations Joint Staff Pension Fund; and (c) $20,000 to a consultant, owing to illness caused by a vaccine taken for expected official travel.

3. Cases of fraud and presumptive fraud

152. In accordance with paragraph 6 (c) (i) of the annex to the Financial Regulations and Rules of the United Nations, UNICEF reported 32 cases of fraud or presumptive fraud to the Board during the biennium 2010-2011. Those cases resulted in estimated financial losses amounting to $5.52 million, of which UNICEF had recovered $302,768.43 by 4 May 2012 (see table II.6).

Table II.6
Cases of fraud and presumptive fraud for the biennium 2010-2011
(United States dollars)

	Number of Office of Internal Audit cases	*Amount of loss*	*Amount recovered*[a]
Theft	11	457 136.94	201 453.00
Fraud	21	5 058 292.87	101 315.43
Total	**32**	**5 515 429.81**	**302 768.43**

Source: Data provided by UNICEF.
[a] From Office of Internal Audit records.

153. Out of the total losses of $5.06 million resulting from the 21 fraud cases, $4.05 million (or 80 per cent) related to one country office. Investigations by local authorities and UNICEF were ongoing at the time of audit.

154. In respect of the 11 theft cases, they were related mainly to the theft of goods from warehouses. For example, mosquito nets with a value of $212,574 were stolen from the warehouse of the Central African Republic country office in 2010. The Department of Safety and Security had not identified the thieves at the time of audit.

D. Acknowledgement

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

(*Signed*) **Liu** Jiayi
Auditor-General of China
Chair of the Board of Auditors
(Lead Auditor)

(*Signed*) Terence **Nombembe**
Auditor-General of South Africa

(*Signed*) Amyas **Morse**
Comptroller and Auditor-General of the
United Kingdom of Great Britain and Northern Ireland

30 June 2012

Annex I

Status of implementation of recommendations for the biennium ended 31 December 2009

Subject	*Paragraph reference in report*	*Financial period in which first made*	*Implemented*	*Under implementation*	*Not implemented*	*Total*	*Reference in the present report*
Update IPSAS communication and training plan (New York headquarters)	22	2008-2009	X			1	
Obtain audited financial statements of implementing partners (all field offices)	26	2008-2009	X			1	
Treat cash transfers to implementing partners as advances rather than expenditure (New York headquarters)	36	2008-2009	X			1	
Indirect costs of procurement services can be appropriately allocated and charged to the handling fee income (Supply Division)	40	2008-2009		X		1	
Monitor and update the document authorization table, the table of authority and the signatory panel in a timely manner to ensure consistency (all field offices)	45	2006-2007 para. 69	X			1	
Establish approving control over freight invoices of less than $50,000 (Supply Division)	50	2008-2009	X			1	
Reconcile accounts receivable and payable balances with other United Nations agencies (New York headquarters)	54	2008-2009	X			1	
Disclose the value of all land and the basis of valuation (New York headquarters)	58	2008-2009	X			1	
Disclose end-of-service liabilities on the face of the financial statements (New York headquarters)	62	2006-2007 para. 114		X		1	
Take appropriate measures to ensure the accuracy of the data used in the computation of end-of-service liabilities (New York headquarters)	71	2008-2009	X			1	
Set aside adequate reserves to fund the end-of-service liabilities (New York headquarters)	75	2006-2007 para. 114		X		1	

Subject	*Paragraph reference in report*	*Financial period in which first made*	*Implemented*	*Under implementation*	*Not implemented*	*Total*	*Reference in the present report*
Consider a revision of the policy for the valuation of leave liability (New York headquarters)	84	2008-2009			X	1	
Develop training courses for staff members; establish a monitoring mechanism to facilitate the tracking of budget implementation (New York headquarters)	96	2008-2009	X			1	
Provide support to offices with higher extension rates; monitor the timeliness of the submission of requests for programme budget allotment extension (New York headquarters)	102	2008-2009	X			1	
Establish a policy to regulate the refund process (New York headquarters)	106	2008-2009	X			1	
Plan and implement monitoring/ assurance activities for cash transfers (all country offices)	115	2008-2009	X			1	
Intensify efforts to settle long-outstanding cash transfers (New York headquarters, all field offices)	123	2006-2007 para. 61	X			1	
Obtain official receipts for cash transfers (all field offices)	128	2006-2007 para. 52	X			1	
Ensure that evaluation reports are submitted and rated in a timely manner (New York headquarters)	134	2008-2009	X			1	
Strengthen regional office support for country offices (all regional offices)	138	2008-2009	X			1	
Strengthen preparation and implementation of annual management plans (all country offices)	142	2008-2009		X		1	
Improve the completion rate of the integrated monitoring and evaluation plan (all country offices)	145	2008-2009		X		1	Raised
Establish mechanisms to follow up on the recommendations made during field trips (all field offices)	149	2008-2009	X			1	
Update emergency preparedness and response plans in a timely manner (all country offices)	153	2008-2009	X			1	

Subject	Paragraph reference in report	Financial period in which first made	Implemented	Under implementation	Not implemented	Total	Reference in the present report
Strengthen competitive bidding and maintain written justifications for exceptions in related files (all field offices)	158	2008-2009		X		1	Raised
Include in purchase orders a penalty clause for late delivery (all offices)	163	2008-2009			X	1	
Submit vaccine arrival reports to the Supply Division within the time frame specified in the Supply Manual (all country offices)	168	2008-2009	X			1	
Update the supplier database (all field offices)	172	2008-2009		X		1	Raised
Improve the management of non-expendable property (all offices)	177	2008-2009		X		1	Raised
Expedite the disposal of non-expendable property (Regional Office for South Asia and Eastern and Southern Africa Regional Office)	181	2008-2009	X			1	
Deal with stock materials nearing the end of their shelf life (Supply Division)	185	2008-2009	X			1	
Prevent the long-term storage and expiration of supply items (Niger and Senegal country offices)	188	2008-2009	X			1	
Improve the conditions for the storage of programme supplies (all country offices)	192	2008-2009	X			1	
Take appropriate measures to fill remaining vacancies (all offices)	195	2008-2009		X		1	
Set up a clear timeline for requesting offices/divisions to make recommendations relating to shortlists (New York headquarters)	200	2008-2009	X			1	
Establish a mechanism to monitor the overall completion rate of the performance evaluation reports (New York headquarters)	205	2008-2009	X			1	
Improve selection of consultants and individual contractors (all offices)	211	2002-2003 para. 181		X		1	Raised

Subject	*Paragraph reference in report*	*Financial period in which first made*	*Implemented*	*Under implementation*	*Not implemented*	*Total*	*Reference in the present report*
Improve performance evaluation of consultants and individual contractors (all country offices)	216	2008-2009		X		1	Raised
Close system user accounts in a timely manner (all offices)	220	2008-2009	X			1	
Establish and enforce specific guidelines or procedures to improve the physical controls at data centres (Niger and Cambodia country offices)	222	2008-2009	X			1	
Expedite the implementation of the "One ERP" project in accordance with the project plan (New York headquarters)	226	2008-2009	X			1	
Accelerate the implementation of internal audit recommendations (New York headquarters, regional offices)	233	2008-2009		X		1	
Strengthen advocacy and communication with current and potential donors to increase regular resources and global thematic funds (New York headquarters, Private Fundraising and Partnerships Division)	240	2008-2009	X			1	
Adhere strictly to the provisions relating to income retention by National Committees (Private Fundraising and Partnerships Division)	245	2006-2007 para. 189		X		1	
Accelerate the negotiations with National Committees and sign the joint strategic plan as early as possible (Private Fundraising and Partnerships Division)	247	2008-2009		X		1	
Submit donor reports in accordance with donor agreements (all field offices)	252	2006-2007 para. 42		X		1	
Comply strictly with Programme Policy and Procedure manual in preparing and submitting donor reports (all field offices)	255	2008-2009	X			1	
Conduct monitoring and sample assessments of country office donor reporting performance (all regional offices)	258	2008-2009	X			1	

Subject	*Paragraph reference in report*	*Financial period in which first made*	*Implemented*	*Under implementation*	*Not implemented*	*Total*	*Reference in the present report*
Prepare a travel plan in compliance with the requirements of the UNICEF Administration Manual (all offices)	261	2008-2009	X			1	
Ensure that travel requests are submitted at least two weeks prior to anticipated departure dates (all offices)	267	2008-2009	X			1	
Total recommendations		**–**	**33**	**15**	**2**	**50**	
Percentage to total		**–**	**66**	**30**	**4**	**100**	

Annex II

Factors indicating that the United Nations Children's Fund is acting as principal

Context	*UNICEF is primarily responsible for providing procured goods or services*	*UNICEF has significant risks to its assets*	*UNICEF has significant discretion in establishing prices*	*UNICEF is significantly exposed to partner's credit risk*	*Conclusion*
Junior professional officers programme	True	True	True	False	Principal
Libya	True	True	True	False	Principal
Special Representative of the Secretary-General on Violence against Children	True	True	True	False	Principal
Warehoused items	True	True	True	False	Principal

Source: Material provided by UNICEF.

Annex III

Analysis of the role of the National Committees in private sector fundraising activities based on International Accounting Standard 18

Criterion	*Board's analysis*	*Board's conclusion*
Primary responsibility for providing the goods or services to the customer or fulfilling the order	In the fundraising context, using donations to implement programme activities and, where applicable, to provide reports to the donor can be interpreted as the primary responsibility. This responsibility lies with UNICEF, not with the National Committees.	UNICEF has the primary responsibility for implementing programme activities.
Inventory risk	Not applicable	Not applicable
Discretion in establishing prices, either directly or indirectly	In the fundraising context, discretion in establishing prices relates to the ability to determine the level of donors' contributions. UNICEF has predetermined overall funding needs based on its strategic plans, and the amount of funds that can be raised depends on both the good reputation of UNICEF and National Committees' local knowledge and credibility.	Both UNICEF and the National Committees have discretion in establishing the "price" (the level of donations).
Bearing the customer's credit risk	National Committees will not assume any credit risk of donors, since the transfer of funds from National Committees to UNICEF depends on the availability of donations and there is no evidence showing that National Committees will transfer an equivalent amount of funds to UNICEF if donors fail to make pledged donations. Instead, UNICEF will bear the risk of insufficient funds to meet its programme needs.	UNICEF bears the credit risk.
Board's overall conclusion	**UNICEF acts as the principal in private sector fundraising activities, while National Committees act as agents.**	

(Notes on following page)

(Notes to table)

Notes:

1. Since the United Nations system accounting standards are silent on the fundraising in the private sector and allow entities to apply international accounting standards where appropriate, the Board applies the most relevant criteria of International Accounting Standard 18 in the context of fundraising in determining the revenue recognition for cooperating with the National Committees to raise funds in the private sector. The application of the International Accounting Standard 18 criterion of an agency relationship to this type of transaction requires the adoption of criteria established for commercial transactions in a fundraising context.
2. The agent nature of the National Committees in carrying out private sector fundraising was also demonstrated by the following factors:
   (a) Provision 11 of the standard cooperation agreement between UNICEF and the National Committees provides that the Committees raise funds on behalf of or for UNICEF for the ultimate benefit of children;
   (b) Provision 14 of the standard cooperation agreement also provides that the National Committees may retain up to 25 per cent of their gross proceeds to cover the costs of their activities, which implies that the funds retained by the Committees are actually agent commissions.

Chapter III

Financial report for the biennium ended 31 December 2011

Introduction

1. The United Nations Children's Fund (UNICEF) submits herewith its financial report, accompanied by 10 statements, 3 schedules and 2 annexes. Statements I to IV are presented in line with the formats agreed upon by the United Nations System Chief Executives Board for Coordination as a step towards harmonizing the accounts of agencies in the United Nations system. The financial report summarizes the financial results of UNICEF activities for the biennium ended 31 December 2011.

Income

2. UNICEF income for the biennium totalled $7,355 million. Income comprised $2,005 million under regular resources, $3,364 million under other resources (regular) and $1,986 million under other resources (emergency). The breakdown of UNICEF income by source is: 59 per cent ($4,305 million) from Governments and intergovernmental agencies; 31 per cent ($2,276 million) from fundraising campaigns, the sale of greeting cards and gifts, non-governmental organizations and individual donations; 9 per cent ($664 million) from inter-organizational arrangements; and 1 per cent ($110 million) from miscellaneous sources, including interest income and net currency exchange adjustments and gains on foreign currency transactions.

Expenditure

3. UNICEF expenditure for the biennium was $7,424 million, consisting of $1,586 million for programme assistance from regular resources, $3,337 million for programme assistance from other resources (regular), $1,903 million for programme assistance from other resources (emergency), $556 million related to the net biennial support budget and $42 million for security.

Supported deliveries

4. UNICEF handled supported deliveries on behalf of third parties valued at $153 million during the biennium. The 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 fund receipts for the biennium totalled $2,084 million and disbursements and obligations $2,025 million. Trust funds do not form part of the income of UNICEF. Those funds are earmarked resources entrusted to UNICEF by various entities, including Governments, other organizations in the United Nations system and non-governmental organizations, mainly to cover the costs of procuring supplies but also to provide services on behalf of those entities. They also include funds provided by Government sponsors to cover the costs of the Junior Professional Officers programme.

Cash holdings and investments

6. As at 31 December 2011, UNICEF had total cash holdings and investments of $3,081 million, which included unspent balances from trust funds amounting to $499 million. Some $2,536 million was held in interest-bearing term deposits, $350 million was in investments and $194 million was in current bank accounts. Cash on hand amounted to $1 million globally.

Approved programmes

7. During the biennium, the Executive Board approved an amount of $7,018 million for country programmes of cooperation as well as for regional and interregional projects. This total included $1,606 million for programmes funded from regular resources, $3,405 million for programmes funded from other resources (regular) and $2,007 million for programmes funded from pledges for other resources (emergency).

