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ASSISTANCE TO PALESTINE REFUGEES

FINANCIAL STATEMENTS

OF

THE UNITED NATIONS RELIEF FOR PALESTINE REFUGEES

FOR THE PERIOD 1 DECEMBER 1948 to 30 JUNE 1949

AND

REPORT OF THE BOARD OF AUDITORS

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Letter of transmittal

Lake Success, 21 October 1949

I have the honour to transmit the financial statements which were submitted by the Director of the United Nations Relief for Palestine Refugees with respect to the period 1 December 1948 to 30 June 1949. These statements have been examined and certified.

In accordance with paragraph 29 of the provisional regulations for the administration and supervision of the Palestine Refugee Fund, I have the honour to present the report of the Board of Auditors with respect to the indicated period.

(Signed)

Watson SELLAR
On behalf of the Board
of Auditors

President of the General Assembly of
the United Nations.

UNITED NATIONS RELIEF FOR PALESTINE REFUGEES

Interim Financial Statements for the period from
1 December 1948, the date of inception,
to 30 June 1949.

1. Statement of Assets and Liabilities as at 30 June 1949.
2. Statement of Income and Expenditure for the period from 1 December 1948 to 30 June 1949.
3. Schedules to the Statement of Income and Expenditure
 - "A" Contributions received in cash
 - "B" Contributions received in kind (including services)

UNITED NATIONS RELIEF FOR PALESTINE REFUGEES

Interim Statement of Assets and Liabilities
as at 30 June 1949

<u>Assets</u>	<u>\$(US)</u>	<u>Liabilities</u>	<u>\$(US)</u>
Cash on hand and at banks	3,837,047.65	Accounts payable	1,273,434.91
Advances to suppliers	311,951.07	Advances from United Nations Working Capital Fund	1,000,000.00
Inventories of supplies, as reported by operational agencies	607,476.00	Principal of Fund, per Statement of Income and Expenditure	3,326,471.63
Supplies held available for exchange with International Children's Emergency Fund	197,883.00		
Advances to operational agencies, less disbursements reported by them	362,598.77		
Accounts receivable, service deposits etc.	16,622.53		
Insurance unexpired	11,711.29		
Automotive and other equipment, at cost	454,616.23		
Less: Provision for estimated shrinkage in value of automotive equipment	<u>200,000.00</u>		
	<u>254,616.23</u>		
	<u>5,599,906.54</u>		<u>5,599,906.54</u>

Certified correct:

James E. M. BROWN
 Chief Finance Officer

Approved:

Stanton GRIFFIS
 Director

UNITED NATIONS RELIEF FOR PALESTINE REFUGEES

Interim Statement of Assets and Liabilities
as at 30 June 1949

(Continued)

Audit Certificate

We have audited the accounts of United Nations Relief for Palestine Refugees for the period from 1 December 1948, the date of inception, to 30 June 1949. We have obtained all the information and explanations that we have required, and have reported to the Secretary-General under the date of 19 September 1949. As the result of the audit, we certify, subject to the observations in such report, that, in our opinion, the above Interim Statement of Assets and Liabilities presents a true and correct view of the state of the Fund's affairs as at 30 June 1949, and the related Interim Statement of Income and Expenditure correctly summarizes the operations of the Fund for the period then ended, according to the best of our information and the explanations given to us and as shown by the books of the Fund.

Ian STEVENSON, Canada

Agustin ALJURE, Colombia

Otto F. REMKE, Denmark

Interim Statement of Income and Expenditure
for the period from 1 December 1948, the date of inception, to 30 June 1949

