

**CASH MANAGEMENT IN THE
UNITED NATIONS
AND
FOUR SPECIALIZED AGENCIES
(FAO, ILO, UNESCO, WHO)**

Prepared by

Siegfried Schumm

Joint Inspection Unit



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I. INTRODUCTION

1. In recent years, about \$US4,500 million has flowed into the United Nations system annually: approximately \$1,500 million from assessed contributions and \$3,000 million from voluntary contributions 1/. On average, this is roughly \$375 million each month. The monthly inflow is quite uneven however. A major part of this inflow is spent within the same month to finance the organizations' obligations, of which staff costs of most organizations represent between 70 to 75 per cent of regular budget expenditures and a substantial portion of extra-budgetary expenditures. There are some exceptions, such as UNICEF (less than 30 per cent of the total expenditures), and WHO (55 per cent of its regular budget and 45 per cent of all funds). There remain, nevertheless, spillovers not required for immediate use, which are invested, thereby generating additional income. Investment income for the year 1985 was quite considerable. These sums, substantial as they are, merit study as to how well they are managed.

2. The management of money, including the investment portfolio, is a primary task - among the more important of any organization whether public or private, profit or non-profit. It requires: sound planning based on reliable and timely information; thorough knowledge of the operation of the banking system; and an eye for administrative detail. This task carries importance even when organizations are financially sound. In current times, when some organizations run into financial problems from time to time because of the delayed payment of regular budget contributions (or the withholding of a portion of such payments) and when the efficiency of its administrations is called into question, money management assumes added significance.

3. With the above in mind, this study assesses how well the United Nations (including its affiliated bodies, UNDP, UNHCR, UNICEF and UNIDO 2/, as well as the United Nations office at Geneva) and four of the specialized agencies: FAO (including WFP), ILO UNESCO and WHO, handle the money entrusted to them, due account being taken of their existing regulations, policies and procedures. These organizations account for more than 85 per cent of the combined regular budgets of the system 3/. They also handle a significant portion of voluntary funds in the form of contributions for general purposes or funds earmarked for specific purposes.

4. In more specific terms, the report focuses on three main areas: (i) the collection of contributions; (ii) the custody of funds; and (iii) the planning, placement and review of investments. All these are reviewed within the framework of the organizational setting of the arrangements. Problems attendant on the collection of contributions are reviewed: the

1/ The United Nations Joint Staff Pension Fund is out of the scope of this report.

2/ UNIDO became a specialized agency on 1 January 1986. Since, however, the investigation for this report was carried out during 1985, UNIDO is included as a United Nations office located away from United Nations headquarters. UNIDO administers the funds of the United Nations Office in Vienna (UNOV), hence all references herein to UNIDO include UNOV.

3/ Member States' total net contributions payable under approved regular budgets, including supplementary estimates, to 12 organizations of the United Nations system were \$1,585,798,464 in 1985. Contributions payable to the five organizations included in this study totalled \$1,385,706,227 (source: ACC/1986/FB/R.10/Annex II).

difficulties which delayed payments cause for the system, and the inefficiencies which they bring in their wake. The report also assesses whether funds are accounted for in timely fashion, and whether, if not immediately needed, they are invested at the best prevailing interest rates in line with the organizations' policies. Inter-agency co-operation and co-ordination, including the exchange of information and common arrangements for currency management, received the due attention of the Inspector as did the use of computers.

5. The Inspector did not carry out a detailed audit of Treasury operations. That is the shared responsibility of the Internal and External Auditors. Nevertheless, the Inspector did make sufficient tests of the operations to enable him to reach a considered judgement on the manner in which the staff of these Treasuries carry out their responsibilities. His findings and general conclusions were made available to the auditors to determine whether they found support. The auditors confirmed that in general they did support these conclusions.

6. The Inspector has concluded that the system as a whole handles its cash resources in a commendable way. Some deficiencies have, however, come to light. Appropriate recommendations have been made to correct these deficiencies.

7. To understand better the voluminous documentation dealing with assessed and voluntary contributions, banking arrangements, investments, meetings of investment committees, cash and expenditure forecasts, the Inspector had a thorough discussion of the issues with Controllers (used in its generic sense), Treasurers, the External and Internal Auditors, and officials involved both directly and indirectly in money management operations. He is indebted to all these officials for the help and guidance which was so readily given. He wishes to thank all concerned for their co-operation and support during the course of this study.

II. ORGANIZATIONAL AND POLICY FRAMEWORK

8. The organizational and policy setting in respect of the operational functions affecting the management of money, with which this study is mainly concerned, is described below. The operational functions are:

- the collection of assessed and voluntary contributions;
- the receipt and control of funds (including bank reconciliations);
- the disbursement of funds, including the funding of field offices;
- cash planning (forecasting, cash flow analysis);
- the investment of funds in long- and short-term instruments;
- currency management (including conversions and exchanges);
- the management of bank accounts and relations with banks.

Governing rules

9. The administration of the funds of the organizations under review is governed by the financial regulations and rules of each, supplemented by departmental policies, guidelines and procedures. In the case of the United Nations, for example, the receipt, management and disbursement of funds have been comprehensively dealt with in one regulation and a dozen rules dealing with the receipt of moneys, their deposit, their safe custody, the responsibility of custodians of cash and negotiable instruments, and arrangements for signing cheques. Similarly, other regulations and rules duly provide for the investment of funds not needed for immediate use, for their safe-keeping, and for the maintenance of appropriate investment records. Other aspects of money management are appropriately dealt with in regulations and rules: concerning internal control, for example.

10. Among the affiliated bodies of the United Nations, UNDP has separate financial regulations and rules. Separate rules have also been promulgated by the High Commissioner for Refugees to govern all financial activities of UNHCR other than the administration of its regular budget which continues to be governed, as are all the activities of UNICEF, by the Financial Regulations and Rules of the United Nations.

11. The financial regulations and rules of the four specialized agencies match in comprehensiveness, the coverage outlined in paragraph 9. The Inspector was particularly impressed by the level of detail reflected in the organizations' Finance Manuals and in internal procedural texts which elaborate upon these legislative directives. FAO, UNHCR, UNICEF and WHO are to be especially commended in this respect.

Responsibility

12. Ultimate responsibility for the management of money in the organizations of the United Nations system lies with the executive head of each organization, who usually delegates this authority to the most senior substantive officer responsible for financial matters.

Staffing

13. Money management is principally a Treasury function. Occasionally, certain of these functions, for reasons peculiar to a particular organization, are carried out by organizational entities other than the Treasury. Thus the functions listed in paragraph 8 (with the exception of bank reconcilia-

tions which, in principle, is not a Treasury function) are carried out mainly by Treasuries of the organizations reviewed. UNHCR handles the collection of its voluntary contributions through its Division of External Affairs.

14. At 31 December 1985, the ten Treasuries surveyed were composed of 43 Professionals and 85 General Service staff members, as shown below, to carry out the functions listed in paragraph 8:

	<u>Professionals</u> <u>(including D.1s)</u>	<u>General</u> <u>Service</u>
United Nations		
Headquarters	9	15
Geneva	1	3
UNDP	8	19
UNHCR	1	6
UNICEF	7	5
UNIDO	1	5
FAO	7	15
ILO	2	5
UNESCO	4	9
WHO	3	3
	<hr/>	<hr/>
	43	85
	===	===

In addition, associated functions are carried out by the respective Accounts Divisions/Sections.

15. Information provided by the organizations reveals that the Professional staff of these Treasuries combine solid academic qualifications with long professional experience in finance or banking and have usually served the organizations in other capacities. Several have brought with them experience from private financial and banking circles. Long association and familiarity with the functions and operations of a Treasury are also key characteristics of General Service staff.

16. Whilst these features do not in themselves guarantee effective performance, they are, nevertheless, a necessary and indispensable ingredient in any recipe for efficiency. The Inspector considers that the generally high quality of the staff attests to the importance which top management has placed on these responsibilities.

III. RESOURCE INFLOW

17. Two main streams of income flow into the Treasuries: one stream in respect of the regular budgets of the organizations (assessed contributions); and the other to finance programmes, projects and other activities outside the regular budgets (extra-budgetary contributions). Additional income arises from the investment of funds not required for immediate use and from revenue-producing activities such as sales of publications and postage stamps. Problems connected with the collection of funds from the two main streams of income are discussed in some detail below and solutions to these problems are proposed.

A. Assessed contributions

(i) Inadequate rate of inflow

18. The approved regular budgets of the United Nations, FAO, ILO, UNESCO and WHO came to \$US1,377.0 million in 1984 and \$1,385.7 million in 1985. The annual budgetary assessment became due and payable in January of each year in accordance with the provisions of the financial regulations of these five organizations.

19. In all these organizations, however, the rule of payment is widely disregarded. Only a few governments heed this essential obligation; the majority delay and even withhold payment in respect of those approved programmes which they do not favour. As a result, some organizations have cash flow problems from time to time regarding assessed contribution inflows, despite working capital funds and/or special reserve accounts.

20. Expenditures under the regular budgets of the organizations follow a relatively even pattern throughout the year. There are seasonal and agency variations but, taking the composite needs of all organizations, approximately 1/12th of the annual expenditure is required, by and large, each month. This is so because staff salaries and other costs comprise in most organizations roughly 70 to 75 per cent of the budget and are to be paid with regularity each month. Thus, when resources flow into Treasuries below a cumulative rate of 1/12th of the annual budget each month, Treasurers begin to feel the effects of the deficiency and turn to their working capital funds and other reserves. If these dry up, a Treasurer can be forced to make incursions into cash holdings of extra-budgetary resources (which has been a chronic but nevertheless undesirable pattern for many years in the United Nations), or to have recourse to bank borrowings, where either of the recourse measures is permitted.