(*Signed*) Anthony **Lake**
Executive Director
United Nations Children's Fund

Chapter IV
Financial statements for the biennium ended 31 December 2011

A. Financial statements

Statement I
Income and expenditure and changes in reserves and fund balances for the biennium ended 31 December 2011
(Thousands of United States dollars)

		2010-2011				*2008-2009*
		Regular resources	*Other resources (regular)*	*Other resources (emergency)*	*Total*	*Total*
Income						
Voluntary contributions						
Governments and intergovernmental agencies	(schedule 1)	1 222 095	1 995 266	1 126 360	4 343 721	3 994 944
Less: transfer to biennial support budget	(note 3/schedule 1)	(38 338)			(38 338)	(36 095)
		1 183 757	1 995 266	1 126 360	4 305 383	3 958 849
Non-governmental/private sector sources	(schedule 1)	2 996	1 028 600	536 408	1 568 004	1 162 064
Funds received under inter-organizational arrangements	(schedule 1)	1	340 432	323 010	663 443	552 132
Private Fundraising and Partnerships Division	(note 4)	708 372			708 372	740 051
Other income						
Interest income		62 340			62 340	170 032
Miscellaneous income	(note 5)	37 029			37 029	33 907
Net currency exchange adjustments and gains on foreign exchange	(note 6)	10 068			10 068	(7 023)
Total income		**2 004 563**	**3 364 298**	**1 985 778**	**7 354 639**	**6 610 012**
Expenditure						
Programme assistance[a]	(statement VII)	1 585 722	3 337 277	1 903 517	6 826 516	5 751 588
Net biennial support	(statement IV)					
Programme support		389 305			389 305	367 828
Management and administration		166 857			166 857	171 511
Security	(statement IV)	41 632			41 632	32 850
Total expenditure		**2 183 516**	**3 337 277**	**1 903 517**	**7 424 310**	**6 323 777**

		2010-2011				2008-2009
		Regular resources	*Other resources (regular)*	*Other resources (emergency)*	*Total*	*Total*
(Shortfall) excess of income over expenditure		(178 953)	27 021	82 261	(69 671)	286 235
Write-offs/prior-period adjustments	(note 7)	(1 960)	3 329	4 605	5 974	30 705
Provision for uncollectible accounts receivable	(note 8)	1 198	(229)	2 122	3 091	6 163
Net (shortfall) excess of income over expenditure		**(178 191)**	**23 921**	**75 534**	**(78 736)**	**249 367**
Fund balances, 1 January		825 979	1 431 615	403 582	2 661 176	2 442 822
Savings on or cancellation of prior-period obligations		16 838			16 838	28 987
Transfer to reserve for after-service health insurance	(note 9)	(60 000)			(60 000)	(60 000)
Reserve balances, 1 January	(note 9)	267 372			267 372	197 520
Increase in reserves	(note 9)	83 510			83 510	69 852
Reserves and fund balances, 31 December		**955 508**	**1 455 536**	**479 116**	**2 890 160**	**2 928 548**

[a] The total programme assistance expenditure for 2010-2011 includes $343 million reclassified from biennial support expenditure, of which $19 million relates to recoveries from packing and assembly activities and $324 million relates to indirect costs charged by UNICEF in relation to the management of projects.

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

Statement II

Assets, liabilities, reserves and fund balances as at 31 December 2011

(Thousands of United States dollars)

		2011	*2009*
Assets			
Cash and term deposits	(note 10)	2 731 441	2 138 491
Investments	(note 11)	350 000	838 952
Accounts receivable			
Contributions receivable	(note 12/schedule 2)	330 306	329 723
Less: provision for uncollectible contributions receivable	(note 8)	(9 459)	(11 163)
Net contributions receivable		320 847	318 560
Other accounts receivable, net	(note 13)	337 081	441 654
Inventories	(note 14)	42 749	43 791
Land and buildings	(note 15)	19 402	18 625
Total assets		**3 801 520**	**3 800 073**
Liabilities			
Contributions and other income received in advance	(note 16)	28 225	19 901
Unliquidated obligations	(note 17)	271 395	264 378
Accounts payable	(note 18)	47 067	86 041
Trust funds	(note 19/schedule 3)	499 490	447 722
Medical insurance plans	(note 20)	65 183	53 483
Total liabilities		**911 360**	**871 525**
Reserves and fund balances			
Reserves			
For procurement services	(note 9)	2 000	2 000
For insurance	(note 9)	115	115
For capital assets	(note 9)	27 365	27 286
For after-service health insurance	(note 9)	270 000	210 000
For separation fund	(note 9)	51 402	27 971
Total reserves		**350 882**	**267 372**
Fund balances			
Regular resources		604 626	825 979
Other resources (regular)		1 455 536	1 431 615
Other resources (emergency)		479 116	403 582
Total fund balances		**2 539 278**	**2 661 176**
Total reserves and fund balances		**2 890 160**	**2 928 548**
Total liabilities, reserves and fund balances		**3 801 520**	**3 800 073**

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

Statement III
Cash flow for the biennium ended 31 December 2011
(Thousands of United States dollars)

	2011	*2009*
Cash flow from operating activities		
Net (shortfall) excess of income over expenditure	(78 736)	249 367
Increase in contributions receivable	(583)	(78 435)
(Decrease) increase in provision for uncollectible contributions receivable	(1 704)	6 163
Decrease in other accounts receivable	104 573	12 922
Decrease in inventory	1 042	2 288
Increase (decrease) in contributions and other income received in advance	8 324	(20 599)
Decrease in accounts payable	(38 974)	(37 404)
Increase in medical insurance plan	11 700	6 461
Increase (decrease) in unliquidated obligations	7 017	(9 346)
Less: interest income	(62 340)	(170 032)
Net cash from operating activities	**(49 681)**	**(38 615)**
Cash flow from investing activities		
Decrease (increase) in investments	488 952	(393 952)
Increase in land and buildings	(777)	(794)
Plus: interest income	62 340	170 032
Net cash from investing activities	**550 515**	**(224 714)**
Cash flow from financing activities		
Savings on or cancellations of prior-period obligations	16 838	28 987
Increase in trust fund balances	51 768	133 152
Transfer to reserve for after-service health insurance	60 000	60 000
Transfer from regular resources	(60 000)	(60 000)
Increase in capital assets fund	79	160
Increase in separation fund	23 431	9 692
Net cash from financing activities	**92 116**	**171 991**
Net increase (decrease) in cash and term deposits	**592 950**	**(91 338)**
Cash and term deposits, 1 January	**2 138 491**	**2 229 829**
Cash and term deposits, 31 December	**2 731 441**	**2 138 491**

Statement IV

Statement of appropriations for the biennium 2010-2011 as at 31 December 2011

(Thousands of United States dollars)

	Appropriations				*Expenditure*				*Appropriations*
	Original	*Supplement*	*Transfers/ adjustments*	*Revised*	*Programme support*	*Management and administration*	*Security*	*Total*	*Unspent*
Programme support									
Country and regional offices	488 265		(16 400)	471 865	456 099			456 099	15 766
Headquarters	167 710		28 840	196 550	192 337			192 337	4 213
Subtotal	**655 975**		**12 440**	**668 415**	**648 436**			**648 436**	**19 979**
Management and administration[a]	319 025		(12 440)	306 585		292 461		292 461	14 124
Subtotal	**975 000**			**975 000**	**648 436**	**292 461**		**940 897**	**34 103**
Security	31 200	4 280	9 593	45 073			41 632	41 632	3 441
Total	**1 006 200**	**4 280**	**9 593**	**1 020 073**	**648 436**	**292 461**	**41 632**	**982 529**	**37 544**
Expenditure					648 436	292 461	41 632	982 529	
Less: Recovery from packing and assembly activities					19 049			19 049	
Recovery from other resources (regular and emergency)					223 483	100 405		323 888	
Agency commissions from administration of non-procurement trust funds and Junior Professional Officers						3 460		3 460	
Government contributions towards local costs					546			546	
Transfer from income in respect of income tax reimbursement					16 053	21 739		37 792	
Subtotal					**259 131**	**125 604**		**384 735**	
Net expenditure					**389 305**	**166 857**	**41 632**	**597 794**	

[a] The total management and administration expenditure for 2010-2011 excludes the staff and operating costs of the Private Fundraising and Partnerships Division, which total $136 million (refer to note 4).

Statement V
Income/receipts, expenditure/disbursements and changes in fund balances for the biennium ended 31 December 2011

(Thousands of United States dollars)

	2010-2011					*2008-2009*
	Regular resources	*Other resources (regular)*	*Other resources (emergency)*	*Trust funds*	*Total*	*Total*
Opening balances	825 979	1 431 615	403 582	438 242	3 099 418	2 747 450
Income/receipts	2 004 563	3 364 298	1 985 778	2 084 301	9 438 940	8 595 811
Funds available	2 830 542	4 795 913	2 389 360	2 522 543	12 538 358	11 343 261
Expenditure/disbursements	(2 183 516)	(3 337 277)	(1 903 517)	(2 025 453)	(9 449 763)	(8 175 962)
Write-offs/prior-period adjustments	1 960	(3 329)	(4 605)		(5 974)	(30 705)
Provision for uncollectible accounts receivable	(1 198)	229	(2 122)		(3 091)	(6 163)
Savings on or cancellation of prior-period obligations	16 838				16 838	28 987
Transfer to reserve for after-service health insurance	(60 000)				(60 000)	(60 000)
Closing balances	**604 626**	**1 455 536**	**479 116**	**497 090**	**3 036 368**	**3 099 418**

Statement VI

Status of funding for approved programmes and appropriations as at 31 December 2011

(Thousands of United States dollars)

		Other resources		
	Regular resources	Other resources (regular)	Other resources (emergency)	Total
Unspent balances of programmes as at 1 January 2010	2 550 328	1 600 583	425 820	4 576 731
Approved at Executive Board sessions				
New programmes/appropriations	1 485 559			1 485 559
Additional programmes	116 273	3 405 535	2 006 839	5 528 647
Write-offs/prior-period adjustments		(3 329)	(4 605)	(7 934)
Unspent balance of biennial support budget	(37 544)			(37 544)
Unspent balances on expired programmes	(142 597)			(142 597)
Recoveries to the budget	(384 735)			(384 735)
Subtotal	**3 587 284**	**5 002 789**	**2 428 054**	**11 018 127**
Expenditure	**2 183 516**	**3 337 277**	**1 903 517**	**7 424 310**
Unspent balances of programmes as at 31 December 2011	1 403 768	1 665 512	524 537	3 593 817
Provision for uncollectible contributions receivable	(1 213)	(5 338)	(7 705)	(14 255)
Fund balance as at 31 December 2011	(604 626)	(1 455 536)	(479 116)	(2 539 278)
To be financed from future income	**797 929**	**204 638**	**37 717**	**1 040 284**

Statement VII

Statement of approved programmes and appropriations, expenditure and unspent balances for regular resources, other resources (regular) and other resources (emergency) for the biennium ended 31 December 2011

(Thousands of United States dollars)

	Approved programmes/ appropriations unspent balances as at 1 January 2010	*New programmes/ appropriations and cancellations*	*Total programmes/ appropriations*	*Total expenditure*	*Approved programmes/ appropriations unspent balances as at 31 December 2011*
Africa					
Angola	54 116	43 312	97 428	72 654	24 774
Benin	28 728	19 403	48 131	28 042	20 089
Botswana	5 124	2 728	7 852	5 206	2 646
Burkina Faso	27 646	108 875	136 521	67 504	69 017
Burundi	55 976	12 195	68 171	34 788	33 383
Cameroon	11 181	27 283	38 464	27 307	11 157
Cape Verde	1 531	1 856	3 387	2 641	746
Central African Republic	10 707	46 066	56 773	39 855	16 918
Chad	21 884	85 403	107 287	92 514	14 773
Comoros	3 213	5 260	8 473	6 390	2 083
Congo	14 222	20 877	35 099	18 632	16 467
Côte d’Ivoire	36 473	49 407	85 880	66 682	19 198
Democratic Republic of the Congo	126 428	348 135	474 563	355 568	118 995
Equatorial Guinea	3 576	1 450	5 026	1 955	3 071
Eritrea	12 908	35 926	48 834	38 036	10 798
Ethiopia	105 299	439 497	544 796	288 197	256 599
Gabon	3 859	1 487	5 346	4 611	735
Gambia	4 723	2 975	7 698	7 091	607
Ghana	26 628	90 905	117 533	60 947	56 586
Guinea	16 985	56 794	73 779	44 651	29 128
Guinea-Bissau	10 156	32 501	42 657	30 001	12 656
Kenya	67 267	108 619	175 886	138 248	37 638
Lesotho	19 798	4 565	24 363	21 442	2 921
Liberia	28 695	57 037	85 732	55 891	29 841
Madagascar	41 243	85 340	126 583	100 348	26 235
Malawi	36 486	95 482	131 968	82 337	49 631
Mali	59 809	32 580	92 389	61 692	30 697
Mauritania	10 162	18 094	28 256	21 903	6 353
Mauritius	25	(25)			
Mozambique	25 174	144 729	169 903	92 394	77 509
Namibia	6 529	9 689	16 218	9 681	6 537

	Approved programmes/ appropriations unspent balances as at 1 January 2010	New programmes/ appropriations and cancellations	Total programmes/ appropriations	Total expenditure	Approved programmes/ appropriations unspent balances as at 31 December 2011
Niger	82 983	77 748	160 731	117 934	42 797
Nigeria	160 741	123 011	283 752	222 167	61 585
Rwanda	37 126	29 762	66 888	50 922	15 966
Sao Tome and Principe	1 621	432	2 053	1 953	100
Senegal	14 847	25 538	40 385	33 960	6 425
Sierra Leone	39 508	87 989	127 497	94 369	33 128
Somalia	41 373	424 188	465 561	328 025	137 536
South Africa	16 562	22 682	39 244	27 578	11 666
Swaziland	4 919	11 594	16 513	10 911	5 602
Togo	16 071	13 761	29 832	20 848	8 984
Uganda	129 886	39 305	169 191	88 246	80 945
United Republic of Tanzania	39 577	105 719	145 296	65 466	79 830
Zambia	22 774	86 733	109 507	50 250	59 257
Zimbabwe	87 561	246 948	334 509	255 122	79 387
Regional	13 874	63 918	77 792	22 876	54 916
Area total	**1 585 974**	**3 347 773**	**4 933 747**	**3 267 835**	**1 665 912**
Americas and Caribbean					
Argentina	9 779	22 901	32 680	21 988	10 692
Barbados	212		212		212
Belize	2 586	1 900	4 486	3 301	1 185
Bolivia (Plurinational State of)	11 371	25 574	36 945	24 092	12 853
Brazil	9 673	38 133	47 806	36 376	11 430
Chile	1 209	8 178	9 387	7 986	1 401
Colombia	12 196	33 705	45 901	28 365	17 536
Costa Rica	2 854	2 381	5 235	3 924	1 311
Cuba	6 155	4 493	10 648	6 902	3 746
Dominican Republic	3 053	11 625	14 678	12 186	2 492
Ecuador	7 720	5 326	13 046	7 964	5 082
El Salvador	3 094	7 905	10 999	6 049	4 950
Guatemala	14 445	13 414	27 859	20 122	7 737
Guyana	3 004	3 582	6 586	5 398	1 188
Haiti	19 322	364 035	383 357	291 762	91 595
Honduras	6 990	3 130	10 120	8 980	1 140
Jamaica	4 238	2 359	6 597	4 912	1 685
Mexico	6 757	7 840	14 597	11 329	3 268
Nicaragua	10 614	10 380	20 994	16 300	4 694
Panama	1 457	6 029	7 486	3 554	3 932

