



Sixteenth session

FINANCIAL REPORTS AND ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 1960 AND REPORTS OF THE BOARD OF AUDITORS: THE UNITED NATIONS AND ITS TRUST FUNDS AND SPECIAL ACCOUNTS, THE UNITED NATIONS PARTICIPATION IN THE EXPANDED PROGRAMME OF TECHNICAL ASSISTANCE AND THE TECHNICAL ASSISTANCE BOARD SECRETARIAT: THE UNITED NATIONS SUEZ CANAL SURCHARGE OPERATION, THE UNITED NATIONS EMERGENCY FORCE AND THE UNITED NATIONS SPECIAL FUND (UNITED NATIONS AS EXECUTING AGENCY, AND THE ADMINISTRATIVE BUDGET OF AND PREPARATORY ALLOCATIONS TO THE MANAGING DIRECTOR): THE UNITED NATIONS OPERATIONS IN THE CONGO

Third report of the Advisory Committee on Administrative and Budgetary Questions to the General Assembly at its sixteenth session

1. The Advisory Committee on Administrative and Budgetary Questions has considered the financial reports and accounts for 1960, and the related reports of the Board of Auditors, in respect of (a) the United Nations and its trust funds and special accounts (including the United Nations Fund for the Congo), (b) the United Nations participation in the Expanded Programme of Technical Assistance, and the Technical Assistance Board secretariat, (c) the United Nations Special Fund (United Nations as executing agency and the administrative budget of and preparatory allocations to the Managing Director), (d) the United Nations Suez Canal Surcharge Operation, (e) the United Nations Emergency Force and (f) the United Nations operations in the Congo.^{1/}
2. The Advisory Committee has also reviewed, and is reporting separately on, the 1960 accounts and related audit reports in respect of the following

1/ Official Records of the General Assembly, Sixteenth Session, Supplement No. 6 (A/4777).

extra-budgetary programmes of the United Nations: the United Nations Children's Fund,^{2/} the United Nations Relief and Works Agency for Palestine Refugees in the Near East^{3/} and the Voluntary Funds administered by the High Commissioner for Refugees.^{4/} The Advisory Committee's reports relating to these programmes are contained in documents A/4809, A/4810 and A/4811 respectively.

3. In addition to the reports of the Board of Auditors to the General Assembly, the Advisory Committee had before it a separate memorandum from the Board in which a number of points of detail concerning the financial administration of the Organization were brought to the Committee's attention. Annexed to the memorandum was a special report on the financial results of the various revenue-producing activities of the Organization. The Advisory Committee wishes to record its appreciation of the special endeavour of the Board in making this informative annex available, which, as in the past, was extremely useful to the Committee in its examination of the 1962 estimates for the activities concerned.

4. The Advisory Committee understands that, pursuant to the undertaking given at the 708th meeting of the Fifth Committee on 25 September 1959, a combined statement of assets and liabilities as at 31 December 1960 and a combined statement of income, expenditures and surplus account for the year 1960, covering all funds in the custody of the Secretary-General, will again be available to the General Assembly at the time the accounts and audit reports are considered.

5. The several accounts and audit reports enumerated in paragraphs 1 and 2 of this report indicate total gross 1960 expenditures (including unliquidated obligations) as follows:

2/ Official Records of the General Assembly, Sixteenth Session, Supplement No. 6A, (A/4783).

3/ Ibid., Supplement No. 6B (A/4982).

4/ Ibid., Supplement No. 6C (A/4781).

Approximate expenditure
(millions of dollars)

(1) United Nations regular budget	65.3
(2) Special Account of the Expanded Programme of Technical Assistance: United Nations participation and TAB secretariat	10.3 ^{a/}
(3) United Nations Special Fund, United Nations as executing agency, and Managing Director's administrative budget and preparatory allocations	2.8 ^{b/}
(4) Suez Canal Surcharge Operation	6.9 ^{c/}
(5) United Nations Emergency Force	19.0
(6) United Nations operations in the Congo	48.4
(7) United Nations Children's Fund	24.5 ^{d/}
(8) United Nations Relief and Works Agency for Palestine Refugees	34.7
(9) Voluntary funds administered by the High Commissioner for Refugees	16.0 ^{e/}

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- a/ A separate note will be submitted to the General Assembly on the expenditures by specialized agencies and the International Atomic Energy Agency of technical assistance funds allocated from the Special Account, together with a consolidated statement for the Account.
- b/ A separate note will be submitted to the General Assembly on the expenditures by specialized agencies and the IAEA as executing agencies for Special Fund projects, together with a consolidated statement for the Fund.
- c/ Consisting almost entirely of refunds of advances from Governments.
- d/ Including \$1.5 million reserved for approved projects.
- e/ Including \$3.8 million reserved for approved projects for which the agreements are not yet finalized.