(ii) Reasons given for delayed payment

21. Why do Member States delay their payments? One reason given by some governments is that their fiscal year differs from the calendar year which the United Nations system uses. This prevents them, they say, from paying by the due date. The explanation is far from convincing since it is feasible for any government to make the necessary appropriations in its budget to cover its legitimate obligations for an ensuing period within its fiscal year. Other governments, in similar circumstances, have found a solution.

22. A second and more compelling reason has to do with economic and monetary conditions. The only viable option open to some governments for financing a portion of their national budgets is through loans raised in the financial market for which they must pay prevailing interest rates. In these circumstances, the later governments pay their assessed contributions, the smaller the debt service charges incurred. Given the fact that the United Nations

system levies no penalty for late payment, it is to these governments' advantage to pay as late as possible. This is equally true even for those governments that are in a position to pay earlier.

23. There is also an element of speculation surrounding payment. Where budgets are assessed in a currency (US dollars or Swiss francs, for example) which is rising in relation to the national currency of a Member State, then that Member State may seek to withhold its payment until the last possible moment in the expectation of a narrowing of the margin through a turn-around in the downward movement of its national currency. Moreover, some Member States encounter difficulties when the dollar value is rising due to the limited amount of credit indicated in their national budget expressed in another currency.

24. In addition to the above, which deals with delays in payment, some Member States have added fuel to the problem by withholding payment towards specific items included in the approved regular budgets, or by paying for them in currencies not readily usable.

(iii) Secretariats' vigilance

25. What do secretariats do to combat this unsatisfactory state of affairs? Member States in arrears know only too well. They receive reminder letters with regularity, which are prepared so often that they have become a "genre" in themselves. Permanent Representatives are visited by secretariat officials at the highest level, and constantly reminded by telephone of their governments' obligations. Telexes are despatched to capital cities, and executive heads and senior officials of secretariats importune those in government who may be able to help. Even delegates to meetings and conferences are approached on the issue. The whole network of offices away from Headquarters is brought into play. In short, the full arsenal of means available to secretariats is used. Unfortunately, these are small-bore weapons against defaulters, many of whom cannot, they say, pay earlier than they do, or rather will not, if one is to believe the widely-held view.

26. The Inspector was very much impressed by the tenacity with which secretariats followed up these outstanding debts. He believes that this particular responsibility is carried out quite satisfactorily. And yet, this whole time-consuming exercise is wasteful and uncalled for. If Member States respected their statutory obligations, the collection machine (as far as assessed contributions are concerned) could be dismantled, reduced in size or, at the very least, staff could turn their attention to more productive, appealing and worthwhile work. This task, which staff members carry out perseveringly and with resignation, produces nothing or very little, for there is no clear evidence that these praise-worthy efforts evoke earlier payments by governments. Still, should secretariats be lax in their efforts to persuade Member States to pay up, they are likely to be admonished for "not doing their job", when what they are doing is, in reality, terribly inefficient from an economic, human or managerial standpoint. At a time when the United Nations system is accused, in many quarters, of administrative inefficiency, we have here a first-class example of Member States contributing towards that inefficiency. Clearly, the solution lies in this instance, in the hands of defaulting Member States.

(iv) Measures to encourage prompt payment

27. A number of organizations have discussed methods and possible solutions aimed at encouraging prompt payment of assessed contributions: for example, in 1985, the Consultative Committee on Administrative Questions (Financial and

Budgetary Questions (FB) discussed an ICAO proposal 4/ which set out an incentive scheme to apportion interest income to Member States on a weighted scale. Nothing concrete has come out of any of these discussions to date.

28. The Inspector notes that in some cases the financial regulations of the organizations provide for a return or credit to Member States of surpluses held after the end of a financial period following the settlement of individual arrears or, for example, at a later date through a reduction of the contributions to the Working Capital Fund. Such returns or credits are based on the scale of assessed contributions but do not take into account at what time during the financial period individual Member States had paid their contributions. The Inspector finds this procedure inequitable and unfair to governments which have paid their contributions earlier than others, since a substantial portion of such surpluses might have come from interest earned on the contributions paid earlier.

29. In 1983, FAO addressed this problem in the context of its financial regulation which provides for distribution among Member States of any cash surplus remaining at the end of a financial period, following the settlement of individual arrears 5/. By resolution 14/83 (annexed), FAO's Conference delegated to its Council the authority to withhold in full or in part, under certain conditions, any cash surplus which might arise from the previous biennium in order to ensure that sufficient funds were available to implement the approved Programme of Work and Budget.

30. This resolution did not have as its basic purpose the encouragement of prompter payment. Rather, it sought to improve the Organization's cash position by retaining monies which would normally have been credited to Member States' balances. Nevertheless, the resolution did have the fortunate effect of encouraging Member States to pay earlier: the rate of collection of assessed contributions for the year 1984 was greater than 75 per cent, thus meeting the target set for cancellation of the terms of the resolution in 1984-1985. This resolution implied unbalanced treatment of Member States in the sense of setting aside the total or partial cash surplus under the prevailing conditions of this resolution instead of distributing it on a pro rata basis to paid-up Members.

31. A similar resolution has not been introduced so far for the 1986-1987 biennium. However, FAO continues in its search for an appropriate solution to the problems of delayed payment 6/. Specific actions proposed which echo similar proposals in some other agencies embrace:

(a) the imposition of penalties:

"Charging of interest on contributions not received within an established date"; and

(b) the provision of incentives:

"Allocating among member nations any cash surplus based on the scale of contributions and the timing of the receipt of contributions".

4/ ICAO document C-WP/7983, 8 April 1985, incorporated in ACC/1985/FB/R.21 dated 29 July 1985.

5/ Other organizations in the United Nations system have a comparable financial regulation.

6/ Full background to the following text on the subject can be found in FAO documents: FC 55/7(b) of April 1985 and FC 56/4(b) of September 1985.

32. In the view of the Inspector, imposing penalties on governments which delay payment may be inappropriate and counter-productive in some instances; for example, in the case of countries with the least capacity to pay, this would result in an additional financial burden on them. Conversely, the incentive method would prove to be a more encouraging and effective approach. This latter view coincides with that of the Organization for Economic Co-operation and Development (OECD) whose Council recently decided to apportion to its member countries interest on short-term investments according to a "weighted" scale determined, inter alia, by the amounts and dates of their paid-in contributions (see Annex II). Therefore, the Inspector would, recommend that, as a measure to encourage prompter payment by Member States, all surpluses to be credited to Member States (i.e. no differentiation as to the source of cash surplus should be made) be calculated in line with a formula which combines the scale of contributions and the dates of payment of contributions, i.e. on a pro rata temporis basis. Member States which pay their assessment in full, even if late in the year, may feel that they should have their full share of surpluses arising from budgetary savings or fortuitous gains on exchange, which do not depend directly on the timing of payment of contributions. In the Inspector's opinion, however, a differentiation should not be taken into consideration for two reasons: (a) to simplify the administrative process; and (b) to give a supplementary incentive for prompt payment.

B. Extra-budgetary contributions

33. Unlike contributions to the regular budget which are assessed in accordance with an agreed scale and communicated to Member States for payment by a date established legislatively, extra-budgetary contributions are voluntary in nature and take on many and varied forms. The largest contributions, provided in the form of money, are the contributions to UNDP, UNFPA, and WFP and to the general programmes of UNICEF and UNHCR. These contributions, as well as those provided to the specialized agencies, have become just as much a part of United Nations business as activities financed from the regular budget. Indeed, they just about double the latter today.

34. The organizations face problems in collecting extra-budgetary contributions similar to those experienced under the regular budget. The general trend of the flow of contributions mirrors that of assessed contributions in the sense that payments come in at a rate slower than that of expenditures during the first months of the year. There are encouraging moments from time to time, from organization to organization, particularly in the wake of special appeals, but the situation remains unsatisfactory.

35. Secretariats display similar tenacity of purpose with respect to collections of voluntary contributions and of assessed contributions. All the means described in paragraph 25 are used. In addition, National Committees for UNICEF also assist UNICEF informally in collection efforts. UNDP resident representatives play a particularly active role at the country level, not only in collection efforts on behalf of UNDP and UNFPA, but also in assisting other organizations on request. Once again, the Inspector commends the general efforts of the organizations.

36. The Inspector makes no specific recommendations to encourage prompter payment of extra-budgetary contributions, as he has done for assessed contributions. There is a certain moral commitment on the part of donors to pay their pledges and to pay them on time in keeping with the organizations' needs. In the final analysis, however, these contributions are voluntary in nature, and prompt payment must, in the end, reflect the goodwill of donors.

IV. CUSTODY OF FUNDS

A. Safeguards

(i) Immediate deposit of funds

37. Once funds are received, secretariats must act to safeguard them and to ensure their optimal use. There can be no better safeguard than that provided for in financial regulations which generally require that moneys received be recorded immediately and deposited intact in an official bank account no later than the business day following the date of receipt. From spot-checks which he undertook on large deposits, the Inspector can attest to the fact that practice generally conforms with rule.

(ii) Bank reconciliations

38. Another important safeguard mechanism concerns reconciling an organization's account books with those of the bank. Bank reconciliations are important for three reasons:

- first, to ensure that an organization is aware and can make timely use of all funds deposited to its credit by its debtors: information through this process, which supports other investigatory procedures used by Treasurers, can avoid losses on exchange, loss of interest income, and bank service fees on the unnecessary purchase of a currency which the organization already owns;
- second, to take early corrective action on charges made improperly by a banker to an organization's account; and
- third, to minimize the possibility of loss of funds through deception or to discover such deception early.

39. As testimony of its importance, this safeguard is recognized in the financial regulations of the organizations which require all bank accounts to be reconciled on a monthly basis. FAO's financial rules allow that certain accounts, to be so designated, may warrant quarterly, rather than monthly, reconciliation. This relaxation of the standard requirement is acceptable when bank accounts have few transactions of relatively small value.