	Approved programmes/ appropriations unspent balances as at 1 January 2010	New programmes/ appropriations and cancellations	Total programmes/ appropriations	Total expenditure	Approved programmes/ appropriations unspent balances as at 31 December 2011
Paraguay	2 440	3 322	5 762	3 804	1 958
Peru	3 278	24 995	28 273	13 910	14 363
Uruguay	822	9 035	9 857	4 418	5 439
Venezuela (Bolivarian Republic of)	4 352	3 702	8 054	6 389	1 665
Regional	11 869	7 100	18 969	14 144	4 825
Area total	**159 490**	**621 044**	**780 534**	**564 155**	**216 379**
East Asia and Pacific					
Cambodia	25 729	68 354	94 083	42 828	51 255
China	38 377	82 676	121 053	59 847	61 206
Democratic People’s Republic of Korea	10 142	63 927	74 069	44 029	30 040
Indonesia	56 547	73 179	129 726	82 147	47 579
Lao People’s Democratic Republic	13 305	27 342	40 647	21 571	19 076
Malaysia	2 408	9 590	11 998	5 554	6 444
Mongolia	3 940	12 309	16 249	9 886	6 363
Myanmar	34 803	121 259	156 062	83 501	72 561
Pacific island countries	27 471	20 793	48 264	27 843	20 421
Papua New Guinea	11 405	19 263	30 668	12 309	18 359
Philippines	18 203	39 799	58 002	44 545	13 457
Thailand	7 236	20 206	27 442	18 521	8 921
Timor-Leste	13 183	26 706	39 889	19 842	20 047
Viet Nam	19 543	25 919	45 462	36 695	8 767
Regional	1 932	27 242	29 174	7 625	21 549
Area total	**284 224**	**638 564**	**922 788**	**516 743**	**406 045**
South Asia					
Afghanistan	218 298	143 986	362 284	227 993	134 291
Bangladesh	100 649	107 385	208 034	146 095	61 939
Bhutan	5 620	9 001	14 621	9 537	5 084
India	185 949	181 461	367 410	269 983	97 427
Maldives	1 909	5 187	7 096	2 776	4 320
Nepal	19 059	53 320	72 379	52 102	20 277
Pakistan	107 104	389 480	496 584	373 103	123 481
Sri Lanka	45 966	54 461	100 427	62 439	37 988
Regional	7	213	220	176	44
Area total	**684 561**	**944 494**	**1 629 055**	**1 144 204**	**484 851**

	Approved programmes/ appropriations unspent balances as at 1 January 2010	New programmes/ appropriations and cancellations	Total programmes/ appropriations	Total expenditure	Approved programmes/ appropriations unspent balances as at 31 December 2011
Middle East and North Africa					
Algeria	4 214	3 802	8 016	3 288	4 728
Djibouti	5 940	12 065	18 005	12 694	5 311
Egypt	9 755	11 715	21 470	14 512	6 958
Iran (Islamic Republic of)	4 398	4 619	9 017	6 621	2 396
Iraq	55 592	72 186	127 778	78 850	48 928
Jordan	11 993	5 772	17 765	14 069	3 696
Kuwait					
Lebanon	7 810	2 128	9 938	4 957	4 981
Morocco	5 581	7 165	12 746	8 767	3 979
Oman	976	1 552	2 528	1 942	586
Palestinian children and women	13 639	50 596	64 235	46 987	17 248
Sudan	89 473	340 441	429 914	342 806	87 108
Syrian Arab Republic	15 982	9 485	25 467	19 820	5 647
Tunisia	1 849	4 219	6 068	4 201	1 867
Yemen	17 792	86 716	104 508	49 996	54 512
Regional	7 804	13 396	21 200	10 496	10 704
Area total	**252 798**	**625 857**	**878 655**	**620 006**	**258 649**
Central and Eastern Europe and Commonwealth of Independent States					
Albania	4 416	13 296	17 712	12 240	5 472
Armenia	5 161	1 329	6 490	2 523	3 967
Azerbaijan	1 401	8 220	9 621	3 722	5 899
Belarus	1 843	4 335	6 178	2 852	3 326
Bosnia and Herzegovina	11 495	8 676	20 171	12 399	7 772
Bulgaria	3 234	4 120	7 354	4 334	3 020
Croatia	1 786	3 230	5 016	2 821	2 195
Georgia	8 327	16 755	25 082	14 331	10 751
Kazakhstan	7 770	3 491	11 261	4 366	6 895
Kosovo (Serbia)	2 461	11 334	13 795	9 051	4 744
Kyrgyzstan	2 081	18 946	21 027	16 526	4 501
Montenegro	1 852	3 082	4 934	3 220	1 714
Republic of Moldova	4 806	5 162	9 968	6 547	3 421
Romania	3 709	4 592	8 301	4 849	3 452
Russian Federation	4 617	11 956	16 573	16 359	214
Serbia	6 234	9 095	15 329	7 806	7 523
Tajikistan	16 300	5 935	22 235	11 892	10 343

	Approved programmes/ appropriations unspent balances as at 1 January 2010	New programmes/ appropriations and cancellations	Total programmes/ appropriations	Total expenditure	Approved programmes/ appropriations unspent balances as at 31 December 2011
The former Yugoslav Republic of Macedonia	7 234	4 047	11 281	6 357	4 924
Turkey	7 272	22 590	29 862	13 098	16 764
Turkmenistan	5 402	1 072	6 474	2 911	3 563
Ukraine	5 408	3 379	8 787	7 229	1 558
Uzbekistan	22 490	6 902	29 392	14 930	14 462
Regional	6 434	6 610	13 044	8 222	4 822
Area total	**141 733**	**178 154**	**319 887**	**188 585**	**131 302**
Global assistance					
Avian influenza	505	4 539	5 044	3 304	1 740
Emergency Programme Fund	133 813	(58 813)	75 000	41 546	33 454
Immunization	1 202	(37)	1 165	292	873
Inter-country programmes	306 596	517 294	823 890	472 438	351 452
Innocenti Research Centre	10 635	2 389	13 024	7 408	5 616
Total global assistance	**452 751**	**465 372**	**918 123**	**524 988**	**393 135**
Total programme assistance[a]	**3 561 531**	**6 821 258**	**10 382 789**	**6 826 516**	**3 556 273**
Support budget					
Programme support	655 975		655 975	648 436	7 539
Management and administration	319 025		319 025	292 461	26 564
Security	40 200	4 873	45 073	41 632	3 441
Recoveries to the budget		(384 735)	(384 735)	(384 735)	
Total support budget	**1 015 200**	**(379 862)**	**635 338**	**597 794**	**37 544**
Total	**4 576 731**	**6 441 396**	**11 018 127**	**7 424 310**	**3 593 817**

[a] Included in the total expenditure is $19 million related to recoveries from packing and assembly activities and $324 million related to indirect costs charged by UNICEF in relation to the management of projects.

Statement VII.1

Statement of approved programmes and appropriations, expenditure and unspent balances for regular resources for the biennium ended 31 December 2011

(Thousands of United States dollars)

	Approved programmes/ appropriations unspent balances as at 1 January 2010	*New programmes/ appropriations and cancellations*	*Total programmes/ appropriations*	*Total expenditure*	*Approved programmes/ appropriations unspent balances as at 31 December 2011*
Africa					
Angola	27 825	(291)	27 534	15 899	11 635
Benin	19 398	3 621	23 019	13 674	9 345
Botswana	3 826	99	3 925	1 639	2 286
Burkina Faso	17 679	78 704	96 383	35 701	60 682
Burundi	49 965	(104)	49 861	19 977	29 884
Cameroon	7 060	12 631	19 691	13 244	6 447
Cape Verde	910	750	1 660	1 500	160
Central African Republic	4 822	5 999	10 821	9 781	1 040
Chad	11 932	15 615	27 547	26 559	988
Comoros	2 637	77	2 714	1 945	769
Congo	5 780	1 742	7 522	4 020	3 502
Côte d’Ivoire	23 631	4 872	28 503	21 247	7 256
Democratic Republic of the Congo	84 086	86 663	170 749	117 050	53 699
Equatorial Guinea	2 435	(4)	2 431	915	1 516
Eritrea	3 603	4 424	8 027	5 105	2 922
Ethiopia	44 632	199 239	243 871	82 756	161 115
Gabon	1 137	394	1 531	1 560	(29)
Gambia	2 195	809	3 004	2 778	226
Ghana	9 870	56 669	66 539	19 955	46 584
Guinea	8 570	15 180	23 750	16 107	7 643
Guinea-Bissau	4 293	2 332	6 625	4 815	1 810
Kenya	32 832	1 449	34 281	25 424	8 857
Lesotho	3 389	123	3 512	2 515	997
Liberia	9 801	5 699	15 500	10 103	5 397
Madagascar	13 454	23 782	37 236	24 622	12 614
Malawi	13 195	7 403	20 598	20 400	198
Mali	36 124	2 482	38 606	28 548	10 058
Mauritania	2 412	2 846	5 258	4 996	262
Mauritius	25	(25)			
Mozambique	328	96 151	96 479	32 345	64 134
Namibia	1 051	1 719	2 770	1 702	1 068
Niger	67 901	2 584	70 485	40 978	29 507

	Approved programmes/ appropriations unspent balances as at 1 January 2010	New programmes/ appropriations and cancellations	Total programmes/ appropriations	Total expenditure	Approved programmes/ appropriations unspent balances as at 31 December 2011
Nigeria	115 681	(7 674)	108 007	106 435	1 572
Rwanda	24 694	(235)	24 459	21 237	3 222
Sao Tome and Principe	1 328	270	1 598	1 505	93
Senegal	6 837	6 605	13 442	13 078	364
Sierra Leone	9 766	18 303	28 069	19 400	8 669
Somalia	2 102	52 880	54 982	19 438	35 544
South Africa	1 442	3 296	4 738	2 395	2 343
Swaziland	921	4 339	5 260	2 055	3 205
Togo	9 399	879	10 278	8 125	2 153
Uganda	107 365	(19)	107 346	43 040	64 306
United Republic of Tanzania	23 749	85 047	108 796	41 087	67 709
Zambia	9 401	42 702	52 103	17 456	34 647
Zimbabwe	8 026	22 994	31 020	11 810	19 210
Area total	**837 509**	**863 021**	**1 700 530**	**914 921**	**785 609**
Americas and Caribbean					
Argentina	3 388	34	3 422	1 583	1 839
Belize	1 634	984	2 618	2 058	560
Bolivia (Plurinational State of)	4 032	130	4 162	2 910	1 252
Brazil	2 041	373	2 414	1 707	707
Chile	250	1 528	1 778	1 574	204
Colombia	2 908	396	3 304	1 877	1 427
Costa Rica	1 716	437	2 153	1 961	192
Cuba	1 855	131	1 986	1 675	311
Dominican Republic	1 551	209	1 760	1 756	4
Ecuador	3 858	175	4 033	1 755	2 278
El Salvador	1 427	3 206	4 633	1 652	2 981
Guatemala	4 497	123	4 620	1 801	2 819
Guyana	998	629	1 627	1 696	(69)
Haiti	5 758	1 590	7 348	5 794	1 554
Honduras	2 232	292	2 524	1 794	730
Jamaica	1 400	632	2 032	1 897	135
Mexico	1 978	150	2 128	1 805	323
Nicaragua	2 868	(51)	2 817	1 823	994
Panama	906	3 874	4 780	1 791	2 989
Paraguay	1 717	825	2 542	1 702	840
Peru	1 478	878	2 356	2 057	299
Uruguay	263	4 752	5 015	1 647	3 368

	Approved programmes/ appropriations unspent balances as at 1 January 2010	New programmes/ appropriations and cancellations	Total programmes/ appropriations	Total expenditure	Approved programmes/ appropriations unspent balances as at 31 December 2011
Venezuela (Bolivarian Republic of)	2 022	1 063	3 085	2 601	484
Regional	7 116	702	7 818	7 944	(126)
Area total	**57 893**	**23 062**	**80 955**	**54 860**	**26 095**
East Asia and Pacific					
Cambodia	7 951	32 842	40 793	14 356	26 437
China	15 586	51 013	66 599	21 184	45 415
Democratic People’s Republic of Korea	559	11 763	12 322	4 532	7 790
Indonesia	7 382	28 166	35 548	12 562	22 986
Lao People’s Democratic Republic	3 199	9 370	12 569	4 541	8 028
Malaysia	829	3 731	4 560	1 140	3 420
Mongolia	2 042	970	3 012	2 245	767
Myanmar	18 562	83 598	102 160	33 737	68 423
Pacific island countries	17 234	270	17 504	11 686	5 818
Papua New Guinea	4 553	4 441	8 994	3 043	5 951
Philippines	812	7 458	8 270	6 925	1 345
Thailand	2 802	(70)	2 732	1 982	750
Timor-Leste	3 603	335	3 938	2 287	1 651
Viet Nam	4 840	3 250	8 090	7 940	150
Area total	**89 954**	**237 137**	**327 091**	**128 160**	**198 931**
South Asia					
Afghanistan	158 744	693	159 437	77 793	81 644
Bangladesh	25 116	20 281	45 397	45 412	(15)
Bhutan	2 582	424	3 006	2 248	758
India	84 895	38 920	123 815	85 203	38 612
Maldives	1 118	3 652	4 770	1 714	3 056
Nepal	8 259	15 281	23 540	15 994	7 546
Pakistan	20 078	36 684	56 762	34 738	22 024
Sri Lanka	2 519	773	3 292	1 798	1 494
Area total	**303 311**	**116 708**	**420 019**	**264 900**	**155 119**
Middle East and North Africa					
Algeria	2 625	3 131	5 756	2 192	3 564
Djibouti	2 495	538	3 033	1 841	1 192
Egypt	5 609	6 186	11 795	7 110	4 685
Iran (Islamic Republic of)	385	3 395	3 780	3 343	437
Iraq	3 087	8 040	11 127	5 393	5 734

	Approved programmes/ appropriations unspent balances as at 1 January 2010	New programmes/ appropriations and cancellations	Total programmes/ appropriations	Total expenditure	Approved programmes/ appropriations unspent balances as at 31 December 2011
Jordan	2 086	318	2 404	1 626	778
Lebanon	3 781	267	4 048	1 559	2 489
Morocco	2 739	334	3 073	2 478	595
Oman	1	100	101	100	1
Palestinian children and women	36	16 847	16 883	8 543	8 340
Sudan	22 522	15 025	37 547	25 016	12 531
Syrian Arab Republic	2 431	229	2 660	1 771	889
Tunisia	1 364	639	2 003	1 706	297
Yemen	7 528	37 166	44 694	14 548	30 146
Regional	44	230	274	29	245
Area total	**56 733**	**92 445**	**149 178**	**77 255**	**71 923**
Central and Eastern Europe and Commonwealth of Independent States					
Albania	751	4 499	5 250	1 499	3 751
Armenia	4 662	100	4 762	1 518	3 244
Azerbaijan	366	5 451	5 817	2 082	3 735
Belarus	927	3 802	4 729	1 525	3 204
Bosnia and Herzegovina	3 943	530	4 473	2 102	2 371
Bulgaria	2 274	310	2 584	1 550	1 034
Croatia	188	569	757	743	14
Georgia	881	3 758	4 639	1 651	2 988
Kazakhstan	5 605	492	6 097	2 346	3 751
Kosovo (Serbia)	894	3 098	3 992	3 373	619
Kyrgyzstan	1 154	1 118	2 272	2 227	45
Montenegro	1 502	160	1 662	1 654	8
Republic of Moldova	1 449	812	2 261	1 766	495
Romania	2 425	200	2 625	1 557	1 068
Russian Federation	1 370	535	1 905	1 859	46
Serbia	872	3 207	4 079	1 422	2 657
Tajikistan	12 587	646	13 233	4 544	8 689
The former Yugoslav Republic of Macedonia	4 506	560	5 066	2 059	3 007
Turkey	1 275	4 670	5 945	2 148	3 797
Turkmenistan	5 268	360	5 628	2 065	3 563
Ukraine	1 371	1 038	2 409	2 182	227
Uzbekistan	20 136	867	21 003	7 481	13 522
Regional	1 386	1 376	2 762	2 179	583
Area total	**75 792**	**38 158**	**113 950**	**51 532**	**62 418**