	<u>Income</u>	<u>\$(US)</u>
Contributions received in cash (Schedule "A")	\$ 12,668,503.46	
Contributions received in kind (Schedule "B")	6,623,171.00	
Funds transferred by United Nations Acting Mediator on Palestine	9,809.42	
Miscellaneous income - bank interest credited	<u>146.82</u>	
Total income		19,306,630.70
	<u>Expenditure</u>	
<u>Relief supplies distributed (including overseas shipping expenses of \$33,782.91):</u>		
Food	\$ 7,554,438.09	
Tents	674,242.88	
Blankets and clothing	277,374.55	
Medical and public health supplies	99,063.67	
Fuel	<u>2,258.30</u>	
	<u>8,607,377.49</u>	
Supplies distributed, as direct aid to refugees, by local Governments (by way of contribution) - estimated	<u>2,600,000.00</u>	11,207,377.49
<u>Local operational expenses:</u>		
Incurred by operational agencies:		
Personnel costs (exclusive of those relating to public health programme)	696,860.77	
Travel	120,973.20	
Communications	63,508.08	
Transportation	863,653.79	
Warehousing	17,037.55	
Erection and maintenance of camps	56,870.40	
Miscellaneous	64,591.65	
Public health programme (salaries and expenses)	<u>225,160.13</u>	
	<u>2,108,650.57</u>	

Interim Statement of Income and Expenditure (Continued)

	<u>Expenditure</u>	<u>\$(US)</u>
Brought forward		19,306,630.70
Incurred by local Governments (by way of contribution):		
Operational expenses incurred in distributing direct aid to refugees (being total direct aid costs of \$4,200,359, less estimated value of supplies of \$2,600,000)	\$ 1,600,359.00	
Transportation and warehousing services, and erection and maintenance of camps	<u>664,962.00</u>	
	<u>2,265,321.00</u>	
Provision for estimated shrinkage in value of automotive equipment	<u>200,000.00</u>	
Insurance on automotive equipment	<u>7,397.06</u>	
		<u>4,581,579.43</u>
		15,768,756.92
		<u>19,306,630.70</u>
<u>Administrative expenses:</u>		
Headquarters:		
Personnel costs	55,688.93	
Travel	20,928.34	
Communications	8,126.13	
Public relations	8,067.41	
Bank charges	1,802.04	
Office expenses	<u>382.15</u>	
	<u>95,075.00</u>	

/Interim Statement (Cont.)

Interim Statement of Income and Expenditure (Continued)

	<u>Expenditure</u>	\$(US)
Brought forward	15,788,756.92	19,306,630.70
Field offices:		
Personnel costs (including <u>per diem</u> allowances at base stations)	54,553.92	
Travel	8,201.33	
Communications	8,546.44	
Transportation	10,139.36	
Insurance	5,763.05	
Office expenses	5,789.67	
Miscellaneous expenses	<u>3,283.38</u>	
	<u>96,327.15</u>	
	191,402.15	
<u>Total expenditure</u>		<u>15,980,159.07</u>
<u>Excess of income over expenditure, being</u> Principal of Fund as at 30 June 1949, per Statement of Assets and Liabilities		<u>3,326,471.63</u>

Certified correct:

James E. M. BROWN
Chief Finance Officer

Approved:

Stanton GRIFFIS
Director

/Schedule "A"

UNITED NATIONS RELIEF FOR PALESTINE REFUGEES

Schedule "A"

Contributions received in cash (see Note 1) during the period
from 1 December 1946, the date of inception, to 30 June 1949

<u>Contributor</u>	<u>Contribution</u>	<u>Value in \$ (U.S.)</u>
<u>Members of United Nations:</u>		
United States of America	\$8,000,000 (U.S.)	8,000,000.00
United Kingdom	£1,000,000 Sterling	4,032,258.05
Egypt	£40,000 Egyptian	165,239.25
France	40,000,000 French francs	151,515.18
India	230,800 Rupees	69,665.61
		<u>12,418,728.09</u>
<u>Other Government contributors:</u>		
Fire	£12,249. 4s. 4d. Sterling	49,392.00
Bahrain	100,000 Rupees	29,943.68
		<u>79,335.68</u>
<u>Other contributors:</u>		
Kuwait Oil Company Limited	£25,000 Sterling	100,806.45
World Health Organization	\$50,000 (U.S.)	50,000.00
Dharan Women's Club	\$ 2,000 "	2,000.00
Sudan Red Cross Society	£200 Egyptian	826.44
Hussein Bey Fahmy	£ 50 "	206.61
M. G. Lee	£ 25 "	103.31
Anonymous United Nations Employee	\$100 (U.S.)	100.00
<u>Collected by American Friends Service Committee:</u>		
United Nations International Children's Emergency Fund	£1,358 Egyptian	\$5,611.57
American Mission in Cairo	£ 916 "	3,785.12
United Nations Educational, Scientific and Cultural Organization	£ 483 "	1,995.87
Bishop Allen's Fund, Cairo	£ 400 "	1,654.81
English residents in Cairo	£ 237 "	931.74
Anonymous	£ 133 "	549.59
Proceeds from sale of material	£ 440 "	1,818.18
		<u>16,326.88</u>
		<u>170,439.69</u>
		<u>12,689,167.46</u>
	Total	

