



**United Nations**

**United Nations Relief and Works Agency for  
Palestine Refugees in the Near East**

# **Financial report and audited financial statements**

**for the year ended 31 December 2023**

**and**

## **Report of the Board of Auditors**

**General Assembly**

**Official Records**

**Seventy-ninth Session**

**Supplement No. 5D**





**United Nations Relief and Works Agency for Palestine  
Refugees in the Near East**

**Financial report and audited  
financial statements**

**for the year ended 31 December 2023**

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United Nations • New York, 2024

*Note*

Symbols of United Nations documents are composed of letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

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## Letter of transmittal

### **Letter dated 24 July 2024 from the Chair of the Board of Auditors addressed to the President of the General Assembly**

I have the honour to transmit to you the report of the Board of Auditors, together with the financial report and the audited financial statements of the United Nations Relief and Works Agency for Palestine Refugees in the Near East for the year ended 31 December 2023.

*(Signed)* **Hou Kai**  
Auditor General of the People's Republic of China  
Chair of the Board of Auditors

## **Chapter I**

### **Report of the Board of Auditors on the financial statements: audit opinion**

#### **Opinion**

We have audited the financial statements of the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA), which comprise the statement of financial position (statement I) as at 31 December 2023 and the statement of financial performance (statement II), the statement of changes in net assets/equity (statement III), the statement of cash flow (statement IV) and the statement of comparison of budget and actual amounts (statement V) for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of UNRWA as at 31 December 2023 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS).

#### **Basis for opinion**

We conducted our audit in accordance with the International Standards on Auditing and the International Standards of Supreme Audit Institutions. Our responsibilities under those standards are described in the section entitled “Auditor’s responsibilities for the audit of the financial statements”. We are independent of UNRWA, in accordance with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Emphasis of matter**

We draw attention to note 11 to the 2023 financial statements, entitled “Property, plant and equipment”, which describes \$199.81 million in impairment relating to Gaza property, plant and equipment owing to the conflict in the Gaza Strip. Our opinion is not modified in respect of the matter. Further details are provided in paragraphs 49 to 58 of the long-form report.

#### **Information other than the financial statements and auditor’s report thereon**

The Commissioner-General of UNRWA is responsible for the other information, which comprises the financial report for the year ended 31 December 2023 contained in chapter IV of the present report, but does not include the financial statements and our auditor’s report thereon.

Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether it is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, on the basis of the work that we have performed, we conclude that there is a material misstatement in the other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of management and those charged with governance for the financial statements**

The Commissioner-General is responsible for the preparation and fair presentation of the financial statements in accordance with IPSAS and for such internal control as management determines to be necessary to enable the preparation of financial statements that are free from material misstatement, whether owing to fraud or error.

In preparing the financial statements, UNRWA is responsible for assessing the ability of UNRWA to continue as a going concern, disclosing, as applicable, matters related to the going concern and using the going-concern basis of accounting, unless UNRWA intends either to liquidate UNRWA or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of UNRWA.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatements, whether owing to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but not a guarantee that an audit conducted in accordance with the International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement in the financial statements, whether owing to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control;
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control;
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by UNRWA;

(d) Draw conclusions as to the appropriateness of Agency's use of the going-concern basis of accounting and, on the basis of the audit evidence obtained, whether a material uncertainty exists in relation to events or conditions that may cast significant doubt on the ability of UNRWA to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause UNRWA to cease to continue as a going concern;

(e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance with regard to, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### **Report on other legal and regulatory requirements**

Furthermore, in our opinion, the transactions of UNRWA that have come to our notice or that we have tested as part of our audit have, in all significant respects, been in accordance with the Financial Regulations of UNRWA and legislative authority.

In accordance with article VII of the Financial Regulations and Rules of the United Nations, we have also issued a long-form report on our audit of UNRWA.

(Signed) **Hou Kai**  
Auditor General of the People's Republic of China  
Chair of the Board of Auditors  
(Lead Auditor)

(Signed) **Dorothy Pérez Gutiérrez**  
Acting Comptroller General of the Republic of Chile

(Signed) **Pierre Moscovici**  
First President of the Court of Accounts of France

24 July 2024

## Chapter II

### Long-form report of the Board of Auditors

#### *Summary*

The United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) provides assistance and protection to over 6 million registered Palestinian refugees to help them to achieve their full potential in terms of human development. UNRWA employs 27,325 area staff and 251 international staff at its five fields of operation in the Gaza Strip, Jordan, Lebanon, the Syrian Arab Republic and the West Bank, as well as at its headquarters in Amman and Gaza.

The Board of Auditors has audited the financial statements and reviewed the operations of UNRWA for the year ended 31 December 2023. The final audit was conducted on-site at headquarters in Amman, from 6 April to 5 May 2024.

#### **Audit opinion**

In the Board's opinion, the financial statements present fairly, in all material respects, the financial position of UNRWA as at 31 December 2023 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS).

The Board also issued a separate unqualified audit opinion on the financial statements of the UNRWA Area Staff Provident Fund for the year ended 31 December 2023, which were prepared in accordance with the International Financial Reporting Standards.

In addition, the Board performed an annual audit of the Microfinance Department of UNRWA and issued an unqualified opinion on its financial statements for the year ended 31 December 2023.

#### **Overall conclusion**

UNRWA reported a surplus of \$72.84 million for 2023, which represented an increase of 160 per cent compared with the deficit of \$122.16 million reported for the previous year. The surplus is attributable mainly to additional contributions received from donors towards the flash appeal following the outbreak of the conflict in Gaza.

The Board did not identify material deficiencies in accounts and records that might affect the fair presentation of the financial statements of UNRWA. However, the Board noted the following areas in need of improvement: financial and budget management, asset and inventory management, human resources management, relief and social services management, health programme management, information and communications technology management and the Microfinance Department.

#### **Key findings**

##### *Full impairment of property, plant and equipment in Gaza*

The Board noted that UNRWA had fully impaired all property, plant and equipment in Gaza (\$199.81 million) in response to significant damage to UNRWA assets as a result of the conflict in Gaza since 7 October 2023. Owing to the ongoing conflict, UNRWA was unable to undertake a physical assessment of its buildings or perform physical inspections of its equipment in the Gaza Strip. Instead, UNRWA took a practicable alternative approach of conducting analysis on the basis of data from the United Nations Satellite Centre and incidents reported by the UNRWA Field Security and Risk Management Office in Gaza.

*No disbursement of death benefit to beneficiaries of 118 deceased area staff members due to the conflict in Gaza*

As at 31 December of 2023, 118 area staff members of UNRWA had been killed in the conflict in Gaza, for which UNRWA had allocated \$5.40 million in actuarial provisions for death benefits. The Board noted that, as at 30 April 2024, UNRWA had not released any death benefit payments to beneficiaries. This lack of reactivity may leave family members of the deceased staff without financial support that could be critically needed.

*Delayed verification process for applications to the social safety net programme*

The Board noted that, as at 15 April 2024, 1,800 of 3,364 applications from families to the social safety net programme in 2023 still had a “pending field study” status. Of these, 1,301 applications had had that status for over half a year and had not received a verification conclusion owing to the fixed ceilings on the budget for the social safety net programme. The lack of additional social safety net programme funds and the delayed verification process might not be conducive to the provision of timely assistance to qualified new applicants for the social safety net programme.

*High percentage of loan portfolio at risk*

The Board noted that the overall portfolio at risk of the Microfinance Department in 2023 was 22.34 per cent, while that of the Jordan field office and the West Bank field office was 13.12 per cent and 37.86 per cent, respectively. The portfolio at risk significantly exceeded the annual target of 3 per cent, and it had been behind plan and had been increasing for at least three consecutive years. The persistently high portfolio at risk as well as the significant increase in overall portfolio at risk in 2023 would pose great risks for the Microfinance Department that could negatively impact its normal operation, undermine its long-term sustainability and weaken its ability to achieve strategic goals.

**Main recommendations**

In the light of the above-mentioned findings, the main recommendations from the Board are that UNRWA:

*Full impairment of property, plant and equipment in Gaza*

**(a) Conduct thorough field inspection of property, plant and equipment in Gaza when conditions are suitable, and adjust impairment loss if needed based on the results of the inspection;**

*No disbursement of death benefit to beneficiaries of 118 deceased area staff members due to the conflict in Gaza*

**(b) Make efforts to increase proactive communication and publicity and expedite the payments of death benefit;**

*Delayed verification process for applications to the social safety net programme*

**(c) Balance the social safety net programme budget and the huge demand for assistance, adopt the new programme targeting criteria and conduct mandatory re-studies of all programme cases to free up more slots and reduce the waiting lists within the current programme budget ceilings;**

*High percentage of loan portfolio at risk*

(d) **Take further actions to gradually decrease portfolio at risk for the Microfinance Department in the West Bank field office by assessing the potential risks of the operating environment on a regular basis and developing contingency plans to mitigate the adverse effects of unexpected events on loan portfolio at risks;**

(e) **Collaborate closely with stakeholders to solve the legal issue with the Jordan Credit Bureau, and take further measures to mitigate credit risks for the Microfinance Department in the Jordan field office, such as more prudent lending practices, and timely remedial actions in cases of late loan repayments.**

**Follow-up on previous recommendations**

As at 31 December 2023, of the 35 outstanding recommendations up to the financial year ended 31 December 2022, 21 (60 per cent) had been implemented, 10 (29 per cent) remained under implementation and 4 (11 per cent) were overtaken by events. The Board acknowledged the efforts made by UNRWA in implementing previous recommendations and encourages UNRWA to continue to work on implementing the remaining recommendations.

**Key facts**

<b>Over 6 million</b>	Population of Palestinian refugees served by UNRWA in 2023
<b>27,325</b>	UNRWA area staff (local staff)
<b>251</b>	UNRWA international staff
<b>\$972.95 million</b>	Total assets
<b>\$913.87 million</b>	Total liabilities
<b>\$1,533.38 million</b>	Total revenue
<b>\$1,460.54 million</b>	Total expenses
<b>\$1.08 billion</b>	UNRWA final budget 2023 <sup>1</sup>
<b>\$72.84 million</b>	Surplus for the year 2023

**A. Mandate, scope and methodology**

1. The United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) was established by the General Assembly in its resolution [302 \(IV\)](#) of 8 December 1949 and became operational on 1 May 1950. It is a subsidiary organ of the Assembly within the United Nations system. The mandate of UNRWA is to help Palestinian refugees to achieve their full potential in terms of human development under difficult circumstances, consistent with internationally agreed goals and standards. UNRWA is one of the largest United Nations programmes, serving more than over 6 million Palestinian refugees in the Gaza Strip, Jordan, Lebanon, the Syrian Arab Republic and the West Bank. UNRWA is also one of the largest employers in the Middle East, with 27,576 staff, most of whom are Palestinian refugees.

2. The Board of Auditors audited the financial statements of UNRWA and reviewed its operations for the year ended 31 December 2023, in accordance with General Assembly resolution [74 \(I\)](#) of 1946. The audit was conducted in conformity with regulation 12.2 of the Financial Regulations of UNRWA, as well as the International Standards on Auditing and the International Standards of Supreme Audit Institutions for the financial audit of public sector entities. Those standards require that the Board comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

3. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements present fairly the financial position of UNRWA as at 31 December 2023 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS). This included an assessment as to whether the expenses recorded in the financial statements had been incurred for the purposes approved by the governing body and whether revenue and expenses had been properly classified and recorded in accordance with the Financial Regulations of the Agency.

4. The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the

<sup>1</sup> The UNRWA final budget does not include the Agency emergency appeal and flash appeal requirements of around \$1.32 billion for 2023.

extent that the Board considered necessary to form an opinion on the financial statements.

5. The Board also reviewed UNRWA operations under regulation 7.5 of the Financial Regulations and Rules of the United Nations, which allows the Board to make observations on the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of UNRWA operations.

6. The present report covers matters that, in the opinion of the Board, should be brought to the attention of the General Assembly. The Board's observations and conclusions were discussed with UNRWA management, whose views had been appropriately reflected in the report.

## **B. Findings and recommendations**

### **1. Follow-up on previous recommendations**

7. There were 35 outstanding recommendations up to the year ended 31 December 2022, of which 21 (60 per cent) had been implemented, 10 (29 per cent) were under implementation and 4 (11 per cent) were overtaken by events.

8. The Board carried out an analysis of the 10 recommendations that had been under implementation and noted that 4 (40 per cent) were related to programme and project management, 2 (20 per cent) concerned human resources management, 2 (20 per cent) fell under the category of information and communications technology, 1 (10 per cent) concerned relief and social services, and 1 (10 per cent) was related to education management.

9. With regard to the ageing of the 10 pending recommendations, 3 (30 per cent) had been open for three years, 2 (20 per cent) were two years old and 5 (50 per cent) had been made one year ago.

10. The Board acknowledges the efforts made by UNRWA to increase the implementation status of previous recommendations and encourages the Agency to continue to work towards implementing the remaining recommendations, especially the long-outstanding ones. Details on the status of implementation of the previous years' recommendations are provided in annex I to the present report.

### **2. Financial overview**

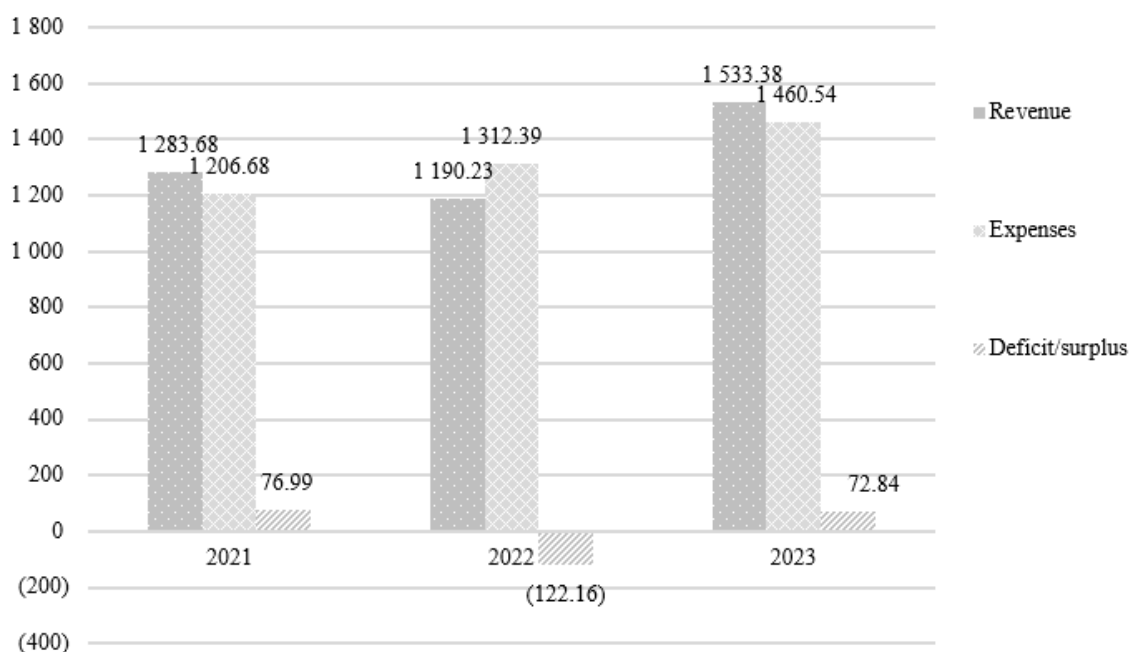
#### *Financial performance*

11. The revenue of UNRWA increased by \$343.15 million, from \$1,190.23 million in 2022 to \$1,533.38 million in 2023. UNRWA reported a surplus of \$72.84 million for the year 2023 (2022: deficit of \$122.16 million). The increase in revenue and surplus is attributable mainly to additional contributions received from donors towards the flash appeal following the outbreak of the conflict in Gaza.

12. Revenue and expenses for the past three years are shown in figure II.I.

Figure II.1  
**Revenue and expenses, 2021–2023**

(Millions of United States dollars)



Source: Financial statements of UNRWA for 2023.