40. As part of their audit function, both the internal and external auditors review bank reconciliations. Nevertheless, a number of the Headquarters' bank accounts of each organization were tested within the framework of this study. The Inspector has found that bank reconciliations are kept fairly up-to-date, but feels that, given their importance, there can be a general improvement. He has pointed this out to the organizations affected. Moreover, he has noted the special procedure of UNDP called "pre-reconciliation". Without waiting for the bank reconciliation sheet from the Accounts Section, UNDP's Cashier daily reconciles the major accounts in New York, using its electronic banking system. This has contributed to expeditious follow-up actions.

41. In an earlier chapter (see paragraph 13), it was mentioned that the reconciling of bank accounts in principle is not a Treasury function. Curiously, however, the Inspector has discovered that four organizations (FAO, ILO, UNHCR, WHO) place this responsibility within their Treasuries, which could compromise internal control. It is an arrangement with which the internal and external auditors, the Inspector has learned, are not generally in agreement. However, the arrangements at UNHCR, FAO and ILO

are not entirely unsatisfactory, since reconciliations are effected by staff members who do not have signing authority on bank accounts. The Inspector believes, like the auditors, that an assignment of responsibility should be made to the accounting offices. It belongs there and is so placed in the other organizations reviewed.

42. It has come as a surprise to the Inspector to find that only a small number of organizations (partly United Nations Headquarters and UNESCO) have implemented the computerized reconciliation of the major bank accounts, the development of which is not technically difficult. Organizations could, on their own, or in collaboration with their bankers, develop automated systems of reconciliation quite easily: it requires, basically, an electronic matching of items cleared against items issued. And yet it is a neglected area despite the time-consuming and tiresome nature of the manual preparation of bank reconciliations. The Inspector is encouraged by the fact that UNOG will implement, in the third and fourth quarter of 1986, the automated reconciliation of all current accounts held in Switzerland; the computer matching of all other bank accounts is also contemplated. He recommends that other organizations follow suit without too much delay. In this latter connection, the Inspector has been informed that UNHCR is working towards the automated reconciliation of its accounts, but is hampered for the time being by budgetary constraints. UNDP represents a different case in this respect. Of the contributions bank accounts (about 100) which are reconciled at Headquarters, the majority (72%) are held in various countries in different currencies where the utilization of an automated bank reconciliation service may neither be available nor feasible. With regard to the balance of the accounts (28%), major bank accounts are relatively easy to reconcile. Given that UNDP uses its own payment voucher number for some of these accounts in addition to the check number, the information is not available in the Bank's records. UNDP, therefore, does not consider it advisable to develop an automated bank reconciliation programme.

43. The periodic review of the number of bank accounts maintained in order to weed out (non-technical considerations apart) those which are comparatively inactive is one sign of good management. Whilst organizations recognize this process as sound, they do not all practice it sufficiently. Hence, in several organizations, such a review has not been undertaken for many years. The matter has been brought to the attention of the auditors for appropriate follow up.

(iii) Signatories

44. A third safeguard mechanism has to do with the requirement that payment orders (cheques, bank transfers, telex transfers, for example) are normally to be signed by two signatory authorities, except in special, approved circumstances. The Inspector has found that this requirement is observed.

(iv) Cash office facilities

45. Organizations sometimes make payments in cash to staff members, delegates, experts, etc. For this purpose, petty cash funds are held. In the case of some organizations, however, these "petty" cash funds are quite large. For example, ILO's Cash Office in 1985 dealt with about Sw.Fr.29 million and FAO's Cashier's Office deals daily with about Lit.10 million and US\$4,000 approximately. In view of the time spent by staff members on this function, and also for security reasons, these facilities should be limited to an absolute minimum. Most of these payments should be entrusted to the banks which are located within the buildings of the organizations concerned. FAO has explained that it is necessary to keep such a level of funds at the Cashier's Office, since the Bank's operating hours are limited (8.30 a.m. to 1.30 p.m.). However, in the Inspector's opinion, FAO could negotiate with the Bank to render services until later in the afternoon, as is the case in other organizations under review.

Furthermore, UNESCO has put emphasis on the necessity to maintain a limited amount of cash holdings in order to ensure the cash payments in the case of a bank strike.

(v) Currency exchanges

46. The United Nations organizations conduct operations in over 150 countries and thus deal with their currencies; usually buying, but on occasion selling, most of these currencies. Organizations are not all heavily engaged in currency exchange operations, but for UNDP and UNICEF the nature of their work and the number of different currencies they receive cause it to be a major preoccupation. For example, UNDP's total income in 1984 was about \$1,100,000,000 received in 162 currencies; in the same year, UNICEF received \$342,464,637 in 98 different currencies, and UNHCR \$303,880,878 in about 35 currencies. UNHCR's policy is to immediately convert the currencies into US dollars. Among the other organizations, UNESCO devotes an appreciable amount of time to currency exchange matters.

47. It is a common exercise for the organizations reviewed (except those located in New York) to convert usually on a monthly basis US dollars into local currencies in order to meet their requirements for that month. The essential aim of an organization in exchanging currencies is to safeguard, without speculation, the value of its resources in terms of the national currency in which its account books are maintained, taking into account those currencies which it requires most in order to conduct its business. By making such exchanges, it attempts to avoid potential losses on exchange. Given the extreme fluctuations in the recent past, there may be a need for Treasurers to convert available cash into the currencies which they need in the near future (a few months hence). In the Inspector's view, this would not be speculative. In carrying out this responsibility, all organizations work within a framework of policy designed specifically for this purpose. Such policy is usually governed by the terms and conditions under which organizations receive their funds and the projected needs of the organizations. The Inspector has observed that policy is developed, reviewed and altered according to changing circumstances.

48. Apart from asset safeguarding, there is also an element of minimizing expenditures. For example, bank service fees are saved when currency exchanges are made between United Nations system organizations. UNDP has long acted as a broker, without fee, in this regard, for the system.

B. Maximizing Income

(i) Value dates

49. The Inspector has been given to understand that under normal business practice, the proceeds of commercial bank cheques do not begin to earn interest until the day following deposit. Nevertheless, under special unwritten arrangements with their bankers, many United Nations system organizations have succeeded in earning interest on deposits made before an agreed time of day. Even when deposits are made later than this, there is an even chance that the value date of these cheques will be the date of deposit, if bankers have been forewarned. Negotiations are not always successful, but the effort to secure the additional day's interest needs to be singled out for praise. The Inspector has found this to be a common feature of negotiations with bankers.

50. As regards deposits made directly to organizations' bank accounts by debtors, for example through bank transfers, most Treasuries have special arrangements with their bankers so that they may be informed instantly by telex or by telephone. UNDP uses, in addition, a computerized reporting system

through which 16 operational banks in 12 countries daily report balances and account activity to UNDP on 45 bank accounts. Treasurers are thus able to make immediate decisions on the placement of funds.

(ii) The funding of offices away from Headquarters

51. Cash management is, in the main, centralized at Headquarters which provides for the cash requirements of offices away from Headquarters. One feature of this arrangement is that Headquarters keeps a tight rein on matters through close monitoring of requests. In this way, the margin between funds held and needs is minimized. In the case of WHO, its Regional Offices, which are themselves funded by WHO Headquarters, are generally responsible for funding WHO's field offices.

52. Technically, funding is handled in different ways. Essentially, however, it is a matter of these offices stating their needs periodically, usually monthly, with Headquarters which arranges for direct transfer to replenish imprest accounts, authorizes the drawing of cheques against "zero balance" accounts, or makes periodical remittances. Basically, "zero-balance" arrangements permit organizations to keep the level of holdings in their bank accounts to a minimum by allowing designated officials to draw cheques on foreign bank accounts to buy their requirements in local currency. Similarly, given that remittances, which are made on the basis of reporting by field offices on its monthly requirements, are usually timed to arrive only when the money is required, the system of remittances also avoids tying up large amounts of cash in the field offices.

53. In the past, substantial amounts of funds were held in all field office bank accounts under imprest fund arrangements - sufficient to cover needs for approximately two months. With the introduction by all organizations, except UNESCO and WHO, of "zero-balance" arrangements, together with the use of the remittance system, the level of funds so held has diminished appreciably. These new methods of dealing with replenishments has resulted in speedier transfers and the release of idle funds for short-term investment. Of course, "zero-balance" privileges with the organizations' bankers are not without cost; however, the organizations which maintain these accounts all feel that this banking arrangement produces a net benefit to them. WHO feels that in view of its decentralized structure and delegated authorities, zero-balance arrangements would not be cost-effective.

V. INVESTMENTS

A. Magnitude

54. In both 1984 and 1985, the composite of investments held in the organizations under review was substantial. The bulk of it (over 90 per cent) was held in short-term instruments (up to one year). The remainder was invested in longer-term (including medium-term and long-term) instruments.

B. Policy

55. The Financial Regulations of the organizations provide for the investment of money not needed immediately. Although the seeking of profit is neither germane to the work of the United Nations nor is it one of the organizations' basic responsibilities, senior financial managers have long recognized that they are under obligation to handle, efficiently, monies entrusted to them. These monies represent opportunities foregone by Member States and donors and thus have an economic cost; it makes good business sense, therefore, to try to recoup this cost.

56. Thus, the organizations have put into place a body of capable staff to carry out investment functions. Most of the organizations (except United Nations Headquarters, UNOG, UNDP), in addition, have established Investment Advisory Committees in order to provide advice on investments. Moreover, some (FAO, ILO, UNICEF, WHO) seek the advice of outside experts who serve on these Committees set up for this purpose. In the case of UNHCR, however, its Committee has a function of taking investment decisions. The table on the following page provides complete information on the organizations' Investment Advisory Committees, including title, composition, purpose, coverage and frequency of meeting; pertinent remarks are made where deemed necessary.