	Approved programmes/ appropriations unspent balances as at 1 January 2010	New programmes/ appropriations and cancellations	Total programmes/ appropriations	Total expenditure	Approved programmes/ appropriations unspent balances as at 31 December 2011
Global assistance					
Emergency Programme Fund	82 839	(7 839)	75 000	41 546	33 454
Immunization	737		737		737
Inter-country programmes	30 360	54 126	84 486	52 548	31 938
Total global assistance	**113 936**	**46 287**	**160 223**	**94 094**	**66 129**
Total programme assistance	**1 535 128**	**1 416 818**	**2 951 946**	**1 585 722**	**1 366 224**
Support budget					
Programme support	655 975		655 975	648 436	7 539
Management and administration	319 025		319 025	292 461	26 564
Security	40 200	4 873	45 073	41 632	3 441
Recoveries to the budget		(384 735)	(384 735)	(384 735)	
Total support budget	**1 015 200**	**(379 862)**	**635 338**	**597 794**	**37 544**
Total	**2 550 328**	**1 036 956**	**3 587 284**	**2 183 516**	**1 403 768**

Statement VII.2

Statement of approved programmes, expenditure and unspent balances for other resources (regular) for the biennium ended 31 December 2011

(Thousands of United States dollars)

	Approved programmes unspent balances as at 1 January 2010	*New programmes and cancellations*	*Total programmes*	*Total expenditure*	*Approved programmes unspent balances as at 31 December 2011*
Africa					
Angola	25 943	43 689	69 632	56 574	13 058
Benin	9 287	13 810	23 097	12 665	10 432
Botswana	1 298	2 629	3 927	3 566	361
Burkina Faso	7 082	26 506	33 588	25 639	7 949
Burundi	5 262	8 143	13 405	9 968	3 437
Cameroon	4 112	12 927	17 039	12 311	4 728
Cape Verde	494	1 106	1 600	1 014	586
Central African Republic	3 764	26 659	30 423	15 503	14 920
Chad	4 928	28 787	33 715	23 248	10 467
Comoros	575	5 184	5 759	4 445	1 314
Congo	6 918	15 242	22 160	11 384	10 776
Côte d’Ivoire	12 066	21 794	33 860	27 686	6 174
Democratic Republic of the Congo	30 197	134 460	164 657	112 974	51 683
Equatorial Guinea	1 141	1 455	2 596	1 041	1 555
Eritrea	6 482	16 507	22 989	16 725	6 264
Ethiopia	37 595	152 599	190 194	115 178	75 016
Gabon	2 722	1 093	3 815	3 051	764
Gambia	2 524	2 089	4 613	4 236	377
Ghana	16 734	33 601	50 335	40 358	9 977
Guinea	7 621	41 102	48 723	27 250	21 473
Guinea-Bissau	5 699	30 217	35 916	25 194	10 722
Kenya	21 218	40 860	62 078	45 660	16 418
Lesotho	16 311	4 272	20 583	18 659	1 924
Liberia	14 459	32 615	47 074	28 660	18 414
Madagascar	26 092	59 330	85 422	71 874	13 548
Malawi	23 202	87 757	110 959	61 566	49 393
Mali	12 989	29 267	42 256	21 784	20 472
Mauritania	5 943	11 841	17 784	13 115	4 669
Mozambique	24 826	48 396	73 222	59 807	13 415
Namibia	4 938	7 715	12 653	7 237	5 416
Niger	8 270	27 352	35 622	26 579	9 043
Nigeria	45 060	111 693	156 753	99 764	56 989
Rwanda	13 199	29 230	42 429	29 685	12 744

	Approved programmes unspent balances as at 1 January 2010	New programmes and cancellations	Total programmes	Total expenditure	Approved programmes unspent balances as at 31 December 2011
Sao Tome and Principe	286	162	448	448	
Senegal	7 089	18 463	25 552	20 138	5 414
Sierra Leone	29 658	60 830	90 488	70 224	20 264
Somalia	20 232	78 366	98 598	76 436	22 162
South Africa	15 120	19 386	34 506	25 183	9 323
Swaziland	4 003	7 250	11 253	8 856	2 397
Togo	6 589	12 085	18 674	11 649	7 025
Uganda	14 258	33 153	47 411	30 995	16 416
United Republic of Tanzania	16 023	20 494	36 517	24 396	12 121
Zambia	13 138	44 147	57 285	32 492	24 793
Zimbabwe	40 448	166 469	206 917	152 761	54 156
Regional	7 393	8 429	15 822	10 873	4 949
Area total	**583 188**	**1 579 161**	**2 162 349**	**1 498 851**	**663 498**
Americas and Caribbean					
Argentina	6 391	22 867	29 258	20 405	8 853
Belize	952	916	1 868	1 244	624
Bolivia (Plurinational State of)	7 333	23 666	30 999	19 413	11 586
Brazil	7 632	37 750	45 382	34 663	10 719
Chile	959	2 894	3 853	2 715	1 138
Colombia	9 154	30 561	39 715	24 258	15 457
Costa Rica	1 140	1 942	3 082	1 963	1 119
Cuba	3 748	4 353	8 101	4 666	3 435
Dominican Republic	1 333	2 614	3 947	1 855	2 092
Ecuador	3 862	5 151	9 013	6 209	2 804
El Salvador	1 587	3 045	4 632	3 028	1 604
Guatemala	10 010	10 855	20 865	16 277	4 588
Guyana	2 006	2 953	4 959	3 702	1 257
Haiti	12 914	10 764	23 678	14 777	8 901
Honduras	4 496	2 796	7 292	6 882	410
Jamaica	2 839	1 726	4 565	3 015	1 550
Mexico	4 752	7 690	12 442	9 497	2 945
Nicaragua	7 460	10 022	17 482	13 996	3 486
Panama	551	2 155	2 706	1 763	943
Paraguay	723	2 497	3 220	2 102	1 118
Peru	1 867	24 080	25 947	11 891	14 056
Uruguay	559	4 283	4 842	2 771	2 071

	Approved programmes unspent balances as at 1 January 2010	New programmes and cancellations	Total programmes	Total expenditure	Approved programmes unspent balances as at 31 December 2011
Venezuela (Bolivarian Republic of)	2 326	2 639	4 965	3 788	1 177
Regional	3 557	4 587	8 144	4 469	3 675
Area total	**98 151**	**222 806**	**320 957**	**215 349**	**105 608**
East Asia and Pacific					
Cambodia	17 780	34 545	52 325	28 185	24 140
China	10 646	22 222	32 868	19 344	13 524
Democratic People’s Republic of Korea	2 311	38 137	40 448	26 164	14 284
Indonesia	29 324	43 569	72 893	47 917	24 976
Lao People’s Democratic Republic	8 832	17 232	26 064	15 219	10 845
Malaysia	1 593	5 845	7 438	4 414	3 024
Mongolia	1 898	8 759	10 657	5 283	5 374
Myanmar	11 331	31 307	42 638	38 390	4 248
Pacific island countries	9 785	20 365	30 150	15 822	14 328
Papua New Guinea	6 501	14 827	21 328	8 920	12 408
Philippines	12 887	20 508	33 395	24 774	8 621
Thailand	4 501	20 277	24 778	16 539	8 239
Timor-Leste	9 383	26 408	35 791	17 395	18 396
Viet Nam	14 703	22 669	37 372	28 755	8 617
Regional	994	(6)	988	988	
Area total	**142 469**	**326 664**	**469 133**	**298 109**	**171 024**
South Asia					
Afghanistan	31 627	121 141	152 768	113 429	39 339
Bangladesh	75 237	85 805	161 042	99 168	61 874
Bhutan	2 939	7 681	10 620	6 568	4 052
India	99 834	142 610	242 444	183 935	58 509
Maldives	1 048	1 278	2 326	1 062	1 264
Nepal	9 666	36 599	46 265	33 583	12 682
Pakistan	48 703	84 267	132 970	88 818	44 152
Sri Lanka	21 592	22 893	44 485	26 502	17 983
Regional	32	(32)			
Area total	**290 678**	**502 242**	**792 920**	**553 065**	**239 855**
Middle East and North Africa					
Algeria	1 333	308	1 641	648	993
Djibouti	2 088	4 666	6 754	4 594	2 160
Egypt	3 963	4 973	8 936	6 684	2 252
Iran (Islamic Republic of)	4 423	605	5 028	3 278	1 750

	Approved programmes unspent balances as at 1 January 2010	New programmes and cancellations	Total programmes	Total expenditure	Approved programmes unspent balances as at 31 December 2011
Iraq	38 848	53 711	92 559	49 188	43 371
Jordan	1 821	2 351	4 172	2 757	1 415
Lebanon	3 493	2 014	5 507	3 203	2 304
Morocco	2 843	6 829	9 672	6 289	3 383
Oman	975	1 452	2 427	1 842	585
Palestinian children and women	6 085	12 263	18 348	12 504	5 844
Sudan	46 204	131 191	177 395	136 628	40 767
Syrian Arab Republic	712	343	1 055	612	443
Tunisia	485	1 408	1 893	707	1 186
Yemen	7 631	13 752	21 383	6 813	14 570
Regional	1 826	2 714	4 540	2 598	1 942
Area total	**122 730**	**238 580**	**361 310**	**238 345**	**122 965**
Central and Eastern Europe and Commonwealth of Independent States					
Albania	3 613	8 849	12 462	10 741	1 721
Armenia	499	1 229	1 728	1 005	723
Azerbaijan	1 035	2 769	3 804	1 640	2 164
Belarus	916	533	1 449	1 327	122
Bosnia and Herzegovina	7 022	8 676	15 698	10 297	5 401
Bulgaria	960	3 810	4 770	2 784	1 986
Croatia	1 379	2 880	4 259	2 078	2 181
Georgia	6 129	12 999	19 128	11 395	7 733
Kazakhstan	2 165	2 999	5 164	2 020	3 144
Kosovo (Serbia)	3 163	6 873	10 036	5 678	4 358
Kyrgyzstan	926	7 952	8 878	5 827	3 051
Montenegro	350	2 922	3 272	1 566	1 706
Republic of Moldova	3 357	4 158	7 515	4 589	2 926
Romania	1 132	3 469	4 601	2 304	2 297
Russian Federation	5 939	8 593	14 532	14 384	148
Serbia	4 513	6 737	11 250	6 384	4 866
Tajikistan	3 279	4 772	8 051	6 682	1 369
The former Yugoslav Republic of Macedonia	2 725	3 490	6 215	4 298	1 917
Turkey	6 049	16 136	22 185	10 298	11 887
Turkmenistan	134	712	846	846	
Ukraine	4 037	2 341	6 378	5 047	1 331

	Approved programmes unspent balances as at 1 January 2010	*New programmes and cancellations*	*Total programmes*	*Total expenditure*	*Approved programmes unspent balances as at 31 December 2011*
Uzbekistan	2 353	4 887	7 240	6 306	934
Regional	2 214	5 084	7 298	3 088	4 210
Area total	**63 889**	**122 870**	**186 759**	**120 584**	**66 175**
Global assistance					
Avian influenza	505	4 539	5 044	3 304	1 740
Emergency Programme Fund	7 666	(7 666)			
Immunization	465	(37)	428	292	136
Inter-country programmes	280 207	410 658	690 865	401 970	288 895
Innocenti Research Centre	10 635	2 389	13 024	7 408	5 616
Total global assistance	**299 478**	**409 883**	**709 361**	**412 974**	**296 387**
Total programme assistance	**1 600 583**	**3 402 206**	**5 002 789**	**3 337 277**	**1 665 512**

Statement VII.3
Statement of approved programmes, expenditure and unspent balances for other resources (emergency) for the biennium ended 31 December 2011
(Thousands of United States dollars)

	Approved programmes unspent balances as at 1 January 2010	*New programmes and cancellations*	*Total programmes*	*Total expenditure*	*Approved programmes unspent balances as at 31 December 2011*
Africa					
Angola	348	(86)	262	181	81
Benin	43	1 972	2 015	1 703	312
Burkina Faso	2 885	3 665	6 550	6 164	386
Burundi	749	4 157	4 906	4 843	63
Cameroon	9	1 725	1 734	1 752	(18)
Cape Verde	127		127	127	
Central African Republic	2 121	13 407	15 528	14 571	957
Chad	5 024	41 002	46 026	42 707	3 319
Comoros	1	(1)			
Congo	1 524	3 893	5 417	3 228	2 189
Côte d’Ivoire	776	22 741	23 517	17 749	5 768
Democratic Republic of the Congo	12 145	127 012	139 157	125 544	13 613
Eritrea	2 823	14 995	17 818	16 206	1 612
Ethiopia	23 072	87 659	110 731	90 263	20 468
Gambia	4	76	80	77	3
Ghana	24	635	659	634	25
Guinea	913	512	1 425	1 293	132
Guinea-Bissau	45	(48)	(3)	(8)	5
Kenya	13 217	66 310	79 527	67 164	12 363
Lesotho	98	170	268	268	
Liberia	4 435	18 723	23 158	17 128	6 030
Madagascar	1 697	2 228	3 925	3 852	73
Malawi	89	322	411	371	40
Mali	10 696	831	11 527	11 360	167
Mauritania	1 807	3 407	5 214	3 792	1 422
Mozambique	20	182	202	242	(40)
Namibia	540	255	795	742	53
Niger	6 812	47 811	54 623	50 377	4 246
Nigeria		18 992	18 992	15 968	3 024
Rwanda	(767)	767			
Sao Tome and Principe	7		7		7
Senegal	921	470	1 391	744	647
Sierra Leone	84	8 856	8 940	4 745	4 195