13. The programme budget, which finances the core activities of the Agency, reflected an increase in the deficit from \$67.86 million in 2022 to \$201.97 million in 2023. This shortfall in the programme budget is attributable primarily to a significant amount in impairment of property, plant and equipment (\$199.81 million). Emergency appeals recorded a surplus of \$244.67 million owing to additional contributions towards the flash appeal following the outbreak of the conflict in Gaza. The project funds recorded a surplus of \$34.54 million owing primarily to an increase in cash contributions, from \$106.40 million in 2022 to \$122.00 million in 2023. The Microfinance Department recorded a deficit of \$2.38 million owing to a large amount of recorded impairment losses on loans in the aftermath of the conflict in Gaza. The details are presented in table II.1.

Table II.1  
**Financial performance by fund group for the year ended 31 December 2023**

(Millions of United States dollars)

Description	Unearmarked activities		Earmarked activities				Total
	Programme budget	Restricted funds	Microfinance Department	Emergency appeals	Projects	Inter-fund balances	
Revenue	817.03	24.57	9.01	595.40	124.73	(37.35)	1 533.38
Expenses	1 019.00	24.97	11.39	350.73	90.19	(35.75)	1 460.54
<b>Surplus/(deficit)</b>	<b>(201.97)</b>	<b>(0.41)</b>	<b>(2.38)</b>	<b>244.67</b>	<b>34.54</b>	<b>(1.61)</b>	<b>72.84</b>

Source: Financial statements of UNRWA, segment reporting by fund: financial performance as at 31 December 2023.

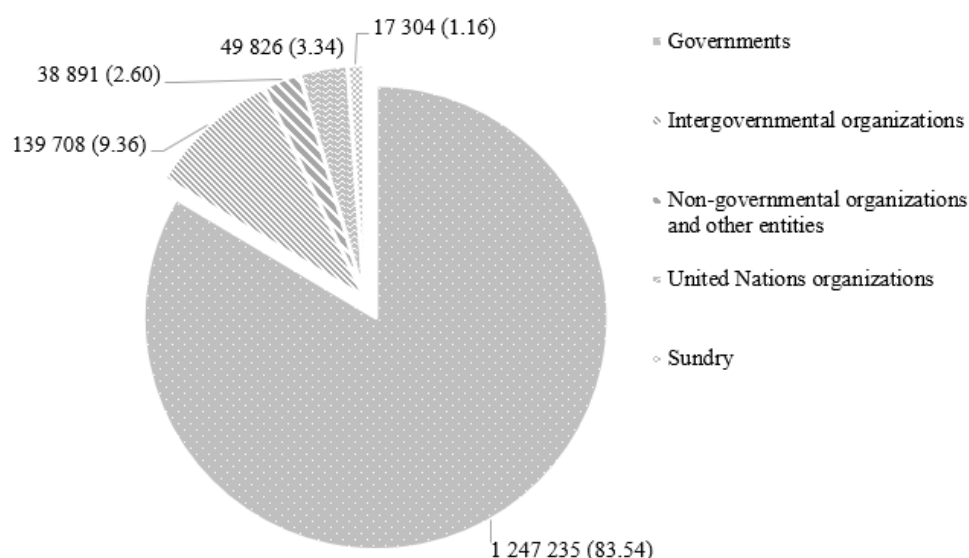
### *Composition of contributions revenue*

14. Of the total contributions of \$1,492.96 million reported in 2023, \$1,443.13 million (96.66 per cent) represents voluntary contributions from Governments, intergovernmental organizations, non-governmental entities and sundry donors, while the remaining balance of \$49.83 million (3.34 per cent) was received from the United Nations regular budget and other United Nations agencies (see figure II.II).

Figure II.II

### **Contributions revenue by source**

(Thousands of United States dollars)/(Percentage)



Source: Financial statements of UNRWA for 2023 (information presented in accordance with notes 20 and 21, including cash and in-kind contributions revenue).

### *Financial position*

15. The Board analysed the financial statements for the year 2023 on the basis of the key financial indicators. Table II.2 contains key financial ratios computed from the statement of financial position. The ratio analysis indicates that liquidity has increased compared with 2022. In that sense, overall net assets increased from a deficit of \$12.29 million (restated balance) in 2022 to a surplus of \$59.08 million in 2023. The increase in net assets is attributable to an increase of \$284.01 million in contributions in 2023 towards emergency appeals compared with the previous year, following the outbreak of the conflict in Gaza.

16. That analysis is consistent with the increase in working capital, from \$211.64 million in 2022 to \$511.63 million in 2023, and the increase in the current ratio, from 2.00 in 2022 to 3.59 in 2023. In addition, UNRWA had a quick ratio of 3.33 (2022: 1.55) to cover each dollar of immediate current liabilities when they fall due. Furthermore, the total assets could cover 106 per cent of the total liabilities at year end.

17. The programme budget, which finances the Agency's core activities, continues to experience a liquidity pressure, whereby its current liabilities continue to exceed current assets. At the end of 2023, the programme budget had a current ratio and a quick ratio of 0.46 and 0.34, respectively, to cover each dollar of current liabilities.

Table II.2  
Ratios of key financial indicators

Ratio	31 December 2023 (all funds)	Programme budget 2023	31 December 2022 (all funds)	Programme budget 2022
<b>Cash ratio<sup>a</sup></b>				
(Cash + short-term investments): current liabilities	2.98	0.16	1.31	0.04
<b>Quick ratio<sup>b</sup></b>				
(Cash + short-term investments + accounts receivable): current liabilities	3.33	0.34	1.55	0.19
<b>Current ratio<sup>c</sup></b>				
Current assets: current liabilities	3.59	0.46	2.00	0.33
<b>Solvency ratio<sup>d</sup></b>				
Total assets: total liabilities	1.06	0.37	0.99	0.58

Source: Financial statements of UNRWA for 2023 and 2022.

<sup>a</sup> A cash ratio is an indicator of an entity's liquidity. It serves to measure the amount of cash, cash equivalents or funds invested in current assets to cover current liabilities.

<sup>b</sup> The quick ratio is more conservative than the current ratio because it excludes inventory and other current assets, which are more difficult to turn into cash. A higher ratio means a more liquid current position.

<sup>c</sup> A high ratio indicates an entity's ability to pay off its current liabilities.

<sup>d</sup> A high ratio indicates an entity's ability to meet its overall obligations.

18. The total liabilities of UNRWA stood at \$913.87 million as at 31 December 2023, with post-employment and other long-term employee benefits of \$808.42 million representing 88.46 per cent of the total liabilities. Long-term employee benefits liabilities were \$713.03 million, compared with \$691.08 million reported in the previous year, showing a slight increase of \$21.96 million. This is attributable to the end-of-service liability for area staff that was recalculated in 2023.

19. The Board noted a significant increase in cash balances maintained by UNRWA, attributable chiefly to a higher cash balance held under emergency appeals at the end of 2023 following the outbreak of the conflict in Gaza. As at 31 December 2023, UNRWA had cash balances amounting to \$588.25 million, compared with \$276.35 million reported as at 31 December 2022. Of the \$588.25 million, \$27.47 million (4.67 per cent) was available for unearmarked activities (programme budget), while \$560.78 million (95.33 per cent) was available for earmarked activities.

20. Furthermore, the Board noted a significant decrease in property, plant and equipment. The balance of property, plant and equipment as at 31 December 2023 was \$253.19 million, compared with \$462.31 million as at 31 December 2022, reflecting a decrease of \$209.12 million (45 per cent). The decrease in property, plant and equipment is attributable chiefly to the full impairment of property, plant and equipment in Gaza for financial reporting purposes owing to the damage caused by the conflict.

21. As at 31 December 2023, UNRWA had accrued expenses amounting to \$26.34 million, compared with \$26.25 million reported as at 31 December 2022. Of the \$26.34 million, \$10.41 million (39.52 per cent) was accrued expenses for services and utilities, compared with \$14.21 million as at 31 December 2022. The decrease in accrued expenses for service and utilities is attributable to a significant reduction in expenses under utilities and services in Gaza following the outbreak of the conflict.

### *Budget performance*

22. The original 2023 budget (modified cash basis), as reflected in the Blue Book<sup>2</sup> for 2022–2023, was \$1,048.37 million. On a modified cash basis, the final 2023 budget was \$1,081.87 million, representing an increase of \$33.50 million (or 3.20 per cent). The \$33.50 million reflects the increase in the final budget owing mainly to an increase in the final programme budget from \$849.78 million to \$861.55 million (including in-kind) and an increase in the final projects budget from \$198.59 million to \$220.32 million, including restricted funds (earmarked projects).

### **3. The situation in the Gaza Strip**

23. In accordance with UNRWA situation report No. 98 “on the situation in the Gaza Strip and the West Bank, including East Jerusalem”, as at 1 April 2024, nearly 1.7 million displaced people were sheltering across emergency shelters (UNRWA and public shelters), informal sites or in the vicinity of UNRWA shelters and distribution sites and within host communities. According to the Ministry of Health in Gaza, as at 29 March 2024, at least 32,623 Palestinians had been killed in the Gaza Strip since 7 October 2023. About 70 per cent of those killed were reported to be women and children. Another 75,092 Palestinians have reportedly been injured. As at 1 April 2024, a total of 176 UNRWA staff members had been killed since the beginning of hostilities.

24. The General Assembly adopted resolution [ES-10/21](#) on the protection of civilians and upholding legal and humanitarian obligations on 27 October 2023. In that resolution, the Assembly called for an immediate, durable and sustained humanitarian truce leading to a cessation of hostilities. The Security Council has adopted three resolutions with regard to Gaza conflict as at 31 March 2024, namely, resolution [2712 \(2023\)](#) of 15 November 2023, resolution [2720 \(2023\)](#) of 22 December 2023 and resolution [2728 \(2024\)](#) of 25 March 2024. In resolution [2728 \(2024\)](#), the Security Council demanded an immediate ceasefire for the month of Ramadan respected by all parties leading to a lasting sustainable ceasefire, and also demanded the immediate and unconditional release of all hostages, as well as ensuring humanitarian access to address their medical and other humanitarian needs, and further demanded that the parties comply with their obligations under international law in relation to all persons they detain; the Council also emphasized the urgent need to expand the flow of humanitarian assistance to and reinforce the protection of civilians in the entire Gaza Strip and reiterated its demand for the lifting of all barriers to the provision of humanitarian assistance at scale, in line with international humanitarian law as well as resolutions [2712 \(2023\)](#) and [2720 \(2023\)](#).

25. In response to the unprecedented devastation in the Gaza Strip and increasing needs in the West Bank, UNRWA launched an expanded flash appeal for the Occupied Palestinian Territory on 9 November 2023. This updated UNRWA flash appeal sought \$481 million to cover the most critical humanitarian needs of an estimated 1.6 million people in Gaza, both refugees and non-refugees, and approximately 150,000 people in the West Bank, for the period from October to 31 December 2023. Furthermore, UNRWA issued an updated flash appeal for the Occupied Palestinian Territory from April to December 2024 on 24 April 2024, in which UNRWA was seeking \$1.21 billion to address the most critical humanitarian needs of 1.7 million of the most vulnerable refugees and non-refugees in Gaza, as well as over 200,000 individuals in the West Bank, including East Jerusalem. This appeal came in response to the ongoing and unprecedented escalation of conflict and the resulting needs in the

<sup>2</sup> The Blue Book is the instrument that the Agency uses to forecast its budget for a specific period of time, which includes the core requirements of the Agency. This is disclosed in financial statement V as the “original” budget.

Gaza Strip and the West Bank. It outlined the resource requirements to reduce suffering and prevent further loss of life.

#### 4. Financial and budget management

*Targets of some key fundraising indicators not achieved*

26. In chapter 7 of its Strategic Plan for the period 2023–2028, UNRWA states that failure to raise the required funds will have wide-ranging impacts on Palestine refugees in the immediate and longer term. It is emphasized in the UNRWA Resource Mobilization and Outreach Strategy for the period 2023–2025 that an efficient, reliable and relevant UNRWA is better able to meet the needs of Palestine refugees with three strategic objectives: increasing the quantity of funding to the Agency; improving the quality of funding to the Agency; and ensuring a strong public presence. Annex 1 to that strategy outlines the yearly indicators for these objectives.

27. The Board noted that in 2023, UNRWA received an unprecedented \$1.46 billion in financial support, with additional funds primarily allocated to four urgent flash appeals. The Board, considering the exceptional and discontinuous nature of flash appeals, concentrated on assessing the funding status of the programme budget, the emergency appeal for the Occupied Palestinian Territory, the emergency appeal for the Syrian Arab Republic, Lebanon and Jordan, and projects. For 2023, the emergency appeal for the Occupied Palestinian Territory, the emergency appeal for the Syrian Arab Republic, Lebanon and Jordan, and projects were funded at the rates of 45.35 per cent, 27.17 per cent and 43.01 per cent, respectively. The programme budget had a higher funding rate at 90.87 per cent for the same year.

28. The Board reviewed the funding summary of different portals over the past three years, as shown in table II.3. The average funding percentages for the programme budget, the emergency appeal for the Occupied Palestinian Territory, the emergency appeal for the Syrian Arab Republic, Lebanon and Jordan, and projects were 89.74 per cent, 53.58 per cent, 38.42 per cent, and 48.05 per cent respectively, revealing an ongoing shortfall, particularly for the emergency appeal for the Occupied Palestinian Territory, the emergency appeal for the Syrian Arab Republic, Lebanon and Jordan, and projects. Notably, the emergency appeal for the Syrian Arab Republic, Lebanon and Jordan saw a marked decline in the funding rate, which dropped from 49.03 per cent in 2021 to 27.17 per cent in 2023, with a corresponding reduction in monetary amounts from \$155.91 million to \$118.64 million. This is in line with the broader trend of underfunding in the regional humanitarian appeal, that is, the Syrian Arab Republic Refugee Response and Resilience Plan, with funding at 28 per cent in 2021, 31 per cent in 2022 and 15 per cent in 2023,<sup>3</sup> reflecting donor fatigue amid the enduring Syrian crisis. Despite programme budget funding at nearly 90 per cent, a shortfall existed, with a 10 per cent deficit amounting to roughly \$80 million annually.

<sup>3</sup> See Syrian Arab Republic Refugee Response and Resilience Plan, Financial Tracking Service, available at <https://fts.unocha.org/plans/1020/summary>.

Table II.3

**Funding summary of different portals in the year 2021, 2022 and 2023**

(Millions of United States dollars)

Description	2021			2022			2023		
	Requirement	Pledged	Percentage funded	Requirement	Pledged	Percentage funded	Requirement	Pledged	Percentage funded
Programme budget	806.00	696.91	86.47	817.00	750.69	91.89	848.00	770.60	90.87
Emergency appeal for the Occupied Palestinian Territory	230.60	167.04	72.44	406.10	174.43	42.96	345.00	156.45	45.35
Emergency appeal for the Syrian Arab Republic, Lebanon and Jordan	318.00	155.91	49.03	365.00	142.61	39.07	437.00	118.64	27.17
Projects	174.80	80.06	45.80	193.04	106.92	55.34	250.00	107.42	43.01
<b>Total</b>	<b>1 529.40</b>	<b>1 099.92</b>	<b>71.92</b>	<b>1 781.14</b>	<b>1 174.65</b>	<b>65.95</b>	<b>1 880</b>	<b>1 153.11</b>	<b>61.34</b>

Source: Provided by UNRWA.

29. Furthermore, the Board reviewed the 2023 results for the Resource Mobilization and Outreach Strategy for the period 2023–2025 to gauge the effects of underfunding on its strategic goals, excluding flash appeals, which address unplanned additional needs. The analysis revealed missed targets for key indicators relating to the strategic objective of increasing the quantity of funding to the Agency if flash appeals are excluded. The year-on-year growth of overall income was -1.8 per cent, falling short of the 3 per cent target. The share of overall income from diversified sources was 5.2 per cent, below the 8 per cent goal. In addition, the year-on-year growth of diversified income was -34.7 per cent, contrasting with the baseline of 8.7 per cent in 2022. Notably, a significant portion of diversified income in 2023 was allocated to flash appeals, hence it was excluded from this analysis.

