

UNITED NATIONS
FUND FOR POPULATION ACTIVITIES

FINANCIAL REPORT
and
AUDITED FINANCIAL STATEMENTS
for the year ended 31 December 1984
and
REPORT OF THE BOARD OF AUDITORS

GENERAL ASSEMBLY

OFFICIAL RECORDS: FORTIETH SESSION

SUPPLEMENT No. 5G (A/40/5/Add.7)



UNITED NATIONS

New York, 1985

NOTE

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[24 July 1984]

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LETTERS OF TRANSMITTAL

30 April 1985

Sir,

Pursuant to financial rule 114.1, I have the honour to submit the annual accounts of the United Nations Fund for Population Activities as at 31 December 1984, which I hereby approve.

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

Accept, Sir, the assurances of my highest consideration.

(Signed) Rafael M. SALAS
Executive Director of the
United Nations Fund for
Population Activities

The Chairman of the Board of Auditors
United Nations
New York

17 June 1985

Sir,

I have the honour to transmit to you the financial statements of the United Nations Fund for Population Activities for the financial period ended 31 December 1984, which were submitted by the Executive Director. These statements have been examined and include the audit opinion of the Board of Auditors.

In addition, I have the honour to present the report of the Board of Auditors with respect to the above accounts.

Accept, Sir, the assurances of my highest consideration.

(Signed) R. T. NELSON
Auditor General of Ghana and Chairman,
United Nations Board of Auditors

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

I. FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 1984

1. The Executive Director of the United Nations Fund for Population Activities has the honour to submit herewith the annual financial report of the United Nations Fund for Population Activities (UNFPA) for the year ended 31 December 1984 and the report of the Board of Auditors. The accounts consist of four statements supported by nine schedules accompanied by notes that are an integral part of the financial statements, and also cover the trust funds authorized by the Governing Council for population activities.

2. This submission is made in conformity with regulation 16.1 of the UNFPA Financial Regulations approved by the Governing Council of the United Nations Development Programme (UNDP) at its thirtieth session.

Executing agency accounts

3. In accordance with UNFPA financial regulation 17.1 (b), the UNFPA financial statements incorporate the data obtained from the 1984 annual accounts of the executing agencies with regard to the status of funds allocated to them for the execution of UNFPA projects in 1984.

4. The following executing agency has provided financial statements as submitted for audit:

United Nations Children's Fund (UNICEF)

5. In respect of the following executing agencies, the UNFPA financial statements incorporate the information contained in the interim financial statements for the 12-month period ended 31 December 1984, which is the first year of the biennium 1984-1985:

United Nations

Economic Commission for Europe (ECE)

Economic and Social Commission for Asia and the Pacific (ESCAP)

Economic Commission for Latin America and the Caribbean (ECLAC)

Economic Commission for Africa (ECA)

Economic Commission for Western Asia (ECWA)

International Labour Organisation (ILO)

Food and Agriculture Organization of the United Nations (FAO)

United Nations Educational, Scientific and Cultural Organization (UNESCO)

World Health Organization (WHO)

6. Should any changes be reported in the audited accounts of any of the executing agencies, they will be reported to the General Assembly and to the Governing Council at subsequent sessions. The Executive Director will submit to a subsequent session of the Governing Council copies of the audited statements and audit reports, if any, of the executing agencies and copies of any relevant resolutions adopted by their governing bodies, as required under UNFPA financial regulation 17.1 (b).

7. The amounts reported in the UNFPA financial report and accounts for the year ended 31 December 1983 were based on the unaudited accounts of the executing agencies. Adjustments introduced in the audited accounts of the executing agencies after the preparation of the UNFPA financial statements for 1983 have been reflected in the UNFPA accounts for the year ended 31 December 1984.

Financial status of the Fund

8. On 1 January 1984, the balance of the Fund was \$19,168,557. Statement I shows that during 1984 UNFPA received income of \$138,568,989 and had expenditures of \$137,237,662, which resulted in an excess of income over expenditure of \$1,331,327.

9. As shown in statement III, the balance of the Fund as at 31 December 1984 was \$17,499,884 (i.e. the opening balance as at 1 January 1984 of \$19,168,557 plus the excess of income over expenditure for 1984 of \$1,331,327, less the transfer of \$3,000,000 to the operational reserve). The 1984 unspent allocations as at 31 December 1984 amounted to \$19,292,199.

1984 expenditure against 1984-1985 biennial budget appropriations

10. At its thirty-first session, the Governing Council gave to the Executive Director an approval authority for 1984 of \$142 million. As shown in schedule 8, total allocations at year-end consisted of \$139,184,707 for project allocations, of which \$16,852,461 was the carry over of unspent allocations from the previous year. Also, as shown in schedule 4, net appropriations for the 1984-1985 biennial budget of UNFPA totalled \$24,577,523, as approved by the Governing Council at its thirtieth session.

11. Expenditure for 1984 totalled \$137,237,662, compared to 1983 expenditure of \$122,590,608. The breakdown of 1984 expenditures is shown in statement I. These included an expenditure of \$11,840,820 for 1984, the first year of the biennium 1984-1985, as well as \$5,504,334 paid to executing agencies for programme support costs.

12. Project implementation, calculated as the ratio of project expenditure to project allocations, was 86.1 per cent, compared to 86.2 per cent in 1983. Of the total of 1984 project expenditure, 41.6 per cent was spent by executing agencies, 31.6 per cent by Governments, 19.1 per cent by UNFPA itself, including the cost of UNFPA deputy representatives, and 7.7 per cent corresponded to expenditures of non-governmental organizations' projects and special population grants.

Contributions from Governments for special population programmes

13. As authorized by the Governing Council at its seventeenth session, UNFPA received contributions from several Governments that were designated for special population programmes. Schedule 6 shows the details of the contributions totalling \$11,618,545 received in 1984 from the Governments of Japan, the Netherlands and Norway for five special programmes, namely the International Planned Parenthood Federation, the Population Council, the International Union for the Scientific Study of Population, the International Committee on the Management of Population Programmes and the Programme of Social Research on Population in Latin America, as well as the amounts remitted to these special programmes.

Trust funds

14. Schedule 7 shows the statement of account as at 31 December 1984 of the trust funds authorized by the Governing Council and the Executive Director for special population activities. In 1984, the Executive Director established trust funds from contributions received from the European Economic Community (EEC) and Colombia, and from contributions to finance special travel arrangements in connection with the International Conference on Population in Mexico in 1984. At the beginning of 1984, the unexpended balance of the trust funds was \$4,676,450. Contributions received from the Governments and other sources during 1984 were \$4,237,317 and interest income amounted to \$672,465. The total amount available for programming in 1984 was therefore \$9,586,232, of which \$6,601,341 was spent, leaving at year-end an unexpended balance of \$2,984,891 to finance trust fund activities in 1985.