UNITED NATIONS RELIEF FOR PALESTINE REFUGEES

Contributions received in cash (see Note 1) during the period
from 1 December 1948, the date of inception, to 30 June 1949

Note 1. In addition to the contributions received, as listed above, the following contributions had been pledged as at 30 June 1949, although not yet received at that date:

<u>Contributor</u>	<u>Contribution</u>	<u>Estimated value in \$ (U.S.)</u>	<u>Portion received to 5 September</u>
United States of America	\$8,000,000 (U.S.) (\$4,000,000 of which is subject to "matching")	8,000,000	\$5,377,900
France	442,064,409 French francs	1,674,486	1,674,486
Egypt	£60,000 Egyptian	247,934	247,934
Pakistan	100,000 Rupees	30,230	30,230
Morocco	2,335,000 French francs	8,845	
		<u>9,961,495</u>	<u>7,330,550</u>

/Schedule "B"

UNITED NATIONS RELIEF FOR PALESTINE REFUGEES

Contributions received in kind (including services) during the period
from 1 December 1948, the date of inception, to 30 June 1949

<u>Contributor</u>	<u>Contribution</u>	<u>Estimated value</u> <u>in \$(US)</u>
<u>Members of United Nations:</u>		
Egypt	Direct aid to refugees; transportation services; warehousing services; erection and maintenance of camps	1,923,050.00
Syria	Direct aid to refugees	1,165,981.00
Canada	Canned fish; flour; beans	754,920.00
Lebanon	Direct aid to refugees; transportation services; erection and maintenance of camps	611,859.00
Iraq	Direct aid to refugees	417,657.00
Turkey	Tents	206,333.00
New Zealand	Peas; butter; skimmed milk powder	195,732.00
Australia	Wheat	161,290.00
Sweden	Powdered milk; tents	76,943.00
France	Dates; figs	48,075.00
Union of South Africa	Canned meat; canned fish	21,710.00
Belgium	Beans	16,959.00
Luxembourg	Vegetables; barley	6,681.00
Saudi Arabia	Gasoline	4,000.00
		<u>5,611,190.00</u>
<u>Other Government contributors:</u>		
Hashemite Kingdom of Jordan	Direct aid to refugees; transportation services	746,774.00
Republic of Indonesia	Rice; sugar	93,396.00
Switzerland	Medical supplies	15,944.00
		<u>856,114.00</u>
<u>Other contributors:</u>		
International Refugee Organization	Blankets; trucks, office furniture	131,477.00
American Friends Service Committee	Clothing	23,013.00
Council of British Societies, London	Buttermilk powder	2,915.00
Imperial Chemical Industries, Cairo	Medical supplies	300.00
Belikoff Bros., New York	Clothing	21.00
Anonymous	Sundry supplies	3,141.00
		<u>160,867.00</u>
	<u>Total</u>	<u>6,628,171.00</u>

Schedule "B" (Continued)

Note 1. In addition to the contributions received, as listed above, the following contributions in kind had been pledged as at 30 June 1949, although not yet received at that date:

<u>Contributor</u>	<u>Contribution</u>	<u>Estimated value in \$(US)</u>	<u>Portion received to 5 September</u>
Belgium	Clothing; textiles; medical supplies	432,000	
Canada	Canned fish	285,696	\$285,696
Australia	Wheat	164,516	164,516
Norway	Canned fish; cod liver oil	60,484	20,162
Greece	Dried fruit	54,000	
Union of South Africa	Canned fish	30,242	30,242
Italy	Textiles	29,087	29,087
Saudi Arabia	Gasoline; Kerosene	19,670	2,300
Venezuela	Miscellaneous commodities	14,882	
Sweden	Tents	13,500	
Switzerland	Medical supplies	7,420	3,558
		<u>1,111,497</u>	<u>535,561</u>

Note 2. The valuations used are, so far as the information was available, as estimated by the contributors.

REPORT OF THE BOARD OF AUDITORS TO THE SECRETARY-GENERAL
ON THE INTERIM AUDIT OF THE ACCOUNTS OF
UNITED NATIONS RELIEF FOR PALESTINE REFUGEES
FOR THE PERIOD FROM 1 DECEMBER 1948,
THE DATE OF INCEPTION, TO 30 JUNE 1949

1. In accordance with the direction contained in regulation 29 of the provisional regulations for the administration and supervision of the Fund, established by the Secretary-General in consultation with the Advisory Committee on Administrative and Budgetary Questions, an interim audit has been made of the accounts of United Nations Relief for Palestine Refugees for the period from 1 December 1948, the date of inception, to 30 June 1949.
2. An audit certificate is given, subject to the observations in this report, to the Interim Statement of Assets and Liabilities as at 30 June 1949, submitted by the Fund. This audit certificate also embraces the related Interim Statement of Income and Expenditure for the period from 1 December 1948 to 30 June 1949.
3. Regulation 3 of the regulations referred to in paragraph 1, provides that the Director shall be responsible to the Secretary-General, among other things, for "the appointment of an operational agency or agencies to assume complete responsibility for the implementation of a relief programme in the field and for the distribution of supplies donated under United Nations auspices" - and further provides that "the agreement or agreements entered into with the said agency or agencies will recognize their complete autonomy and independence in the performance of this task ...". In financial matters, this principle was implemented by not calling upon the operational agencies to submit vouchers in support of the disbursements made by them on behalf of the Fund - the agreements with them merely providing that they submit "monthly ... financial reports of distribution costs incurred by them in fulfilment of their Agreement certified by accredited auditors and in such detail as the Director may require". In accordance with this provision, the agencies have been required to submit summaries to the chief finance officer, showing the monthly disbursement totals for the several headings of expenditure. The monthly disbursement summaries have been accepted for purposes of the audit reported upon herein, subject to their substantiation - to the extent that this has not already been accomplished - by certificates to be provided by the auditors of the several agencies. To 17 September 1949, audit reports had been received by the chief finance officer, and made available for the Board's inspection, with respect to the accounts of one of
/the agencies

the agencies up to 31 March 1949, and with respect to those of a second up to 30 June 1949. No report had yet been received regarding the audit of the accounts of the third agency, but the Board is informed that the audit has been completed for the period ended 30 June 1949, and that a report thereon is expected at an early date.

4. Control over expenditure. Regulation 16 of the provisional regulations for the administration and supervision of the Fund, reads:

"16. Budget estimates covering the operations of the Fund shall be prepared by the Director and submitted for approval of the Secretary-General. The estimates as originally approved, or from time to time amended, shall remain in effect for a period of one year from the date of inception of the Fund. Transfers may be made by the Director within the total amount approved, subject to immediate notification to the Secretary-General. Allotments shall be made available by the Director for obligation to the extent that funds to an equivalent amount have been received."