30. UNRWA explained that, prior to the Gaza conflict that began on 7 October 2023, resource mobilization was limited by the global economic recession and the redirection of official development assistance as result of the Ukraine war, affecting the biggest donors to UNRWA. Since the start of the conflict in Gaza, UNRWA had experienced a financial boost, but the four flash appeals, especially the Gaza flash appeal, had diverted funds that would otherwise have gone towards end-of-year top-ups for the programme budget and emergency appeals. Despite this, the income quantity targets for the Resource Mobilization and Outreach Strategy were met and exceeded when including flash appeals. Particularly for the emergency appeal for the Syrian Arab Republic, Lebanon and Jordan, the Syrian crisis, now in its twelfth year, has led to a declining humanitarian funding environment, which has also affected the Agency's ability to fundraise for its work in the Syrian Arab Republic.

31. UNRWA also indicated that the Agency had made significant efforts to systematically engage donors on funding levels across various portals, achieving a record fundraising total in 2023. Thanks to great advocacy efforts by UNRWA, most of the 16 countries that had suspended their funding to the Agency in February 2024 have since restored their support. The Agency also attracted substantial new contributions from both public and private sectors, in line with the objectives of the Resource Mobilization and Outreach Strategy relating to funding quality and diversification. Leveraging increased public support, UNRWA significantly boosted private sector fundraising, tripling income in 2023 and raising \$50 million in the first quarter of 2024, thereby ensuring financial stability and operational continuity.

32. The Board acknowledges external factors affecting funding and appreciates the Agency's fundraising efforts. The escalating humanitarian crisis for Palestine refugees and the suspension of funding maintained by the remaining several key donors has exacerbated challenges. The Board emphasizes the critical need for sufficient, predictable and sustained funding to ensure the Agency's financial stability and enable it to fulfil its mandate. Prolonged underfunding could negatively impact the delivery of humanitarian services and the achievement of the Agency's strategic goals.

**33. The Board recommends that UNRWA continue to take active measures to improve the implementation of the key indicators in the Resource Mobilization and Outreach Strategy by strengthening its capacity to mobilize resources in areas with proven return on investments, such as private sector partnerships.**

34. UNRWA agreed with the recommendation.

*Significant variance between the actual cost and the budget for daily paid workers*

35. It is stated in article 1.23 of the UNRWA programme budget for 2022–2023, issued in September 2021, that the Agency's funding portals, including the programme budget, projects and emergency appeals, are aligned with the strategic outcomes of the medium-term strategy for the period 2016–2022 and the approved unified framework structure used for the 2022–2023 biennium, the fascicle budget for 2020–2021 and the fascicle budget 2022.

36. The Board reviewed the quarterly expenditure reports of UNRWA in 2023 and noted significant variances in the actual cost for daily paid workers compared with the approved programme budget across all five field offices. The actual cost of \$28.33 million in 2023 was on average 5.2 times the initial approved budget of \$5.41 million for daily paid workers, with the largest difference being 14 times for the field office in the Syrian Arab Republic.

37. The Board also noted that the actual annual cost in 2021 and 2022 was 4.4 times and 5.5 times, respectively, the initial approved programme budget.

38. UNRWA explained that the overarching budget line for this category of expenditure was area staff costs. Fixed term and daily paid were mutually exclusive but had been considered the same budget line and were monitored as a single budget line at the micro level. The two budget lines were related in the sense that daily paid was mainly used to provide short-term surge capacity or to cover absences, both planned and unplanned, for fixed-term roles. Moreover, presenting the two budget lines separately was intended to allow management to understand the level of impact of achieving the vacancy rate (7 per cent) that field offices and headquarters were required to maintain, and therefore this provided flexibility to adapt to the contextual needs of an office without negatively affecting the achievement of the core strategic objectives of UNRWA.

39. UNRWA agreed that the cost variance for daily paid workers was so significant that it needed to be changed. The budget instructions for 2024 therefore included additional guidance stating that the Budget Division would revert after obtaining the approval of the Commissioner-General on the final budget and before the final budget is uploaded to the REACH system to agree on the final daily paid budget to be redeployed from the fixed-term budget.

40. The Board is of the view that budget management involves the Budget Division but also requires cooperation among all the field offices and headquarters departments. Fixed-term and daily paid contracts are two types of employment contracts that are different in nature, and their budgets need to be aligned with the actual demands of the field offices and headquarters, respectively. The significant variance between the

actual costs and the budget may hinder the realization of budget objectives relating to daily paid workers.

**41. The Board recommends that UNRWA normalize the use of daily paid workers and minimize the variance between the actual costs and the budget for daily paid workers.**

42. UNRWA agreed with the recommendation.

*Lack of advance approval for redeployment between staff and non-staff costs*

43. It is stated in article 6 of the UNRWA 2023 programme budget implementation guide (administrative and operational instructions), issued on 30 March 2023, that directors of fields/headquarters departments are delegated to redeploy between budget line items, except those considered as earmarked/restricted items, which are the following: international staffing, currency adjustment factor, severance cash payout, staff to non-staff and vice versa, hospitalization, cash subsidy to the social safety net programme, medical supplies and textbooks. Any exceptional requests for redeployment between the above lines should be approved in advance by the Chief of the Budget Division.

44. The Board noted that there were some budget redeployments in certain areas without prior approval from the Chief of the Budget Division. For the Jordan field office, there was a redeployment of \$169,000 from non-staff cost to staff cost without prior approval. For the Lebanon field office, there was a redeployment of \$33,000 from staff cost to non-staff cost without prior approval.

45. UNRWA explained that there had been oversights in these cases as the necessary approval had not been obtained. Following review of those transactions by the Chief of the Budget Division, a retroactive approval of the transactions had been obtained for the Lebanon field office transactions, while the changes in the Jordan field office transactions were reversed to reinstate the budget.

46. The Board is of the view that not obtaining prior approval or retroactively approving budget allocations and adjustments may pose a risk to internal control and undermine the effectiveness of budget monitoring and control within the organization.

**47. The Board recommends that UNRWA take effective measures to strengthen the monitoring and approval process for redeployment between the budget line items of staff cost and non-staff cost in accordance with the provision of the budget guide.**

48. UNRWA agreed with the recommendation.

## **5. Asset and inventory management**

*Full impairment of property, plant and equipment in Gaza*

49. According to paragraphs 25 and 27 of IPSAS 21: Impairment of non-cash-generating assets, if any of the following indications are present, an entity is required to make a formal estimate of recoverable service amount: “(c) Evidence is available of physical damage of an asset; (d) Significant long-term changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used...(f) Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.” Paragraph 35 states that the recoverable service amount is “the higher of an asset’s fair value, less costs to sell, and its value in use”.

50. According to the note for the record: Gaza field office 2023 property, plant and equipment impairment, on 29 February 2024, UNRWA conducted a desktop exercise to estimate the impairment of assets, for the following reasons: (a) in the months since the war started in Gaza, on 7 October 2023, significant damage had occurred across all of Gaza and this has included damage to UNRWA assets; (b) by the end of 2023 and at the start of 2024, most of Gaza was inaccessible to UNRWA staff with movement of UNRWA staff in Gaza requiring significant planning and security coordination and presence; (c) Many staff were not attending work due to displacement of their families or inability to attend a safe office or access telecommunications; and (d) staff responsible for Agency buildings and assets were unable to access nearly all buildings to undertake assessments on individual properties owned by UNRWA.

51. UNRWA had identified and preliminarily assessed its buildings in Gaza on the basis of data from the United Nations Satellite Centre Gaza Strip comprehensive damage assessment, which used images of the Gaza Strip collected on 6 and 7 January 2024, as well as the record of incidents affecting UNRWA property from the Field Security and Risk Management Office in Gaza. The status of all buildings in Gaza according to the desktop exercise is shown in table II.4.

Table II.4  
**Statistics for premises in Gaza**

	<i>No. of premises</i>	<i>No. of buildings</i>	<i>Net book value (\$m)</i>	<i>Net book value percentage</i>
Destroyed	41	243	19.4	11
Severe damage	22	115	10.0	5
Moderate damage	36	248	19.1	11
Incidents reported by the Field Security and Risk Management Office in Gaza	53	379	38.2	21
Minor damage	126	1 089	95.2	52
<b>Total</b>	<b>278</b>	<b>2 074</b>	<b>182.0</b>	<b>100</b>

*Source:* Note for the record, Gaza field office 2023 property, plant, and equipment impairment.

52. UNRWA has estimated the recoverable service amount to be zero on the basis on fair value less costs to sell, because all premises in Gaza were built on leased land and cannot be sold. UNRWA also considered the following significant factors when assessing the impairment of property, plant and equipment:

(a) The availability of evidence of critical physical damage to UNRWA premises in Gaza;

(b) The lack of access to most UNRWA premises and security challenges driven by the ongoing war, in addition to the predicted lack of access after the conflict due to surrounding unexploded ordnance and critical infrastructure damage;

(c) The inability to perform physical inspection and damage assessments for each individual building and other assets because of a lack of access to most of premises, the loss of contact with many assets' custodians and unpredicted material and labour costs;

(d) The use of many buildings as emergency shelters, which are serving more people than their designed capacity. The possibility of damage beyond normal wear and tear;

(e) The inability to make the emergency shelters available for their original purpose (schools, clinics, etc.) for a long period of time, as a large proportion of homes are damaged and destroyed so people are not able to move out until alternative accommodation is available;

(f) The intensification of the situation since the desktop exercise was conducted. Continued ground invasion and air strikes in Gaza have caused further damage and destruction;

(g) Recent significant adverse policy changes towards UNRWA;

(h) The prudent principle of accounting.

53. In consequence, in the financial statements as at 31 December 2023, UNRWA had fully impaired all property, plant and equipment of the Gaza field office (with a total net book value of \$199.81 million) in response to the destruction caused by the conflict in Gaza. Impaired assets and value are as follows:

(a) A total of 2,074 buildings, with a total net book value of \$182 million;

(b) Six construction works in progress, with a total net book value of \$7.96 million;

(c) A total of 275 items of furniture and fittings, with a total net book value of \$3.22 million;

(d) A total of 3,251 items of office and computer equipment, with a total net book value of \$2.86 million;

(e) A total of 543 vehicles, with a total net book value of \$3.76 million.

54. UNRWA explained that precise counts are unattainable and survey reports/engineer reports are impracticable owing to restricted access to many locations and insufficient personnel for conducting comprehensive inspections and verification of asset status. Moreover, the first priority in Gaza is currently providing lifesaving services. UNRWA also informed the Board that assessments will be undertaken when conditions are suitable.

55. Given its material impact on the financial statements, the Board has therefore formulated an emphasis of matter in its opinion on the 2023 financial statements, in order to draw users' attention to the paragraphs in note 11 to the financial statements, which describe \$199.81 million in impairment relating to Gaza property, plant and equipment that is attributable to the conflict in the Gaza Strip.

56. The Board is of the view that, in the light of the fact that the necessary assessments could not be performed and engineer reports cannot be provided in the aftermath of the conflict in Gaza, UNRWA had undertaken a practicable exercise considering the current situation, conditions and challenges in Gaza.

**57. The Board recommends that UNRWA conduct a thorough field inspection of property, plant and equipment in Gaza when conditions are suitable, and adjust impairment loss if needed based on the results of the inspection.**

58. UNRWA agreed with the recommendation.

#### *Lack of slow-moving reports*

59. It is stated in paragraph 3 of section 6 of the UNRWA warehouse and inventory management manual that Deputy/Head Field Procurement and Logistics Officers, Logistics Officers and/or Warehousing Officers under the supervision of Head Field Procurement and Logistics Officers shall extract a report on a regular basis showing all slow-moving inventory items, items at risk of expiration, dormant stocks and

surplus stocks and share them with the respective user departments/programs for further analysis and recommendations.

60. The Board requested the slow-moving reports but was informed that there were no specific slow-moving reports; instead, UNRWA provided reports showing inventory items with the most recent movement date.

61. The Board noted that those reports reflected only the most recent movement date compared with the goods received date, from which users could not identify if an inventory item could be labelled as slow-moving. Furthermore, some goods received dates were not entered in the spreadsheet.

62. While acknowledging the lack of a specific report to extract the slow-moving items from the REACH system, UNRWA confirmed the existence of reports/tools in the REACH system that ensure the efficient management of dated products in terms of expiration and best before dates and that it would work closely with the Department of Information Management and Technology to develop and enhance the reporting on slow-moving items.

63. The Board is of the view that the lack of slow-moving reports could put the inventory at risk not only of expiration but also of obsolescence or surplus, which could render inventory unfit for use or add extra management costs.

**64. The Board recommends that UNRWA extract slow-moving reports on a regular basis showing all slow-moving items, so as to facilitate the use of dormant stocks and the disposal of surplus stocks.**

65. UNRWA agreed with the recommendation.

## **6. Human resources management**

*No disbursement of death benefit to beneficiaries of 118 deceased area staff members due to the conflict in Gaza*

66. It is stated in rule 109.8 of the Area Staff Rules (cod. a/59/rev.25, 1 January 2018) that: "In the event of separation through death of a staff member the Agency shall pay a death benefit to the staff member's nominated beneficiary or beneficiaries".

67. The Board noted that, as at 31 December of 2023, 118 area staff members of UNRWA had been killed in the conflict in Gaza, for which UNRWA had made actuarial provisions of \$5.40 million for death benefits.

68. The Board also noted that, on 21 December 2023, the Commissioner-General had approved the disbursement of partial payments to the surviving beneficiaries or recognized dependants of deceased staff members in the form of an advance payment, to provide them with financial support pending the provision of death certificates and other related documents. However, as at 30 April 2024, UNRWA had not released any death benefit payments to beneficiaries.

69. UNRWA explained that, owing to the ongoing conflict, death certificates were not being issued by the competent authorities in Gaza, which were needed to trigger the separation of staff members on the grounds of death, a situation that was outside the control of UNRWA.

70. UNRWA also explained that, given the ongoing emergency in Gaza, there were also challenges in finding and verifying the surviving family members or next of kin of the deceased staff, and UNRWA had not received any requests for payments from surviving family members of deceased staff members.

71. The Board is concerned that not releasing any death benefit payments may leave family members of the deceased staff without financial means for an undetermined

period of time. The Board is also of the view that, regarding the lack of requests from deceased staff members' surviving family members, it cannot be ruled out that they do not know of the existence of the death benefit and do not understand the relevant procedures.

**72. The Board recommends that UNRWA make efforts to increase proactive communication and publicity and expedite the payments of death benefit.**

73. UNRWA agreed with the recommendation.

*Use of emergency appeals funds and project funds to fund 259 fixed-term area staff*

74. It is stated in area staff personnel directive A/4/Part I/REV.8, on the classification of staff on appointment, that: "The establishment of fixed-term posts funded by extrabudgetary sources is prohibited".

75. The Board noted that, as at 31 December 2023, there were 259 area staff members with the contract type "fixed-term appointment" and funded by extrabudgetary resources, namely, emergency appeals funds and project funds. The total monthly basic salary of those 259 area staff members was \$289,075 and the dates of entry on duty ranged from 2009 to 2019.

76. UNRWA explained that, before 15 April 2021, there was no regulatory framework prohibiting the appointment of staff on fixed-term contracts against extrabudgetary funds, whereas this is not permitted under the current UNRWA regulatory framework.

77. UNRWA also explained that since 2020, in principle, no fixed-term contracts had been issued to staff performing core functions, which were typically funded by the programme budget, and UNRWA would in 2024 introduce a new contractual modality that would clearly differentiate between project and programme contracts by source of funding.

78. The Board is concerned that fixed-term posts should be established for functions that are recurrent, not expected to be transient or of a limited duration for a period of three years or less, subject to the extension of the Agency's mandate. The Board is also of the view that emergency appeals funds and project funds are of poor stability and are sporadic, which may affect fixed-term staff members' entitlements and cause a mismatch of funds when emergency appeals funds and project funds are used to fund fixed-term staff.

**79. The Board recommends that UNRWA gradually reduce the number of the existing fixed-term staff members funded by extrabudgetary resources in accordance with its applicable policies and the availability of funds.**

80. UNRWA agreed with the recommendation.

*Deficiency in the management of individual service providers*

81. On the subject of individual service providers, it is stated in the 2023 UNRWA programme budget implementation guide that individual service providers are permitted, noting that they should be used for consultancy purposes, and should not perform regular staff functions, that is, attendance-based individual service providers should no longer be employed. Individual service provider contracts should be fully based on deliverables.