Operational reserve

15. During 1984, UNFPA maintained a fully funded operational reserve. In accordance with decision 81/7, section III, paragraph 5, of the Governing Council at its twenty-eighth session, the Executive Director will endeavour to achieve in gradual stages the increase in the level of the operational reserve to the targeted 25 per cent of the annual estimated contributions by the end of 1989. During 1984, \$3,000,000 was transferred from the UNFPA account to the operational reserve, bringing its balance to \$26,000,000 (statement II).

Financial regulations and rules

16. At its thirtieth session, the Governing Council approved the revised Financial Regulations of UNFPA, which came into effect on 1 January 1984. Pending the promulgation of the revised set of financial rules, in accordance with financial regulation 14.1 (a), the then existing financial rules remained in effect during 1984, in so far as they were not inconsistent with the Financial Regulations. The Executive Director has now promulgated the revised Financial Rules, which came into effect from 1 January 1985.

II. REPORT OF THE BOARD OF AUDITORS

Introduction

1. As required by General Assembly resolution 74 (I) and article XVII of the Financial Regulations of the United Nations Fund for Population Activities (UNFPA), the Board of Auditors has audited the accounts of UNFPA for the year ended 31 December 1984.
2. The examination was made in accordance with article XII of the Financial Regulations of the United Nations and the annex thereto and with the common auditing standards adopted by the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency. The examination was conducted at UNFPA headquarters in New York, but also included an on-the-spot audit of field office activities in Burundi, India, Nepal and Rwanda.
3. During the year under review, the Board of Auditors continued its normal practice of reporting the results of specific audits and issuing management letters containing detailed observations and recommendations to the Administration. This practice has helped to maintain a continuous dialogue with the Administration.
4. The following are the most significant matters arising from our 1984 audit examination. We have discussed these matters with the Administration, whose responses are incorporated where appropriate.

Summary of findings

5. Our audit of the project delivery reports revealed that, in some cases, expenditures exceeded the allocations or were even incurred without them while, on the other hand, in some projects the allocations remained unutilized.
6. We also noted various unidentified discrepancies between the annual status of allotments prepared by a field office and the amounts recorded in the year-end financial report produced by headquarters.
7. Our examination disclosed that UNFPA officials had not yet been designated by the Executive Director as approving officers as required by the new financial rule 114.3 (a).
8. We further noted that in some cases overtime work at headquarters tends to become a usual practice.
9. We noted that the balance of non-collected pledges pertaining to 1982 and earlier years amounted to \$807,083 at the end of the period under review.
10. Our review revealed delays in the transmittal of quarterly and annual inventory reports by the offices of deputy representatives and senior advisers on population.
11. Our examination further disclosed that UNFPA could enhance the effectiveness of its support to the conferences, meetings and workshops of non-governmental organizations by participating more actively in the evaluation of the final outcome and impact of these activities. Besides, our review revealed delays in the transmittal of, as well as incomplete information recorded in, the annual financial supporting documents for projects executed by non-governmental organizations.

12. Our audit at a field office indicated that for projects implemented by governmental agencies, sizeable amounts of UNFPA project fund advances remain unutilized at the end of each fiscal year. We also noted that the title and ownership of UNFPA project vehicles in the country were transferred to the host Government in 1983.

Budgetary control

Project budgets

13. We noted that in 1984, as in previous years, 1/ for many projects executed by the Organization itself, as well as by Governments, expenditures exceeded the allocations (149 projects) and some expenditures were even incurred without allocations (27 projects). On the other hand, the allocations for 46 projects remained unutilized.

14. The Administration explained that most of the noted discrepancies were due to difficulties in the rephrasing of allocations at year-end and the late recording of inter-office voucher charges.

15. In view of the fact that the situation in this regard has deteriorated as compared with last year, we recommended again that control of project allocations and expenditures be strengthened and that the year-end rephrasing-of-allocations exercise be monitored more closely.

Field office status of allotments

16. We noted that substantial discrepancies between the 1983 status of allotments prepared by a field office and the amounts recorded as "direct payments by the field" in the year-end financial report produced by UNFPA headquarters had not yet been cleared at the time of our field audit in October 1984.

17. The Administration explained in this regard that the field office figures are based on 1983 inter-office vouchers and should normally correspond with the amounts recorded at headquarters. The field office has, therefore, informed UNFPA headquarters of all such discrepancies.

18. In view of the fact that such discrepancies occurred before, we recommended that measures should be taken to streamline and speed up clearance procedures for monthly and year-end financial reports between headquarters and the field offices.

Authority for approving UNFPA financial transactions

19. In our management letter of 26 May 1983, we commented on the fact that the approval function in respect of UNFPA accounts was being performed by staff members of the United Nations Development Programme (UNDP) Division of Finance and we recommended that UNFPA should take corrective action in this regard because, in our view, UNFPA staff are in a much better position to perform this key function. We noted, nevertheless, that at the time of our current audit and under the new

1/ Official Records of the General Assembly, Thirty-ninth Session, Supplement No. 5G (A/39/5/Add.7), sect. II.

financial rule 114.3 (a) taking effect on 1 January 1985, UNFPA officials had not yet been designated as approving officers by the Executive Director.

20. The Administration informed us that the matter had been taken up immediately with the UNDP Division of Finance and would be given due attention.

Staff costs

Overtime

21. Our review at headquarters revealed that during the month of July 1984 no less than 674.5 overtime hours were performed by 28 staff members, 5 of whom totalled up to more than 40 hours of overtime per month.

22. As our audit indicated that the overtime is mainly performed on Sunday and in certain cases authorization for overtime is requested for a whole month in advance in order "to attend to urgent administrative (or financial) matters", we concluded that in some cases overtime work tends to become a usual practice.

23. We recommended that internal controls on overtime performances by UNFPA staff be reinforced effectively. The Administration noted our recommendation and promised that the UNFPA Personnel Branch will prepare written instructions to avoid any possible misuse of overtime.

Cash management

Voluntary contributions from Governments

24. Our examination disclosed that the balance of non-collected pledges pertaining to 1982 and earlier years amounted to \$807,083 as at 31 December 1984.

25. We reiterated the comments we made on such long-outstanding pledges in our management letter of 10 December 1982 and recalled that UNFPA had agreed at that time with our view that write-off action should be initiated when appropriate.