6. In considering the report of the Secretary-General on the United Nations accounts for 1960, the Advisory Committee paid special heed to the grave situation in regard to the over-all cash position of the Organization as indicated by the cash deficit as at 31 December 1960. As at that date, the deficit, including advances of \$24,654,279 from the Working Capital Fund, totalled \$34,633,468. In present circumstances, the position will further

deteriorate. In view of the effect this situation must inevitably have on the general financial administration of the Organization, the Committee intends to keep the matter under scrutiny and, in the light of more recent information, will revert to it in due course.

7. The Advisory Committee also wishes to draw attention to certain of the matters raised in the reports of the Board of Auditors and in its memorandum to the Committee.

8. In particular, the Board has posed the interesting question of Members' equity in the various capital assets of the United Nations, as shown in schedule 2 of the accounts, which indicates credits to Members in accordance with their respective shares of the payments made toward amortizing the costs incurred for the acquisition of the property in question, but makes no provision for the depreciation to which all buildings and other structures are subject. Thus, the assets of the League of Nations were transferred to the United Nations at cost basis and when the credits carried in favour of those Member States which were also members of the League of Nations have been liquidated in 1965, after payment of the final annual instalment by the United Nations, the original cost price of the Palais des Nations will still be in the accounts and all States Members of the United Nations will have a share in this amount, according to their assessment share in the scales of contributions during the years 1951 to 1965. The same system of crediting the Members' equity is being followed in respect of amortization payments on the loan from the United States Government for construction of the Headquarters buildings and for appropriations made for additional construction costs both at Headquarters and elsewhere. The Board has observed "that the money value, especially of land, but also of buildings, has risen so much in latter years that depreciation is probably more than counter-balanced, at least in terms of money and that this trend will probably continue in future". The Board added that "this brings, however, into discussion an element of speculation which should not be used in the study of this problem for a 'going concern' such as the United Nations." In the Board's opinion the solution lies in the annual writing off of a certain percentage of the original cost for depreciation, such amount to be deducted from the book value, on the one hand, and from the Member's equity, on the other. The Board suggests also that

probably a certain percentage for residual value should be taken into account. In view of the fact that no General Assembly resolutions, including those instituting the Financial Regulations, contain any stipulations regarding, or making reference to, the establishment in the annual accounts of credits for Members' equity in United Nations capital assets, the Advisory Committee would agree that this is an issue which merits future study.

9. On a further subject, the Advisory Committee would recall that in paragraph 7 of its report on the 1959 accounts,^{5/} it drew attention to a comment by the Board of Auditors to the effect that Staff Rule 103.22 on the payment of assignment allowances was not as clearly stated as it might have been and that in a number of cases the correctness of the decision to grant such allowances was consequently found to be in doubt. The Advisory Committee has been informed that personnel directives have been issued to clarify the provisions in question. Progress has also been made towards ensuring uniform practice on this point in the United Nations and the specialized agencies. Thus the Administrative Committee on Co-ordination, consisting of the executive heads of the various organizations, has approved a set of policies governing the administration of assignment allowances. It would appear that the problem relates not so much to the rules themselves, but to their practical application in various quarters. The Advisory Committee trusts, therefore, that the administration of this allowance will be reviewed at appropriate intervals.

10. The information provided by the Board of Auditors on the disposition of supplies and equipment purchased in 1956 in connexion with the United Nations Observation Group in Lebanon (UNOGIL) indicates that the operation has now been brought to a close by transfers to a number of United Nations missions during 1960 of all remaining items. The budgets of the missions in question were charged, within the limits of the respective 1960 appropriations, and a corresponding credit has been taken to miscellaneous income.

11. The Advisory Committee inquired as to the action taken in respect to the defalcations in imprest cash accounts of the United Nations Postal Administration,

^{5/} Ibid., Fifteenth Session, Annexes, agenda item 48, document A/4410.

which contributed to the net shortage in these accounts in the amount of \$20,100. It appears that two embezzlements during the past two years were involved. The two officials involved were summarily dismissed and appropriate legal action has been taken under local laws with regard to prosecution. Investigations by the Internal Audit Service of the circumstances of the defalcations brought to light the need for a tightening of controls and safeguards, and the Advisory Committee was informed of the steps which have been taken to this effect.

12. In reporting on the accounts of the Suez Canal Surcharge Operation, the Board of Auditors indicated that, at 31 December 1960, surcharges amounting to \$2,494,611 had not yet been collected or were **not** covered by special agreements. On the same date, advances from Governments for financing the Canal Clearance Operation which had not yet been refunded amounted to \$4,465,737, while a further sum of \$281,498 remained reimbursable to two Governments for supplies and services commissioned by the United Nations. The Advisory Committee has been informed that, as a result of negotiations successfully concluded in the early months of 1961 with Governments of important users of the canal, it proved possible to terminate the Surcharge Operation as at midnight on 15 March 1961. Steps are currently being taken to liquidate the related activity and a final report on the operation will be submitted in due course.