82. In addition, it is stated in the UNRWA complementary personnel directive: cpd/1, contracting of individual service providers (1 January 2017) that individual service providers may not use functional titles normally used by staff members, that is, they

may not use titles such as “head”, “officer”, “chief”, “deputy” or “acting” to avoid misrepresentation in authority to others, in particular to third parties.

83. The Board noted that, as at 31 December 2023, there were a total of 279 individual service providers providing services on two types of contract, that is, attendance-based contracts and deliverable-based contracts. Of 279 individual service providers, 79 were attendance-based and 200 were deliverable-based. Attendance-based individual service providers accounted for 28.3 per cent of total individual service providers.

84. The Board also noted that there were 19 individual service providers with the title of “officer”, which should not be used to avoid misrepresentation in performing regular staff functions. In addition, there were 31 individual service providers with the title of “assistant”, working mostly in the relief and social services area.

85. The Board is of the view that individual service providers are employed for assignments of a temporary or short-term nature. The high proportion of attendance-based individual service providers and the misrepresentation of titles of individual service providers may run a risk that the individual service providers could undertake regular staff functions.

**86. The Board recommends that UNRWA assess the purpose of individual service providers, sign all contracts based on deliverables and revise the titles so as to avoid individual service providers being engaged in functions that should be performed by regular staff.**

87. UNRWA agreed with the recommendation.

## **7. Relief and social services management**

### *Delayed verification process for applications to the social safety net programme*

88. As stated in article 6.2(8) of the relief services instructions, concerning home visit, in case of targeting criteria, which cannot be evaluated based on verified refugee registration information system data, relief workers will conduct a home visit within one month.

89. The Board reviewed social safety net programme application lists relating to the Jordan, Lebanon and West Bank field offices and noted that, of 3,364 applications from families for the programme in 2023, 1,800 applications still had the status “pending field study”.

90. The Board also noted that, as at 15 April 2024, 1,301 (or 72.3 per cent) of those 1,800 applications had had the “pending field study” status for more than half a year and were not given a verification conclusion. A total of 1,180 of the 1,301 applications belonged to the Jordan field office. In addition, 370 of the 1,301 applications had been recorded in the first quarter of 2023 but still retained the “pending field study” status, while another 485 applications that were received after the first quarter of 2023 had been approved.

91. UNRWA explained that the field offices continue to receive applications for the social safety net programme, but owing to a lack of available slots as a result of fixed programme budget ceilings, programme expansion to accommodate deserving new applicants through a field study (home visit) was restricted. A desk study was performed for all new applications, but field studies (home visits by relief workers) remained pending to avoid long waiting lists. Assessing new cases was subject to the availability of slots in the programme (i.e. only as a replacement process, whereby new assessed cases can be enrolled to replace closed cases). This was done on a first come first served basis, hence some cases took longer to be assessed before they could be admitted into the programme.

92. UNRWA also explained that the Department of Relief and Social Services at UNRWA headquarters was proposing a new methodology for targeting, which would help to reduce the number of applicants pending field study. In accordance with the relief services instructions, the Department would be following up with all field offices to ensure that all social safety net programme cases were visited once every two years for the mandatory field study. This would ensure that more slots were made available, by removing those who were no longer eligible for the programme.

93. The Board is of the view that, although there is a budget ceiling for the social safety net programme, the significant increase in applications for the programme indicates a huge demand for assistance through the programme. The delay in the verification process may not be conducive to the provision of timely assistance to qualified new applicants. In addition, a lack of additional programme funds for new cases may run the risk that, even if new applicants would qualify for programme assistance through the field studies, they could just be added to a waiting list and would not immediately start receiving assistance.

**94. The Board recommends that UNRWA balance the social safety net programme budget and the huge demand for assistance, adopt the new programme targeting criteria and conduct mandatory re-studies of all programme cases to free up more slots and reduce the waiting lists within the current programme budget ceilings.**

95. UNRWA agreed with the recommendation.

*Payments to social safety net programme refugees whose reapplication is not compliant*

96. Under article 7.4 of the relief services instructions, efficient controls regarding identity verification are required to ensure that transfers are disbursed to the intended beneficiaries.

97. In addition, it is stated in article 6.3(12) of the relief services instructions that, if a re-verification/re-study determined a change that affects the eligibility, Area Relief Social Services Officers will close the case and the beneficiary will be removed from the distribution list. As stated in article 6.3(15) of the relief services instructions, concerning reapplication, applicants assessed as ineligible for assistance may reapply after six months from the date of the rejection.

98. There were 20,551 re-study records in 2023, of which 1,952 records were rejected. The Board noted that UNRWA continued to distribute cash assistance to beneficiaries who had been rejected after re-study, involving 245 distribution records, 114 families and a value of approximately \$25,000.

99. Furthermore, the Board reviewed the 2023 application records of those 114 families and noted that the interval between the date of reapplication and the date of rejection was less than six months, or even no reapplication had been submitted. Among the 245 application records, the current status of 20 records was “closed” and the status of the other 225 records was “active”, as follows: (a) 70 records with no new applications in 2023; (b) 17 new applications recorded before the date of rejection; (c) 47 records for which the date of the new application was the same as the date of rejection; and (d) 91 records for which the period between the new application date and the rejection date was less than six months.

100. UNRWA explained that the refugee registration information system does not allow an inactive social safety net programme case to be included in any system-generated distribution list. Such cases might be re-opened on the basis of appeal decisions, and some others on the basis of the regular eligibility for re-application (within 6 to 12 months of the case being closed).

101. The Board is of the view that application verification and re-study are crucial to determine eligible beneficiaries. Inadequate cross-checking between the social safety net programme distribution list, application list and re-study list may lead to a risk that ineligible beneficiaries receive social safety net programme assistance.

**102. The Board recommends that UNRWA strengthen cross-checking among the social safety net programme distribution list, application list and re-study list to ensure that the six-month interval for reapplication is complied with and the beneficiaries meet eligibility requirements.**

103. UNRWA agreed with the recommendation.

*Duplicate payments of cash assistance caused by control deficiencies in the refugee registration information system*

104. Article 6.2(11) of the relief services instructions, concerning eligibility determination, requires that the refugee registration information system social safety net programme/emergency programme module cross-check information about the applicant against targeting criteria and determine if the applicant is eligible or whether an existing beneficiary remains eligible under the social transfer programme.

105. Article 7.4 of the relief services instructions, concerning mechanisms of internal control and risk management, requires appropriate internal control, fraud prevention and anti-corruption policy and mechanisms, including clearly documented segregation of duties across different roles and departments, and real-time response to any technical problem encountered; and efficient controls regarding identity verification to ensure that transfers are disbursed to the intended beneficiaries.

106. The Board reviewed social safety net programme distribution lists relating to four field offices and noted that five members of the same West Bank family were registered under two special hardship case numbers. Those five family members all received duplicate cash payments under each special hardship case number in each cycle by the end of November 2023, with a total duplicate social safety net programme payment of 1,250 new Israeli shekels, equivalent to \$312.50.

107. Upon further investigation conducted with the assistance of the Relief and Social Services Department, the Board noted that the family, which has a total of 10 active registered members, had been exploiting the social safety net programme mechanism since 2016. Over a period of seven years, they had received social safety net programme payments in 30 distribution cycles; in 16 cycles, all 10 family members had received duplicate cash payments; in 10 cycles, 5 members had received duplicate payments; in 3 cycles, 9 members had received duplicate payments; in the remaining cycle, 6 members had received duplicate payments. As at November 2023, a total of 17,875 new Israeli shekels (equivalent to \$4,468.75) had been erroneously paid to this household as duplicate social safety net programme cash payments.

108. UNRWA explained that on 12 October 2023, a staff member of the Department of Relief and Social Services had submitted a service request to the service desk of the Department of Information Management and Technology. The request was to establish an alert mechanism in the refugee registration information system that would prevent an individual from being associated with two active social safety net programme special hardship case numbers, as in the case of the above-mentioned family.

109. The Board is of the view that fair distribution, transparency and effectiveness in the social safety net programme are vital for UNRWA to fulfil its mission. Relief services should be targeted only at eligible refugees and the efficiency and effectiveness of internal control, fraud prevention and anti-corruption policies and mechanisms should be improved.

110. **The Board recommends that UNRWA take measures to conduct in-depth self-checks of cash assistance payments and strengthen the control procedures embedded in the refugee registration information system.**

111. UNRWA agreed with the recommendation.

## 8. Health programme management

### *Stock shortage of tracer medicines*

112. To ensure improved access to quality health services for Palestine refugees, paragraph 147 of the UNRWA Strategic Plan for the period 2023–2028 provides that: “Essential medicines will be maintained in all UNRWA health centres”. Article 2.4.1.a of annex I to the Strategic Plan prescribes that the Agency-wide target percentage for health centres with no stock out of 12 tracer medicines is 100 per cent. These 12 tracer items are essential medications that should be made available at all times and without interruption in all health facilities.

113. The Board reviewed the inventory records of 12 tracer medicines in the e-Health system and noted that 10 of the 52 health centres in the Jordan field office and the Lebanon field office had experienced stock shortages in 2022 and 2023, mainly of Amoxicillin 250 mg/5 ml (oral suspension), Glibenclamide 5 mg scored tablet/Gliclazide 80 mg scored tablet, Bisoprolol 5 mg tab and Carbamazepine 200 mg tab. Those items had been out of stock for an average of 73 days, with the longest shortage being 601 days in the health centre in Adlun, Lebanon.

114. Upon reviewing the data, UNRWA confirmed its accuracy in accordance with the e-Health system. Amoxicillin 250 mg/5 ml (oral suspension) can be substituted with Amoxicillin + Clavulanic acid; if these two drugs are not simultaneously out of stock, tracer items cannot be considered out of stock. Stockout situations for both original and alternative items occurred only if they lasted for more than 10 consecutive working days; some small clinics have limited opening days.

115. For Carbamazepine, which had been out of stock for the most days, UNRWA explained that, as no patients in Adlun were currently prescribed Carbamazepine, the health centre did not request the medication to avoid the issue of expired inventory. UNRWA also recommended that the Lebanon field office ensure the presence of a minimum stock of all tracer items even when no clients were currently using the item on a chronic basis.

116. The Board is of the view that the UNRWA Strategic Plan for the period 2023–2028, its attachments and any official written documents do not mention alternative medicines or the requirement to set up a buffer period of 10 consecutive working days for stockouts of 12 tracer medicines. Moreover, a shortage of tracer medicines could still have a negative impact on the quality of health services, regardless of the length of time that they are out of stock.

117. **The Board recommends that UNRWA re-evaluate the list of tracer items for both original and alternative and the methodology for calculating stock shortages across all fields, and enhance coordination with procurement or logistics teams to optimize the effectiveness and efficiency of the supply of medicines to the health centres.**

118. UNRWA agreed with the recommendation.

## 9. Information and communications technology management

### *Slow progress in achieving some of the objectives of the Digital Transformation Strategy (2022–2026)*

119. It is stated in the UNRWA Digital Transformation Strategy (2022–2026) that the UNRWA Digital Transformation Strategy will be implemented using one core and four supporting strategic pillars. These strategic pillars encapsulate the key priorities that will be implemented by UNRWA in the five-year period ending in 2026. They will guide the implementation of various digital initiatives across UNRWA departments and fields. These five strategic pillars are Digital Services for Palestine Refugees (core), Operational Excellence, Digital Partnerships and Advocacy, Risk Management and Championing and Managing Change.

120. The Board reviewed the implementation and achievement of the 18 objectives that make up the five pillars of the Digital Transformation Strategy and noted that there had been slow progress in implementing 12 of the 18 objectives. For instance, under pillar 3, digital partnerships and advocacy, slow progress was being made towards all five objectives, such as objective 3.5 in relation to digital/individual fundraising, for which the initial investment of \$5 million was not achieved in 2023.

121. UNRWA explained that, while the Digital Transformation Strategy had been developed with 18 key objectives, there was no funding for any of the objectives. Without funding, implementation of the objectives had been ad hoc, and primarily based on donor interest and the objectives that were aligned with those interests. In view of the financial situation of UNRWA, it was difficult to allocate specific funding to the Strategy's objectives. It is important to note that some objectives are no longer applicable based on changes made in the past two years.

122. The Board is of the view that the Digital Transformation Strategy outlines the new purposeful direction of the Agency. The Strategy will guide all future digital direction of the Agency and will provide a foundation for funding prioritization and guidelines for programmatic decisions with relevance to digitalization. The overall UNRWA modernization process will be greatly affected if the Strategy's objectives are not achieved.

**123. The Board recommends that UNRWA conduct a review of the Digital Transformation Strategy and update and improve the relevant objectives of each pillar for more effective implementation.**

124. UNRWA agreed with the recommendation.

## 10. Microfinance Department

### *High percentage of loan portfolio at risk*

125. Portfolio at risk is a metric that is commonly used in microfinance to indicate the percentage of a financial institution's loan portfolio that is at risk of delinquency or default. The Microfinance Department calculates portfolio at risk as the ratio of the outstanding balance of loans that are behind on payments by more than 30 days to the total outstanding balance of the loan portfolio. An increasing portfolio at risk signals escalating credit risk exposure. The Microfinance Department established a target portfolio at risk of 3 per cent in 2023 for both the department overall and for each individual field office.

126. The Board noted that the Microfinance Department's overall portfolio at risk was 22.34 per cent, which far exceeded the annual target of 3 per cent. The overall portfolio at risk has been behind plan and has continued to increase for at least three consecutive years. The actual portfolio at risk for 2021 and 2022 was 5.99 per cent and 6.85 per cent, respectively.

127. The Board also noted that portfolio at risk has shown cross-sectional variations across field offices. The Jordan field office and the West Bank field office have consistently reported higher portfolio at risk compared with the field office in the Syrian Arab Republic from 2021 to 2023. In 2023, the reported portfolio at risk for the Jordan field office and the West Bank field office was 13.12 per cent and 37.86 per cent, respectively, whereas the field office in the Syrian Arab Republic reported a 0.07 per cent portfolio at risk. The portfolio at risk of the Jordan field office and West Bank field office also exhibited upward trends from 2021 to 2023. Details are shown in table II.5.

Table II.5

**Microfinance Department annual portfolio at risk**

	2023	2022	2021	Annual target
Microfinance Department overall	22.34%	6.85%	5.99%	3%
Jordan field office	13.12%	9.69%	8.28%	3%
West Bank field office	37.86%	5.65%	5.93%	3%
Field office in the Syrian Arab Republic	0.07%	0.41%	0.64%	3%
Gaza field office	6.94% <sup>a</sup>	5.31%	1.68%	3%

Source: 2022 financial statements of the Microfinance Department and 2023 annual operation results review.

<sup>a</sup> The 6.94 per cent portfolio at risk for the Gaza field office is calculated on the basis on the data for the first three quarters of 2023. Fourth quarter data are missing owing to the Gaza conflict.

128. UNRWA stated the causes of high portfolio at risk to be as follows:

(a) The West Bank field office has been continuously operating in a volatile environment with unstable political factors and a fluctuating regional economy, and emphasized the negative effects on the portfolio at risk of consecutive crises, such as the Gaza conflict, the work dispute in 2023 and the pandemic in 2020. It was noted that measures with a focus on responsible lending practices had been implemented, including loan deferment and rescheduling options, halting lending for the most affected sectors, and intensifying follow-up procedures with clients;

(b) The Jordan field office outlined external and internal factors that contributed to the high portfolio at risk. One of the external factors was that the inability to join the Jordan Credit Bureau due to UNRWA legal constraints heightened credit risks, as the most recent data on client obligations to other financial institutions was unavailable. Another external factor was that the worsening economic conditions following the Gaza conflict led to increased unemployment, reduced purchasing power and higher inflation rates. Lastly, changes in the legal environment, particularly the decision not to imprison financial defaulters for debts of less than 5,000 Jordanian dinars, affected clients' repayment behaviour. The Jordan field office also noted that the internal performance issues at the Irbid and Zarqa branches contributed to the field office's high portfolio at risk.