C. Planning

(i) Cash forecasting

57. As mentioned in paragraph 8, the Treasurers are responsible for cash planning, including cash forecasting and analysis. To this end, they must take account of both cash inflow and outflow for the period covered, as well as of the cash position at the end of the previous period. The difference between the cash requirements (outflow) and the actual final balance determines the cash excess or cash gap. The cash excess should then be invested until it is needed.

(ii) Inflow

58. As Chapter III states, all the organizations experience difficulty in collecting assessed contributions on time: a minority of governments do pay by the due date, but the majority delay payment, and some may not pay at all during the year of assessment. The collection record with respect to voluntary contributions is somewhat better but always remains uncertain. Given these circumstances, forecasting the inflow of these two primary sources of income is a risky business. Treasurers do make these forecasts based on past trends and on information gathered as a result of the close contact their organizations maintain with governments. Some governments do inform the Treasurers concerned in advance about the time, amount and method of forthcoming payments. This should become a general practice for all governments.

TABLE: INVESTMENT ADVISORY COMMITTEES

Organization	Title	Composition	Mandate	Coverage (a) Short-term (b) Long-term	Frequency	Utility (A B C D) 1/	Remarks
UNHCR	Investment Committee	- 3 internal members (Director, Adm. & Management Division; Head, Financial Services; Treasurer) - Secretary: Treasurer	To take investment decisions	X	1-2 per month	A	
UNICEF	Finance Advisory Committee (FAC)	- 7 internal members* (Ex-Director; his Deputies for Operations & Programme; Comptroller; Directors of Supply Division, Programme Funding Office & Internal Audit) - Secretary: Chief of Finance	To advise the Ex. Director on investments. To review investment performance, establish & revise investment policies & procedures, list of banks, etc.	X	2-3 per year	A	*External specialists are occasionally invited as observers.
UNIDO	Investment Advisory Board	- 3 internal members - Secretary: Chief of Finance	To take investment decisions*	X	No rule**	D	*It was never directly involved in investment decisions. **It seldom meets. However, members of the Board receive monthly cash flow & investment reports from the Treasury.
FAO	1. Statutory Advisory Investment Committee	- 4 external members (bankers); - 4 internal members (Dep.Dir-Gen; Ex.Dir., WFP; Asst.Dir. Gen., Adm. & Finance; Treasurer) - Observers: Dir. of Fin. Services Div.; Investment Officer; Dir. of Office of Internal Audit, Inspection and Management Control; - Secretary: Investment Officer	To give advice to the Dir-Gen. on the establishment of investment policy guidelines. To review & make recommendations concerning types of investment, list of banks, investment performance, exchange rates, etc.	X	2 per year	A	
	2. Internal Investment Standing Committee	- 3 members (Dir. of Fin. Ser. Div.; Chief of Accounts Br.; Treasurer) - Observer: Dir., Office of Internal Audit, Inspection and Management Control - Chairman: Dir., Fin. Ser. Div.	To keep under review the implementation of investment policies. To prepare recommendations for consideration by the Director-General on changes in policies.	X	Irregularly*	D	*It has not met for the last two years. However, all members are periodically informed of investment decisions & performance as well as the cash position
ILO	Investments Committee	- 3 external members (bankers) appointed by the Gov. Body - Chairman: Treasurer - Secretary: Chief, Treasury & Investment Branch	To provide advice* in respect of two specific funds: (a) ILO Staff Pension Fund** & (b) Endowment Fund of Int'l Institute for Labour Studies	-	2 per year	A	*The Treasury is not obliged to follow its advice. Final decisions are to be made by the ILO Treasurer. **Originally established in 1922 by the League of Nations for this Fund
UNESCO	Investment Committee	- 6 internal members (Asst.Dir-Gen. for Admin; Dir. of Budget; Inspectorate-Gen; Chief, Evaluation & Planning; Comptroller; Treasurer)	To provide advice on investment policy and decisions	X	3 per year*	C	In practice, less frequently
WHO	1. Advisory Investment Committee (AIC)	- 3 external members (bankers); - 5 internal members (Asst. Director-General responsible for Adm. & Finance) and 4 members of the IIRG listed below; - Secretary: Treasurer	To assist the Director-General in framing broad investment policy guidelines	X	2 per year	A	
	2. Internal Investment Review Group (IIRG)	- 4 internal members (Director, Budget & Finance; Chief, Internal Audit; Chief, Accounts; Treasurer) - Chairman: Director, Budget & Finance	To ensure the implementation of investment policy guidelines. To keep under continuous review all investment matters	X	3-4 per Year	A	

Note:- 1/ A = heavily utilized; B = utilized; C = under-utilized; D = not utilized

(iii) Outflow

59. Unlike the inflow of money, which is influenced by whether contributors can or are willing to pay at a given time, the forecasting of expenditures which is the basic responsibility of programme managers comes more directly under the control of the organizations. Treasuries rely on these programme managers when making accurate cash forecasts. The Inspector has, however, observed that most organizations require improved communication and co-operation between programme managers and Treasuries.

60. Because salaries account for a substantial portion of expenditures under the regular budget, organizations meet with some success in their forecasts of regular budget expenditures. However, forecasting of extra-budgetary expenditure leaves much to be desired in many organizations.

61. Some organizations have failed to develop proper mechanisms for forecasting overall expenditures with any reasonable degree of accuracy. As a consequence, this absence of a reliable flow of information (or sometimes no information at all) from the various Departments which have primary responsibility for providing such data, has led Treasurers of some organizations to attempt to make such expenditure forecasts in order to be in a position to fulfil their own responsibility for the placement of funds. Expenditure forecasting is clearly not a functional responsibility of Treasurers, hence they should not be burdened with this task which they are ill-equipped to carry out.

62. The failure to assess needs (and income flow) accurately has a price: it encourages money managers to keep an additional buffer in Call Accounts in order to meet unexpected disbursements beyond projected cash flow requirements; thus, whenever money placed on call yields less than placements of longer duration, the resulting loss of income can be directly related to deficiencies in planning mechanisms.

D. Monitoring

63. That monitoring plays an important role in management is something of a truism. The Inspector believes that monitoring ought to take on added importance in the context of the imperfect quality of resource forecasting within the organizations. Most organizations appear not to share this belief since, from information made available to the Inspector, only four organizations (United Nations Headquarters, UNDP, UNICEF and UNESCO) monitor - post facto in the ensuing month - their original forecasts.

E. Placement of funds

(i) Types and currencies of investment

64. Investments of the ten organizations differ as to type and currency make-up (for details see Annex III). The annual average amount of both short-term and long-term investments of the organizations ranges from less than \$30 million (\$26.85 million at UNIDO in 1985) to over \$500 million (\$577.06 million at UNDP in 1985). Investments can be classified according to the period of investment: short-term or longer-term. Although the definition of short- and longer-term varies from one organization to another, the one-year mark generally differentiates short-term from longer-term investments.

(a) Short-term investments

65. The bulk of investments is made in fixed-term deposits, and all Treasurers maintain call accounts which require 48 hours' notice for withdrawal, in order to be as liquid as possible in cases of emergency. By maintaining call accounts, funds in current accounts which are, in principle, non-interest-bearing, are kept to a minimum. Super short-term investments (overnight to a few weeks) are also utilized pending placement of funds for longer periods. With regard to current accounts, negotiations with banks do enable some organizations to earn interest on these accounts, although the interest earned on them is relatively low.

66. A few organizations (UNDP, ILO, WHO) invest a small portion (about 10 to 15 per cent) in US Treasury Notes and World Bank or Government Bonds. Under the decision of its Investment Committee, UNESCO does not invest funds in US Treasury Bonds, despite the higher security, because of a lower return. UNICEF has invested a portion of its funds with the World Bank and the European Investment Bank in time deposits having a one-year maturity, but which can be withdrawn in exceptional circumstances, without penalty, provided 48 hours' notice is given. UNESCO also has similar arrangements with two banks in Paris.

(b) Longer-term investments

67. Among the five organizations (United Nations Headquarters, UNOG, ILO, UNESCO and WHO) which make longer-term investments, ILO and WHO have the most diversified types of investment.

68. ILO's long-term investments (more than five years by ILO's definition), in respect of two specific funds are restricted to high-grade bonds, notes and other fixed interest-bearing securities and, in the case of one Fund, equities.

69. WHO invests in medium-term (one to a maximum of fifteen years) and longer-term instruments, the latter being restricted to the capital of two specific foundations and two special accounts. Medium-term investments are confined to Floating Rate Notes and issues of the World Bank and the Regional Development Banks. Its long-term investments are primarily in bonds.

70. The long-term investments of the United Nations (up to ten years) relate exclusively to United Nations University funds. They comprise Eurodollar deposits, United Kingdom Government bonds and zero coupon bonds. The long-term investments of other organizations (UNOG, UNESCO) are in bonds or shares.

(c) Currencies

71. Most of the organizations invest the major portion of their funds in US dollars. A portion is usually invested in the currency of the country in which the organization is located. UNHCR's investments are exclusively in US dollars, whilst over 65 per cent of UNDP's was in US dollars when the US dollar was strong, the remainder being invested in twenty to thirty currencies. According to UNDP, the placement of funds does not entail only a review of available interest rates but also anticipated charges in currency parities. Now that the US dollar is weak, the present structure of its cash and investments is about 60 per cent of the funds available to UNDP in non-US dollars and about 40 per cent in US dollars. In the case of UNICEF, time deposits are usually made in United States dollars, Japanese yen, Swiss francs, German marks, and the joint currency float in Europe, the European Currency Unit (ECU). The mix of currencies is subject to periodic review. In 1985, however, UNICEF's funds were invested mainly in US dollars (roughly 78 per cent of the total convertible currencies).