26. The Administration promised to continue in 1985 and future years every effort to secure payment of long-outstanding pledges and explained that Governments that were no longer in a position to fulfil their obligations would be asked to request UNFPA in writing that their pledges be written off.

Expendable and non-expendable property

Inventories of offices of deputy representatives and senior advisers on population

27. Our review of 31 offices' inventory files for the period 1982-1984 revealed that more than 25 per cent of the required quarterly reports and almost 30 per cent of the annual inventory reports were missing. For the year 1984, only 9 offices had submitted their annual reports within the prescribed 30-day period and as of March 1985 only 13 annual office reports had been received at headquarters.

28. We noted, moreover, that the annual reports for nine field offices were not certified by the resident representative as required and that some yearly reports

were either prepared on a continuous inventory basis or wrongly listed non-attractive expendable equipment items.

29. We recommended that our observations should be taken into account in planning and designing a new inventory control system. Furthermore, a review of the annual reports should be made at least once a year in order to detect possible unexplained discrepancies or losses of property items and to ensure overall accuracy of the transmitted inventory reports.

30. The Administration noted our observations and recommendations and informed us that steps had already been taken to improve the effectiveness of the inventory control system.

Technical co-operation activities

Projects executed by non-governmental organizations

Support to conferences organized by non-governmental organizations

31. We observed that UNFPA support to conferences, meetings and workshops of non-governmental organizations tends to increase from year to year as most of these gatherings are developing into regular events growing both in scope and duration. In our view, UNFPA could enhance the effectiveness of its support by participating actively not only in the preparation of such meetings, but particularly in the evaluation of the final outcome and impact of the proceedings.

32. The Administration informed us that the UNFPA Management Committee is currently reviewing all plans for UNFPA-sponsored and supported conferences during the period 1985-1986. A final decision by the Executive Director will be made on the basis of the comments and suggestions received.

33. We recommended and the Administration agreed that conferences and meetings organized by non-governmental organizations should be attended to the maximum extent possible by UNFPA delegates who should elaborate in particular on the cost-effectiveness of the undertakings.

Expenditure statements

34. As required by UNFPA financial rules, the project letters of approval and allocation specify that a separate expenditure account of UNFPA funds must be kept by the non-governmental organizations and that, at the end of each calendar year, financial statements of expenditures certified by independent auditors should be submitted to UNFPA. Moreover, in some cases the project letters of approval clearly specify that the budget should be used only for specific costs.

35. However, the standard format reminders issued by UNFPA to non-governmental organizations that did not regularly submit audited expenditure accounts only request the recipient non-governmental organizations to complete an attached simplified statement of annual expenditures showing the remittances received, the expenditure incurred and the unspent balance of remittances. As a result, there is some confusion on the part of the non-governmental organizations as to the nature and the scope of the financial information requested by UNFPA at year-end and we noted that several organizations simply forward financial statements on which the actual expenditure completely covers the advances received by budget line.

36. In its reply, the Administration referred to the fact that there were 54 non-governmental organizations executing 112 projects during the year 1984. UNFPA used a standard format reminder letter because it was virtually impossible, due to shortage of manpower, to prepare for each project separately a letter outlining the special conditions for certain allocations. The Administration stated further that a separate external audit of detailed non-governmental organization accounts to be submitted to UNFPA would involve additional audit fees that would be passed on to UNFPA. However, the UNFPA Finance Branch would review the standard reminder letter that was sent to the non-governmental organizations at year-end with a view to obtaining more detailed accounting of UNFPA funds and it would consider calling the attention of the non-governmental organizations to the inspection and auditing procedures as outlined in the Policies and Procedures Manual.

37. In our opinion, it would be useful to issue comprehensive instructions to all non-governmental organizations concerning separate accounting and presentation of expenditure statements for UNFPA funds. Since UNFPA may determine its own inspection and auditing procedures, we also advised that at least some spot checks be made on the accounts kept by selected non-governmental organizations.

38. The Administration noted our observation on audit procedures and will consider such procedures whenever necessary.

Projects implemented by host Governments

Refund of unutilized balances of terminated projects

39. Our examination at a field office revealed that, at the closure of UNFPA projects in the country, the unutilized balances of advanced funds are not refunded promptly to UNFPA by the government authorities.

40. We recommended that efforts be made to recover as soon as possible the outstanding balances in the amount of \$103,566 for four projects by deducting them, if necessary, from the advances requested by the Government for other ongoing UNFPA projects. Timely reimbursement of all unused funds upon completion of projects should in the future also be stipulated clearly in the basic project documents, in compliance with UNFPA policies.

41. The Administration informed us later on that the Government's Ministry of Finance had authorized refund of the balances of three closed projects and that refund of the balance of the fourth project (about \$16,890) would be authorized very soon.

Underutilization/accumulation of unutilized UNFPA funds with the host Government

42. Our audit also disclosed that sizeable amounts of UNFPA project funds advanced to the same Government remain unutilized at the end of each fiscal year (e.g. at least \$510,000 at the end of 1983).

43. Although we understand that this situation results, inter alia, from the Government's end of fiscal year freeze of advanced funds and the low operational implementation levels (some 70 per cent in 1983), we noted, nevertheless, that the accumulation of unutilized advances is due also to the disadvantageous system of "advances by budget line" instead of "by projects", as legalized since 1978 in the

letters of understanding with the Government, as well as to weaknesses in the UNFPA monitoring and control system.

44. We recommended that UNFPA should examine possibilities to reduce underutilization of advances to an acceptable level and should decide without further delay on the possible solutions recommended in the 1983 special mission report with regard to the frozen unutilized balances at the end of the Government's fiscal year.

45. As there is, in our view, room for immediate improvement of UNFPA financial monitoring procedures for such Government-implemented projects, we insisted that UNFPA should take all necessary measures to safeguard the financial interests of the organization to the maximum extent possible and therefore recommended annual on-the-spot reviews in the country's districts by UNFPA staff with full reporting in the relevant project files.

46. The Administration explained that since 1978 all advances of funds to the Government had been made according to budget lines of approved budgets and that this system had enabled the projects concerned to establish a flexible resource base by maintaining unutilized balances in certain budget lines for future use, but that it had, of course, also a less positive built-in accumulation effect. As far as the underutilization of UNFPA funds was concerned, the Administration considered that the primary causes were related to technical and institutional problems of the Government and UNFPA respectively, and not to an excessive estimation of fund requirements.

47. The Administration, therefore, recognized that there was clearly a need for fundamental improvements that would include an effective implementation of the mid-term review recommendations for better technical backstopping as well as a strengthening of the UNFPA office through increased manpower. Similarly, the Government must show greater flexibility in its financial procedures and rapidly improve its own managerial and technical manpower base. These measures together would alleviate the principal causes for the underutilization and accumulation of UNFPA funds.