129. UNRWA acknowledged the importance of lowering the portfolio at risk and is applying the best practice measures as well as efficient follow-up procedures with late clients to ensure that the portfolio at risk is at or below an acceptable standard level. The Agency further emphasized the negative impacts of an unstable political and economic environment on portfolio at risk and the time needed to reach an acceptable standard portfolio at risk. The Agency also acknowledged the need to solve

the legal issue and to finalize the participation of the Microfinance Department in the Jordan Credit Bureau.

130. The Board is of the view that the persistently high portfolio at risk, as well as the significant increase in portfolio at risk in 2023 attributable mainly to the Gaza conflict, would pose great risks for the Microfinance Department that could negatively impact its normal operation, undermine its long-term sustainability and weaken its ability to achieve strategic goals.

**131. The Board recommends that UNRWA take further actions to gradually decrease portfolio at risk for the Microfinance Department in the West Bank field office by assessing the potential risks of the operating environment on a regular basis and developing contingency plans to mitigate adverse effects of unexpected events on loan portfolio risks.**

**132. The Board also recommends that UNRWA collaborate closely with stakeholders to solve the legal issue with the Jordan Credit Bureau, and take further measures to mitigate credit risks for the Microfinance Department in the Jordan field office, such as more prudent lending practices, and timely remedial actions in cases of late loan repayments.**

133. UNRWA agreed with the recommendations.

*Prolonged loan approval process*

134. The operational manual of the field office in the Syrian Arab Republic requires that loan applications approved by the loan officer must be submitted to and approved by the area loan supervisor within seven days of approval by the loan officer, and loan applications approved by the area loan supervisor must be submitted to and approved by the branch manager within five days of approval by the area loan supervisor.

135. The Board reviewed a total of 6,104 loans issued by the field office in the Syrian Arab Republic in 2023, and noted systematic delays in the loan approval process, as follows:

(a) There were 1,394 loans with a gap of more than seven days between loan officer approval and area loan supervisor approval. Of these 1,394 loans, 272 loans had a gap of more than 14 days, while 59 loans had a gap of more than 21 days. The maximum gap between loan officer approval and area loan supervisor approval was 50 days;

(b) There were 72 loans with a gap of more than five days between area loan supervisor approval and branch manager approval. Of these 72 loans, 29 loans had a gap of more than 7 days and 5 loans had a gap of more than 14 days. The maximum gap between area loan supervisor approval and branch manager approval was 18 days.

136. UNRWA explained that some of the delays in loan approval were attributable to obtaining further documentation or verifying clients' reputations. The Agency did not consider that it significantly reduced the efficiency of loan disbursement.

137. The Board is of the view that strict adherence to the Microfinance Department operational manual is important, as a prolonged loan approval process would decrease the efficiency of the provision of inclusive financial services to Palestine refugees and other disadvantaged groups and adversely affect the achievement of the Microfinance Department's strategic goals.

**138. The Board recommends that UNRWA work towards strengthening compliance with the Microfinance Department operational manual and expedite the loan approval process.**

139. UNRWA agreed with the recommendation.

*Inadequate control of data entry of collateral information and guarantors for loans disbursed*

140. It is stated in the operational manual of the Jordan field office that: (a) for microenterprise credit loans and consumer loan product loans in amounts of less than or equal to 1,500 Jordanian dinars, a guarantor is required if there is no personal cheque pledged as collateral; (b) for microenterprise credit and consumer loan product loans in amounts of more than 1,500 Jordanian dinars, a personal cheque must be pledged as collateral.

141. Pursuant to the 2021 version of the operational manual for the field office in the Syrian Arab Republic, a guarantor is mandatory for loans exceeding 600,000 Syrian pounds. With the implementation of the updated manual on 1 September 2023, this threshold has been raised to 3,000,000 Syrian pounds.

142. The Board reviewed a total of 6,005 microenterprise credit and consumer loan product loans issued by the Jordan field office in 2023 and noted the following: (a) for microenterprise credit and consumer loan product loans in an amount of no more than 1,500 Jordanian dinars, 82 loans were issued without a guarantor and have no personal cheques listed as collateral in the loan information management system; (b) for microenterprise credit and consumer loan product loans exceeding 1,500 Jordanian dinars, 32 loans had no personal cheques listed as collateral in the loan information management system.

143. Upon further review, it was noted that the absence of collateral information in the system for those 114 loans was due to a data entry oversight, rather than an actual lack of cheque collateral.

144. In addition, the Board reviewed all loans issued by the field office in the Syrian Arab Republic in 2023 and noted that eight loans were granted without the required guarantor, which was not in line with the operational manual.

145. UNRWA explained that it had conducted a review of the loan profiles for the 114 loans issued by the Jordan field office for which cheque collateral information was not recorded in the system. Those loans were indeed secured against personal cheques; however, owing to an oversight by an employee, the collateral information was not entered into the loan information management system.

146. UNRWA acknowledged that eight loans issued by Syrian Arab Republic field office were disbursed without the mandatory guarantors. Upon reviewing the repayment of these loans, it was found that all clients were current on their repayments. Therefore, UNRWA concluded that the absence of compulsory guarantors did not pose credit risks.

147. The Board is of the view that non-standard data entry operations could undermine the integrity of the information in the loan information management system, which, in turn, could lead to inaccuracies in credit risk assessments and have an impact on the process of loan recovery. In addition, strict adherence to the Microfinance Department operational manual is important, as practices deviating from the manual would weaken risk controls over loan approval and lower the overall quality of loan portfolios. From a forward-looking perspective, loans without mandatory guarantors would increase the future credit risk of loan portfolios even if current loan repayments are on track.

**148. The Board recommends that UNRWA enhance control over the entry of collateral information in the loan information management system and the utilization of guarantors for disbursed loans to comply with the Microfinance Department operational manuals.**

149. UNRWA agreed with the recommendation.

### **C. Transmission of information by management**

150. UNRWA made the following disclosures relating to write-offs, ex gratia payments and cases of fraud and presumptive fraud, which, in the view of the Board, are not significant.

#### **1. Write-off of cash, receivables and property**

151. UNRWA informed the Board that, in accordance with financial regulation 11.5, the following losses and write-offs amounting to \$4.21 million had been recognized during the year: outstanding loans receivable of \$1.21 million; accounts receivable losses of \$1.84 million; inventory losses of \$0.71 million, identified through inventory valuation; property losses of \$0.45 million; and cash losses of \$211.86 (see annex II).

#### **2. Ex gratia payments**

152. As required in financial regulation 11.5, UNRWA reported ex gratia payments amounting to \$12.70 million for 2023. The payments were mainly for all staff members in Gaza in partial compensation for the significant increase in prices for the limited goods available following the outbreak of the conflict in Gaza.

#### **3. Cases of fraud and presumptive fraud**

153. In accordance with the International Standards on Auditing (ISA 240), the Board plans its audits of the financial statements so that it has a reasonable expectation of identifying material misstatements and irregularity, including those resulting from fraud. The Board's audit, however, should not be relied upon to identify all misstatements or irregularities. The primary responsibility for preventing and detecting fraud rests with management.

154. During the audit, the Board made enquiries of management regarding its responsibility for oversight in the assessment of risks of material fraud and the processes in place for identifying and responding to risks of fraud, including any specific risks that management has identified or that have been brought to its attention.

155. The Board also enquired as to whether management had knowledge of any actual, suspected or alleged fraud, including enquiries to the Department of Internal Oversight Services.

156. During the year under review, the Board did not identify any cases of fraud, other than those cases of fraud and presumptive fraud that have been reported by UNRWA and disclosed in the present report. In accordance with article VII of the Financial Regulations and Rules of the United Nations and the related annex, UNRWA reported 31 cases of fraud and presumptive fraud in 2023 to the Board. Of those cases, investigations of 7 cases (23 per cent) were completed during the year, with quantified losses of \$3,479. The remaining 24 cases (77 per cent) were still under investigation. As at 31 December 2023, the cumulative number of cases under investigation for previous years were as follows: 1 relates to 2019, 1 relates to 2020, 6 relate to 2021 and 20 were reported in 2022. The Board encourages the Department of Internal Oversight Services to continue to increase the rate of investigation of the pending cases. A summary of the cases completed in 2023 is contained in annex III to the present report.

## D. Acknowledgement

157. The Board wishes to express its appreciation for the cooperation and assistance extended to its staff by the Commissioner-General and the members of his staff, as well as the staff at the Amman headquarters, the Gaza headquarters, the Jordan field office, the Gaza field office, the Lebanon field office, the West Bank field office and the field office in the Syrian Arab Republic.

*(Signed)* **Hou Kai**

Auditor General of the People's Republic of China  
Chair of the Board of Auditors  
(Lead Auditor)

*(Signed)* **Dorothy Pérez Gutiérrez**

Acting Comptroller General of the Republic of Chile

*(Signed)* **Pierre Moscovici**

First President of the Court of Accounts of France

24 July 2024

## Annex I

## Status of implementation of recommendations up to the financial year ended 31 December 2022

No.	Audit report year	Report reference	Board's recommendation	Management response	Board's assessment	Status after verification		
						Implemented	Under implementation	Not implemented
								Overtaken by events
1.	2016	<a href="#">A/72/5/Add.4</a> , chap. II, para. 31	UNRWA agreed with the Board's recommendation to (a) expedite allocation of a physical identification number for each asset in the fixed asset register maintained in the REACH system for easy traceability and monitoring of the assets; (b) develop a unique physical identifier to link the REACH system with other systems used to record fixed assets; and (c) expedite reconciliation of the number of vehicles in the REACH system and the fleet management system records.	Acknowledging that part (c) of the recommendation was already implemented in 2017, the barcode system was deployed successfully in West Bank during the fourth quarter of 2023: the data were uploaded to the system in December 2023 and relevant training sessions were conducted at the end of January 2024. Though there have been delays in relation to what was initially planned in the tagging procedures by the Field Inspectors owing to the ongoing crisis in the West Bank, UNRWA has made the effort to implement these recommendations and therefore requests the Board to review and close the recommendation.	On the basis of the information provided by UNRWA, the Board reviewed the barcode system and noted that the system was deployed successfully and tested in the West Bank. This recommendation is therefore considered implemented.	X		
2.	2017	<a href="#">A/73/5/Add.4</a> , chap. II, para. 138	UNRWA agreed with the Board's recommendations that it: (a) closely follow up with the guarantors of loan defaulters to recover the long-outstanding loan and liaise with the legal office for legal advice, including enforcement of legal action against the guarantors; (b) perform eligibility analysis prior to granting the loan and avoid granting loans to clients whose guarantors refuse to provide monthly income evidence, with a view to reducing the recoverability risks in case of	The microcredit community support programme suspended the issuance of new loans in February 2020 owing to the worsening economic situation in Lebanon. Since the situation has not improved over time and may not get better soon, a decision has been taken by UNRWA to close the programme because the Agency does not think it is realistic or in line with its mandate for the Palestine refugee community in	The Board reviewed the information provided by UNRWA and noted that repayments and write-offs of these loans have been considered and listed in the mitigation measures of the memo from the Deputy Commissioner-General approving the closure of the microcredit community support programme in the Lebanon field office. This recommendation is therefore considered implemented.	X		

No.	year	Audit report Report reference	Board's recommendation	Management response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
3.	2017	<a href="#">A/73/5/Add.4</a> , chap. II, para. 142	default by clients; and (c) amend the microcredit community support programme guideline of 2012 to reflect the change in the late fee, from 5 per cent to 2 per cent.  UNRWA-Lebanon field office agreed with the Board's recommendation that it ensure that all important reports mentioned in the contract are configured in the loan management information system for better management of the microcredit community support programme loan portfolio.	Lebanon to repay issued loans at the high prevailing exchange rates. Repayments and write-offs of these loans have been duly considered for the closure.  The microcredit community support programme suspended the issuance of new loans in February 2020 owing to the worsening economic situation in Lebanon. Since the situation has not improved over time and may not get better soon, a decision has been taken by UNRWA to close the program because the Agency does not think it is realistic or in line with its mandate for the Palestine refugee community in Lebanon to repay issued loans at the high prevailing exchange rates. Repayments and write-offs of these loans have been duly considered for the closure.	The Board reviewed the information provided by UNRWA. Since the microcredit support programme at the Lebanon field office was closed in July 2023, the reports mentioned will no longer be applicable under the current circumstances. Therefore, this recommendation is considered as overtaken by events.				X
4.	2019	<a href="#">A/75/5/Add.4</a> , chap. II, para. 186	The Board recommends that UNRWA evaluate all individual roles assigned to users in the REACH system and eliminate single roles from the users or document the cases in which single roles will be approved.	Further review and analysis of the corrected assigned roles has led to the identification of some additional single roles, which were not assigned to a specific functional area. The newly identified areas are currently under review and corrective actions have been taken.	On the basis of the information provided by UNRWA and the review performed by the Board, all single roles were evaluated and those five identified single roles were removed. Therefore, this recommendation is considered implemented.	X			

No.	Audit report year	Report reference	Board's recommendation	Management response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
5.	2019	<a href="#">A/75/5/Add.4</a> , chap. II, para. 201	The Board recommends that UNRWA update the policy on the filing method and the disposal of archives, establishing a method and schedule of disposal, in order to manage and protect information, especially confidential information, in accordance with current standards.	Based on further assessment, the Department of Information Management and Technology notes that it lacks the requisite resources to undertake the implementation of this significant project. The Director of the Department has been discussing possible funding solutions with the Executive Office.	Given that UNRWA is seeking possible funding solutions to implement the project, this recommendation is considered under implementation.		X		
6.	2019	<a href="#">A/75/5/Add.4</a> , chap. II, para. 202	The Board recommends that UNRWA unify the regulations applicable to headquarters and the different field offices.	Based on further assessment, the Department of Information Management and Technology notes that it lacks the requisite resources to undertake the implementation of this significant project. The Director of the Department has been discussing possible funding solutions with the Executive Office.	Given that UNRWA is seeking possible funding solutions to implement the project, this recommendation is considered under implementation.		X		
7.	2020	<a href="#">A/76/5/Add.4</a> , chap. II, para. 47	The Board recommends that UNRWA resume the drafting of the emergency response handbook and expedite its deployment.	The development of the emergency response handbook continues to be on hold owing to capacity deficits in the Department of Planning. This gap was partially addressed through the onboarding in December 2023 of a Senior Emergency Officer (filling a post in the Department of Planning that had been vacant since July 2023). To complete the emergency response handbook, the Department of Planning has developed a project proposal focused on emergency preparedness, for inclusion on the 2024 UNRWA priority projects list.	The Board noted that the development of the emergency response handbook is still on hold and will be implemented continuously in 2024. Therefore, this recommendation is considered under implementation.		X		

No.	Audit report year	Report reference	Board's recommendation	Management response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
8.	2020	<a href="#">A/76/5/Add.4</a> , chap. II, para. 200	The Board recommends that the Lebanon field office hold appeals committee meetings regularly in accordance with the relevant regulations and rules.	With reference to article 7.2.1 of the revised relief services instructions issued in March 2023, the composition of an appeal committee for the social safety net programme for the Lebanon field office is not yet relevant because there is no recent targeting, determination of eligibility or selection of new beneficiaries that would necessitate the formation of an appeals committee pending the determination and implementation of a new targeting approach. UNRWA kindly requests the Board to review and close this recommendation as it is not relevant to the Lebanon field office.	The Board reviewed the collective follow-up by UNRWA and noted that, on the basis of the current operations of the Lebanon field office, there was no recent targeting, determination of eligibility or selection of new beneficiaries. Therefore, this recommendation is considered implemented.	X			
9.	2020	<a href="#">A/76/5/Add.4</a> , chap. II, para. 206	The Board recommends that UNRWA review the microcredit community support programme administrative fee on a regular basis to ensure full compliance with the programme guidelines.	The microcredit community support programme suspended the issuance of new loans in February of 2020 owing to the worsening economic situation in Lebanon. Since the situation has not improved over time and may not get better soon, a decision has been taken by UNRWA to close the programme because the Agency does not think it is realistic or in line with its mandate for the Palestine refugee community in Lebanon to repay issued loans at the high prevailing exchange rates. Repayments and write-off of these loans have been duly considered for closure.	The Board reviewed the information provided by UNRWA. Since the microcredit community support programme at the Lebanon field office was closed in July 2023, the review of the microcredit community support programme administrative fee will no longer be applicable under the current circumstances. Therefore, this recommendation is considered overtaken by events.				X
10.	2021	<a href="#">A/77/5/Add.4</a> , chap. II, para. 74	The Board also recommends that UNRWA integrate the inventory	The Department of Health noted that integration of the	Based on UNRWA concern that vaccine inventory records	X			