(ii) Placement operations

(a) List of banks/bids

72. All organizations have a list of prominent banks with which they plan to do business. These range, by organization, from 12 to 93 banks. An organization's list is usually established and maintained by its investment advisory committee or by the Treasurer himself. For purposes of safety, most of the organizations authorize a maximum amount to be invested in each bank: either an absolute figure or an approximate percentage of the total investment portfolio. Diversification by country is also a criterion. This means that when funds are placed, the bid chosen may not in some cases reflect the highest rate offered. The list of banks and the authorized maximum to be placed with any one bank are reviewed regularly by all the organizations.

73. Before arriving at an investment decision, a money manager will generally seek three to five bids from his list of banks. The FAO Treasurer asks for six, which is the lower limit for the WHO Treasurer. In the case of UNHCR, the number of bids is around forty; its Treasury asks for bids from all the banks on the list, except those which have already reached their authorized investment ceiling. Bids sought by telephone are often confirmed by telex. FAO's policy is to use the telex medium as frequently as possible in soliciting bids. As regards bidding procedure, the financial rules or procedures require organizations to keep a record of all competitive bids. In some organizations, however, these records are kept informally or may not be kept at all. The Inspector recommends that this weakness be corrected by using in all organizations a form designed for such a purpose.

(b) Frequency of investments

74. The frequency with which investment operations are carried out varies from one organization to another. In spite of the large amounts invested, FAO and WHO make relatively less frequent investments (FAO: 3 - 6 times per month; WHO: twice per week). UNHCR's investments are made only once or twice a month, when some 5 - 10 placements are made on each occasion. In the case of UNIDO, the number of placements averages two per week, which seems rather too frequent for the small amount of funds invested (average \$27 million a year). UNIDO has accepted the Inspector's suggestion that funds be consolidated for investment irrespective of their source.

(iii) Investment performance - Rates of return

75. The Annex mentioned in paragraph 64 indicates organizations' investment rates of return. These range from 8.48 per cent per annum to 10.55 per cent per annum of the amount invested by each organization.

76. No inferences or conclusions are to be drawn from this information since investment rates of return are influenced by different variables, such as the currency and country of investment, amounts and types of investment, duration of placement, and prevailing market conditions. Moreover, the methods used for calculating rates of return differ: interest income may be calculated on a cash or on an accrued basis; the amount invested may refer to total accumulated investment or the average amount invested, which average may be calculated on a daily basis or based on the balance at the end of each month. In addition, the calculation of the rate of investment return can be made monthly, annually or biennially. Furthermore, when investment is made in currencies other than US dollars, exchange gains and losses should be taken into account, but may or may not be.

77. In view of the difficulty in obtaining comparable information on investment performance, the Inspector suggests that the method of calculating investment returns, as well as other procedures related to investment performance, should be harmonized in the United Nations system. In this respect, CCAQ may take the initiative in establishing a standardized method of calculation or in making comparable information available on the investment performance of the organizations. This information should not necessarily include the names of specific banks. In the Inspector's opinion, the governments are entitled to have such information since the primary cash resources of United Nations organizations come from the same governments. These efforts initiated by CCAQ would assure governments that their cash contributions were effectively managed.

(iv) Reporting

78. Annual statements on investments are regularly submitted to the principal conferences or governing bodies of the organizations, together with or included in financial reports. The information provided by these reports usually concerns only bank balances and the overall investment income in US dollars at the end of each year. However, some organizations (UNDP, UNHCR, UNOG) include in these reports a listing of investments made. Delegates seldom ask detailed questions on the investment portfolio at meetings of the organizations' governing bodies. It is interesting to note that UNDP's policies and procedures on cash management were discussed and approved by the Governing Council in 1986.

79. Internally, monthly reports are submitted to those responsible for money management or to the investment advisory committees. Generally speaking, the investment performance of the organizations which have established investment advisory committees is periodically examined thoroughly (particularly FAO, UNICEF and WHO for short-term investments and ILO and WHO for long-term investments). In some organizations (FAO, ILO, WHO) senior management officials, who are not directly involved in daily operations, participate in the monitoring of investment performance. The UNDP Treasury (no investment committee) meets regularly to review investment performance and methods. In the Inspector's opinion, investment performance should be examined and evaluated regularly and thoroughly in all organizations.

F. Equipment

80. It is of vital importance for Treasuries to have up-to-date information on the financial markets to serve as a basis for investment decisions. Treasuries should, therefore, be equipped with an appropriate communication and information system so as to follow the changing interest and currency exchange rates of different markets.

(i) Communication systems

81. The Treasury should have at least one direct long-distance telephone line. Most of the Treasuries reviewed do have them, except for UNOG and WHO. The ILO Treasury has a memory device at its disposal. This is connected to a direct telephone and maintains a bank of telephone numbers. The officer in charge of investments, therefore, simply has to push one button to communicate with a bank, be it domestic or overseas. This type of memory device can be of assistance to other Treasurers. Some Treasuries (United Nations Headquarters, UNOG), still have the old-fashioned dialling system, which in the Inspector's view, and as was pointed out by the External Auditors to the United Nations in 1985, should be changed to a more modern system.

82. Some Treasurers have a direct telex link with offices and banks outside the organizations for facilitating rapid and effective investments and the transfer of funds. The installation of such equipment may be considered by those major Treasuries which do not have them.

(ii) Information system for financial markets

83. As a source of information, some Treasuries use more automated and comprehensive financial information systems, such as Newsticker Service, Reuter Financial Service or Telerate. Of the three systems, the Reuter Financial Service provides the most precise and up-to-date information on an on-line basis, but is the most costly (\$20,000 to \$30,000 annually). The Reuter Financial Service has been used by a few organizations, such as UNDP, UNHCR, FAO and WHO. Since the middle of 1985, UNDP has, however, switched from the Reuter Service to Telerate because it costs less and still fulfils UNDP's needs. UNESCO also uses Telerate. UNOG uses the Newsticker Service. Other organizations with substantial portfolios, such as UNICEF, do not consider it beneficial to use any of these systems, preferring to negotiate rates with the banks directly.

(iii) Electronic banking system

84. In order to expedite information flow between banks and Treasuries, most organizations use an electronic banking system which is a computerized information system for banking and is directly connected with a given bank. This system provides two types of on-line information through telephone connections: (a) bank records (balances, debits, credits and other current data on individual accounts); and (b) information on the state of the financial market. The electronic banking system, therefore, is also employed by many Treasuries as a useful source of information on financial markets and exchange rate fluctuations. UNHCR and WHO use both the Reuter Service and an electronic banking system. The Inspector has been informed that ILO is in the process of setting up an electronic banking service offered by one of its major bankers and covering both electronic payments and up-to-the-minute information on financial and exchange markets.

(iv) Other sources of information

85. Because of uncertainty in today's financial markets, there is a need for more timely information about the creditworthiness and stability of banks. Certain Treasurers, therefore, subscribe to a consulting service which provides bank credit analysis and rating services.

VI. THE USE OF COMPUTERS

86. Although this report makes occasional reference to the use of computers in cash management operations, the essential role of computers merits further mention. In view of the increasing workload and zero-growth budgets in the organizations, the use of computers in the field of Treasury information will be the key to more effective cash management.

87. The JIU report on the changing use of computers in organizations of the United Nations system in Geneva (JIU/REP/85/2) indicated that the system is turning increasingly towards the use of computers which was introduced in some organizations almost three decades ago. This means that organizations are very much alive to the value of computers in helping their staff to perform functions more efficiently and reliably. This awareness on the part of secretariats has seldom been matched by a commensurate quickness of purpose in getting into place comprehensively designed, integrated computer systems. Progress has been averted by budgetary and, sometimes, jurisdictional considerations and by a lack or inadequate use of human resources. Delays in completing tasks have on occasion been extended when plans were confounded by the rapidly changing advances in technology. Everyone's desire to have "the latest" is not necessarily bad, since nowadays the latest is very often the cheapest.

88. With specific regard to Treasury operations, the current system of data gathering, controlling and reporting is essentially manual in many areas and has not undergone any major changes in the last two decades. In cases where computers are used, many procedures are still confined to a mode of recording and retrieving data which prevents users from having continuous access to information. This is not the fault of Treasurers themselves but of the state of the art of computerization in the organizations. They have not yet come around to the point where they are sufficiently dedicated to the principle that financial information should be recorded once in a database, by a simultaneous processing and entry action, and that that database is freely and continuously accessible to users on what the technicians call an "on-line" basis. If that were the state of the art in the organizations, then there would be no need to incur the costs of installing and maintaining individual Treasury sub-systems (duplicate records) whether on a manual or computerized basis. With free access to the financial database (maintained traditionally by the Accounting Sections), Treasurers would need only to design and put into use the forecasting and reporting systems which they require to discharge their responsibilities efficiently.

Systems development

89. The development of a computerized Treasury information system is striving to meet the specific needs of each organization expending within budgetary constraints. Examples of different types of system development are elaborated below.

90. UNDP has taken the lead in computerizing a comprehensive Treasury information system, which consists of the Income and Cash Management system (ICM) (in operation since 1982), and the Cash Forecasting system (implemented in 1985). Two important elements of UNDP's Treasury system are its computer link to update the General Ledger and the elimination of the manual preparation of vouchers. The ICM consists of four modules: (a) receipts and disbursements; (b) cash management; (c) contributions; and (d) investment. It maintains records of all the daily transactions of the Treasury Section and is used for monitoring and controlling purposes. On the other hand, the Cash Forecasting system, which includes information about currencies, draws data for analysis from the ICM to evaluate UNDP's overall cash position over a two-year period. Both systems, which function in an on-line and interactive manner and also

interface with the accounting system, have contributed to a large extent to efficient cash management operations in UNDP. The success of such a comprehensive information system in UNDP Treasury can be explained by two factors: (i) generous cash contributions (about US\$2 million) from a few governments to enhance all computer operations in UNDP, including the General Ledger, Budget (Administrative and Programme) and expenditure systems; (ii) the necessity of establishing a Treasury Section, after being transferred from the United Nations Treasury, when computer technologies were available on the market.