	Approved programmes unspent balances as at 1 January 2010	New programmes and cancellations	Total programmes	Total expenditure	Approved programmes unspent balances as at 31 December 2011
Somalia	19 039	292 942	311 981	232 152	79 829
Swaziland	(5)	5			
Togo	83	797	880	1 074	(194)
Uganda	8 263	6 171	14 434	14 211	223
United Republic of Tanzania	(195)	178	(17)	(17)	
Zambia	235	(116)	119	302	(183)
Zimbabwe	39 087	57 485	96 572	90 551	6 021
Regional	6 481	55 489	61 970	12 003	49 967
Area total	**165 277**	**905 591**	**1 070 868**	**854 063**	**216 805**
Americas and Caribbean					
Barbados	212		212		212
Bolivia (Plurinational State of)	6	1 778	1 784	1 768	16
Brazil		10	10	6	4
Chile		3 756	3 756	3 697	59
Colombia	134	2 748	2 882	2 230	652
Costa Rica	(2)	2			
Cuba	552	9	561	561	
Dominican Republic	169	8 802	8 971	8 575	396
El Salvador	80	1 654	1 734	1 369	365
Guatemala	(62)	2 436	2 374	2 044	330
Haiti	650	351 681	352 331	271 191	81 140
Honduras	262	42	304	304	
Jamaica	(1)	1			
Mexico	27		27	27	
Nicaragua	286	409	695	481	214
Peru	(67)	37	(30)	(38)	8
Venezuela (Bolivarian Republic of)	4		4		4
Regional	1 196	1 811	3 007	1 731	1 276
Area total	**3 446**	**375 176**	**378 622**	**293 946**	**84 676**
East Asia and Pacific					
Cambodia	(2)	967	965	287	678
China	12 145	9 441	21 586	19 319	2 267
Democratic People’s Republic of Korea	7 272	14 027	21 299	13 333	7 966
Indonesia	19 841	1 443	21 284	21 668	(384)
Lao People’s Democratic Republic	1 274	740	2 014	1 811	203
Malaysia	(14)	14			
Mongolia		2 580	2 580	2 358	222

	Approved programmes unspent balances as at 1 January 2010	New programmes and cancellations	Total programmes	Total expenditure	Approved programmes unspent balances as at 31 December 2011
Myanmar	4 910	6 354	11 264	11 374	(110)
Pacific island countries	452	158	610	335	275
Papua New Guinea	351	(5)	346	346	
Philippines	4 504	11 833	16 337	12 846	3 491
Thailand	(67)		(67)		(67)
Timor-Leste	197	(37)	160	160	
Regional	938	27 248	28 186	6 637	21 549
Area total	**51 801**	**74 763**	**126 564**	**90 474**	**36 090**
South Asia					
Afghanistan	27 927	22 152	50 079	36 771	13 308
Bangladesh	296	1 299	1 595	1 515	80
Bhutan	99	896	995	721	274
India	1 220	(69)	1 151	845	306
Maldives	(257)	257			
Nepal	1 134	1 440	2 574	2 525	49
Pakistan	38 323	268 529	306 852	249 547	57 305
Sri Lanka	21 855	30 795	52 650	34 139	18 511
Regional	(25)	245	220	176	44
Area total	**90 572**	**325 544**	**416 116**	**326 239**	**89 877**
Middle East and North Africa					
Algeria	256	363	619	448	171
Djibouti	1 357	6 861	8 218	6 259	1 959
Egypt	183	556	739	718	21
Iran (Islamic Republic of)	(410)	619	209		209
Iraq	13 657	10 435	24 092	24 269	(177)
Jordan	8 086	3 103	11 189	9 686	1 503
Lebanon	536	(152)	384	195	189
Morocco	(1)	1			
Palestinian children and women	7 518	21 486	29 004	25 941	3 063
Sudan	20 747	194 225	214 972	181 162	33 810
Syrian Arab Republic	12 839	8 913	21 752	17 437	4 315
Tunisia		2 172	2 172	1 788	384
Yemen	2 633	35 798	38 431	28 635	9 796
Regional	5 934	10 452	16 386	7 868	8 518
Area total	**73 335**	**294 832**	**368 167**	**304 406**	**63 761**

	Approved programmes unspent balances as at 1 January 2010	New programmes and cancellations	Total programmes	Total expenditure	Approved programmes unspent balances as at 31 December 2011
Central and Eastern Europe and Commonwealth of Independent States					
Albania	52	(52)			
Bosnia and Herzegovina	530	(530)			
Croatia	219	(219)			
Georgia	1 317	(2)	1 315	1 284	31
Kosovo (Serbia)	(1 596)	1 363	(233)		(233)
Kyrgyzstan	1	9 876	9 877	8 472	1 405
Republic of Moldova		192	192	192	
Romania	152	923	1 075	988	87
Russian Federation	(2 692)	2 827	135	116	19
Serbia	849	(849)			
Tajikistan	434	517	951	666	285
The former Yugoslav Republic of Macedonia	3	(3)			
Turkey	(52)	1 785	1 733	653	1 080
Uzbekistan	1	1 148	1 149	1 143	6
Regional	2 834	150	2 984	2 955	29
Area total	**2 052**	**17 126**	**19 178**	**16 469**	**2 709**
Global assistance					
Emergency programme fund	43 308	(43 308)			
Inter-country programmes	(3 971)	52 510	48 539	17 920	30 619
Total global assistance	**39 337**	**9 202**	**48 539**	**17 920**	**30 619**
Total programme assistance	**425 820**	**2 002 234**	**2 428 054**	**1 903 517**	**524 537**

B. Schedules to the financial statements

Schedule 1

Contributions received or pledged for the biennium ended 31 December 2011

(Thousands of United States dollars)

	Regular resources				*Other resources (regular)*			*Other resources (emergency)*			
Donor	*Governments and inter-governmental agencies*	*Non-govern-mental sources*	*Transfer to biennial support budget*	*Subtotal*	*Governments and inter-governmental agencies*	*Non-govern-mental sources*	*Subtotal*	*Governments and inter-governmental agencies*	*Non-govern-mental sources*	*Subtotal*	*Total*
Countries											
Afghanistan	1			1	468		468				469
Algeria	24			24							24
Andorra	53			53	401	1 746	2 147	29	199	228	2 428
Angola					1 761	1 150	2 911		4	4	2 915
Argentina	29			29		22 773	22 773		1 357	1 357	24 159
Armenia	10			10		35	35				45
Australia	59 706			59 706	122 183	8 186	130 369	76 499	11 703	88 202	278 277
Austria	4 021			4 021	2 328	1 676	4 004	2 050	2 823	4 873	12 898
Bahamas								13		13	13
Bangladesh	69			69							69
Barbados	8			8					190	190	198
Belgium	51 684			51 684	5 154	12 232	17 386	25 975	30 465	56 440	125 510
Belize					222		222		6	6	228
Benin								32		32	32
Bhutan	31			31					2	2	33
Bolivia (Plurinational State of)	124			124	734	199	933		6	6	1 063
Bosnia and Herzegovina						123	123				123
Botswana									8	8	8
Brazil					6 372	22 035	28 407	1 500	335	1 835	30 242
Bulgaria	10			10	109	1 435	1 544	173	948	1 121	2 675
Burkina Faso	12			12							12
Burundi	1			1							1
Cameroon						145	145		2	2	147
Canada	36 256			36 256	193 090	6 901	199 991	37 723	22 255	59 978	296 225

Donor	Regular resources: Governments and inter-governmental agencies	Regular resources: Non-govern-mental sources	Regular resources: Transfer to biennial support budget	Regular resources: Subtotal	Other resources (regular): Governments and inter-governmental agencies	Other resources (regular): Non-govern-mental sources	Other resources (regular): Subtotal	Other resources (emergency): Governments and inter-governmental agencies	Other resources (emergency): Non-govern-mental sources	Other resources (emergency): Subtotal	Total
Chile	161		(21)	140	483	1 681	2 164		649	649	2 953
China	2 533			2 533		7 837	7 837	500	868	1 368	11 738
Colombia					100	7 321	7 421		371	371	7 792
Comoros					1 294		1 294		6	6	1 300
Congo					19		19		5	5	24
Costa Rica	33		(33)			62	62		42	42	104
Côte d’Ivoire					6 800	207	7 007		3	3	7 010
Croatia	25			25		2 858	2 858		944	944	3 827
Cuba	20			20					7	7	27
Cyprus	25			25							25
Czech Republic	63			63		2 185	2 185	332	651	983	3 231
Democratic Republic of the Congo					7 805	2	7 807				7 807
Denmark	56 646			56 646	22 344	9 646	31 990	27 731	12 735	40 466	129 102
Djibouti	4			4							4
Dominican Republic						51	51		294	294	345
Ecuador						2 070	2 070		84	84	2 154
Egypt	69			69	560	218	778		22	22	869
Equatorial Guinea						1 106	1 106				1 106
Estonia	101			101	67	33	100	499	28	527	728
Ethiopia									340	340	340
Finland	44 832			44 832	16 521	8 095	24 616	19 845	5 016	24 861	94 309
France	11 441			11 441	12 040	31 040	43 080	11 557	43 903	55 460	109 981
Gabon					208	388	596				596
Georgia	4			4				50		50	54
Germany	14 722			14 722	26 048	59 521	85 569	2 239	49 108	51 347	151 638
Greece	275			275		2 437	2 437	244	3 986	4 230	6 942
Guinea					100		100				100
Guinea-Bissau					6 744		6 744				6 744

Donor	Regular resources: Governments and inter-governmental agencies	Regular resources: Non-govern-mental sources	Regular resources: Transfer to biennial support budget	Regular resources: Subtotal	Other resources (regular): Governments and inter-governmental agencies	Other resources (regular): Non-govern-mental sources	Other resources (regular): Subtotal	Other resources (emergency): Governments and inter-governmental agencies	Other resources (emergency): Non-govern-mental sources	Other resources (emergency): Subtotal	Total
Guyana	33			33					152	152	185
Haiti								13 999		13 999	13 999
Honduras	56			56					5	5	61
Hong Kong						10 076	10 076		9 575	9 575	19 651
Hungary	257			257		579	579	55	405	460	1 296
Iceland	1 028			1 028	901	1 161	2 062		513	513	3 603
India	1 656			1 656	2 693	7 854	10 547		229	229	12 432
Indonesia						8 997	8 997		744	744	9 741
Iran (Islamic Republic of)	93			93		24	24				117
Ireland	21 414			21 414	12 135	970	13 105	3 886	13 012	16 898	51 417
Israel	220			220		565	565		19	19	804
Italy	7 911			7 911	5 657	59 623	65 280	16 953	16 165	33 118	106 309
Japan	33 472			33 472	174 951	28 335	203 286	159 440	40 840	200 280	437 038
Jordan						39	39				39
Kazakhstan	70			70		102	102		2	2	174
Kenya						281	281		73	73	354
Kuwait	400			400				575		575	975
Lao People’s Democratic Republic	5			5					3	3	8
Lebanon	5			5					1	1	6
Lesotho	4			4							4
Libya					73		73				73
Liechtenstein	100			100	334		334	145		145	579
Lithuania						253	253				253
Luxembourg	7 444			7 444	9 555	1 080	10 635	2 073	1 141	3 214	21 293
Madagascar	3			3	290		290				293
Malaysia	368			368	600	5 353	5 953		623	623	6 944
Mali									2	2	2
Marshall Islands	1			1							1

Donor	Regular resources: Governments and inter-governmental agencies	Regular resources: Non-govern-mental sources	Regular resources: Transfer to biennial support budget	Regular resources: Subtotal	Other resources (regular): Governments and inter-governmental agencies	Other resources (regular): Non-govern-mental sources	Other resources (regular): Subtotal	Other resources (emergency): Governments and inter-governmental agencies	Other resources (emergency): Non-govern-mental sources	Other resources (emergency): Subtotal	Total
Mauritania	4			4					1	1	5
Mexico	428			428		5 407	5 407		1 336	1 336	7 171
Monaco	21			21	295		295				316
Mongolia	22			22	149		149				171
Morocco	163			163	1 775	4	1 779		39	39	1 981
Myanmar	3		(2)	1							1
Nepal					111		111				111
Netherlands	91 168			91 168	181 445	31 321	212 766	29 090	35 381	64 471	368 405
New Zealand	8 900			8 900	4 847	2 053	6 900	1 428	1 384	2 812	18 612
Nicaragua	8			8							8
Nigeria					64	126	190		117	117	307
Norway	145 800			145 800	246 190	13 897	260 087	38 702	7 204	45 906	451 793
Occupied Palestinian Territory						250	250		102	102	352
Oman					1 249	215	1 464		17	17	1 481
Pakistan	137		(65)	72	1 025		1 025		808	808	1 905
Panama	54			54	750	82	832		32	32	918
Peru						1 651	1 651		102	102	1 753
Philippines	106		(106)			5 407	5 407		27	27	5 434
Poland						2 178	2 178		2 003	2 003	4 181
Portugal	600			600	600	3 039	3 639		2 173	2 173	6 412
Qatar	100			100							100
Republic of Korea	6 000			6 000	3 500	22 978	26 478	11 148	8 009	19 157	51 635
Republic of Moldova	2			2							2
Republic of Montenegro	5			5							5
Romania	29			29		1 675	1 675		1 542	1 542	3 246
Russian Federation	2 000			2 000		4 285	4 285	5 000	106	5 106	11 391
San Marino						21	21		83	83	104
Saudi Arabia	3 000			3 000	5 520	22	5 542	6 806	1 251	8 057	16 599

Donor	Regular resources				Other resources (regular)			Other resources (emergency)			Total
	Governments and inter-governmental agencies	Non-govern-mental sources	Transfer to biennial support budget	Subtotal	Governments and inter-governmental agencies	Non-govern-mental sources	Subtotal	Governments and inter-governmental agencies	Non-govern-mental sources	Subtotal	
Senegal					45		45				45
Serbia						633	633		139	139	772
Singapore	100			100				30		30	130
Slovak Republic	30			30		652	652		184	184	866
Slovenia	220			220		596	596		919	919	1 735
South Africa						2 150	2 150	137	55	192	2 342
Spain	58 558			58 558	74 571	22 024	96 595	44 829	26 137	70 966	226 119
Sri Lanka	31			31							31
Sudan						227	227				227
Sweden	136 452			136 452	99 076	49 910	148 986	66 980	12 561	79 541	364 979
Switzerland	41 893			41 893	8 059	29 655	37 714	3 369	8 411	11 780	91 387
Tajikistan					11		11				11
Thailand	485		(130)	355		19 519	19 519		1 908	1 908	21 782
Togo	4			4							4
Trinidad and Tobago	30			30							30
Tunisia	56			56		253	253		50	50	359
Turkey	300			300		2 811	2 811		1 585	1 585	4 696
Uganda									1	1	1
Ukraine						79	79		8	8	87
United Arab Emirates	200			200	17 848	2 275	20 123	1 153	1 270	2 423	22 746
United Kingdom of Great Britain and Northern Ireland	100 632			100 632	324 899	46 118	371 017	123 265	37 548	160 813	632 462
United Republic of Tanzania									9	9	9
United States of America	264 500		(37 792)	226 708	242 485	69 947	312 432	179 118	108 127	287 245	826 385
Uruguay	21			21		2 416	2 416		261	261	2 698
Venezuela (Bolivarian Republic of)						1 449	1 449		493	493	1 942
Viet Nam	41			41		3	3		7	7	51
Yemen									1	1	1