No budget estimates of the type seemingly contemplated by this regulation were submitted for the approval of the Secretary-General; and no allotments, in the generally accepted sense, were made available for obligation. Instead, the practice has been to establish quarterly budgets, for administrative purposes, with respect to each of the operating agencies and field offices and the Fund's headquarters. From these budgets, amounts are approved monthly (for each disbursing unit, and for each heading of expenditure) as being available for obligation - to an extent not beyond the immediate cash resources of the Fund, after providing for a substantial reserve for liquidation expenses. The quarterly budgets do not take into consideration the value of contributions in kind which might be received, and become available for distribution; but the monthly amounts approved for obligation do so, i.e., amounts authorized as available for supply purchases are reduced accordingly. Copies of the quarterly budgets are provided, informally, to the Bureau of Finance of United Nations. In the Board's view, the foregoing procedure cannot be regarded as giving full implementation to regulation 16, quoted above. Had allotments been made available for obligation in the manner apparently intended by the regulation, the establishment of the obligations system of accounting (as used by United Nations) might have been regarded as a natural consequence. Instead, however, the expenditure accounts are maintained on the cash basis, i.e., charges are not entered against them until disbursements are made to liquidate obligations previously incurred (a system which might be regarded as satisfactory, having in mind the anticipated limited duration of the Fund's activities).

5. Basis of preparation of interim financial statements. The accounts having been maintained on the cash basis, as mentioned in the preceding paragraph, it was necessary for the chief finance officer to adjust them to the accrual basis as at 30 June 1949, for the purpose of preparing the interim financial statements for the period then ended. Thus, charges were entered against the expenditure accounts for supplies and services which had been received up to 30 June, but for which payment had not yet been made at that date. On the other hand, the accounts were relieved of charges which had been entered when disbursements were made, but which were not, in the accounting sense, related to the period under review. Having in mind the necessity of preparing the interim financial statements in time for the purposes of the 1949 fall session of the General Assembly, the accounts as at 30 June 1949 were finally closed by the chief finance officer on 1 September 1949 - adjustments having been then entered for all known 'accrual items'. Subsequent to the closing of the accounts it was found, in the audit, that certain further adjusting entries should have been made - but, since these are regarded as having essentially only bookkeeping significance, detailed comments are not made in this report.

6. Assumption of field responsibility from the Disaster Relief Project. There was no formal listing of supplies in the hands of, or in transit to the Disaster Relief Project of the United Nations Mediator for Palestine, which were to be transferred to the Fund as at a specified date. From the time personnel of the Fund had arrived at the various points of operation in the field, to take over responsibility from personnel of the Disaster Relief Project, all deliveries of supplies accepted by the former personnel during the transitional period, were treated as UNRRA contributions in kind from the countries concerned, regardless of whether or not they had been originally consigned to the Disaster Relief Project. In these circumstances, the accounts of the Fund do not show, separately, the value of the supplies taken over from the Disaster Relief Project.

7. Supply procurement. In the northern relief areas, the general practice of purchasing relief supplies from local Governments was not adopted until about 1 May 1949 (although such a policy had been in force in the southern relief area from the outset). Up to the time mentioned, purchases in the Northern areas were made largely from private suppliers - and the following practices existed there, which the Board regards as having been unsatisfactory:

1. Bids were not formally called for from prospective suppliers.
2. Formal contracts were seldom entered into with the suppliers. Instead, the supply procurement officer concerned, ordinarily

/confirmed

confirmed previous verbal arrangements by letter (and detailed specifications were not always included).

3. No independent technical inspection was made of purchased flour - the principal supply item - or of other supplies, to ensure, before delivery was accepted, that the quality was satisfactory and according to such specifications as might have been agreed upon.

Since documentation was inadequate, the Board has not been able to establish that all prices paid were fair and reasonable in relation to the quality of supplies received. When, as previously mentioned, the general policy was established in the northern relief areas about 1 May 1949, of purchasing supplies from local Governments, remedial measures were at the same time taken to correct the unsatisfactory practices which had been previously followed. When purchases were not made from Governments, bids were formally called for from a panel of responsible merchants. Formal contracts were entered into in all cases. In the case of flour purchases, all contracts specified the percentages of wheat mixture, the percentages of maximum moisture and ash content, and required that there be freedom from weevils, lumping, acidity and foreign odours. A flour expert was engaged to inspect purchased flour before deliveries were accepted, to ensure that the quality was according to contract specifications - and inspection of other supplies was arranged for to the extent considered necessary.