91. WHO has also significantly developed the use of computers in Treasury operations in four main areas: (i) cash flows; (ii) cash management; (iii) investment reporting; and (iv) assessment reporting. Systems (i) through (iii) operate on a daily batch mode basis, while system (iv) is on an on-line interactive basis. These modules access and interact with a comprehensive, integrated database in WHO covering the entire administration and finance area. As a management survey carried out in 1984 ^{7/} indicates the Treasury computer system has systematically reduced the unit's workload through automation of the processing and recording of transactions, particularly in the areas of the cash flow module (i.e. recording of daily cash receipts and disbursements), cash management and short-term investment recording and reporting. WHO's system was developed in response to the Treasury workload situation and has resulted in a much improved performance ^{8/}. Further development, including the conversion of the entire system from batch processing to an on-line interactive mode, is under way.

92. UNICEF was one of the earliest users of computers in the United Nations system. The linkage with New York and Copenhagen was already in operation in 1970, and now sub-systems are in place in several areas of management information. All the accounting processes are computerized. Recording of all cash transactions are maintained by the Cashier sub-system, which began operation in 1983. This information is fed by the main accounting system developed over 20 years ago. Shortly, an Investment sub-system will also start operating (during 1986). Moreover, since January 1986, the Field Voucher System, which is a computerized processor of vouchers in the field offices, has been implemented in 18 offices. These systems will altogether contribute either directly or indirectly to more effective management of cash resources.

93. At United Nations Headquarters, the Treasury Information System (TIS) was designed in co-operation with the EDPSD (Electronic Data Processing and Information Systems Division), Accounts Section and Treasury Division and partly entered into operation in 1983. The TIS now consists of three functioning sub-systems: (i) short-term investments; (ii) cashier functions; and (iii) UN operational rates of foreign exchange. All of these sub-systems are on-line and interactive. The fourth system which is under preparation by the Treasury Division is the collection of contributions sub-system. The development and implementation of the envisaged sub-system concerning cash flow seems to require more time. The interface with the accounting system also remains a problem. The United Nations has pointed out that the current financial crisis hit the Organization so suddenly that it was not able to develop comprehensive systems concerning cash flow information. This remains a high priority, however, within available resources. Moreover, some bank reconciliations are facilitated by the computer application (see paragraph 42).

^{7/} WHO Management Survey Report No. 173, Treasury Unit at Headquarters, August 1984, p.5.

^{8/} The number of staff (3Ps and 3 GSs) has remained unchanged since 1967, despite the enormous increase of managed funds (\$25 million in 1967 to \$382 million in 1985) and deposit operations (56 times in 1967 and 98 times in 1985).

94. Regarding UNOG, a comprehensive Treasury information system has been developed with a view to modernizing Treasury functions and will be implemented shortly in three phases: (i) automation of the Cashier's function; (ii) automation of the investment functions; and (iii) provision of a link to the accounts and integration of the two systems. The first phase started operating in January 1986. Automated bank reconciliations will also begin by the third and fourth quarter of 1986 (see paragraph 42).

95. FAO's use of computers has been in batch mode and most of the cash management functions are still operated manually. However, FAO has designed an integrated computer-based system for financial and personnel management (FIN SYS/PERSYS) ^{9/}. One of the three phases will be implemented in 1986, starting with the automation of payroll functions. Once implemented, the FINSYS will provide the capability to enter transactions mostly on-line although the module concerning Treasury will not be implemented before 1987. It will consist of four sub-modules: (i) cash accounting and management; (ii) bank interface; (iii) revenue and collection, and (iv) investment management. As an interim measure, the Treasurer will use a personal computer in the cashier's function beginning in 1986.

96. ILO's efforts represent a different development of the application of computers. The ILO Treasury has taken advantage of a re-write and restructuring of its general accounts to incorporate several features that will greatly assist the cash management and treasury function. These include the on-line up-dating of General Ledger bank accounts for Treasury transactions and the full incorporation of the automated payment system (DTA) for both domestic and foreign payments routed through the main Swiss bank clearing centre in Zurich. Other services that will be offered by the new computer software package from MSA (Management Sciences America) will include an accounts receivable and accounts payable system which will give Treasury timely and reliable information for cash management purposes. It has been pointed out by ILO that, although it will go a long way to meet the requirements of the Treasury functions mentioned in paragraph 88, the full application of the automated systems will significantly reduce the workload of staff involved in cash management.

97. UNHCR has introduced a software package for investments (recording and deposits) and is further developing the package to include investment decisions and the issuance of letters. Moreover, the Inspector has been informed that UNHCR is in the process of computerizing the Cashier's functions.

98. UNIDO's application of computers in cash management is presently limited to the use of personal computers in investment records and cash flow estimates, reports and statistics. However, with the installation of a more powerful computer in the Treasury which will eventually be linked to the main frame computer, UNIDO will streamline its receipt and payment procedures and have on-line access to general ledger bank accounts which will eliminate the need to keep separate Treasury records. With regard to collection of contributions, UNIDO is developing a computerized assessed contribution system which provides for the automatic calculation of assessments and receipts. In addition, it will automatically prepare assessment letters, acknowledgement letters for receipts, follow-up letters and up-to-date information on the status of assessed contributions.

^{9/} FAO, General System Analysis and Design for FINSYS - The Integrated Budget and Financial Management System, April, 1984, Vol. 1.

99. Similarly, UNESCO's use of computers is relatively limited, but has been developed both in the application of its main and micro-computer systems. With regard to its main frame computer, its application was developed by setting up an autonomous cash management system side by side with the main accounting and budget control system. The Inspector has been informed that cash management at UNESCO has been significantly improved through the introduction of micro-computers. He has also learned that the possibility of using electronic payments was thoroughly examined at the end of 1985, the implementation of which still remains under study. In addition, the reconciliation of its French franc accounts in France is assisted by the computer (see paragraph 42).

100. The chart in Annex IV provides a listing of Treasury tasks which the Inspector believes can be computerized to advantage. The chart indicates to what extent organizations have computerized their operations in comparison with this listing.

Inspector's remarks

101. In the Inspector's opinion, the computerization of cash management operations represents an investment 10/ that would lead to savings of staff and other costs of the organizations. He recognizes the positive efforts being made by the organizations to develop the use of computers in cash management operations and encourages its further development. Budgetary priority should be given to the use of computers in cash management. Lastly, because system development is a continuous process, every organization should make further efforts to keep abreast of and adapt new computer technology changes to their needs as a means of ensuring the most effective cash management possible.

^{10/} See JIU/REP/85/2, paragraphs 96-101, 110-119, 155-158, 166(c), 176 190, 194.

VII. INTER-AGENCY CONSULTATION AND CO-OPERATION

102. Within the ACC machinery, matters of a financial and budgetary nature are dealt with by the appropriate arm of CCAQ. Over the past few years, the management of money, including problems of cash flow and liquidity, has been on CCAQ's agenda. However, the discussions are usually held at the level of general policy and do not on the whole seek to address the operating concerns of money managers. Furthermore, CCAQ (FB) meets just twice yearly, and in today's volatile currency and investment markets there is a need for continuous informal exchange of information on the state of the art. CCAQ, under its decision of 1982, circulates periodically a listing of contact points for informal exchanges of information on cash management problems to all member organizations. The money managers in Geneva find it useful to meet monthly to exchange views and ideas on matters of common interest: for example, on the long- and short-term investment outlook; on the likely movement of the Swiss franc (the common currency) in relation to currencies most often used; and on new services being provided by the banking community in Geneva and their possible impact on the organization's operations, including how each organization might benefit.

103. The Inspector has found no comparable dialogue among money managers in New York; they rather work independently. The Inspector believes that there can be nothing to lose and perhaps much to gain if the money managers of UNDP, UNICEF and the United Nations Headquarters would follow more closely the example of money managers in Geneva and come together periodically to discuss and act upon matters of common interest.

104. A question which has been put to the Inspector and which he will attempt to answer in the paragraphs which follow is whether there ought to be a system-wide centralization of money management.

105. Those who favour centralization argue that this move would strengthen the overall bargaining position of the United Nations system since the volume of funds, collectively, would be large enough to induce bankers to offer additional percentage points on placements. Should this happen, the system as a whole could possibly earn additional amounts of investment income. They also agree that this new strength would facilitate the negotiation of better banking services at less cost. A third argument is that the introduction of this type of arrangement would lead, in the final analysis, to reduced staff costs.

106. Conversely, those who do not favour centralization aver:

- Investment decisions require quick action on the part of money managers. Centralization would inevitably lead to the establishment of another bureaucracy, and co-ordination in these circumstances would be extremely difficult; planning would be inflexible and the implementation of decisions would be hampered by the time difference between countries in which various financial markets are located.

- Large amounts of funds, especially short-term investments, do not necessarily guarantee better returns on investments. Rather, small amounts often yield higher interest because they can be more effectively managed by the banks.