Donor	Regular resources: Governments and inter-governmental agencies	Regular resources: Non-govern-mental sources	Regular resources: Transfer to biennial support budget	Regular resources: Subtotal	Other resources (regular): Governments and inter-governmental agencies	Other resources (regular): Non-govern-mental sources	Other resources (regular): Subtotal	Other resources (emergency): Governments and inter-governmental agencies	Other resources (emergency): Non-govern-mental sources	Other resources (emergency): Subtotal	Total
Zambia	189		(189)								
Zimbabwe									270	270	
Subtotal countries	**1 219 825**		**(38 338)**	**1 181 487**	**1 855 658**	**686 014**	**2 541 672**	**915 172**	**534 530**	**1 449 702**	**5 172 861**
Income adjustments to prior periods	1 694	2 033		3 727	(5 754)	(1 835)	(7 589)	(591)	(571)	(1 162)	(5 024)
Refund of contributions					(3 964)	(45)	(4 009)	(3 545)		(3 545)	(7 554)
Total countries	**1 221 519**	**2 033**	**(38 338)**	**1 185 214**	**1 845 940**	**684 134**	**2 530 074**	**911 036**	**533 959**	**1 444 995**	**5 160 283**
Intergovernmental agencies											
Arab Gulf Programme for United Nations Development Organizations								150		150	150
Asian Development Bank					549		549				549
Council of Europe Development Bank								140		140	140
European Commission					147 192		147 192	215 025		215 025	362 217
OPEC Fund					1 572		1 572	300		300	1 872
Secretariat of Pacific Community					502		502				502
Subtotal intergovernmental agencies					**149 815**		**149 815**	**215 615**		**215 615**	**365 430**
Income adjustments to prior periods	576			576	(489)		(489)	(113)		(113)	(26)
Refund of contributions								(178)		(178)	(178)
Total intergovernmental agencies	**576**			**576**	**149 326**		**149 326**	**215 324**		**215 324**	**365 226**
Total Governments and intergovernmental agencies	**1 222 095**	**2 033**	**(38 338)**	**1 185 790**	**1 995 266**	**684 134**	**2 679 400**	**1 126 360**	**533 959**	**1 660 319**	**5 525 509**

Donor	Regular resources				Other resources (regular)			Other resources (emergency)			Total
	Governments and inter-governmental agencies	Non-govern-mental sources	Transfer to biennial support budget	Subtotal	Governments and inter-governmental agencies	Non-govern-mental sources	Subtotal	Governments and inter-governmental agencies	Non-govern-mental sources	Subtotal	
Non-governmental organizations											
Cambodia		2		2							2
Canada						24 244	24 244				24 244
Cape Verde									35	35	35
Croatia		38		38							38
Denmark						17	17				17
Ethiopia		1		1							1
GAVI Alliance						22 021	22 021				22 021
Japan		618		618			0		1 549	1 549	2 167
Jordan		1		1							1
Madagascar		2		2		461	461				463
Malaysia		208		208			0				208
Netherlands						388	388				388
Rotary International						47 541	47 541		250	250	47 791
Somalia						404	404				404
South Africa		7		7							7
Switzerland		11		11		65 963	65 963				65 974
Thailand		50		50							50
United Nations Women's Guild									5	5	5
United Arab Emirates									610	610	610
United Kingdom of Great Britain and Northern Ireland					13	13				13	
United States of America		13		13		182 972	182 972		10	10	182 995
University of Notre Dame						991	991				991
Subtotal non-governmental organizations		**951**		**951**		**345 015**	**345 015**		**2 459**	**2 459**	**348 425**

Donor	*Regular resources* Governments and inter-governmental agencies	Non-govern-mental sources	Transfer to biennial support budget	Subtotal	*Other resources (regular)* Governments and inter-governmental agencies	Non-govern-mental sources	Subtotal	*Other resources (emergency)* Governments and inter-governmental agencies	Non-govern-mental sources	Subtotal	Total
Income adjustments to prior periods		12		12		(58)	(58)		(6)	(6)	(52)
Refund of contributions						(491)	(491)		(4)	(4)	(495)
Total non-governmental organizations		**963**		**963**		**344 466**	**344 466**		**2 449**	**2 449**	**347 878**
Total Governments, intergovernmental organizations and non-governmental agencies	**1 222 095**	**2 996**	**(38 338)**	**1 186 753**	**1 995 266**	**1 028 600**	**3 023 866**	**1 126 360**	**536 408**	**1 662 768**	**5 873 387**
Inter-organizational arrangements											
Food and Agriculture Organization of the United Nations						551	551				551
Joint United Nations Programme on HIV/AIDS						26 288	26 288				26 288
Pan American Health Organization						989	989				989
United Nations Office at Geneva									184	184	184
Department of Peacekeeping Operations									389	389	389
United Nations Mine Action Service						1 541	1 541		97	97	1 638
United Nations Trust Fund for Human Security						5 696	5 696				5 696
United Nations Entity for Gender Equality and the Empowerment of Women						41	41				41
Secretariat						118	118				118
United Nations Development Group						7 945	7 945				7 945

Donor	Regular resources: Governments and inter-governmental agencies	Regular resources: Non-govern-mental sources	Regular resources: Transfer to biennial support budget	Regular resources: Subtotal	Other resources (regular): Governments and inter-governmental agencies	Other resources (regular): Non-govern-mental sources	Other resources (regular): Subtotal	Other resources (emergency): Governments and inter-governmental agencies	Other resources (emergency): Non-govern-mental sources	Other resources (emergency): Subtotal	Total
United Nations Development Programme						192 380	192 380		111 384	111 384	303 764
United Nations Educational, Scientific and Cultural Organization						31	31				31
United Nations Population Fund						23 939	23 939				23 939
United Nations High Commissioner for Refugees						242	242				242
United Nations Development Fund for Women						30	30				30
United Nations Office for the Coordination of Humanitarian Affairs						40	40		216 287	216 287	216 327
United Nations Office on Drugs and Crime						104	104				104
United Nations Relief and Works Agency for Palestine Refugees									54	54	54
United Nations Human Settlements Programme						90	90				90
United Nations Environment Programme						100	100				100
United Nations Office for Project Services						1 591	1 591				1 591
Joint United Nations Programme on HIV/AIDS						23 593	23 593				23 593
World Health Organization						7 049	7 049		400	400	7 449
World Bank						48 238	48 238				48 238
World Food Programme						338	338		214	214	552
Subtotal inter-organizational arrangements						**340 934**	**340 934**		**329 009**	**329 009**	**669 943**

Donor	*Regular resources*				*Other resources (regular)*			*Other resources (emergency)*			
	Governments and inter-governmental agencies	*Non-govern-mental sources*	*Transfer to biennial support budget*	*Subtotal*	*Governments and inter-governmental agencies*	*Non-govern-mental sources*	*Subtotal*	*Governments and inter-governmental agencies*	*Non-govern-mental sources*	*Subtotal*	*Total*
Income adjustments to prior periods		1		1		162	162		(12)	(12)	151
Refund of contributions						(664)	(664)		(5 987)	(5 987)	(6 651)
Total inter-organizational arrangements		**1**		**1**		**340 432**	**340 432**		**323 010**	**323 010**	**663 443**
Total	**1 222 095**	**2 997**	**(38 338)**	**1 186 754**	**1 995 266**	**1 369 032**	**3 364 298**	**1 126 360**	**859 418**	**1 985 778**	**6 536 830**

Summary	*Regular resources*	*Other resources (regular)*	*Other resources (emergency)*	*Total*
Governments	1 183 181	1 845 940	911 036	3 940 157
Intergovernmental agencies	576	149 326	215 324	365 226
National committees	2 033	684 134	533 959	1 220 126
Non-governmental organizations	963	344 466	2 449	347 878
Inter-organizational arrangements	1	340 432	323 010	663 443
Total	**1 186 754**	**3 364 298**	**1 985 778**	**6 536 830**
Contributions in cash				6 499 221
Contributions in kind				37 609
Total contributions				**6 536 830**

Schedule 2

Contributions receivable for regular resources, other resources (regular) and other resources (emergency) as at 31 December 2011

(Thousands of United States dollars)

	Regular resources			Other resources (regular)			Other resources (emergency)			
Donor	*Governments and inter-governmental agencies*	*Non-governmental sources*	*Subtotal*	*Governments and inter-governmental agencies*	*Non-governmental sources*	*Subtotal*	*Governments and inter-governmental agencies*	*Non-governmental sources*	*Subtotal*	*Total*
Governments										
Belgium				3 876		3 876	12 920		12 920	16 796
Denmark				3 475		3 475	2 606		2 606	6 081
Ireland				1 550		1 550				1 550
Japan				9 201		9 201	500		500	9 701
Lesotho	2		2							2
Luxembourg				1 495		1 495				1 495
Mongolia				173		173				173
Nepal				140		140				140
Netherlands				925		925				925
New Zealand				556		556				556
Saudi Arabia				1 620		1 620				1 620
Switzerland				149		149				149
United Kingdom of Great Britain and Northern Ireland				463		463				463
United States of America				93 722		93 722	86 971		86 971	180 693
Intergovernmental agencies										
European Commission				47 522		47 522	19 535		19 535	67 057
European Commission humanitarian aid office				152		152	30 614		30 614	30 766
Subtotal intergovernmental agencies				**47 674**		**47 674**	**50 149**		**50 149**	**97 823**

Donor	Regular resources: Governments and inter-governmental agencies	Regular resources: Non-governmental sources	Regular resources: Subtotal	Other resources (regular): Governments and inter-governmental agencies	Other resources (regular): Non-governmental sources	Other resources (regular): Subtotal	Other resources (emergency): Governments and inter-governmental agencies	Other resources (emergency): Non-governmental sources	Other resources (emergency): Subtotal	Total
Non-governmental organizations										
Rotary International					10 306	10 306				10 306
Subtotal non-governmental agencies					**10 306**	**10 306**				**10 306**
Inter-organizational arrangements										
United Nations Office for the Coordination of Humanitarian Affairs								1 577	1 577	1 577
Subtotal inter-organizational arrangements								**1 577**	**1 577**	**1 577**
Miscellaneous adjustments	213	43	256							256
Subtotal miscellaneous adjustments	**213**	**43**	**256**							**256**
Total	**215**	**43**	**258**	**165 019**	**10 306**	**175 325**	**153 146**	**1 577**	**154 723**	**330 306**

	Regular resources	*Other resources (regular)*	*Other resources (emergency)*	*Total*
Governments	2	117 345	102 997	220 344
Intergovernmental agencies		47 674	50 149	97 823
Non-governmental organizations		10 306		10 306
Miscellaneous adjustments	256			256
Total	**258**	**175 325**	**154 723**	**330 306**

Schedule 3
Receipts, disbursements and changes in trust fund balances for the biennium ended 31 December 2011

(Thousands of United States dollars)

	Balances as at 1 January 2010	*Funds received and adjustments*	*Funds disbursed*	*Balances as at 31 December 2011*
Government and others				
Procurement services	329 572	878 811	846 997	361 386
Procurement services on behalf of the GAVI Alliance	(5 897)	894 299	888 402	
Junior Professional Officers	18 515	19 715	24 878	13 352
Other trust funds	26 701	16 046	31 804	10 943
Subtotal	**368 891**	**1 808 871**	**1 792 081**	**385 681**
United Nations system				
International Atomic Energy Agency		2	2	
Joint United Nations Programme on HIV/AIDS		40	21	19
Pan American Health Organization		13	13	
Special Representative of the Secretary-General on Violence against Children	1 045	3 471	1 981	2 535
United Nations High Commissioner for Refugees	54	1 071	1 106	19
United Nations Development Programme	18 560	197 612	162 601	53 571
United Nations Office for Project Services	97	1 377	1 119	355
United Nations Population Fund	52	2 062	1 097	1 017
Secretariat		2 172	2 164	8
World Food Programme	111	870	938	43
World Health Organization	48 403	1 380	2 053	47 730
Common services activities with other organizations in the United Nations system	360	2 473	2 135	698
Joint programmes with other organizations in the United Nations system	669	62 887	58 142	5 414
Subtotal	**69 351**	**275 430**	**233 372**	**111 409**
Net balance	**438 242**	**2 084 301**	**2 025 453**	**497 090**
Receivables	**9 480**			**2 400**
Gross balance	**447 722**			**499 490**

C. Notes to the financial statements

Note 1
Statement of the objectives and activities of the United Nations Children's Fund

1. UNICEF is mandated by the United Nations General Assembly to advocate the protection of children's rights, to help meet the basic needs of children and to expand the opportunities of children 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

United Nations Children's Fund

Accounting convention

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

3. With the goal of achieving harmonization in the presentation of the accounts by agencies in the United Nations system, statements I to IV 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. 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 the fluctuation of those rates is accounted for as gain or loss and shown in the statement of income and expenditure. In accordance with UNICEF Executive Board decision 1990/28, differences resulting from the payment of contributions pledged in currencies other than United States dollars are recorded against the contributions.

Income

7. Income consists of regular resources, other resources (regular) and other resources (emergency). Regular resources include funds from the voluntary annual contributions of Governments, intergovernmental agencies and non-governmental organizations, the income received through the UNICEF Private Fundraising and

Partnerships Division, non-earmarked funds contributed by the public and other income. Other resources (regular) are funds contributed to UNICEF by Governments, intergovernmental organizations, non-governmental organizations and the United Nations system for specific purposes within the programmes approved by the UNICEF Executive Board. Other resources (emergency) 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. Contributions income received from National Committees and field offices for other resources (regular and emergency) are recorded on a cash basis. The net proceeds raised by National Committees and field offices for regular resources are recorded on an accrual basis.

10. The statement of income and expenditure does not include funds received for and disbursements made from trust funds.

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

12. Contributions in kind recorded as income are valued by management and reflect the cost UNICEF would normally pay for similar items.

Expenditure

13. All expenditure of UNICEF is accounted for on an accrual basis, except for certain expenditure relating to staff entitlements, which is accounted for on the basis of cash disbursements only.

Programme assistance expenditure

14. Programme assistance expenditure represents the costs of direct inputs needed to achieve the objectives of a specified project or of specified programme development cooperation and typically includes experts, direct support personnel, supplies and equipment, subcontracts, cash assistance and individual or group training. For the biennium 2010-2011, total programme assistance expenditure included 82 international professional staff performing administrative functions such as human resources and finance, for a total staff cost of $24.31 million. Also included is the cost of 1,436 local staff performing similar activities.