48. In the meantime, UNFPA has already taken corrective action, inter alia: (a) by designating United Nations organizations as executing agencies for a number of UNFPA-supported projects in the country; (b) by adopting the practice of transferring unspent balances within a project regardless of budget lines before further advances are made as well as by taking into consideration these balances when preparing the new annual budget; and (c) by instituting a quarterly review and monitoring of the financial aspects of the Government/UNFPA programme.

49. As in our opinion several of the above problems remain, we urge that every effort should be made to address all major past shortcomings.

Transfer of project vehicle ownership to the Government

50. We noted that UNFPA had agreed with a host Government in 1983 on the transfer to the Government of the title and ownership of all UNFPA project vehicles in the country (at that time 125 vehicles, including 66 motor bikes) on the explicit understanding that the vehicles would be used for the purpose of fulfilling project needs.

51. Our examination in the field revealed that this solution, although inconsistent with the project documents and letters of understanding, was considered advantageous and justified because of UNFPA's inability to monitor and control the use of project vehicles all over 25 geographical districts efficiently. The entire purpose of the transfer of ownership to the Government was precisely to shift responsibility for control to the Government as it has both the network and authority to carry out this responsibility.

52. In our view, however, the transfer of ownership of project vehicles may not imply a complete discharge of UNFPA's responsibilities with regard to the proper use of vehicles.

53. We therefore recommended that detailed periodic reports on the use of all project vehicles should be requested from the Government and that clear arrangements should be made at an early stage on the mode of disposal of these vehicles upon completion of project activities.

54. The Administration expressed the belief that the transfer of vehicle ownership was a justified and necessary procedure, but would require a workable monitoring system on the part of the Government.

Agency statements

55. The financial statements of UNFPA include amounts reported by the participating and executing agencies. The Board of Auditors, as in prior years and in consideration of article XVII of the UNFPA financial regulations, has not audited these balances and, as in the past, will rely upon certificates provided to UNFPA by the agencies' external auditors.

Comments on matters dealt with in the 1983 report

56. The matters contained in our 1983 report 1/ have either been dealt with to our satisfaction or have been raised again in this report.

Acknowledgement

57. The Board of Auditors wishes to express its appreciation for the co-operation and assistance extended by the Executive Director, his officers and members of their staff.

(Signed) R. T. NELSON
Auditor General of Ghana

(Signed) A. DEFOY
Senior President of the Court
of Accounts of Belgium

(Signed) Francisco S. TANTUICO, Jr.
Chairman, Commission on Audit,
the Philippines

III. OBSERVATIONS OF THE EXECUTIVE DIRECTOR OF UNFPA ON THE COMMENTS
AND RECOMMENDATIONS OF THE BOARD OF AUDITORS

Introduction

1. The report of the Board of Auditors on the 1984 accounts and financial statements is contained in section II above. For ease of reference, the pertinent paragraph numbers are referred to in the same order as they appear in the report of the Board of Auditors.

Budgetary control (audit, paras. 13-15)

2. As stated in the report, the noted discrepancies were due to the difficulties in the rephrasing of allocations at year-end and the late submission of project expenditures reported to UNFPA headquarters through field office inter-office vouchers. The Administration believes that if the rephrasing exercise is synchronized with the time of arrival of field office inter-office vouchers at UNFPA headquarters, there could be improved budgetary control over project expenditures. The Administration is examining a number of alternatives for the purpose of achieving this improved result. The 27 projects in which it is reported that expenditures have been incurred without allocations have been examined and in all cases it was found that these were final expenditures relating to projects that had been operationally completed in the preceding years. The Board's recommendation has been carefully noted and the Administration will take measures to achieve better budgetary control in the future.

Field office status of allotments (audit, paras. 16-18)

3. In view of the fact that there is a considerable time-lag - at times three months - between inter-office voucher preparation when the expenditure is recorded in the field status of allotments and the appearance of the same expenditure in the headquarters computerized allotment reports, there will always be differences between the two versions, requiring constant reconciliation of the figures at headquarters. However, the Administration will endeavour to undertake this reconciliation work within the present limited staff resources available and hopes to streamline and speed up the clearance procedures as recommended by the Board.

Authority for approving UNFPA financial transactions (audit, paras. 19 and 20)

4. The Administration is still reviewing with UNDP the Board's recommendation and UNFPA financial rule 114.3 (a), which provides that UNFPA staff members be given the authority to approve UNFPA financial transactions. As soon as an agreement has been reached with UNDP the Board will be informed.

Overtime (audit, paras. 21-23)

5. The recommendation of the Board has been noted and as promised a circular was issued to all UNFPA staff that overtime was to be strictly controlled to comply with the United Nations Staff Rules and Regulations and administrative instructions. It is anticipated that with the clear guidelines contained in the circular any irregularities concerning overtime will be minimized. It should be noted that, with regard to overtime hours in July 1984, this was due to unusual pressures on staff time in preparing documentation, including translations, for the International Conference on Population, which took place at Mexico City in

August 1984. Also, the practice of authorizing overtime for periods of a month in advance to attend to urgent administrative and financial matters relates to annual peak work-load periods, particularly to those periods when annual accounts must be closed and all projects rephased.

Voluntary contributions from Governments (audit, paras. 24-26)

6. With respect to the Board's comment on the collection of pledges, it should be noted that the percentage of uncollected pledges pertaining to 1982 and earlier years is less than 0.0001 per cent of the total amount of contributions pledged for these years. This must be considered a good record in the collection of contributions. The Administration will continue to take such action as may be necessary for the collection of the unpaid pledges and in the event that payment appears to be doubtful, the outstanding contributions will be adjusted in accordance with the existing procedures.

Inventories of offices of deputy representatives and senior advisers on population (audit, paras. 27-30)

7. In order to improve the monitoring and follow-up of these offices' inventory files, starting in 1985, the responsibility for this assignment was transferred to the Budget and Management Analysis Section. On the basis of the Board's observations and recommendations, a systematic and thorough follow-up of the inventory reports has now been completed. Offices have been requested to provide the inventory information in accordance with UNDP field manual procedures and circulars, as well as UNFPA established guidelines.

Support to non-governmental organizations (audit, paras. 31-33)

8. The Board's recommendation is noted. During 1985, the Administration will endeavour to improve the effectiveness of the UNFPA support to conferences, meetings and workshops organized by non-governmental organizations.