- The trend of institutional development in the United Nations system runs counter to centralization. The salient example is UNDP, whose Treasury function was gradually transferred from the United Nations Treasury. UNDP autonomy, which took many years to achieve, has resulted in a remarkably good performance in respect of cash management. UNICEF, which has been independent from the beginning of its existence and has been carrying out its cash management operations effectively, is another example.
- In the light of the autonomy granted to the specialized agencies under the United Nations Charter and their constitutions and the specific responsibilities assigned to their Executive Heads, any move towards the centralization of cash management seems unrealistic.
- Decentralized activities allow the necessary flexibility, enabling the system to react quickly to market conditions.
- The human factor would be neglected by centralization. For example, mutual confidence between Treasurers or investment officers and bank managers is a necessary ingredient for good performance in cash management. It is important, too, for Treasurers and investment officers to be proud of their achievements; and
- Centralization would jeopardize the organizations' relationship with the banks by attempting to exert pressure on banks to significantly reduce bank fees and service charges. Good banking services are costly but nevertheless necessary. If too much pressure to reduce bank fees is exercised, banks may react by reducing the quality of service.

107. The Inspector sees the issue in the following terms: if, in fact, greater income can be earned by the placement of larger individual sums, what level of additional income would it take to move the system to take notice of the proposal? Put another way, what level of income would negate the arguments put forward in paragraph 106, assuming they all had validity?

108. The Inspector does agree that there is disadvantage in a complete centralization of investment responsibility, particularly if such responsibility is vested in a single authority. However, this is not the only road open to the system. There are other possibilities which ought to be articulated and investigated. In paragraph 103, for example, the Inspector appealed for closer co-operation between the main United Nations offices in New York. Could these three offices not join forces in terms of specific placements to test whether better rates could be obtained? Could not the same be done among the Geneva offices? Success in these efforts could lead to a gradual widening of co-operation and perhaps to more formal arrangements.

109. The Inspector is of the opinion that the centralization of cash management should not be recommended for the time being and that the status quo should be maintained. This does not preclude, however, the improved co-ordination and exchange of information and experiences within the United Nations system, as well as inter-agency common arrangements. In any case, this important question will require further thorough investigation.

110. Finally, co-operation in the area of computer operations is not very intensive, although most of the organizations covered (United Nations Headquarters, UNOG, UNDP, UNICEF, UNHCR, ILO, UNESCO, WFP, WHO) participate in the International Computing Centre. At present, all organizations have access to the central file on United Nations operational rates of exchange at its New York Computing Service in linkage with the International Computing Centre. Linkage with different computing centres should be furthered with respect to the exchange of information on money matters which are of common interest to the organizations.

VIII. CONCLUSIONS AND RECOMMENDATIONS

111. The Inspector has, in the preceding chapters, given an overview of the functioning of Treasuries. The general conclusion which the Inspector draws is that the monies entrusted to the various agencies are managed not only with due respect for the general principle of money management laid down in financial regulations, rules, policies and procedures, but with a sense of integrity and professionalism as would duly be expected from well-trained, experienced and dedicated staff. In the collection of assessed and voluntary contributions, secretariats perform with a commendable degree of tenacity in what is almost a losing battle against the payment performance of some Member States. High marks also go to Treasuries, in general, for their watchfulness over the assets placed in their care, both in terms of safeguarding them and making them grow. There are weaknesses, of course, but these do not blemish the overall quality of the performance. These weaknesses are sprinkled throughout several areas and are called attention to in the ensuing recommendations. Furthermore, although each organization handles its cash resources rather well, it might be advantageous for the organizations to co-operate further in the exchange of information on cash management. The Inspector trusts that the secretariats will look seriously into this matter.

Resource Inflow: collection of assessed contributions

RECOMMENDATION 1: The governments which have met all their financial obligations concerning the payment of contributions should benefit from any surpluses to be credited to them, proportionate to the scale of contributions and in accordance with the timing of their payment during the previous budgetary period (paragraph 32).

RECOMMENDATION 2: All governments should inform the Treasuries concerned in advance about the time, amount and method of forthcoming payments (paragraph 58).

Custody of funds: bank accounts and reconciliations

RECOMMENDATION 3: Organizations should, independently or in collaboration with their bankers, develop a programme to produce the automated bank reconciliation of their major bank accounts (paragraph 42).

RECOMMENDATION 4: Organizations should, more frequently, review their bank accounts systematically so as to close inactive accounts (paragraph 43).

RECOMMENDATION 5: FAO and ILO, which maintain large petty cash funds to make payments to staff members, experts and delegates, should arrange for a greater number of these payments to be made by the banks on the premises and thus reduce such petty cash funds to the absolute minimum (paragraph 45).

Investments

(a) Policy

RECOMMENDATION 6: The organizations which have not established Investment Advisory Committees should do so (paragraph 56, Table).

(b) Planning

RECOMMENDATION 7: Organizations should attempt to improve their ability to forecast their cash position by:

- (i) introducing a system, preferably computerized, which would facilitate the gathering of financial data by programme managers on past expenditure patterns and current and future needs (paragraphs 59-62, 88); and
- (ii) introducing a monitoring procedure which would compare, for management review and decision, its cash flow forecasts with the actual cash flow for the period under review (paragraph 63).

(c) Performance

RECOMMENDATION 8: The Consultative Committee on Administrative Questions (Financial & Budgetary Questions) should take the initiative to establish a standardized method of calculation of investment returns in order to make information on the investment performance of the organizations comparable (paragraph 77).

(d) Equipment and communication systems

RECOMMENDATION 9: Treasuries should have appropriate technical equipment in accordance with their specific needs. The United Nations (Headquarters and Geneva Office) is particularly affected and should take appropriate measures promptly. This matter should be given high priority by Administrations when programme budgets are prepared (paragraphs 80-85).

Use of computers

RECOMMENDATION 10: Every organization should develop a fully computerized Treasury information system to be used in an interactive and on-line manner (paragraphs 88 and 101).

Inter-agency consultation and co-operation

RECOMMENDATION 11: The centralization of cash management should not be considered for the time being (paragraph 109).

Resolution 14/83

FINANCING OF 1984-85 BUDGETARY APPROPRIATIONS

THE CONFERENCE,

Noting with concern the increase in arrears of a number of Member Nations in 1982-83,

Recognizing the severe impact on the cash flow that would result from increases in arrears, possible partial or non-payment of contributions by many Member Nations, and late payments by major contributors,

Considering the necessity to maintain sufficient cash flow to cover obligations and ensure full implementation of the approved programme of work,

Bearing in mind that the Director-General keeps the Finance Committee regularly informed of the financial situation, including the cash flow and status of contributions,

Noting that the Council had granted to the Director-General the authority to borrow but that no use of the authority to borrow was made during 1982-83 and the Council was so informed in November 1983,

Recognizing that borrowing should only be used as a last resort,

Considering that further measures might be necessary and desirable to ensure implementation in full of the approved Programme of Work and Budget 1984-85,

1. Requests the Director-General to continue to keep the Finance Committee fully informed of the financial position of the Organization, and to submit to the Council at its Eighty-sixth Session in 1984 and as appropriate to subsequent Council sessions, full information concerning the status of assessed contributions, as well as that of the Working Capital Fund and the Special Reserve Account;
2. Requests the Council to examine at its Eighty-sixth Session in November 1984 the status of contributions, the status of the Working Capital Fund, and the status of the Special Reserve Account, with a view to using the balances in the Working Capital Fund and in the Special Reserve Account to the extent necessary and feasible, taking into account possible further commitments thereon during the remainder of the biennium, in order to enable the approved Programme of Work and Budget to be implemented;
3. Delegates to the Council the authority to decide, notwithstanding Financial Regulation 6.1 (b) and in accordance with the conditions set forth in subparagraphs (a) to (e) below, that, subsequent to consideration of Section 2 of this Resolution, any cash surplus which might arise from the 1982-83 biennium be withheld in full or in part, in order to ensure that sufficient funds are available to implement the approved Programme of Work and Budget in full:
 - (a) If receipts of contributions as of the date the Council reviews the matter equal or exceed 75 percent of assessed contributions for the year 1984, the authority delegated by the Conference to the Council shall be cancelled and any cash surplus arising from the 1982-83 biennium shall be distributed to all Member Nations in accordance with the provisions of Financial Regulation 6.1(b) as normal;
 - (b) If receipts of contributions as of the date the Council reviews the matter equal or exceed 64 percent but are less than 75 percent of assessed contributions for the year 1984, the Council may decide that up to 50 percent (but not to exceed \$15 million) of any cash surplus of the 1982-83 biennium shall be set aside in a fund to be drawn upon as required to finance approved expenditure under the Programme of Work and Budget 1984-85;
 - (c) If receipts of contributions as of the date the Council reviews the matter are less than 64 percent of assessed contributions for the year 1984, the Council may decide that up to the full amount of any cash surplus of the 1982-83 biennium shall be set aside in a fund to be drawn upon as required to finance approved expenditure under the Programme of Work and Budget for 1984-85;

(d) Any cash surplus which would eventually be distributed under (b) or (c) above, shall be in accordance with the following:

(i) any Member Nation which, on 1 January 1985, has paid all contributions due from it for the 1982-83 biennium and prior biennia shall receive its full share of the cash surplus being distributed;

(ii) any Member Nation which, on 1 January 1985, has paid part of the contribution due from it for the 1982-83 biennium and all contributions due from it for prior biennia, shall receive the appropriate share, i.e., a pro rata share of the cash surplus being distributed, calculated as a proportion of the amount of its contribution received as compared with the amount of its contribution assessed for the 1982-83 biennium;

(iii) upon receipt of the payment in full of outstanding contribution relating to the 1982-83 biennium and prior biennia from the Member Nations who received a pro rata share, the balance of the cash surplus being distributed will be released to them.

(e) If the Council at its Eighty-sixth Session decides, in accordance with (b) or (c) above, that part or all of any cash surplus of the 1982-83 biennium be withheld, the Council is requested to review the financial position of the Organization again at its Eighty-seventh Session and Eighty-eighth Session if necessary, with a view to its deciding to release the undistributed balance of the cash surplus, and apply it as provided in 3(d) above as soon as contribution income has been sufficient to permit replenishment of drawings from the fund referred to in (b) or (c) above.