15. In addition, programme assistance includes the indirect costs charged by UNICEF in relation to the management of projects and the costs of packing and assembly activities.

Net biennial support budget expenditure

16. Net biennial support budget expenditure includes programme support expenditure representing costs incurred by organizational units whose primary function is the development, formulation, delivery and evaluation of the organization's programmes and typically includes units that provide backstopping of programmes either on a technical, thematic, geographical, logistical or administrative basis.

17. It also includes management and administration expenditure representing the costs of organizational units whose primary function is the maintenance of the identity, direction and well-being of the organization and typically includes units that carry out the functions of executive direction, organizational policy and evaluation, external relations, information and administration.

18. By its decision 97/6, the Executive Board approved the harmonization of the budget presentation format submitted by UNICEF, the United Nations Development Programme and the United Nations Population Fund. The biennial support budget expenditure is presented in a way that is consistent with that decision.

19. In that regard, the biennial support budget for UNICEF is presented net of:

- The indirect costs charged by UNICEF in relation to the management of projects
- Recoveries for packing and assembly activities
- Agency commissions from the administration of non-procurement trust funds and Junior Professional Officers
- Government contributions towards local costs
- Income tax reimbursements

The details of the amounts are included in statement IV.

Security expenditure

20. Security expenditure includes costs incurred as a result of additional security measures mandated by the United Nations. The funds were approved as a separate appropriation by the Executive Board.

Cash

21. All funds received are initially deposited into UNICEF bank accounts and reflected as cash holdings.

Provision for uncollectible accounts receivable

22. UNICEF maintains a provision to cover contributions receivable that are considered doubtful for collection. In 2011, UNICEF also established a provision for uncollectible accounts receivable. These provisions result from either events or other objective evidence indicating that it is probable that UNICEF may be unable to realize the amount due.

Inventory

23. The inventory 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 to be part of the average cost. Goods in transit to the warehouse are valued at actual cost.

Capital assets

24. Capital assets consist of land, office buildings and staff housing and are presented at their acquisition cost.

Unliquidated obligations

25. Cancellation of unliquidated obligations is recorded as a reduction of expenditure if the budgetary account is valid, or as savings on or cancellation of prior-period obligations if the budgetary account has expired.

Consolidation

26. The financial report and statements reflect the net operating income, assets and liabilities of the Private Fundraising and Partnerships Division. Transactions between UNICEF and the Division are eliminated on consolidation.

After-service health insurance and other end-of-service liabilities

27. The liabilities for after-service health insurance, annual leave and repatriation benefits are disclosed in the notes to the financial statements. UNICEF engages the services of an independent, qualified actuary to carry out an actuarial valuation of the accrued liabilities for these end-of-service benefits.

Non-expendable property

28. 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.

Change in accounting policy

29. In accordance with a recommendation made by the external auditors, the accounting policy on agent fees charged by UNICEF for GAVI Alliance procurement services was changed to allow for the recognition of income and related expenditure in the income and expenditure statement. The net income had previously been reported as a trust fund liability in the balance sheet. The change in accounting policy was effective as from the 2010-2011 biennium and is consistent with the current accounting treatment of fees for other procurement services.

30. The change in accounting policy had an impact on the following financial statement line items: miscellaneous income, \$6.07 million in net income for the 2010-2011 biennium (see note 5); prior-period adjustments, \$6.99 million, representing the accumulated balance for the period prior to 2010 (see note 7); and other income received in advance, \$9.15 million in agent fees received in advance for future procurement activities (see note 16).

Private Fundraising and Partnerships Division

Accounting convention

31. The accounts of the Private Fundraising and Partnerships Division are maintained in accordance with the UNICEF Financial Regulations and Rules and the Greeting Card Operation special supplement.

Unit of account

32. 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 rates of exchange on the transaction date.

Translation of currencies

33. Assets and liabilities in currencies other than the United States dollar are valued for accounting purposes at the prevailing United Nations rates of exchange. Any variance in valuation caused by the fluctuation of those rates is accounted for as a gain or loss and is recorded under exchange rate adjustment in the income and expenditure statement for the Private Fundraising and Partnerships Division.

Income

34. Gross proceeds from the sale of cards and gifts are recorded in local currency and accrued on the basis of the provisional sales reports received from the sales partners at year-end. They are converted into United States dollars at the United Nations operational rates of exchange prevailing on 31 December. The accrual is adjusted in the following year upon the receipt of the final sales report. If the provisional sales report is not received from a sales partner by end-of-year closure, gross proceeds are accrued on deliveries to that sales partner for the year, less an allowance for unsold goods.

35. Income from private fundraising activities and related expenses is recorded separately in the accounts of the Private Fundraising and Partnerships Division. The net proceeds raised by National Committees from private fundraising activities for regular resources are recorded on the basis of the provisional reports submitted. These are then adjusted in the following year upon the receipt of the final reports. Net proceeds raised by field offices from private fundraising activities are recorded upon the receipt of funds.

Allowance for doubtful accounts receivable

36. In accordance with the accounting policy of the Private Fundraising and Partnerships Division, a provision to cover accounts receivable that are considered doubtful for collection may be established. This provision is shown as a deduction from accounts receivable on the statement of assets and liabilities.

Inventory

37. The inventory of work in process and finished goods is valued at standard cost, while raw materials are valued at moving average cost. It is the policy of the Private Fundraising and Partnerships Division to write down unsold cards and dated gifts to zero at the end of the first sales campaign year and all other gifts at the end of the second sales campaign year. All publicity and promotional materials produced in the current campaign year but relating to future campaign years are shown at standard cost and included in inventory.

Note 3
Transfer to biennial support budget

38. The following table shows a transfer made from income to the biennial support budget in keeping with the budget harmonization of the United Nations Development Programme, the United Nations Population Fund and UNICEF:

(Thousands of United States dollars)

	2010-2011	2008-2009
Government contributions towards local costs	546	523
Income tax reimbursement	37 792	35 572
Total	**38 338**	**36 095**

Note 4
Private Fundraising and Partnerships Division

(Thousands of United States dollars)

	2010	2011	Total	2008-2009
Income				
Gross proceeds from sales	101 276	77 077	178 353	249 653
Gross private fundraising	649	8 701	9 350	374
Other income	17 939	23 640	41 579	50 199
National Committees' fundraising proceeds	712 871	727 377	1 440 248	1 329 918
Less related expenses for fundraising, advocacy, management and administration	(319 845)	(315 634)	(635 479)	(612 396)
Total income	**512 890**	**521 161**	**1 034 051**	**1 017 748**
Expenditure				
National Committees' cost of sales	33 700	23 000	56 700	80 885
Other fundraising, development and cost of goods	53 700	68 600	122 300	101 860
Foreign exchange loss/(gain)	28 800	(18 200)	10 600	(2 700)
Subtotal	**116 200**	**73 400**	**189 600**	**180 045**
Staff and other operating costs	62 599	73 480	136 079	97 652
Total expenditure	**178 799**	**146 880**	**325 679**	**277 697**
Net income	**334 091**	**374 281**	**708 372**	**740 051**

National Committees

39. The National Committees for UNICEF are non-governmental legal entities established in 36 countries for the purposes of advancing children's rights and well-being through resource mobilization and advocacy in support of the Fund's unique mission and programme for children. The cooperation agreement provides the basis for the partnership between UNICEF and the National Committees.

40. In addition to the gross private fundraising income of $1.44 billion listed above, $1.22 billion reported by National Committees has been reflected as contributions to other resources and is disclosed in schedule 1.

41. According to the terms of the cooperation agreement with UNICEF, National Committees may establish reserves so as to comply with national law and statutes. In the event of the liquidation of a National Committee, net assets including reserves would be transferred to UNICEF as income, subject to the provisions of the cooperation agreement. The balance of the reserves held by all the Committees stood at $104 million as at 31 December 2011.

42. National Committee accounts are audited by independent certified external auditors in each country where a Committee is established. The accounts, together with the external auditors' certification and report, are provided to UNICEF and are also available on National Committee websites.

Note 5
Miscellaneous income
(Thousands of United States dollars)

	2010-2011	*2008-2009*
Income from the sale of surplus and obsolete property	3 670	3 369
Agency commissions from procurement services	14 880	12 814
Miscellaneous — others	18 479	17 724
Total	**37 029**	**33 907**

43. The agency commissions for procurement services includes commissions where UNICEF acts as a procurement agent or where it sources the goods from its warehouse. The gross revenue of the warehouse items is $24.19 million, which is exactly offset by the cost of sales.

Note 6
Net currency exchange adjustments and gains and losses on foreign exchange
(Thousands of United States dollars)

	2010-2011	*2008-2009*
Net currency exchange adjustments	(31 766)	(43 208)
Net gains on foreign exchange	41 834	36 185
Total	**10 068**	**(7 023)**

Note 7
Write-offs/prior-period adjustments

(Thousands of United States dollars)

	Regular resources	*Other resources (regular)*	*Other resources (emergency)*	*Total 2010-2011*	*Total 2008-2009*
Uncollectible contributions	176	3 329	4 605	8 110	23 263
Inventory and other write-offs	4 597			4 597	7 387
Prior-period adjustments	(6 733)			(6 733)	55
Total	**(1 960)**	**3 329**	**4 605**	**5 974**	**30 705**

Note 8
Provision for uncollectible accounts receivable

44. As at 31 December 2011 and 31 December 2009, the provision for potentially uncollectible contributions receivables was $9.46 million and $11.16 million, respectively. This represented a decrease of $1.70 million compared with the prior biennium.

45. As at 31 December 2011, UNICEF also established a provision of $4.79 million for potentially uncollectible other accounts receivable (see note 13).

46. The overall net increase in the provision for uncollectible accounts receivable was $3.09 million.

Note 9
Reserves

(Thousands of United States dollars)

	Balance as at 1 January 2010	*Funds received*	*Expenses*	*Balance as at 31 December 2011*
Reserve for procurement services	2 000			2 000
Reserve for insurance	115			115
Reserve for capital assets	27 286	79		27 365
Reserve for after-service health insurance	210 000	60 000		270 000
Reserve for separation fund	27 971	53 333	29 902	51 402
Total	**267 372**	**113 412**	**29 902**	**350 882**

Reserve for procurement services

47. In 1993, the Executive Board approved the establishment of a reserve for procurement services of $2 million to absorb possible future shortfalls. The reserve was funded by the surplus of handling fees charged for each procurement request against staff and related expenses charged against this fee by the Supply Division. There were no movements in the reserve in the biennium ended 31 December 2011.

48. The income and expenditure relating to procurement services (inclusive of GAVI Alliance procurement services in 2010-2011) amounted to:

(Thousands of United States dollars)

	2010-2011	*2008-2009*
Funds received	57 465	38 684
Less: staff and related expenses	(42 585)	(25 870)
Transfer to miscellaneous income (see note 5)	**14 880**	**12 814**

Reserve for insurance

49. In 1950, the Executive Board approved the establishment of a reserve for insurance of $200,000 to absorb losses of UNICEF programme supplies and equipment not covered by commercial insurance. This amount was funded by approved freight allocations. In 1987, an additional $100,000 from regular resources was added to the reserve to self-insure for property losses. The current balance in this reserve is $115,000. There were no movements in the reserve in the biennium ended 31 December 2011.

Reserve for capital assets

50. In 1990, the Executive Board approved the establishment of a capital asset reserve of $22 million from regular resources to better control future purchases of capital assets, mainly office buildings and staff housing in the field. The increase in the reserve during the biennium ended 31 December 2011 resulted from rental income of staff housing.

Reserve for after-service health insurance

51. In 2003, the Executive Board approved the establishment of a funded reserve for after-service health insurance and an initial allocation of $30 million from regular resources. The reserve was increased each year thereafter, bringing the balance to $270 million for the biennium ended 31 December 2011. Currently, disbursements for retirees are charged against the budget appropriations of the periods when actual payments are made.

Reserve for separation fund

52. In 2006, the Executive Board approved the establishment of a separation fund to cover separation and termination liabilities and an initial allocation of $10 million from regular resources. The fund is built up on an annual basis by the net of total contributions less payments made. There was an increase of $23.4 million in the reserve during the biennium ended 31 December 2011.

Note 10
Cash and term deposits

(Thousands of United States dollars)

	2011	2009
Term deposits	2 535 972	2 070 226
Cash (convertible)	163 496	57 101
Cash (non-convertible)	31 973	11 164
Total	**2 731 441**	**2 138 491**

Note 11
Investments

53. Investments include marketable securities and other negotiable instruments acquired by the organization to produce income. Investments are stated at cost plus or minus any amortized premium or discount. As at 31 December 2011 and 31 December 2009, totals of $350 million and $839 million, respectively, were invested in fixed-income securities.

54. As at 31 December 2011 and 31 December 2009, the market values of investments were $350 million and $839 million, respectively. While the market value of the financial instruments may fluctuate during the investment period, it does not affect the value due on maturity to UNICEF.

Note 12
Contributions receivable

55. The ageing of contributions receivable as at 31 December 2011 is shown in the following table:

(Thousands of United States dollars)

	Prior to 2009	2009	2010	2011	Total 31 December 2011	Total 31 December 2009
Contributions receivable	614	5 699	13 822	310 171	330 306	329 723

Note 13
Other accounts receivable, net

(Thousands of United States dollars)

	2011	2009
From:		
National Committees and other private fundraising partnerships	305 432	388 947
Less: allowance for doubtful accounts receivable	(11 212)	(9 796)
Governments, United Nations system and others — trust funds	2 400	9 480
United Nations system	1 340	3 978

	2011	2009
Governments — others	12 061	7 601
Staff members	22 380	20 655
Accrued interest	6 480	15 800
Miscellaneous	2 995	4 989
Less: allowance for doubtful accounts receivable	(4 795)	
Total	**337 081**	**441 654**

Note 14
Inventories

(Thousands of United States dollars)

	2011	2009
Programme supplies	30 709	33 708
Packing materials	130	326
Greeting cards and gifts		
Raw materials	1 415	2 451
Work in progress		40
Finished goods	10 495	7 266
Total	**42 749**	**43 791**

Note 15
Land and buildings

(Thousands of United States dollars)

	Office buildings	*Staff housing*	*Total 2010-2011*	*Total 2008-2009*
Opening balance, 1 January	**17 995**	**630**	**18 625**	**17 831**
Plus: additions	777		777	1 114
Less: disposals				(320)
Closing balance, 31 December	**18 772**	**630**	**19 402**	**18 625**

Note 16
Contributions and other income received in advance

(Thousands of United States dollars)

	2011	2009
Contributions received in advance:		
Governments and intergovernmental agencies	17 898	4 334
Inter-organizational arrangements		15 567

	2011	2009
Others	1 177	
Other income received in advance	9 150	
Total	**28 225**	**19 901**

56. Further to contributions received in advance, pledges amounting to $224 million have already been received for future years.