Expenditure statements from non-governmental organizations (paras. 34-38)

9. The Administration is grateful to the Board for its observation concerning the question of financial accountability of non-governmental organizations to UNFPA. The various aspects of the execution of UNFPA projects by non-governmental organizations are discussed in the report and they have been noted for consideration in developing procedures for inspecting and auditing non-governmental organization-executed UNFPA projects.

Refund of unutilized balances of terminated projects (audit, paras. 39-41)

10. The Administration will consider the inclusion of a stipulation in the project documents to be signed in the future that all unused funds held by the government implementing agency should be refunded to UNFPA promptly. Regarding paragraphs 40 and 41 of the report, it may be noted that the refund of all the outstanding balance has now been obtained.

Underutilization/accumulation of unutilized UNFPA funds with the host Government
(audit, paras. 42-49)

11. As mentioned in the report, the Administration has taken corrective action to set right the shortcomings in the execution of UNFPA projects in the country cited in the report.

Transfer of project vehicle ownership to the Government (audit, paras. 50-54)

12. As recommended by the Board, the Administration will endeavour to obtain from the Government an agreement to provide UNFPA with periodic reports on the use of project vehicles and clear arrangements regarding the mode of disposal of these vehicles upon completion of project activities will be made with the Government.

IV. AUDIT OPINION

We have examined the following appended financial statements, numbered I to IV, properly identified, and relevant schedules of the United Nations Fund for Population Activities for the financial period ended 31 December 1984. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances. As a result of our examination, we are of the opinion that the financial statements present fairly the financial position as at the end of the period and the results of its operations for the period then ended. The financial statements were prepared in accordance with the stated accounting principles, which were applied on a basis consistent with that of the preceding financial period and the transactions were in accordance with the Financial Regulations and legislative authority.

(Signed) R. T. NELSON
Auditor General of Ghana

(Signed) A. DEFOY
Senior President of the Court
of Accounts of Belgium

(Signed) Francisco S. TANTUICO, Jr.
Chairman, Commission on Audit,
the Philippines

17 June 1985

V. CERTIFICATION OF THE FINANCIAL STATEMENTS

30 April 1985

I certify that the appended statements, numbered I to IV, are correct.

(Signed) M. Douglas STAFFORD
Director
Division of Finance
United Nations Development Programme

VI. FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1984

STATEMENT I

UNITED NATIONS FUND FOR POPULATION ACTIVITIES

Statement of income and expenditure for the year ended 31 December 1984

(United States dollars)

1983			1984
	INCOME		
	Contributions from Governments		
129 602 161	Pledges for current year	(Schedule 1)	132 429 934
(78 791)	Additions and adjustments to pledges for prior years	(Schedule 1)	(399 056)
<u>662 895</u>	Exchange adjustments on collection of contributions	(Note 1 (c))	<u>507 685</u>
130 186 265			132 538 563
4 564 426	Interest income		6 577 903
2 444	Donations		2 697
<u>(77 030)</u>	Miscellaneous income (expenditure) net	(Schedule 2)	<u>(550 174)</u>
<u>134 676 105</u>	TOTAL INCOME	(Statement IV)	<u>138 568 989</u>
	EXPENDITURE		
	Programme expenditure	(Note 2)	
97 231 705	By executing agencies	(Schedule 3)	110 668 141
8 368 223	By non-governmental organizations and special population grants	(Schedule 3)	9 224 367
<u>5 895 414</u>	Reimbursement of programme support costs to executing agencies	(Schedule 3)	<u>5 504 334</u>
111 495 342			125 396 842
<u>11 095 266</u>	UNFPA biennial budget expenditure	(Schedule 4)	<u>11 840 820</u>
<u>122 590 608</u>	TOTAL EXPENDITURE	(Statement IV)	<u>137 237 662</u>
<u>12 085 497</u>	EXCESS OF INCOME OVER EXPENDITURE	(Statement III)	<u>1 331 327</u>

The accompanying notes are an integral part of the financial statements.

STATEMENT II

UNITED NATIONS FUND FOR POPULATION ACTIVITIES

Statement of assets and liabilities as at 31 December 1984

(United States dollars)

1983			1984
ASSETS			
Cash			
25 650	Convertible currencies		23 507
<u>61 407 778</u>	Investments	(Schedule 5)	<u>72 736 604</u>
		(Statement IV)	72 760 111
<u>61 433 428</u>			
Advances and accounts receivable			
9 390 641	Operating funds provided by UNFPA to executing agencies (net)	(Note 3)	6 201 635
52 075	Due from the United Nations Development Programme		-
123 754	Other accounts receivable and deferred charges		426 536
<u>794 745</u>	Accrued interest		<u>1 251 575</u>
<u>10 361 215</u>			7 879 746
1 285 614	Pledges receivable from Governments for current and prior years	(Schedule 1 and Note 4)	10 867 736
<u>73 080 257</u>			<u>91 507 593</u>
LIABILITIES AND RESERVES			
Liabilities			
1 136 432	Accounts payable		832 450
25 098 818	Unliquidated obligations of executing agencies	(Note 3)	38 876 872
4 676 450	Due to UNFPA trust funds	(Schedule 7)	2 984 891
-	Due to special population programmes	(Schedule 6)	5 300 000
<u>-</u>	Due to the United Nations Development Programme		<u>13 496</u>
<u>30 911 700</u>			48 007 709
Reserves			
19 168 557	Revenue Reserve	(Statement III)	17 499 884
<u>23 000 000</u>	Operational Reserve	(Note 5)	<u>26 000 000</u>
42 168 557			43 499 884
<u>73 080 257</u>			<u>91 507 593</u>

The accompanying notes are an integral part of the financial statements.

STATEMENT III

UNITED NATIONS FUND FOR POPULATION ACTIVITIES

Statement of fund balance as at 31 December 1984

(United States dollars)

1983		1984
9 083 060	Balance as at 1 January	19 168 557
<u>12 085 497</u>	Excess of income over expenditure (Statement I)	<u>1 331 327</u>
21 168 557		20 499 884
<u>2 000 000</u>	Less: Transfer to Operational Reserve (Note 5)	<u>3 000 000</u>
<u>19 168 557</u>	Balance as at 31 December (Statement II and Note 6)	<u>17 499 884</u>

The accompanying notes are an integral part of the financial statements.

