



Seventh session  
Agenda item 40

AUDIT REPORTS RELATING TO EXPENDITURE BY SPECIALIZED  
AGENCIES OF TECHNICAL ASSISTANCE FUNDS ALLOCATED  
FROM THE SPECIAL ACCOUNT

Nineteenth report of the Advisory Committee on  
Administrative and Budgetary Questions to the  
seventh session of the General Assembly

1. The Advisory Committee on Administrative and Budgetary Questions has considered a note by the Secretary-General (A/C.5/518) submitting the audit reports relating to expenditure by specialized agencies of technical assistance funds allocated from the Special Account, which was established under General Assembly resolution 304 (IV) of 16 November 1949, and to which voluntary contributions to the Expanded Programme of Technical Assistance are credited.
2. The reports cover the period from the inception of the Expanded Programme to 31 December 1951, and are submitted in accordance with General Assembly resolution 519 A (VI) (paragraph 7) of 12 January 1952, which reads:

"The General Assembly,

.....

"7. Calls on the specialized agencies participating in the Expanded Programme of Technical Assistance to provide, in their regular budget documents, information concerning their estimates for the expenditure of technical assistance funds; and to transmit to the General Assembly, for examination and approval, the audit reports relating to expenditure of technical assistance funds allocated from the Special Account after approval of the appropriate audit reports by the general conferences of their agencies or by such other authorities of the agencies as are constitutionally authorized to approve them".

3. At the date of the Advisory Committee's review, neither the United Nations Educational, Scientific and Cultural Organization nor the Food and Agriculture Organization had had an opportunity of approving their respective reports. The General Conference of the former organization is now in session, but as regards FAO, final approval of the audit report must await the next session of the Conference in June 1953, although the Council will give consideration to the report at its forthcoming (November) session.

4. In addition to the present report covering technical assistance expenditure already incurred, the Advisory Committee in a separate report<sup>1/</sup> offered comments, in accordance with General Assembly resolution 594 (VI) (paragraph 1) of 4 February 1952 on the administrative part of the technical assistance programme for 1953 to be executed by the United Nations. Comments on the corresponding agency programmes will be included in the Committee's report on the 1953 administrative budgets of the specialized agencies.

5. Total allocations from the Special Account during the period under review amounted to \$13,163,004, of which \$6,256,771 was spent or obligated up to 31 December 1951. The proportion of administrative and indirect operational costs in relation to the total of obligations incurred is shown in the following table, which is based on figures appearing in the note by the Secretary-General (A/C.5/518, page 3):

	United Nations	ILO	FAO	UNESCO	ICAO	WHO	Total	Total
	Per cent							\$
Project costs	61	69	73	77	86	75	72	4,515,145
Administrative and indirect operational costs (net).	39	31	27	23	14	25	28	1,741,626

6. Under the reporting pattern required by the Technical Assistance Board (TAB), costs are broken down into the following main categories:

- (a) Central administrative costs: these are Headquarters costs related to:
- (i) Over-all functions such as those performed by staff responsible for determining general policies and for planning the over-all programmes;

<sup>1/</sup> See Official Records of the General Assembly, Seventh Session, Supplement No. 7, paragraphs 126-142.

- (ii) Costs related to general office services; and
- (iii) Travel and related costs of United Nations representatives attending TAB meetings;

(b) Indirect costs: These are costs (other than central administrative costs) which are not directly identifiable with specific projects, but are of a technical and operational character;

(c) Project costs: These are direct operational costs which can be identified with a specific project.

7. In appraising the above figures, the Advisory Committee takes account of the following considerations: (a) that indirect operational costs (grouped in the above table with administrative costs), though not directly identifiable with specific projects, are essentially of an operational character; and (b) that heavy administrative costs were unavoidable during the initial stages of the Expanded Programme. But, allowing for these considerations, the Committee still finds the proportion of administrative costs to total expenditure to be extremely high. It is possible, in its opinion, that central servicing units have been expanded in advance of actual needs and on a scale which is not warranted by the present development of direct country activities. This aspect of the question appears even more important than the precise volume of expenditure already incurred. The Committee specifically recommends that the competent legislative bodies of the specialized agencies should give this subject adequate consideration.

8. As regards expenditure during 1952, which is not covered by the present audit reports, the Committee was informed that purely administrative costs (excluding indirect operational costs) are estimated at between 7 1/2 and 9 per cent of total costs of the various agency programmes. For 1953, provisional estimates of expenditure under the Expanded Programme (United Nations and specialized agencies) assume that over \$23 million will be available for obligation, comprising approximately \$18 million in respect of projects and \$5,300,000 in respect of central administrative and indirect operational costs, the latter figure including costs of the executive secretariat of TAB and its resident representatives. It should, however, be noted that the 1953 estimates have been prepared on a purely tentative basis for the purpose of programme review by TAB.

9. The question of defining expenditure to be charged against technical assistance funds allocated from the Special Account gives rise to a special problem. The Advisory Committee was informed that expenditure so chargeable is limited to direct, additional and exclusive costs that are incurred as a result of the Expanded Programme. This policy should be followed consistently, in order that costs normally met out of the regular budget shall not be transferred to technical assistance accounts.
10. As regards the definitions laid down by TAB for "central administrative costs", "indirect operational costs" and "project costs", the Advisory Committee suggests that efforts should be made to distribute indirect operational costs to the respective projects, possibly on a general pro rata basis. It presumes that there will be a continuous exchange of views between agencies in order to obviate possible differences in the treatment of expenditure under these main heads among the participating organizations.
11. The Committee was informed that it is the opinion of the Executive Chairman of TAB that legislative responsibility should in future be exercised in respect of the expenses of TAB and certain other joint administrative costs, which are not subject at the present time to examination by any budget approving body. With this opinion the Committee is in agreement, and accordingly it renews a previous recommendation<sup>2/</sup> that the General Assembly should consider the possibility of bringing such expenses under Assembly review.
12. As is indicated in paragraph 8 above, TAB is currently undertaking a review of projects to be carried out during 1953 by the participating organizations. The Advisory Committee trusts that, in addition, the Board will give close attention to the question of administrative costs and, in particular, to such administrative costs as arise out of regional arrangements.
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<sup>2/</sup> See Official Records of the General Assembly, Seventh Session, Supplement No. 7, paragraph 132.