4. Confirms the provisions of Council Resolution 2/80 giving the Director-General authority to borrow;

5. Urges all Member Nations to ensure that action is taken as soon as possible to pay in full their outstanding contributions, including arrears, and to remit in accordance with Financial Regulation 5.5 their assessed contributions for 1984 and 1985;

6. Decides to review the situation at its Twenty-third Session in 1985.

(Adopted 23 November 1983)

concerning recovery of Member countries'
contributions and treasury requirements

The OECD Council DECIDES:

Interest on short-term investments earned by the Organisation as from 1st January, 1985 and posted annually to the Budget as Income is to be apportioned to Member countries according to a "weighted" scale defined as follows:

- i) Each Member country's share of Income earned from interest on short-term investments is to be determined on the basis of the dates and amounts of its contributions paid in to Part I and to the various chapters of Part II of the Budget of the Organisation.
- ii) Interest points are calculated on amounts of contributions paid in, expressed in thousand Francs, with effect from the date of payment of these funds into the Organisation's bank account. These points are cumulated to 31st December of the financial year in question.
- iii) Interest points are also calculated on previous year's budget surpluses, provided that the Member country has paid its contributions to that Budget before the end of the financial year concerned. These interest points will take effect from the 1st January of the following year. If instead, a Member country makes final settlement of its contributions in the year following that in which the contributions were due, interest points are calculated to take effect from the date final settlement of contributions was made to the said Budget. These points are also cumulated to 31st December of the year in question.
- iv) The amount of any Member country's share of Income earned from interest on short-term investments in year N will be determined by its proportion of the total of interest points calculated on payment of current year contributions (N) (Part I and Part II of the Budget) and previous year budget surpluses (N-1). Following the closing of the Accounts of year N, these amounts will be made available to Member countries to be dealt with in the same manner as other budget surpluses.

INVESTMENTS

Investment	Average Amount Invested \$/			Investment Income Earned \$/			Investment Rate of Return (percentage per annum)			Types of Investments (apart from call accounts and current accounts)	Currency used	Average No. of Investment transactions	Average Bids demanded	No. of listed Banks	Maximum amount authorized for investments (ceilings).
	1982 \$m.	1983 \$m.	1984 \$m.	1985 \$m.	1986 \$m.	1987 \$m.	1982 \$m.	1983 \$m.	1984 \$m.						
UN b/	921.20	1,062.61	423.46	499.11	111.19	99.78	45.95	46.17	-	-	90% in US\$	10 per day	3 - 5	30	Each bank has a ceiling.
UNDP d/	* d/	* d/	665	577.06	* d/	* d/	47.1 (18.7)	61.9 (104.3)	* d/	8.1 (3.2)	In 20-30 currencies	1 per day	3	93	Each bank's ceiling is US\$25m.
UNICEF () d/	104.70 (39.51)	132.40 (49.67)	134.25 (59.66)	95.22 (41.60)	10.77 (4.84)	9.92 (4.08)	11.10 (5.32)	8.17 (6.32)	10.29 (12.25)	7.49 (9.03)	In 5 selected currencies	2-3 per week	at least 2	40	Each bank has a ceiling.
UNEP	196.19	135.39	150.34	92.07	28.54	18.47	16.44	7.99	14.55	9.96	All in US\$	5-10 per month	about 40	65	\$7m maximum ceiling per bank (average \$3m.)
UNIDO	-	-	26.30	26.85	-	-	3.20	2.51	-	12.2	US\$ (more than 80%), + ASch, Life, FF, 3Fr.	2 per week	3	12	No ceilings.
UNOG	-	-	(28.37)	(31.07)	(-5.05)	2.69	2.97	-	-	-	US\$ (90%); SP or other currencies (10%)	1 per week	4 - 5	14	Not more than 20% of total funds shall be invested in a single bank.
FAO h/	383.24	477.55	493.97	488.64	55.8	49.0	53.0	49.0	14.6	10.25	Mostly in US\$; (90-95%) + other currencies	10-20 per month	at least 6	31	Each bank has a ceiling.
ILO () d/	42.15 (7.1)	64.67 (7.29)	83.28 (7.44)	125.25 (9.06)	5.56 (0.49)	5.51 (0.50)	8.72 (0.55)	11.00 (0.99)	13.12 (6.90)	8.52 (6.86)	US\$ (90%); SP + other currencies	9 per month	3 - 4	21	Not more than 10% of total fund, without exceeding \$15m., should be invested in a single bank.
UNESCO b/	175	220	227	210	20.8	22.2	26.0	16.4	-	-	US\$, FF or £ only in HQ, small portion retained by financial offices in natl. currencies	35-50 per month	3 - 4	50	Each bank has a ceiling.
WTO	290	327	359	370.5	←60	←71	←71	←71	13.2	9.4	US\$ (more than 90%)	2 per week	at least 6	60	Each bank has a ceiling.

NOTES

a/ Information was not made available.

b/ In cases where detailed figures were provided, the figures were rounded-off to the nearest hundred. Otherwise, all figures in the table have been reported as communicated by the organizations.

c/ This includes UNFPA funds.

d/ This excludes UNFPA funds.

e/ UNDP figures for 1982 and 1983 are included in the UN figures, since UN was responsible for the investment of UNDP funds until April 1984.

f/ This concerns investments made in US\$.

g/ This information only reflects the total amount invested as of 31 December.

h/ These figures are recorded on a bi-annual basis

i/ This includes the FAO regular programme (regular budget and trust funds) and WFP funds.

j/ This only represents the information on short-term investments for the regular budget and UNDP and trust funds.

k/ This concerns long-term investments for two separate funds.

l/ This only concerns regular budget and funds-in-trust.

m/ This information only reflects the investment rate of return of the regular budget on a cash basis. It does not take account of interests accrued, but not received, at the year end.

Cash Management functions which can be computerized		Organization									
		UNNY	UNOC	UNDP	UNHCR	UNICEF	UNIDO	FAO	ILO	UNESCO	WHO
1.	Preparation of assessment and voluntary contribution letters (including calculation of the absolute amount of the assessment) to Member States. Computerized so that, upon entry via a Visual Display Unit (VDU) of the amount of the new assessment for a given country for a given year:- (a) A letter would be printed giving a standard text, name of country and address to which the letter is to be sent and the current assessment plus any arrears to arrive at the total due. (b) A journal voucher (entry) would be produced crediting income and debiting accounts receivable while capturing the data for entry into the accounting system without further manual data entry.	A (wp) B	N/A	A	A	A (pc)	A	A (wp) B	A (wp)	C (mc) D	A B
2.	Receipt of contributions: (a) Created by entry of the data via a VDU to result in a printed receipt voucher with immediate capture of the data for entry into the accounting system without further manual data entry. (b) Letters of acknowledgement handled as a sub-system of 1(a).	C	A B	A	C } *1 A' }	A	B	B	C (*3)	C (mc) D	A B
3.	Disbursement of funds (Voucher preparation by Departments other than Treasury): (a) Computerized so that, upon entry of data via a VDU, and after approval is given either electronically (i.e. on-line) or by other means (batch system). (i) A disbursement voucher is printed, and (ii) a cheque is printed. (b) Other types of payment voucher order may be created under variations of the above system without further manual data entry. (i) Stipend payment vouchers (ii) Letters of Credit (iii) Transfer confirmation vouchers (iv) Investment/Foreign Exchange Confirmation Vouchers (v) Travel Claim vouchers (vi) Journal vouchers (vii) Obligating documents (Purchase Orders, Travel Authorizations, Miscellaneous Obligation Documents)	C	B	A	D	A	D	A B	A	A	A
4.	Cash book entries (In an on-line system or where Accounts Departments provide daily cash balances Treasuries should not maintain separate cash books). (a) Receipt of Funds (including bank interest on current accounts) By-product of receipt voucher preparation (see 2(a) above). (b) Disbursement of funds (including bank charges); Information captured upon printing of cheque (see 3(a) above).	C	B	A	D	A	D	A (mc) B	C	A	A
5.	Cash-flow forecasting (including expenditure forecasting for which information to be provided by programme managers). Introduction of a computerized mathematical model so that changes in variables (e.g. changes in rates of exchange, changes in payments by individual countries, changes in salaries or post adjustment classifications, changes in stipend payments or fellowship pro formae) could be entered as frequently as necessary.	C	D	A	D	A	D	B (mc)	C	A (mc) C	D
6.	Investments (a) Computerized programmes to generate accounting entries as follows:- (i) Revaluation in US\$ terms of investments and calculation of gain/loss on exchange on movements in official rates of exchange. (ii) Computation of interest income and accrued interest receivable. (iii) Adjustment of interest income and accrued interest receivable upon receipt of interest payments. NOTE: Recording of transactions would take place via VDU. (b) Reports of acquisitions and disposals of investments, market values, yields, maturities, etc. (by-products of system).	A ...	A	A	N/A	A	A (pc)	A (mc) B	A' (*6) ...	B ...	A ...
7.	Bank reconciliations of major bank accounts - Electronic matching of bank statement entries with entries in accounting system.	A'	B	D	B	B	D	B	C	A' (*7) B (*8)	C

Note: A = Implemented
A' = Implemented partly
B = Under preparation
C = Envisaged
D = Not envisaged
N/A = Not applicable

... = Batch Mode
- = On-line
□ = Inter-face with accounts system

wp = Word processor
pc = Personal computer
mc = Micro computer

Remarks: (*1) = Separately recorded (by Treasury and Donor Relations Section).

(*2) = Spreadsheet software is used for maintaining investment recording, total portfolio and interest calculation.

(*3) = Accounting only.

(*4) = Not a sub-system.

(*5) = Accounts provide daily balance.

(*6) = On foreign currency bank accounts.

(*7) = French franc bank accounts in France.

(*8) = US\$ accounts in New York.