STATEMENT IV

UNITED NATIONS FUND FOR POPULATION ACTIVITIES

Statement of changes in the financial position for the year ended 31 December 1984

(United States dollars)

1983		1984
	SOURCE OF FUNDS	
134 676 105	Total income for the year (Statement I)	138 568 989
734 093	Decrease in pledges receivable from Governments	-
-	Increase in liabilities	17 082 513
3 935 668	Decrease in funds provided to the United Nations Development Programme	65 571
-	Decrease in operating funds provided to executing agencies	3 189 006
<u>139 345 866</u>	<u>Total funds provided</u>	<u>158 906 079</u>
	APPLICATION OF FUNDS	
122 590 608	Total expenditure for the year (Statement I)	137 237 662
2 474 981	Increase in operating funds provided to executing agencies	-
-	Increase in pledges receivable from Governments	9 582 122
500	Decrease in deferred income	-
550 033	Decrease in liabilities	-
66 614	Increase in accounts receivable, deferred charges and accrued interest	759 612
<u>125 682 736</u>	<u>Total funds used</u>	<u>147 579 396</u>
<u>13 663 130</u>	<u>INCREASE IN CASH AND INVESTMENTS</u>	<u>11 326 683</u>
47 770 298	Cash and investments at beginning of year	61 433 428
<u>13 663 130</u>	Increase in cash and investments	<u>11 326 683</u>
<u>61 433 428</u>	Cash and investments at end of year (Statement II)	<u>72 760 111</u>

The accompanying notes are an integral part of the financial statements.

SCHEDULE 1 (concluded)

	Balance due as at 31 December 1983 for 1983 and prior years	Additions and adjustments for 1983 and prior years	Pledges for 1984	Pledges for 1985 and future years		Total	Payments received in 1984	Unpaid pledges as at 31 December 1984	Composition of balance due	
				Local currency	US dollars				For 1984 and prior years	For 1985 and future years
Tunisia	16 005	(923)	17 537	14 520	17 948	50 567	29 400	21 167	3 219	17 948
Turkey	5 000	-	5 000	-	10 000	20 000	5 000	15 000	5 000	10 000
Uganda	3 058	(1 288)	885	1 200 000	2 124	4 779	-	4 779	2 655	2 124
United Kingdom of Great Britain and Northern Ireland	-	-	3 879 885	3 750 000	4 539 952	8 419 837	3 879 885	4 539 952	-	4 539 952
British Virgin Islands	-	-	1 100	-	-	1 100	-	1 100	1 100	-
United States of America	-	-	38 000 000	-	46 000 000	84 000 000	38 000 000	46 000 000	-	46 000 000
Uruguay	-	11 400	6 500	-	-	17 900	17 900	-	-	-
Viet Nam	2 000	-	1 000	-	1 000	4 000	834	3 166	2 166	1 000
Yemen	44 000	-	2 850	-	2 850	49 700	-	49 700	46 850	2 850
Yugoslavia	15 000	-	2 876	555 000	2 876	20 752	6 684	14 068	11 192	2 876
Zaire	-	-	1 000	-	-	1 000	-	1 000	1 000	-
Zambia	31 500	-	3 676	4 000	2 041	37 217	35 176	2 041	-	2 041
Zimbabwe	-	-	27 323	3 000	2 069	29 392	25 668	3 724	1 655	2 069
Total	1 285 614	(399 056)	132 429 934 b/	-	109 750 828	243 067 320	122 448 756	120 618 564	10 867 736	109 750 828

(Statement I)

(Statement II
and Note 4)

a/ Of this amount, \$0,057,143 represents pledges for 1986 made in 1984.

b/ Of this amount, \$68,986,363 represents pledges for 1984 made in 1983.

SCHEDULE 2

UNITED NATIONS FUND FOR POPULATION ACTIVITIES

Miscellaneous income and expenditure for the year ended 31 December 1984

(United States dollars)

1983			1984
668 800	Miscellaneous income from accounts of executing agencies (net)		214 379
(746 895)	Net losses on exchange and revaluation of currencies	(Note 1 (c))	(962 954)
-	Miscellaneous savings in liquidating obligations of prior biennium		107 684
<u>1 065</u>	Other income		<u>90 717</u>
(77 030)	Total net expenditure	(Statement I)	(550 174)
<u><u> </u></u>			<u><u> </u></u>

SCHEDULE 3

UNITED NATIONS FUND FOR POPULATION ACTIVITIES

1984 expenditure by agencies, non-governmental organizations
and special population grants

(United States dollars)

	<u>Personnel services</u>	<u>Sub-contracts</u>	<u>Training (fellowships)</u>	<u>Equipment and supplies</u>	<u>Miscellaneous</u>	<u>Subtotal</u>	<u>Programme support costs</u>	<u>Total</u>
United Nations (Work programme)	1 219 777	85 210	-	47 473	65 351	1 417 811	162 070	1 579 881
United Nations (Department of Technical Co-operation for Development)	5 093 358	19 413	2 160 874	3 586 453	592 469	11 452 567	1 595 745	13 048 312
ECE	232 958	35 000	12 664	24 803	938	306 363	37 843	344 206
ESCAP	720 146	192 300	264 295	43 516	198 652	1 418 909	184 459	1 603 368
ECLAC	1 384 019	4 548	104 726	149 458	75 729	1 718 480	240 587	1 959 067
ECA	1 938 182	-	472 727	153 937	227 108	2 791 954	362 954	3 154 908
ECWA	388 664	-	16 434	214	10 733	416 045	58 246	474 291
ILO	3 279 326	141 045	582 191	146 705	259 745	4 409 012	573 172	4 982 184
FAO	1 025 356	206 720	353 124	56 307	(4 763)	1 636 744	148 564	1 785 308
UNESCO	2 865 629	206 903	1 054 870	640 902	382 931	5 151 235	634 083	5 785 318
WHO	5 067 218	2 931 500	3 495 885	5 520 485	574 225	17 589 313	1 506 611	19 095 924
UNICEF	131 330	-	23 183	1 401 879	51 782	1 608 174	-	1 608 174
Governments	8 879 783	1 861 256	5 367 859	20 067 860	1 695 955	37 872 713	-	37 872 713
UNFPA	11 994 572	296 464	586 141	8 816 772	1 184 872	22 878 821	-	22 878 821
Agencies total	<u>44 220 318</u>	<u>5 980 359</u>	<u>14 494 973</u>	<u>40 656 764</u>	<u>5 315 727</u>	<u>110 668 141 a/</u>	<u>5 504 334</u>	<u>116 172 475</u>
Non-governmental organizations and special population grants						<u>9 224 367 a/</u>	<u>-</u>	<u>9 224 367</u>
						<u>119 892 508</u>	<u>5 504 334 a/</u>	<u>125 396 842</u>

a/ Statement I.