No.	year	Report reference	Board's recommendation	Management response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
			of vaccines and other medicines into the e-Health system for unified management and post hospital medicine use records in the REACH system in a timely and accurate manner in order to facilitate closer and more efficient tracking of actual medicine consumption.	<p>vaccine inventory in the e-Health system will require a new electronic medical records system because integrating this function in the current e-Health system would negatively affect its performance functionality. UNRWA is in the process of tendering for the new electronic medical records system during the first half of 2023, with a time frame of 18 months to finalize the roll-out.</p> <p>The Department of Health has ensured that all other medicine inventory transactions are integrated in the e-Health system and is working closely with the fields to ensure that average monthly consumption of non-integrated medicines (Qalqilya hospital and vaccines) is posted in the REACH system in a timely and accurate manner to avoid any data entry inaccuracies and ensure that appropriate expiry dates are shown against each batch. In addition, the Department of Health is monitoring the vaccination inventory records closely and can confirm that there has been no expiry of vaccines or wastage of insulin since the prior report.</p>	were not integrated into the e-Health system, the tendering process for the electronic medical records system has been initiated, and there has been no expiry of vaccines or wastage of insulin since the prior report. The Board spot-checked the consumption data on vaccines and other drugs in some field offices in 2023 in the REACH system and did not find that any vaccines were consumed after expiration. This recommendation is considered implemented.				
11.	2021	<a href="#">A/77/5/Add.4</a> , chap. II, para. 94	The Board recommends that UNRWA make efforts to	UNRWA made significant efforts in communicating	The Board reviewed the Gaza field office FOOD note for the	X			

No.	year	Report reference	Board's recommendation	Management response	Board's assessment	Status after verification		
						Implemented	Under implementation	Not implemented
			communicate with the relevant authority to obtain updated information on employment status and set up specific employment exclusion criteria in food assistance.	with the Palestinian Authority about the new way forward and the need to receive data on the Palestinian Authority employed to enable UNRWA to reach those most in need. The updated employment exclusion criteria in food assistance include persons (and their families) in employment with United Nations organizations (including UNRWA) and Palestinian Authority employees with wages and salaries below the minimum wage, as identified by the Palestinian Authority for the Occupied Palestinian Territory. This is based on the principle of excluding those with a stable income, which in the context of Gaza is identified as "employment" with the Palestinian Authority and with United Nations organizations. UNRWA has therefore discontinued the registration of such persons for food assistance for as long as the criterion applies and the information on employment is made available. UNRWA will continue the discussion with the Palestinian Authority on exchanging data in line with the Agency's data protection policy and with proper	record Eligibility Food Distribution Note provided by UNRWA, which includes de-commissioning of the Poverty Assessment System and a universal approach for eligible refugees physically present in Gaza subject to an income/employment exclusion, which is still being developed further. The note for the record also includes the following clarification: "Reopening of new applications will require processes to verify employment status and the necessary information management systems being in place". This recommendation is considered implemented.			

No.	year	Audit report Report reference	Board's recommendation	Management response	Board's assessment	Status after verification		
						Implemented	Under implementation	Not implemented Overtaken by events
12.	2021	<a href="#">A/77/5/Add.4</a> , chap. II, para. 108	The Board recommends that UNRWA keep close contact with the United Nations agency on outstanding contribution receivables and settle the issue as soon as possible.	reverification, to ensure assistance is provided to those most in need and according to the evolving context in Gaza.  The collective follow-up between UNRWA and the sister organization, the World Health Organization (WHO) revealed that the outstanding balances could not be traced to the statement of account between WHO and UNRWA, since the balances pre-date the current enterprise resource planning financial system in both organizations and thus cannot be verified. UNRWA has already made provisions for uncollectable debt for these balances and has therefore proceeded to write them off and recorded and processed the accounting entries as these balances do not have any cash impact on the Agency. UNRWA therefore considers this recommendation to be implemented and requests the Board to review and close this recommendation.	The Board reviewed the collective follow-up and accounting entries posted and noted that UNRWA has already made provisions for uncollectable debt for these balances and has proceeded to write them off. Therefore, this recommendation is considered implemented.	X		

No.	Audit report year	Report reference	Board's recommendation	Management response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
13.	2021	<a href="#">A/77/5/Add.4</a> , chap. II, para. 114	The Board recommends that UNRWA check the data in the information system and correct any inaccuracies in a timely manner to ensure an accurate data basis for management.	The Human Resources Department notes that, owing to the current crisis and limited resources/ prioritization from the systems side, there will be a delay in the implementation of this recommendation and the target implementation date has now been revised to the fourth quarter of 2024.	Given that the target implementation date has now been postponed to the fourth quarter of 2024, this recommendation is considered under implementation.		X		
14.	2021	<a href="#">A/77/5/Add.4</a> , chap. II, para. 130	The Board also recommends that UNRWA evaluate the annual operational planning cycle and update organizational directive No. 21 on the basis of the evaluation.	As part of a broader review, the annual operational planning cycle that forms a part of organizational directive No. 21 has been updated. The humanitarian crisis in Gaza has delayed the issuance of this organisational directive to the fourth quarter of 2024.	Although the annual operational planning cycle has been updated, the revision of organizational directive No. 21 will be delayed to the fourth quarter of 2024. Therefore, this recommendation is considered under implementation.		X		
15.	2021	<a href="#">A/77/5/Add.4</a> , chap. II, para. 164	The Board recommends that UNRWA design and conduct business continuity awareness training for all staff members of the Department of Information Management and Technology.	UNRWA performed a disaster recovery awareness exercise on 13 May 2023. The objective of the exercise was to inform and engage staff in the Department of Information Management and Technology on the recovery of key UNRWA information and data from closed or standby servers for the purpose of business continuity in the event of a disaster. The exercise was backed by a detailed plan that outlined the various actions to be undertaken by respective staff in the Department and stakeholders for the recovery of UNRWA information and data for business continuity.	On the basis of the information provided by UNRWA, the Board noted that a new business continuity plan was issued that includes a primary disaster recovery plan. A disaster recovery exercises awareness was executed on 13 May 2023. Therefore, this recommendation is considered implemented	X			

No.	year	Audit report Report reference	Board's recommendation	Management response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
16.	2021	<a href="#">A/77/5/Add.4</a> , chap. II, para. 171	The Board recommends that UNRWA ensure that its Gaza field office accelerate the progress of school construction, put the newly constructed schools into use as soon as possible and use flexible methods in setting class sizes to decrease the proportion of classes with more than 40 students.	As at September 2023, two of the four schools have been completed and handed over for use. Significant progress was made on the remaining two schools, with a completion rate of 87 per cent for the Tal Rumaida school and 47 per cent for the Al-Salam school, and expected completion/handover dates of December 2023 and February 2024, respectively. However, UNRWA notes that this recommendation cannot be implemented as a result of the current crisis in Gaza, which is completely beyond the control of the Agency. UNRWA kindly requests the Board to close the recommendation relating to the schools in Gaza as it has been overtaken by events.	On the basis of the information provided by UNRWA, the Board noted that, before the conflict in Gaza, most of the schools had been completed. In consideration of the current situation in Gaza, this recommendation is considered overtaken by events.				X
17.	2021	<a href="#">A/77/5/Add.4</a> , chap. II, para. 205	The Board recommends that UNRWA strengthen compliance with the operational manuals and enhance controls over mandatory guarantors to ensure that only eligible clients can apply for loans.	UNRWA has incorporated into its microfinance operational manuals in each field office the requirement for mandatory guarantors in every loan application and has ensured adherence to the operational manuals in each field. UNRWA has not observed any non-compliance during the year.  This was also reviewed and confirmed by the external auditor (Deloitte) in the 2022 audit management letter as evidence of compliance with the operational manuals and enhanced controls over mandatory guarantors.	The Board reviewed the West Bank operational manual and Deloitte's final letter to Management. The West Bank field office has incorporated requirements about guarantors into its operational manual, and controls over mandatory guarantors are reviewed by Deloitte and the results listed in Deloitte's letter to management. This recommendation is considered implemented.	X			

No.	year	Audit report Report reference	Board's recommendation	Management response	Board's assessment	Status after verification		
						Implemented	Under implementation	Not implemented Overtaken by events
18.	2021	<a href="#">A/77/5/Add.4</a> , chap. II, para. 218	The Board recommends that UNRWA automate and integrate the expected credit loss calculator in the loan management information system so as to avoid manual misstatement and improve efficiency.	The Microfinance Department has integrated the expected credit loss calculator in the loan management information system and it has gone live as it has been tested. UNRWA kindly requests the Board to review the integration during the field work and to close this recommendation as it has been implemented.	The Board reviewed the information provided by the Microfinance Department and noted that the expected credit loss calculator has been integrated into the loan management information system. This recommendation is considered as implemented.	X		
19.	2022	<a href="#">A/78/5/Add.4</a> , chap. II, para. 26	The Board recommends that UNRWA fully clarify the respective roles and interrelationship of the Advisory Committee on Resource Allocation and the Executive Advisory Group in order to further improve the procedures for reviewing budget allocation.	UNRWA has reviewed its budget development procedures through its Executive Advisory Group and has concluded that the Advisory Committee on Resource Allocation is to remain a key review body during the budget development process and will meet prior to final review by the Executive Advisory Group and the decision of the Commissioner-General. UNRWA has updated organizational directive No. 31 to clarify the respective roles and interrelationship of the Advisory Committee on Resource Allocation and the Executive Advisory Group for reviewing budget allocation. For preparation of the 2024 budget, in compliance with the existing OD31, the Advisory Committee on Resource Allocation reviewed the budget and made recommendations prior to its	The Board reviewed the meeting minutes of the Advisory Committee on Resource Allocation in 2023 and noted that in accordance with the existing organizational directive No. 31, the Advisory Committee on Resource Allocation reviewed the budget reallocation and 2024 budget preparation and made recommendations prior to its submission to the Executive Advisory Group and the Commissioner-General. Therefore, this recommendation is considered implemented.	X		

No.	year	Report reference	Board's recommendation	Management response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
				submission to the Executive Advisory Group and the Commissioner-General. UNRWA therefore consider this recommendation to be implemented and requests the Board to review and close this recommendation.					
20.	2022	<a href="#">A/78/5/Add.4</a> , chap. II, para. 34	The Board recommends that UNRWA report the number of individual service providers in the proposed programme budget in accordance with the definition in the United Nations budget guide.	UNRWA has started reporting the individual service provider requirements using the United Nations definition of extrabudgetary resources. The budget guide issued in September 2023 clearly outlines how budget lines, including individual service providers, will be reported and details a description of the United Nations regular budget funds and the extrabudgetary resources. These are in line with the categorization in the United Nations budget guide and definitions.	The Board reviewed the budget guide issued by UNRWA in September 2023 and noted that the definition of extra budgetary resources has been revised in line with the United Nations budget guide. Therefore, this recommendation is considered implemented.	X			
21.	2022	<a href="#">A/78/5/Add.4</a> , chap. II, para. 40	The Board recommends that UNRWA record inventory transactions in the REACH system in a timely manner to ensure consistency between REACH records and actual amounts and take measures to identify and dispose of expired inventories.	UNRWA has taken the following steps to ensure the timely recording and disposal of inventory transactions for consistency in inventory records: (a) UNRWA issued and implemented a new warehouse and inventory management manual in February 2023, which provides more efficient procedures for the recording, disposal and monitoring of the Agency's inventory, including in-kind inventory donations;	The Board reviewed the document provided by UNRWA. Through the email provided by UNRWA, the Board noted that in-kind donations were recorded with quantities and values in a timely manner, and a work breakdown element and grant number were allocated appropriately. This recommendation is considered implemented.	X			

						Status after verification			
Audit report		Report reference	Board's recommendation	Management response	Board's assessment	Implemented	Under	Not	Overtaken
No.	year						implementation	implemented	by events
<hr/>									
				(b) Management in the respective departments has also approved and implemented an efficient process for recording in-kind inventory donations in the REACH system without delay. This process was implemented in August 2023 and includes: (i) approving consolidated in-kind donation for 2023 estimated supplies in advance; (ii) raising one purchase order for 2023 estimated supplies; (iii) raising multiple goods receipt in REACH once quantities are actually received.					
22.	2022	<a href="#">A/78/5/Add.4</a> , chap. II, para. 46	The Board recommends that UNRWA set a reasonable time frame for the cash distribution process, streamlining administrative procedures, and leverage technology to facilitate payments and ensure that selective cash assistance is distributed in a timely manner.	The Department of Relief and Social Services has liaised with the Department of Information Management and Technology to implement changes to the refugee registration information system in order to include the required functionality for administering selective cash assistance in the refugee registration information system and also to set up a selective cash assistance dashboard or monitoring mechanism to monitor the timely distribution of selective cash assistance. The Jordan field office currently utilizes the manual monitoring tools to ensure proper reporting and adherence to compliance	Considering that UNRWA departments are discussing improving the management of selective cash assistance in the refugee registration information system and the target date for completion will be the fourth quarter of 2024, this recommendation is considered under implementation.		X		

						Status after verification			
Audit report		Report reference	Board's recommendation	Management response	Board's assessment	Implemented	Under	Not	Overtaken
No.	year						implementation	implemented	by events
23.	2022	<a href="#">A/78/5/Add.4</a> , chap. II, para. 51	The Board recommends that UNRWA take measures to update the refugee registration information system and monitor cash distribution in Gaza through the system to ensure the timely and accurate tracking of cash distributions.	procedures. This is expected to be implemented in the fourth quarter of 2024.  The Department of Relief and Social Services will liaise with the Department of Information Management and Technology to implement changes to the refugee registration information system to include the required functionality for administering Gaza cash distributions in the refugee registration information system and also to set up a dashboard or monitoring mechanism to monitor the timely and accurate tracking of cash distributions. The Gaza field office currently leverages manual monitoring tools to ensure proper reporting and adherence to compliance procedures. However, UNRWA notes that implementation of this recommendation will not be feasible based on the current crisis in Gaza, which is outside the control of the Agency. UNRWA kindly requests the Board to close this recommendation as it has been overtaken by events.	The Board reviewed the follow-up measures and noted that, owing due to the ongoing conflict in Gaza, which was outside the control of the Agency, the circumstance for implementation of this recommendation in the Gaza field office has been changed entirely. Therefore, this recommendation is considered overtaken by events.				X

No.	Audit report year	Report reference	Board's recommendation	Management response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
24.	2022	<a href="#">A/78/5/Add.4</a> , chap. II, para. 58	The Board recommends that UNRWA strengthen the loan risk management framework of the microcredit community support programme to minimize the risk of loan loss, review loan loss on the basis of collecting practice, write off loans in compliance with regulations and ensure accurate disclosure in financial statements.	<p>The microcredit community support programme suspended the issuance of new loans in February 2020 owing to the worsening economic situation in Lebanon. Since the situation has not improved over time and may not get better soon, a decision has been taken by UNRWA to close the programme because the Agency does not think it is realistic or in line with its mandate for the Palestine refugee community in Lebanon to repay issued loans at the high prevailing exchange rates. Repayments and write-off of these loans have been duly considered for the closure.</p> <p>The Deputy Commissioner-General approved the memo regarding the detailed justifications on the closure of the programme. Provision for write-off has been made for all the microcredit community support programme loan balances, as reflected in the 2023 financial statement.</p>	The Board reviewed the collective follow-up and accounting entries posted and noted that UNRWA had already closed the microcredit community support programme and provision for write-off had been made for all microcredit community support programme loan balances. Therefore, this recommendation is considered implemented.	X			
25.	2022	<a href="#">A/78/5/Add.4</a> , chap. II, para. 65	The Board recommends that UNRWA take effective measures to gradually reduce reliance on daily paid workers, particularly in education and medical care, and to mitigate personnel instability and associated management risks that may arise from a high ratio of daily paid workers.	UNRWA has made significant progress in reducing the reliance on daily paid workers to an Agency average of 6.8 per cent. UNRWA also notes that the operational context has changed in Gaza and there are almost nil daily paid workers. It is important to note that the guidance from the	The Board noted that, although an Agency average of 6.8 per cent daily paid workers is presented, there are almost nil daily paid workers hired in Gaza as at the end of March 2024 owing to the ongoing conflict in the Gaza Strip, which may not accurately reflect the real needs for daily		X		