57. Other income received in advance relates to procurement services under the GAVI Alliance agreement.

Note 17
Unliquidated obligations

(Thousands of United States dollars)

	2011	2009
Programme	237 295	226 772
Administrative	34 100	37 606
Total	**271 395**	**264 378**

Note 18
Accounts payable

(Thousands of United States dollars)

	2011	2009
United Nations system	22 344	11 280
Supplies, services and freight	19 558	67 905
Miscellaneous	5 165	6 856
Total	**47 067**	**86 041**

Note 19
Trust funds

(Thousands of United States dollars)

	2011	2009
Net balance	497 090	438 242
Receivables	2 400	9 480
Gross balance	**499 490**	**447 722**

Note 20
Medical insurance plan

58. The medical insurance plan is a health and dental insurance plan operated by the United Nations, the United Nations Development Programme, the Office of the United Nations Commissioner for Refugees and UNICEF at designated duty stations for the benefit of locally recruited current and former General Service staff members, National Professional Officers and their eligible family members. Staff members and the organization share in the cost of the premiums. The ending balance represents the opening balance plus premiums less expenditure.

(Thousands of United States dollars)

	2010-2011	*2008-2009*
Opening balance	53 483	47 022
Plus: premiums	34 930	29 788
Less: expenditure	(23 230)	(23 327)
Ending balance	**65 183**	**53 483**

Note 21
After-service health insurance and other end-of-service liabilities

59. On the basis of an actuarial valuation carried out in 2011, it has been estimated that UNICEF accrued liabilities for after-service health insurance, annual leave and repatriation benefits as at 31 December 2011 are as follows:

(Thousands of United States dollars)

	2011	*2009*
After-service health insurance		
Gross liability	1 249 989	732 335
Offset from plan participants	(466 817)	(268 346)
Total	**783 172**	**463 989**
Annual leave	40 519	37 619
Repatriation	97 872	76 676
Total	**138 391**	**114 295**

60. The census data provided to the actuary and used in the calculation of the 2011 after-service health insurance and other end-of-service liabilities represents the most current employee data available at the time and was as at 30 November 2011.

61. The accrued liabilities have been computed using the projected unit credit method. This method involves attributing the present value of the total benefit to be received by a staff member to the staff member's periods of past and anticipated future service and using these to determine the benefit accrued from the date the staff member is hired to the valuation date.

Actuarial assumptions

62. Two key assumptions used by the actuary to determine the accrued liabilities are the discount rate sensitivity and, for after-service health insurance, the health-care trend rate.

63. The 2011 and 2009 accrued liabilities for after-service health insurance, annual leave and repatriation benefits are based on discount rates of 4.5 per cent and 6.0 per cent, respectively. The impact on the accrued liabilities of a 1 per cent change in the discount rate as at 31 December 2011 is as follows:

(Thousands of United States dollars)

Change in discount rate	*After-service health insurance*	*Annual leave*	*Repatriation*
1.0 per cent increase	(147 156)	(2 591)	(8 083)
1.0 per cent decrease	197 416	2 943	9 397

64. The 2011 discount rate was based on the Citigroup pension discount rates. The decrease of 1.5 per cent compared with the previous biennium was due primarily to a decrease in inflation.

65. The 31 December 2011 accrued liability for after-service health insurance is also based on the following rates of health-care cost increases, also known as the health-care trend rates:

	Rate increase in health-care costs inside the United States		
Year	*Non-Medicare*	*Medicare*	*Rate increase in health-care costs outside the United States*
2012	8.0 per cent	7.0 per cent	8.0 per cent
2013-2027+	8.2-4.5 per cent	6.9-4.5 per cent	7.7 per cent-4.5 per cent

66. The impact on the accrued liability of a 1 per cent change in the health-care trend rates as at 31 December 2011 is as follows:

(Thousands of United States dollars)

Change in health-care trend rates	*Impact on accrued liability*
1.0 per cent increase	188 644
1.0 per cent decrease	(144 060)

67. As at 31 December 2009, the accrued liabilities for after-service health insurance, annual leave and repatriation benefits were based on the following rates of health-care cost increases:

Year	*Rate increase in health-care costs inside the United States*	*Rate increase in health-care costs outside the United States*
2010	8.4 per cent	6.0 per cent
2011-2027+	8.1-4.5 per cent	5.9-4.5 per cent

68. The accrued liability for after-service health insurance has also been adjusted by $39 million, which represents prior service cost related to the 1 January 2011 change in mandatory Medicare coverage for all United States of America retirees and the reimbursement of Part B premium. Prior service cost was recognized immediately.

69. Another factor affecting the after-service health insurance valuation is the contributions made by plan participants. These contributions, identified above as “offset from the plan participants”, are deducted from the gross liability to determine the residual liability of UNICEF. Retirees and active staff members participate in the same health-care plans. Their collective contributions are offset against the total cost of providing health care in accordance with the cost-sharing ratios approved by the General Assembly.

70. The inflation assumptions used for the actuarial valuation were 2.5 per cent and 4 per cent, in 2011 and 2009, respectively. The inflation rate is an economic indicator that measures the rate of increase of a price index.

71. The actuarial valuation for after-service health insurance as at 31 December 2011 and 31 December 2009 includes an actuarial loss of $269 million and a gain of $113 million, respectively, resulting from changes in the major assumptions used by the actuary since the previous valuation.

Other

72. As at 31 December 2011, the balances of the after-service health insurance and separation fund reserves were $270 million and $51.4 million, respectively.

Note 22
United Nations Joint Staff Pension Fund

73. 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 plan is a funded multi-employer defined-benefit plan. As specified by article 3 (b) of the Regulations of the Fund, membership in the Fund shall be open to the specialized agencies and to any other international intergovernmental organization which participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.

74. The actuarial method adopted by the United Nations Joint Staff Pension Fund is the open group aggregate method aimed at determining whether the present and estimated future assets of the Fund will be sufficient to meet its present and estimated future assets and liabilities, using various sets of assumptions as to future economic and demographic developments. The Board of Auditors carries out an annual audit of the Pension Fund and reports to the General Assembly on the audit every two years.

75. The financial obligation of UNICEF to the United Nations Joint Staff Pension Fund consists of its mandated contribution, at the same uniform rate as specified by the Regulations of the Fund (7.9 per cent for participants and 15.8 per cent for member organizations) that is established by the General Assembly, together with any share of any actuarial deficiency payments under article 26 of the Regulations of the Pension Fund.

76. Such deficiency payments are payable only if and when the General Assembly has invoked the provision of article 26, following a determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Fund as at the valuation date. Each member organization shall contribute to this deficiency an amount proportionate to the total contributions that each paid during the three years preceding the valuation date. At the time of reporting, the General Assembly had not invoked that provision.

77. The plan exposes participating organizations to actuarial risks associated with the current and former employees of other organizations, with the result that there is no consistent and reliable basis for allocating the obligation and plan assets among the organizations participating in the plan. UNICEF, as well as other participating organizations, is not in a position to identify its share of the underlying financial position and performance of the plan with sufficient reliability for accounting purposes.

Note 23
Lease

78. UNICEF is a lessee of the United Nations Development Corporation for a building known as Three United Nations Plaza, as specified in a lease agreement between the parties dated 13 August 1984 and amendments thereto dated 11 January 1994 and 29 September 2009. The base rent, exclusive of operating expense escalations, is fixed at approximately $6.6 million annually, and the lease period extends to 2026. UNICEF may receive title to Three United Nations Plaza upon the expiration of the lease agreement for the consideration of $1 if it fulfils the conditions of continuous and uninterrupted stay in the building and maintenance of its worldwide headquarters in New York City until 2026. As at 31 December 2011, UNICEF had made payments under this lease agreement totalling $107.9 million, and it has a further $95.2 million in lease commitments between 2012 and 2026.

Note 24
Non-expendable property
(Thousands of United States dollars)

	2011	*2009*
Cost of non-expendable property — UNICEF	54 929	48 818
Cost of non-expendable property under UNICEF custody	122 067	107 017
Total	**176 996**	**155 835**

Note 25
Liquidity

79. The UNICEF liquidity requirement recommends a minimum year-end balance of regular resources convertible cash equal to 10 per cent of projected regular resources income for the following year.

80. The financial plan for 2011 recommended a minimum regular resources convertible cash balance of $100 million.

81. For the purpose of meeting this requirement, UNICEF cash holdings and investments, excluding trust funds, are estimated to be split between regular resources and other resources as follows:

(Thousands of United States dollars)

	Regular resources	*Other resources*
Term deposits, cash (convertible) and investments	730 340	1 819 638
Cash (non-convertible)	31 973	
Total	**762 313**	**1 819 638**

82. UNICEF met its internal liquidity requirement for the year 2011.

Annex I

Income and expenditure and changes in reserves and fund balances for the years ended 31 December 2010 and 31 December 2011

(Thousands of United States dollars)

	Regular resources		Other resources (regular)		Other resources (emergency)		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
Income								
Voluntary contributions								
Governments and intergovernmental agencies	646 390	575 705	1 003 837	991 429	610 196	516 164	2 260 423	2 083 298
Less: transfer to biennial support budget	(19 397)	(18 941)					(19 397)	(18 941)
	626 993	556 764	1 003 837	991 429	610 196	516 164	2 241 026	2 064 357
Non-governmental/private sector sources	2 430	566	521 746	506 854	190 172	346 236	714 348	853 656
Funds received under inter-organizational arrangements	1		144 670	195 762	162 530	160 480	307 201	356 242
Private Fundraising and Partnerships division	374 281	334 091					374 281	334 091
Other income								
Interest income	27 777	34 563					27 777	34 563
Miscellaneous income	21 116	15 913					21 116	15 913
Net currency exchange adjustments and gains on foreign exchange	5 940	4 128					5 940	4 128
Total income	**1 058 538**	**946 025**	**1 670 253**	**1 694 045**	**962 898**	**1 022 880**	**3 691 689**	**3 662 950**
Expenditure								
Programme assistance	789 349	796 373	1 683 238	1 654 039	999 018	904 499	3 471 605	3 354 911
Net biennial support								
Programme support	215 049	174 256					215 049	174 256
Management and administration	88 831	78 026					88 831	78 026
Security	18 252	23 380					18 252	23 380
Total expenditure	**1 111 481**	**1 072 035**	**1 683 238**	**1 654 039**	**999 018**	**904 499**	**3 793 737**	**3 630 573**
Excess (shortfall) of income over expenditure	**(52 943)**	**(126 010)**	**(12 985)**	**40 006**	**(36 120)**	**118 381**	**(102 048)**	**32 377**
Write-offs/prior-period adjustments	(3 740)	1 780	2 670	659	2 368	2 237	1 298	4 676

	Regular resources		*Other resources (regular)*		*Other resources (emergency)*		*Total*	
	2011	*2010*	*2011*	*2010*	*2011*	*2010*	*2011*	*2010*
Provision for uncollectible accounts receivable	1 213	(15)	(287)	58	3 576	(1 454)	4 502	(1 411)
Net excess (shortfall) of income over expenditure	**(50 416)**	**(127 775)**	**(15 368)**	**39 289**	**(42 064)**	**117 598**	**(107 848)**	**29 112**
Fund balances, 1 January	681 711	825 979	1 470 904	1 431 615	521 180	403 582	2 673 795	2 661 176
Savings on or cancellations of prior-period obligations	3 331	13 507					3 331	13 507
Transfer to reserve for after-service health insurance	(30 000)	(30 000)					(30 000)	(30 000)
Reserve balances, 1 January	308 145	267 372					308 145	267 372
Increase in reserves	42 737	40 773					42 737	40 773
Reserves and fund balances, 31 December	**955 508**	**989 856**	**1 455 536**	**1 470 904**	**479 116**	**521 180**	**2 890 160**	**2 981 940**

Annex II

Glossary

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

accrual basis of accounting. The accrual basis of accounting for income 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.

budget appropriation. 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.

cash holdings. The aggregation of all the funds of the organization, including coins, banknotes, cheques, balances in current and call accounts, savings accounts and interest-bearing deposits.

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 requirements, 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.

cash, non-convertible. 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, UNICEF considers the currencies as "unrestricted" because they are fully convertible.

contributions, voluntary. Contributions to UNICEF that are offered and accepted without reference to a scale of assessments determined by any United Nations legislative body.

contributions receivable. Contributions pledged to UNICEF but not received until a future time.

earmark. To give expression to a restriction imposed by agreement or by administrative action on the use of an account or an equivalent amount of assets.

expenditure. The sum of disbursements and valid unliquidated obligations made against the appropriation/allocation for the period.

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

financial regulations. Until 31 December 1987, the UNICEF accounts were maintained in accordance with the Financial Regulations and Rules of the United Nations, with such modifications as required by the nature of UNICEF work. Since 1 January 1988, the UNICEF accounts have been maintained in accordance with the UNICEF Financial Regulations and Rules. In 2012, the UNICEF Financial Regulations and Rules will be updated to ensure consistency with the International Public Sector Accounting Standards (IPSAS).

fund balance. Fund balances and reserves represent the difference between the assets and the liabilities of the organization. They consist of funds available for the implementation of programmes funded by regular resources and other resources as well as funds available for the acquisition of capital assets and set aside for procurement service shortfalls, losses not covered by commercial insurance, after-service health insurance and separation costs.

income. Money or money equivalent received or accrued during the financial period that increases existing net assets. UNICEF income is recorded on the basis of funds or pledges received for the current year.

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. Non-earmarked income, which includes funds from voluntary annual contributions of Governments, the net income from the Private Fundraising and Partnerships 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 income other than the value of the voluntary contributions and the net income of the Private Fundraising and Partnerships Division.

income, other resources (regular). Specific contributions for programmes approved by the UNICEF Executive Board, in addition to regular resources, which then become part of UNICEF programmes. They consist of funds contributed to UNICEF by Governments, non-governmental organizations and United Nations agencies for specific purposes.

income, other resources (emergency). Consists of funds contributed to UNICEF by Governments, non-governmental organizations and United Nations agencies for emergency appeals.

inventory. Supplies and equipment for programmes held by the Supply Division, as well as raw materials held by the Private Fundraising and Partnerships Division at the end of an accounting or financial period.

liability. 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 be, 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 other resources (regular), other resources (emergency) and supplementary cash on hand. These imbalances must be settled by year-end.

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 with an individual unit cost of at least $1,500.

obligation. Obligations are amounts of orders placed, contracts awarded, services received and other transactions that 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 and which may be subject to the need to secure an 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. UNICEF adds a small handling charge to the cost of the supplies and services to cover the costs of extra administration and documentation (see trust funds). In addition, UNICEF has an agreement with the GAVI Alliance to purchase and deliver supplies funded by the organization. UNICEF charges an agent fee for this service.

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.

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 of Junior Professional Officers as well as those relating to projects funded by the World Bank and the GAVI Alliance. These funds are not considered to be UNICEF income.

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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