SCHEDULE 4

UNITED NATIONS FUND FOR POPULATION ACTIVITIES

Budget appropriations for the biennium 1984-1985 and expenditure for the year ended 31 December 1984

(United States dollars)

Programme	Appropriations 1984-1985	Expenditure in 1984		Unencumbered balance	
		Disbursements <u>a/</u> 1984	Unliquidated obligations as at 31 December 1984		Total expenditure 1984
I. Executive direction and management	3 109 342	1 469 899	41 727	1 511 626	1 597 716
II. Administrative and public information support services	8 255 972	3 940 558	104 633	4 045 191	4 210 781
III. Programme planning, appraisal and monitoring	13 212 209	6 187 410	96 593	6 284 003	6 928 206
<u>Net appropriations and expenditure</u>	24 577 523	11 597 867	242 953	11 840 820	12 736 703
				(Statement I)	

a/ The disbursement figures are net after deducting staff assessment income totalling \$1,724,873.

SCHEDULE 5

UNITED NATIONS FUND FOR POPULATION ACTIVITIES

Investments as at 31 December 1984

(United States dollars)

Type	Currency	Interest rate	Amount
Current accounts	United States dollars	5.2500	224 950
	Deutsche mark	various	3 439
	Swedish kronor	various	2 723
	Japanese yen	1.5000	1 907
			<u>233 019</u>
Interest-bearing accounts	United States dollars	11.1875	<u>15 951 126</u>
Time-deposit accounts	United States dollars	12.5000	432 048
	United States dollars	11.1875	15 000 000
	United States dollars	11.6250	7 000 000
	United States dollars	11.5000	6 600 000
	United States dollars	11.4375	5 000 000
	United States dollars	10.4375	12 000 000
	United States dollars	6.5000	10 520 411
			<u>56 552 459</u>
	(Statement II)		<u><u>72 736 604</u></u>

SCHEDULE 6

UNITED NATIONS FUND FOR POPULATION ACTIVITIES

Status of contributions from Governments for special population
programmes as at 31 December 1984

(United States dollars)

	International Planned Parenthood Federation	Population Council	International Union for the Scientific Study of Population	International Committee on the Management of Population Programmes	Programme of Social Research on Population in Latin America	Total
Balance due to special population programmes as at 1 January 1984	-	-	-	-	-	-
Contributions received from Governments in 1984						
Japan	10 300 000	-	-	-	-	10 300 000
Netherlands	1 064 704	44 118	44 118	-	-	1 152 940
Norway	-	50 955	50 955	25 478	38 217	165 605
	<u>11 364 704</u>	<u>95 073</u>	<u>95 073</u>	<u>25 478</u>	<u>38 217</u>	<u>11 618 545</u>
Less: Amounts remitted	<u>6 064 704</u>	<u>95 073</u>	<u>95 073</u>	<u>25 478</u>	<u>38 217</u>	<u>6 318 545</u>
Balance due to special population programmes as at 31 December 1984	<u><u>5 300 000</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>5 300 000</u></u>

(Statement II)

SCHEDULE 7

UNITED NATIONS FUND FOR POPULATION ACTIVITIES: TRUST FUNDS

Statement of account as at 31 December 1984

(United States dollars)

	Denmark	European Economic Community	Finland	Italy	Netherlands	Norway	Organization of Petroleum Exporting Countries	Sweden	International Conference on Population 1984		United Nations Population Award	Colombia	Total
									Main programme	Special travel arrangements			
Unexpended balance as at 1 January	394 866	-	54 260	835 830	1 014 828	1 454 097	504 879	7 052	15 246	-	395 392	-	4 676 450
Contributions received in 1984	783 968 a/	34 228 a/	171 556 a/	300 000 a/	435 821 a/	885 410 a/	-	-	1 070 091 a/	94 349 b/	-	461 894 a/	4 237 317
Interest income	<u>119 791</u>	<u>-</u>	<u>20 386</u>	<u>165 770</u>	<u>115 562</u>	<u>169 777</u>	<u>37 367</u>	<u>211</u>	<u>(16 874)</u>	<u>-</u>	<u>60 475</u>	<u>-</u>	<u>672 465</u>
	1 298 625	34 228	246 202	1 301 600	1 566 211	2 509 284	542 246	7 263	1 068 463	94 349	455 867	461 894	9 586 232
Less: Programme expenditure	1 133 196	25 617	216 279	1 587 406	478 679	1 999 881	27 274	6 796	767 639	89 918	60 441	75 970	6 469 096
Support costs c/	<u>36 000</u>	<u>-</u>	<u>4 572</u>	<u>23 810</u>	<u>22 441</u>	<u>44 072</u>	<u>1 350</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>132 245</u>
	1 169 196	25 617	220 851	1 611 216	501 120	2 043 953	28 624	6 796	767 639	89 918	60 441	75 970	6 601 341
Unexpended balance as at 31 December	<u>129 429</u>	<u>8 611</u>	<u>25 351</u>	<u>(309 616)</u>	<u>1 065 091</u>	<u>465 331</u>	<u>513 622</u>	<u>467</u>	<u>300 824</u>	<u>4 431</u>	<u>395 426</u>	<u>385 924</u>	<u>2 984 891</u>

(Statement II)

a/ Schedule 9.

b/ Represents contributions of \$8,403, \$60,946 and \$25,000 from the Governments of Finland and Norway, and the William and Flora Hewlett Foundation, respectively.

c/ Represents agreed percentage of programme expenditure reimbursed to UNFPA for support costs.

UNITED NATIONS FUND FOR POPULATION ACTIVITIES

Unspent allocations as at 31 December 1984

(United States dollars)

	1984 allocations	Expenditure	1984 unspent allocations	Future years' allocations	Total unspent allocations
United Nations (Work programme)	1 791 259	1 417 811	373 448	2 251 430	2 624 878
United Nations (Department of Technical Co-operation for Development)	13 041 012	11 452 567	1 588 445	26 703 502	28 291 947
ECE	322 729	306 363	16 366	317 500	333 866
ESCAP	1 566 517	1 418 909	147 608	2 487 979	2 635 587
ECLAC	1 732 856	1 718 480	14 376	1 700 000	1 714 376
ECA	2 881 351	2 791 954	89 397	3 353 158	3 442 555
ECWA	467 510	416 045	51 465	305 170	356 635
ILO	6 400 141	4 409 012	1 991 129	8 105 309	10 096 438
FAO	1 783 414	1 636 744	146 670	2 420 759	2 567 429
UNESCO	6 258 874	5 151 235	1 107 639	9 578 004	10 685 643
WHO	20 655 565	17 589 313	3 066 252	38 848 568	41 914 820
UNICEF	1 947 068	1 608 174	338 894	1 707 020	2 045 914
Governments	41 175 552	37 872 713	3 302 839	41 545 826	44 848 665
UNFPA	29 307 179	22 878 821	6 428 358	11 433 439	17 861 797
	<u>129 331 027</u>	<u>110 668 141 a/</u>	<u>18 662 886</u>	<u>150 757 664</u>	<u>169 420 550</u>
Non-governmental organizations and special population grants	<u>9 853 680</u>	<u>9 224 367 a/</u>	<u>629 313</u>	<u>5 933 166</u>	<u>6 562 479</u>
	<u>139 184 707</u>	<u>119 892 508</u>	<u>19 292 199</u>	<u>156 690 830</u>	<u>175 983 029</u>
			(Note 6)	(Note 6)	

a/ Statement I.