No.	Audit report year	Report reference	Board's recommendation	Management response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
				Commissioner-General and this audit recommendation were produced in a completely different operational environment. The funding situation for the Agency is also more challenging owing to the suspension of funding. Statistics relating to the overall reduction in the reliance on daily paid workers to an Agency average of 6.8 per cent have been presented. UNRWA therefore kindly requests the Board to review and close this recommendation, as it has been overtaken by events.	paid workers. The Board needs to collect more information about the funding status of UNRWA in 2024 and its impact on implementation of the recommendation. Therefore, this recommendation is considered under implementation.				
26.	2022	<a href="#">A/78/5/Add.4</a> , chap. II, para. 72	The Board recommends that UNRWA prepare project plans and workplans in accordance with the requirements and templates set out in the project procedures manual.	The revised UNRWA project procedures manual is currently being finalized and is expected to be issued before the end of the second quarter of 2024. The manual will include updated templates and guidance, including in relation to project or workplans that accord with best practice.	Given that the revised project procedures manual will be issued by the second quarter of 2024, this recommendation is considered under implementation.		X		
27.	2022	<a href="#">A/78/5/Add.4</a> , chap. II, para. 78	The Board recommends that UNRWA conduct a review of the project assessment system, including the project assessment report template, and enhance the interaction between the project assessment system and REACH in relation to tracking project implementation and financial status.	The Strategic Project Management Office, in the Department of Planning, has conducted a review of the UNRWA project assessment system, including the project assessment report and REACH capabilities. As a result, the project assessment report template has been enhanced to include up-to-date financial information that is extracted directly from the REACH system.	The Board reviewed the project assessment system and noted that the project assessment report template has been enhanced to include up-to-date financial information that is extracted directly from the REACH system. In addition, the user manual for the UNRWA project assessment system has been revised accordingly. Therefore, this recommendation is considered implemented.	X			

No.	year	Audit report Report reference	Board's recommendation	Management response	Board's assessment	Status after verification		
						Implemented	Under implementation	Not implemented Overtaken by events
28.	2022	<a href="#">A/78/5/Add.4</a> , chap. II, para. 84	The Board recommends that UNRWA review the guidance on ratings for project financial status in the user manual for the project assessment system and ensure alignment of practice.	<p>This will facilitate the monitoring of project implementation, including in relation to financial status. The new project assessment report template became operational in July 2023.</p> <p>The UNRWA project assessment system has been revised and is operational across the Agency's projects portfolio.</p> <p>As part of the above referenced revision, the user manual for the project assessment system and the project assessment report template have been revised and guidance has been developed/issued to internal stakeholders regarding the preparation of status reports, including in relation to project financial status. Here, a new approach has been introduced, in which "users" conduct a self-assessment of a project's operational, including financial, status on a quarterly basis. In this new system, the previously employed "financial status ratings" system has been rendered redundant.</p>	<p>The UNRWA project assessment system user manual for the project assessment system and the project assessment report template have been revised, including the introduction of a new system to replace the previously employed "financial status ratings" system. Therefore, this recommendation is considered implemented.</p>	X		
29.	2022	<a href="#">A/78/5/Add.4</a> , chap. II, para. 91	The Board recommends that UNRWA update the project procedures manual to further improve project closure procedures, including for the issuance of closing memos, and	The revised project procedures manual is currently being finalized and is expected to be issued by end of the second quarter of 2024. The manual will	The Board acknowledges the efforts made by UNRWA to strengthen the monitoring of grant closure, while the revised project procedures manual is currently being		X	

No.	Audit report year	Report reference	Board's recommendation	Management response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
			strengthen the monitoring of progress in grant closure for completed projects.	strengthen grant closure procedures, including the issuance of closing memos. In the meantime, the Strategic Project Management Office is closely monitoring grants closure processes to ensure the timely issuance of closing memos and other procedures necessary to support grant closure for completed projects. Since the issuance of the 2022 recommendation, UNRWA has made substantial progress in enhancing the monitoring and resolution of issues impeding the closure of completed projects. Notable improvements include: (a) developing a dedicated tracking feature within the grants tracker BI dashboard, which clearly displays the status of each grant or project in the process of being closed, thereby enabling more efficient follow-up; (b) reducing the remaining stock balance of closed projects; and (c) addressing the factors that delay the issuance of closing memos. This includes streamlining the process to expedite the production of final reports for donors. It should be noted, however, that the efforts to issue closing memos and finalize the closure of projects and grants have been hindered by the ongoing conflict in Gaza, as the Project Office	finalized and is expected to be issued by the second quarter of 2024. Therefore, this recommendation is considered under implementation.				

No.	Audit report year	Report reference	Board's recommendation	Management response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
30.	2022	<a href="#">A/78/5/Add.4</a> , chap. II, para. 97	The Board recommends that UNRWA take steps to improve the efficiency of its contract management processes to ensure timely closure of purchase orders and minimize the risks associated with prolonged outstanding orders.	<p>responsible for these tasks is based at UNRWA headquarters in Gaza. While business continuity planning, coupled with surge capacity, have ensured service continuity, the closure of projects is expected to be completed by end of the second quarter of 2024.</p> <p>UNRWA has ensured an improvement in the timely closure of purchase orders by sending a bi-weekly follow-up report on open purchase orders, particularly for purchase orders that were open before 2022, to the respective departments for closure. The Agency also provides training and close technical support to all contract managers to follow up and close open purchase orders in a proactive and timely manner in order to avoid future delays in delivery. As a result, the number of open purchase orders has been reduced from 1108 purchase orders in January 2023 to 381 purchase orders on 28 August 2023 and efforts will continue to be made to improve on the closure of overdue open purchase orders.</p>	The Board reviewed the measures of implementation and noted that the number of open purchase orders has been reduced from 1108 purchase orders in January 2023 to 381 purchase orders in August 2023 and further effort has been made to improve on the closure of the overdue open purchase orders by the end of 2023. Therefore, this recommendation is considered implemented.	X			

No.	Audit report year	Report reference	Board's recommendation	Management response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
31.	2022	<a href="#">A/78/5/Add.4</a> , chap. II, para. 102	The Board recommends that UNRWA strengthen the management of its vendor performance evaluation process and the review of its results to ensure the completeness and accuracy of relevant records, and that it execute key control steps with due care to reduce the risk of incomplete and unfair evaluations.	UNRWA has developed a standard operating procedure on vendor performance evaluation for finalization. This aims to strengthen the vendor evaluation process and ensure the timely completion of the vendor performance evaluation with proper signature and endorsement by the relevant officials.	The Board reviewed the standard operating procedure on vendor performance evaluation and noted that the vendor performance evaluation process has been streamlined. This recommendation is considered implemented.	X			
32.	2022	<a href="#">A/78/5/Add.4</a> , chap. II, para. 108	The Board recommends that UNRWA continue to conduct periodic reviews of the pattern and causes of dropping out and make a concerted effort to promote the sharing of good practices and to strengthen the academic engagement of students from a more unified perspective to gradually reduce the dropout rate.	UNRWA, in coordination with the University of Bath, conducted a survey review in 2023 for implementation in the Jordan field office, as the highest dropout rate was registered in Jordan. The survey review aimed to determine the pattern and causes of student dropouts and the effort to promote the sharing of good practices to reduce the dropout rate.	The Board reviewed the survey report by the University of Bath, which studied the enrolment, transfer and dropout trends in UNRWA schools in Jordan. The Board noted that the pattern and causes of student dropouts had been analysed and recommendations for reducing the dropout rate had been provided. Therefore, this recommendation is considered implemented.	X			
33.	2022	<a href="#">A/78/5/Add.4</a> , chap. II, para. 114	The Board recommends that UNRWA further facilitate the implementation of teacher qualifying training programmes, establish relevant reporting mechanisms and monitor the progress of such programmes to better support and encourage teachers' career development so as to enhance the quality of teaching and learning at UNRWA schools.	UNRWA developed a financially costed plan based on affordability, capacity and resources and as a result collected data on the training needs of teachers from four fields (Jordan, Syrian Arab Republic, Lebanon and the West Bank). However, the Agency is unable to undertake and monitor the training programmes owing to funding limitations coupled with the funding suspension. The implementation of this recommendation is contingent on the availability of funds. It is important to note that this	The Board noted that a costed plan was developed to collect data on the training needs of teachers, but UNRWA is unable to undertake and monitor the training programmes owing to funding limitations coupled with the funding suspension. The Board needs to collect more information about the funding status of UNRWA in 2024 and its impact on implementation of the recommendation. Therefore, this recommendation is considered under implementation.		X		

No.	Audit report year	Report reference	Board's recommendation	Management response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
34.	2022	<a href="#">A/78/5/Add.4</a> , chap. II, para. 119	The Board recommends that UNRWA enhance the monitoring and evaluation system of human rights, conflict resolution and tolerance training for newly appointed teachers to ensure the effective implementation of the human rights, conflict resolution and tolerance policy.	audit recommendation was issued in a different operational environment, which has completely changed owing to the funding challenges. UNRWA therefore kindly requests the Board to review and close this recommendation, as it has been overtaken by events.  To enhance the monitoring and evaluation system of human rights, conflict resolution and tolerance training for newly appointed teachers, the Department of Education has introduced a new indicator in the medium-term strategy for the period 2023–2028 for reporting on the number of newly appointed teachers trained in human rights, conflict resolution and tolerance. In addition, the Department of Education has developed an online course on human rights, conflict resolution and tolerance that will be completed and launched in the first quarter of 2024. UNRWA also requests the Board to review the online course on human rights, conflict resolution and tolerance during the field visit in April 2024.	The Board reviewed the information provided by UNRWA and noted that a new indicator was introduced in the medium-term strategy for the period 2023–2028 to enhance the monitoring and evaluation system of human rights, conflict resolution and tolerance training. This recommendation is considered implemented.	X			

No.	year	Report reference	Board's recommendation	Management response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
35.	2022	<a href="#">A/78/5/Add.4</a> , chap. II, para. 125	The Board recommends that UNRWA strictly adhere to the provisions of the policy on promotions of teacher salary group level and ensure that the professional development of teachers is carried out in a fair and transparent environment.	UNRWA undertook a review of the cases identified and developed a costed plan to ensure that the teachers identified in the field office in the Syrian Arab Republic are promoted and the cost secured. UNRWA further notes that no teachers have been identified for enrolment in 2023/2024. UNRWA therefore considers this recommendation implemented and requests the Board to review and close this recommendation.	The Board reviewed the list of teachers and noted that the teachers identified in the field office in the Syrian Arab Republic have been promoted and the cost secured. In addition, there are no teachers identified for enrolment in 2023/2024. Therefore, this recommendation is considered implemented.	X			
<b>Total number of recommendations</b>						<b>35</b>	<b>21</b>	<b>10</b>	<b>0</b>
<b>Percentage of total number of recommendations</b>						<b>100</b>	<b>60</b>	<b>29</b>	<b>0</b>

## Annex II

### Summary of assets written off

(United States dollars)

<i>Category</i>	<i>2023</i>	<i>2022</i>	<i>Increase/(decrease)</i>
Cash	212	2 911	(2 699)
Inventory	714 762	815 045	(100 283)
Property	446 724	293 830	152 894
Outstanding account receivables	1 842 480	698	1 841 782
Outstanding loans receivable	1 206 607	740 173	466 434
<b>Total</b>	<b>4 210 785</b>	<b>1 852 657</b>	<b>2 358 128</b>

Source: UNRWA information.

## Annex III

### Cases of fraud and presumptive fraud reported to the Board for the year 2023

<i>Year/number</i>	<i>Level</i>	<i>Case type</i>	<i>Loss (United States dollars)</i>	<i>Description</i>	<i>Outcome</i>
23/01	Field office	Fraud	Not determined	UNRWA medical officer prescribed irrational and large number of medications for beneficiaries without proper medical examinations.	Investigated: substantiated
23/02	Field office	Fraud	–	Collusive practice implicating UNRWA contractors during the procurement process.	Investigated: substantiated
23/03	Field office	Fraud	–	Collusive practice implicating UNRWA contractors during the procurement process.	Investigated: unable to substantiate
23/04	Field office	Fraud	1 979	An UNRWA pharmacist entered misleading information on the UNRWA health system.	Investigated: substantiated
23/05	Field office	Fraud	–	An UNRWA staff member provided false information in their job application.	Investigated: substantiated
23/06	Field office	Fraud	500	Subject used United Nations laissez-passer for personal reasons without prior authorization.	Investigated: substantiated
23/07	Field office	Theft	1 000	Subject used United Nations laissez-passer for personal reasons without prior authorization.	Investigated: unable to substantiate
<b>Total</b>			<b>3 479</b>		

Source: UNRWA Department of Internal Oversight Services.

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## Chapter III

### **Certification of the financial statements**

#### **Letter dated 28 March 2024 from the Director of Finance of the United Nations Relief and Works Agency for Palestine Refugees in the Near East addressed to the Chair of the Board of Auditors**

Pursuant to financial regulations 11.4 and 12.1, I have the honour to submit the consolidated financial statements for the United Nations Relief and Works Agency for Palestine Refugees in the Near East for the year ended 31 December 2023.

I certify that all transactions have been properly recorded in the accounting records and properly reflected in the Agency's financial accounts and appended statements, which I hereby certify as accurate and representative of the Agency's operating activities and the financial state of affairs as at 31 December 2023.

*(Signed)* Shadi **Alabed**  
Director of Finance

## Chapter IV

### Financial report for the year ended 31 December 2023

#### A. Introduction

##### Statement of the Commissioner-General

1. In accordance with regulations 11.2 and 11.4 of the Financial Regulations of the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA), I have the honour to submit the financial statements of UNRWA for the year ended 31 December 2023, which I hereby approve. The financial statements have been prepared and certified as correct by the Director of Finance.

#### B. Financial and budget analysis

##### Context

2. The past year was particularly challenging for the Agency across all fields of operation. The outbreak of war in Gaza, home to almost 1.6 million registered Palestine refugees, has given rise to an unprecedented humanitarian crisis. This has been compounded by operational difficulties in securing reliable access to Gaza for the delivery of essential humanitarian aid to refugees; only minimal quantities of basic supplies have been permitted to enter since 21 October 2023.<sup>4</sup> As at 30 March 2024, up to 1.7 million people had been forcibly displaced within Gaza, over 75 per cent of the total population.<sup>5</sup> Furthermore, satellite imagery analysis<sup>6</sup> shows that approximately one third (or 35 per cent) of the total structures in the Gaza Strip have been either damaged or destroyed.

3. The situation in the West Bank, including East Jerusalem, has also deteriorated significantly since 7 October, and is extremely volatile. An increase in the number of large-scale operations by Israeli forces and in the number of armed clashes between Israeli forces and Palestinians, particularly in refugee camps, have resulted in record-high levels of fatalities and injuries and a high number of arrests. Restrictions put in place throughout the West Bank since 7 October significantly constrain the movement of both Palestinian communities and humanitarian actors, preventing the vulnerable from accessing basic services, including health care and education.

4. As a result of multiple overlapping crises, the situation in the Syrian Arab Republic continued to deteriorate from the first half of 2023.<sup>7</sup> The Syrian population, including the Palestine refugees who live in the Syrian Arab Republic, is facing unprecedented social and economic hardship owing to the conflict, which entered its thirteenth year in 2023. Beyond this, the Syrian Arab Republic Syria was affected by two major earthquakes on 6 February 2023 in southern Türkiye close to the Türkiye/Syrian Arab Republic border and the Agency launched an emergency response to address the most critical needs while ensuring the continuity of Agency services in affected areas.