8. Accountability of operational agencies with respect to supplies.

Regulation 27 of the provisional regulations for the administration and supervision of the Fund, requires that the agreements entered into with the operational agencies define the responsibilities of the agencies as to, among other things, "the regular submission of ... reports, including quantitative statements regarding the disposal of supplies and the areas in which distributed". The several agreements actually entered into with the three agencies do not, however, contain any requirement regarding the submission of such quantitative statements. The agencies were requested, through the field offices, to provide the information required, and two of the agencies have done so; but no quantitative statements have been furnished by the third agency. The Board was informed that this agency took the view that it would be impracticable to prepare such statements (at the same time pointing out that this was not a requirement of their agreement).

9. Procedure for reporting any losses and shortages. Regulation 28 of the provisional regulations for the administration and supervision of the Fund requires that "the accounts of the special fund shall be accompanied by statements showing ... full details of all known losses and shortages".

/No losses

No losses or shortages have been reported along with the interim financial statements of the Fund for the period ended 30 June 1949. Purchases of tents and blankets, together with relatively small quantities of other supplies, are made from overseas suppliers. Shipments of such supplies are covered by marine insurance, and any losses, had they occurred, would therefore have been recoverable. The bulk of the purchasing of supplies is, however, done in the Middle East, and the practice has been to arrange with the suppliers to make delivery direct to the operational agencies concerned. Contributions in kind are delivered in like manner. In these circumstances, officers of the Fund are obliged to look to the agencies for information regarding any losses or shortages, of supplies in their charge, which might require to be reported in accordance with the regulation referred to above. The agencies were requested (6 April 1949) to include, in their operational reports information regarding certain classes of losses. None of the operational reports received with respect to the period under review, contains any reference to losses or shortages having occurred. To have obtained full information, however, the agencies should have been requested to report any losses or shortages, of whatever nature; and asked to state, where no loss or shortage had occurred, that such was the case.

10. Equipment purchases charged as operational expenses. Until towards the close of the period under review, the cost of items of office, medical and transport equipment, purchased by the operational agencies, was included by them among amounts reported as operational expenses. During June, it was decided that such items should be reported as 'capital items', appropriately classified, and on 5 July, the chief finance officer requested the several agencies to "analyse their accounts from the commencement of operations to 30 June 1949, and prepare a schedule of all capital items purchased and charged in the accounts". To 1 September, when the accounts were finally closed for the period ended 30 June 1949, only one of the agencies had responded to this request (reporting equipment items to the total of \$20,915.83 as having been charged to operational expenses), and adjustment of the accounts was deferred until the necessary information is also received from the other two agencies.

11. Bank interest. The small amount of \$146.82 shown for bank interest, in the Interim Statement of Income and Expenditure, is the interest, at $\frac{1}{2}$ per cent, credited by a bank at which the Fund maintains a comparatively small balance for checking purposes. Up to September 1949, no interest had been credited on any of the balances maintained at other banks, some of which are of substantial amount. On 6 September, requests were addressed by the chief finance officer to the various other banks, that they consider allowing

/interest

interest on the Fund's balances. To 17 September, replies had been received from three of the six banks concerned. One of these, where a small balance is maintained, enclosed a credit note for interest to 30 June 1949, at $\frac{1}{4}$ per cent, and agreed to credit interest quarterly at this rate in future; but the other two, where large balances are maintained, pointed out that banking regulations in the countries concerned would not permit them to allow interest on current accounts. The Board was informed that one of these banks would be requested to transfer a part of the balance to a special deposit account, on which interest would be allowed.

The audit was facilitated by the willing co-operation and assistance of the chief finance officer, and of other officers and employees of the Fund, for which the members of the Board wish to record their appreciation.

(Signed) Ian STEVENSON CANADA
Agustin ALJURE COLOMBIA
Otto F. REMKE Denmark

Geneva, 19 September 1949.