SCHEDULE 9

UNITED NATIONS FUND FOR POPULATION ACTIVITIES: TRUST FUNDS

Status of contributions pledged as at 31 December 1984

Government/organization	Balance due as at 31 December 1983	Additions and adjustments	Total	Collected in 1984	Unpaid pledges as at 31 December 1984 for 1984 and prior years
<u>UNFPA Multi-bilateral Programme</u>					
Denmark	-	783 968	783 968	783 968	-
European Economic Community	-	34 228	34 228	34 228	-
Finland	-	171 556	171 556	171 556	-
Italy	-	300 000	300 000	300 000	-
Netherlands	-	435 821	435 821	435 821	-
Norway	-	885 410	885 410	885 410	-
Total	-	<u>2 610 983</u>	<u>2 610 983</u>	<u>2 610 983</u>	-
				(Schedule 7)	
<u>International Conference on Population in Mexico (1984)</u>					
Belgium	18 182	(1 617)	16 565	16 565	-
Cuba	25 000	(579)	24 421	24 421	-
Ecuador	5 000	-	5 000	4 400	600
France	-	23 392	23 392	23 392	-
India	209	-	209	202	7
Italy	100 000	-	100 000	100 000	-
Japan	-	500 000	500 000	500 000	-
Malawi	5 000	-	5 000	-	5 000
Malaysia	-	10 000	10 000	10 000	-
Nigeria	100 671	(3 395)	97 276	97 276	-
Pakistan	10 000	-	10 000	10 000	-
Peru	25 000	-	25 000	-	25 000
Philippines	25 000	-	25 000	25 000	-
Sri Lanka	10 000	-	10 000	10 000	-
Sudan	15 000	-	15 000	-	15 000
Syrian Arab Republic	25 000	321	25 321	25 321	-
Thailand	10 000	-	10 000	10 000	-
Tunisia	25 000	(11 486)	13 514	13 514	-
United States of America	-	200 000	200 000	200 000	-
Yemen	25 000	-	25 000	-	25 000
Total	<u>424 062</u>	<u>716 636</u>	<u>1 140 698</u>	<u>1 070 091</u>	<u>70 607</u>
				(Schedule 7)	
<u>UNFPA 1985 Population and Housing Census</u>					
Colombia	-	461 894	461 894	461 894	-
Total	-	<u>461 894</u>	<u>461 894</u>	<u>461 894</u>	-
				(Schedule 7)	

NOTES TO THE FINANCIAL STATEMENTS

Note 1. Summary of significant accounting policies

The financial statements reflect the application of the following significant accounting policies:

(a) Income

Under the annual funding principles adopted by UNFPA, income (including pledges from Governments, investment income and miscellaneous income but excluding contributions to trust funds) is recorded on an accrual basis. Details of contributions pledged for future years are shown in schedule 1.

(b) Expenditure

All expenditure of UNFPA is accounted for on an accrual basis. Project expenditure includes unliquidated obligations raised by the executing agencies in respect of goods and services provided for in the project budgets for 1984 and contracted for by the end of that year.

(c) Exchange rates

UNFPA financial rule 114.6 provides that the official par values or other appropriate exchange rates agreed between the Secretary-General and the contributing Governments shall be used for recording voluntary contributions. Exchange rate adjustments of \$507,685 arising on collection of contributions are shown in statement I. All other transactions are recorded at the United Nations operational rate of exchange in effect on the date of the transaction as specified in UNFPA financial rule 114.7; exchange adjustments on these transactions are recorded as miscellaneous income in accordance with UNFPA financial rules 110.1 and 114.9 and in 1984 amounted to a net loss of \$962,954, as shown in schedule 2.

(d) Capital expenditure

The full cost of non-expendable equipment used for administrative purposes is charged to the UNFPA biennial budget in the year in which it is purchased. An inventory is maintained of all non-expendable equipment (defined as items of equipment valued at \$400 or more a unit, and with a serviceable life of at least five years, and items of equipment included in any special lists, for which formal inventory records are maintained).

Note 2. Programme expenditure

The programme expenditure includes field costs of UNFPA's deputy representatives in the amount of \$4,665,730 against allocations of \$5,479,228.

Note 3. Operating funds provided to, and unliquidated obligations of, executing agencies

Operating funds of \$6,201,635 provided by UNFPA to executing agencies and shown in statement II consist of \$7,098,820 provided to executing agencies, less \$897,185 payable to executing agencies. These balances, after taking into account unliquidated obligations, are consistent with the operating fund balances reported by the executing agencies.

The unliquidated obligations are shown separately in statement II in the amount of \$38,876,872 and consist of \$30,732,145 in respect of agencies for whom operating funds are provided and \$6,854,652 in respect of UNFPA as an executing agency for its projects and \$1,290,075 in respect of non-governmental organization and special population grants.

Note 4. Contributions pledged by Governments

Contributions pledged by Governments for current and prior years that had not been paid by 31 December 1984 were as follows:

	<u>United States dollars</u>
1980 and prior years	539 140
1981	177 079
1982	90 864
1983	57 254
1984	<u>10 003 399</u>
Total	<u><u>10 867 736</u></u>

Note 5. Operational reserve

At its twenty-eighth session (decision 81/7, sect. III, para. 5), the Governing Council decided that the level of the operational reserve for each year shall be established at 25 per cent of the estimated contributions for that year, rounded off to the nearest \$1 million, this target to be fully achieved as soon as possible and not later than by the end of 1989. Pursuant to the above decision, \$3 million was transferred in 1984 from the fund balance to the Operational Reserve, bringing the balance to \$26 million as at 31 December 1984, as shown in statement II.

Note 6. Unspent allocations

The fund balance shown in statement III excludes 1984 unspent allocations of \$19,292,199 and allocations for future years amounting to \$156,690,830 issued to executing agencies, as shown in schedule 8.