5. The socioeconomic and political crises that have hit Lebanon over the past few years have disproportionately affected Palestine refugees, both Palestine refugees in

<sup>4</sup> See [www.unrwa.org/sites/default/files/content/resources/unrwa\\_updated\\_opt\\_flash\\_appeal\\_-\\_amended.pdf](https://www.unrwa.org/sites/default/files/content/resources/unrwa_updated_opt_flash_appeal_-_amended.pdf).

<sup>5</sup> See [www.unrwa.org/resources/reports/unrwa-situation-report-101-situation-gaza-strip-and-west-bank-including-east-jerusalem](https://www.unrwa.org/resources/reports/unrwa-situation-report-101-situation-gaza-strip-and-west-bank-including-east-jerusalem).

<sup>6</sup> See <https://unosat.org/products/3804>.

<sup>7</sup> See [www.unrwa.org/sites/default/files/content/resources/syria\\_lebanon\\_and\\_jordan\\_ea\\_progress\\_report\\_2023\\_final\\_20\\_12\\_2023\\_v3.pdf](https://www.unrwa.org/sites/default/files/content/resources/syria_lebanon_and_jordan_ea_progress_report_2023_final_20_12_2023_v3.pdf).

Lebanon and Palestine refugees from the Syrian Arab Republic residing in the country. With increasing pressure on Palestine refugee communities as their economic and financial situation further deteriorated from the first half of 2023, violence inside the refugee camps and camp-adjacent areas increased, resulting in a number of operational challenges for the Agency.

6. Jordan hosts the largest number of refugees among the five fields of operation. An increasing number of Palestine refugees displaced from the Syrian Arab Republic have sought assistance from UNRWA in Jordan. The majority of them are believed to suffer from abject poverty and live in a precarious legal status.

### **Summary**

7. Despite the challenges facing the Agency during 2023, as outlined above, the Agency has delivered on its mandate by playing an essential role in providing vital services for the well-being, human development and protection of approximately 6.0 million registered Palestine refugees and the amelioration of their plight, pending the just resolution of the question of Palestine refugees.

8. Throughout 2023, UNRWA sustained its efforts to meet the needs of Palestine refugees across its five fields of operation, despite the challenges associated with the war in Gaza and the deteriorating situation in the West Bank, earthquakes early in the year and the persistent hostilities in the Syrian Arab Republic, political and socioeconomic instability in Lebanon and the security concerns with which the Agency is faced on a daily basis.

9. Donors continued to provide support, with \$1,493.0 million<sup>8</sup> in contributions, allowing UNRWA to continue to provide assistance to beneficiaries and address emergencies in the Gaza Strip, the West Bank and the Syrian Arab Republic. The Agency delivered assistance in accordance with its mandate, which was renewed in December 2022 by the General Assembly with an overwhelming majority.

10. The financial statements have been prepared on the accrual basis of accounting, in accordance with the requirements of the International Public Sector Accounting Standards (IPSAS). Where IPSAS is silent concerning a specific matter, the appropriate International Financial Reporting Standard or International Accounting Standard is applied.

11. The biennial budget for 2022–2023 was presented on a modified cash basis. As that basis differs from the accrual basis applied to the financial statements, reconciliation between the budget and the cash-flow statement is provided in accordance with the requirements of IPSAS 24: Presentation of budget information in financial statements.

### **Financial performance for 2023**

12. The Agency's total revenue for 2023 was \$1,533.4 million, compared with total expenses of \$1,460.5 million, resulting in a net surplus of \$72.8 million for the year.

13. Detailed information on the financial performance of each fund is contained in note 33 to the financial statements and is summarized in table IV.1.

<sup>8</sup> This comprises \$1,460.1 million in cash contributions and \$32.8 million in in-kind contributions.

Table IV.1  
**Summary of financial performance by fund for the period ended 31 December 2023**

(Millions of United States dollars)

	<i>Unearmarked activities</i>		<i>Earmarked activities</i>				<i>Total</i>
	<i>Programme budget</i>	<i>Restricted funds</i>	<i>Microfinance Department</i>	<i>Emergency appeals</i>	<i>Projects</i>	<i>Inter-fund elimination</i>	
Total revenues	817.0	24.6	9.0	595.4	124.7	(37.4)	1 533.4
Total expenses	1 019.0	25.0	11.4	350.7	90.2	(35.7)	1 460.5
<b>Surplus/(deficit) for the year</b>	<b>(202.0)</b>	<b>(0.4)</b>	<b>(2.4)</b>	<b>244.7</b>	<b>34.5</b>	<b>(1.6)</b>	<b>72.8</b>

14. The programme budget recorded a deficit of \$202.0 million, while emergency appeals recorded a surplus of \$244.7 million. The deficit in the programme budget is attributable primarily to an increase in expenses related to impairment of property, plant and equipment in Gaza (at \$192.3 million), as well as provisions for impairment of inventories (at \$17.4 million), as a result of the war in Gaza. The deficit for the Microfinance Department is driven by the write-off of loans in Gaza as well as the write-off of some loans in the West Bank for workers employed in Israel. The write-off of microfinance loans totalled \$1.2 million for 2023.

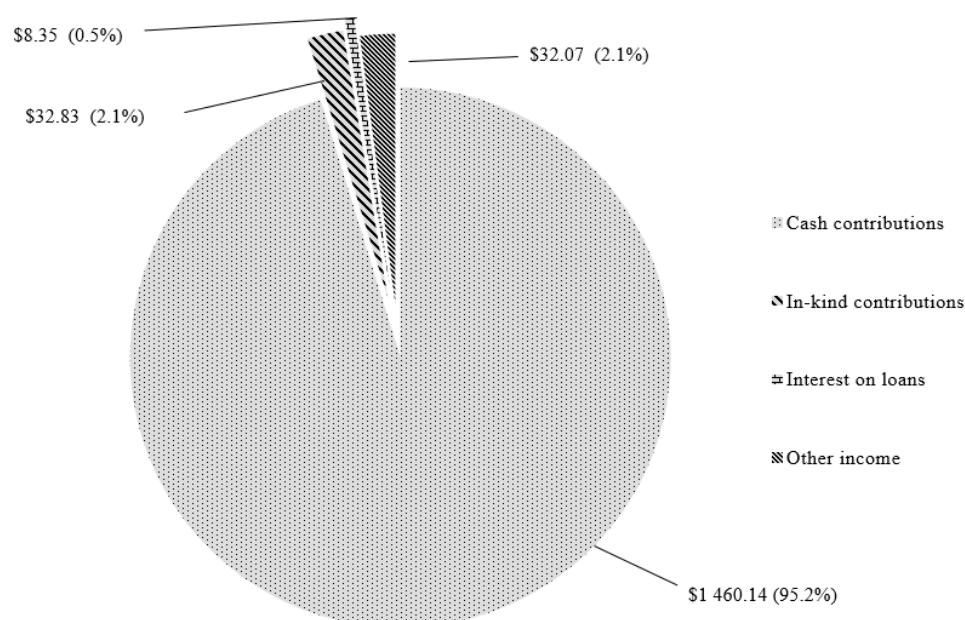
15. The surplus in emergency appeals is attributable chiefly to increased funding received towards the end of year, as a result of the war in Gaza, with the funds carrying forward into 2024 to provide continued humanitarian assistance. The project funds reflected a surplus of \$34.5 million, owing primarily to revenue recognized for projects against which expenses will be incurred in future periods.

### Revenue analysis

16. Cash contributions are the primary source of revenue for the Agency, providing approximately 95 per cent (\$1,460.1) of total revenue (see figure IV.I). In-kind contributions for earmarked activities (restricted funds, emergency appeals and projects) recognized under IPSAS were valued at \$32.8 million. This is an important element, allowing the Agency to carry out its activities, and includes food and medical supplies, school textbooks, in-kind services for consultancy and project staff and the use of land for UNRWA facilities, such as schools and health clinics. Other income increased during 2023 owing primarily to a \$13.1 million exchange rate gain.

**Figure IV.I**  
**Revenue and income sources**

(Millions of United States dollars)



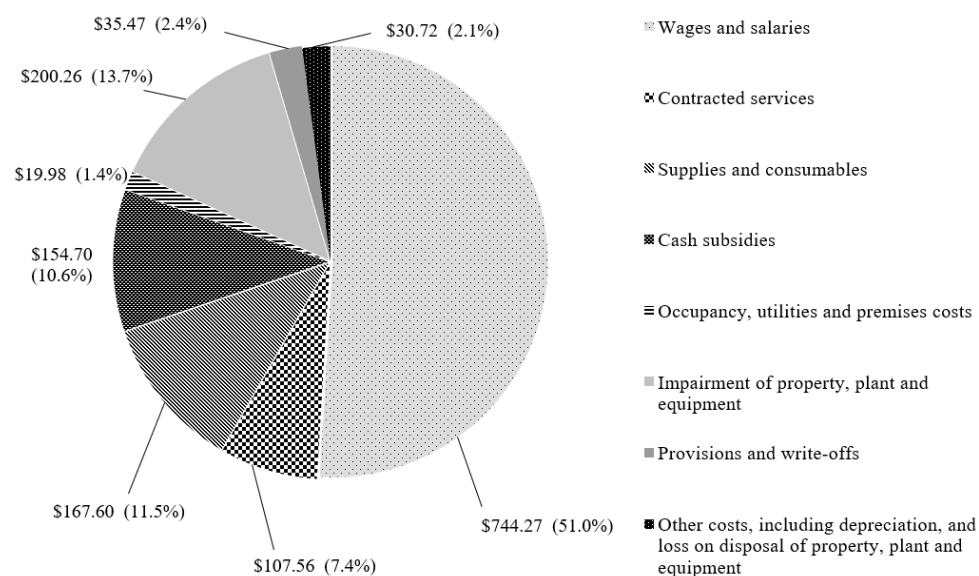
17. The Agency's mandate is determined, inter alia, by relevant General Assembly resolutions, including resolution 302 (IV) of 8 December 1949 establishing UNRWA and subsequent resolutions adopted annually, in particular the resolutions regarding assistance to Palestine refugees (most recently, resolution 77/123), persons displaced as a result of the June 1967 and subsequent hostilities (most recently, resolution 74/84) and operations of UNRWA (most recently, resolution 78/73). At its seventy-seventh session, the Assembly extended the Agency's mandate until 30 June 2026 (see resolution 77/123). The Advisory Commission of UNRWA is tasked with advising and assisting the Commissioner-General in carrying out the Agency's mandate and consists of 29 members and 4 observers. UNRWA is also endeavouring to widen its donor base, with a focus on regional and emerging donors. The Agency is, at the same time, engaged in developing funding from the private sector.

#### **Nature of expense analysis**

18. The Agency spent a total of \$1,460.5 million in 2023. Staff costs of \$744.3 million represented 51 per cent of total expenses. Accrual accounting for post-employment and other long-term employee benefits requires that the cost of the schemes be recorded as the benefits are earned by staff, rather than on a pay-as-you-go basis. This methodology allows the Agency to better account for the true cost of employing its staff on an annual basis.

**Figure IV.II**  
**Expense analysis by nature of expense**

(Millions of United States dollars)



19. As seen in figure IV.II, a total of \$107.6 million was spent on contracted services, representing expenses related to the Agency's engagement of third parties to perform work on its behalf. Of that amount, \$34.8 million was spent on equipment and construction, which includes shelters and equipment that were donated to UNRWA beneficiaries and therefore expensed, as well as minor equipment for use by the Agency and which falls below the capitalization threshold. A total of \$22.7 million under the category of contracted services was spent on hospital services for the benefit of refugees.

20. A total of \$167.6 million was spent on supplies and consumables, including \$88.4 million for basic commodities and \$22.6 million for fresh food. An additional \$29.0 million was spent on medical supplies, and \$6.6 million was spent on textbooks and library books. A further \$8.3 million was spent on transportation supplies.

21. A total of \$154.7 million was spent on subsidies, including \$141.9 million distributed to beneficiaries to provide selective cash assistance for Palestine refugees primarily in Lebanon and the Syrian Arab Republic for food security. The sum of \$6.7 million was provided for patient subsidies, and \$3.5 million was provided as subsidies for the construction and repair of shelters.

22. An expense of \$200.3 million was incurred for the impairment of plant, property and equipment owing to the damage caused by the ongoing war in Gaza. In addition, provisions and write-offs increased to \$35.5 million owing largely to the impact of the war in Gaza and the deteriorating situation in the West Bank. Provisions were made for inventories in warehouses that have been damaged or cannot be accessed owing to the war in Gaza. Furthermore, although monies are owed to the Agency and the Agency will continue efforts to collect monies owed, the Agency has taken a prudent approach and raised provisions for some microfinance loans in Gaza and for some loans in the West Bank for workers who were employed in Israel. Also, taking note of press reports and taking a prudent approach, provisions have been made for the reimbursement of VAT that is owed to UNRWA from the Israeli authorities in line with the Convention on the Privileges and Immunities of the United Nations.

23. Occupancy and utility costs totalled \$20.0 million in 2023. Other expenses, amounting to \$30.7 million, included depreciation, and loss on disposal of assets.

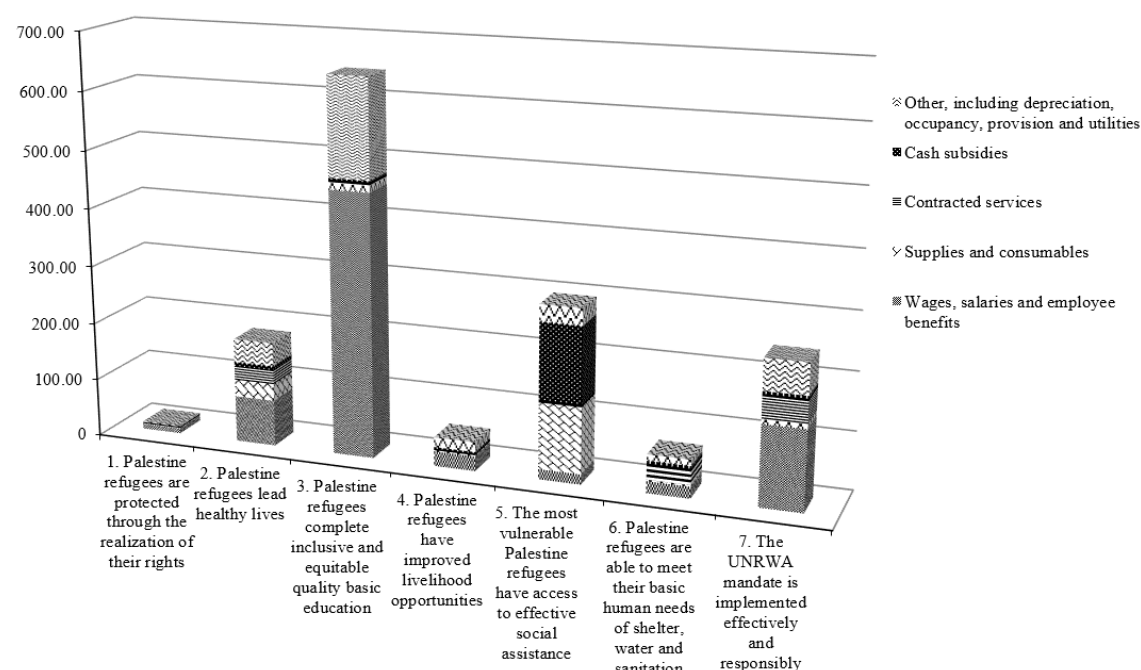
### Strategic objectives and Agency programmes: expense analysis

24. As part of the implementation of its mandate, under its Strategic Plan for the period 2023–2028, UNRWA is pursuing the following seven objectives: (a) Palestine refugees are protected through the realization of their rights under international law; (b) Palestine refugees lead healthy lives; (c) Palestine refugees complete inclusive and equitable quality basic education; (d) Palestine refugees have improved livelihood opportunities; (e) the most vulnerable Palestine refugees have access to effective social assistance; (f) Palestine refugees are able to meet their basic human needs of shelter, water and sanitation; and (g) the UNRWA mandate is implemented effectively and responsibly. The amounts spent on each objective are shown in figure IV.III.

Figure IV.III

### Expense analysis by strategic objective<sup>a</sup>

(Millions of United States dollars)



<sup>a</sup> \$35.7 million in inter-segment eliminations are excluded from the analysis.

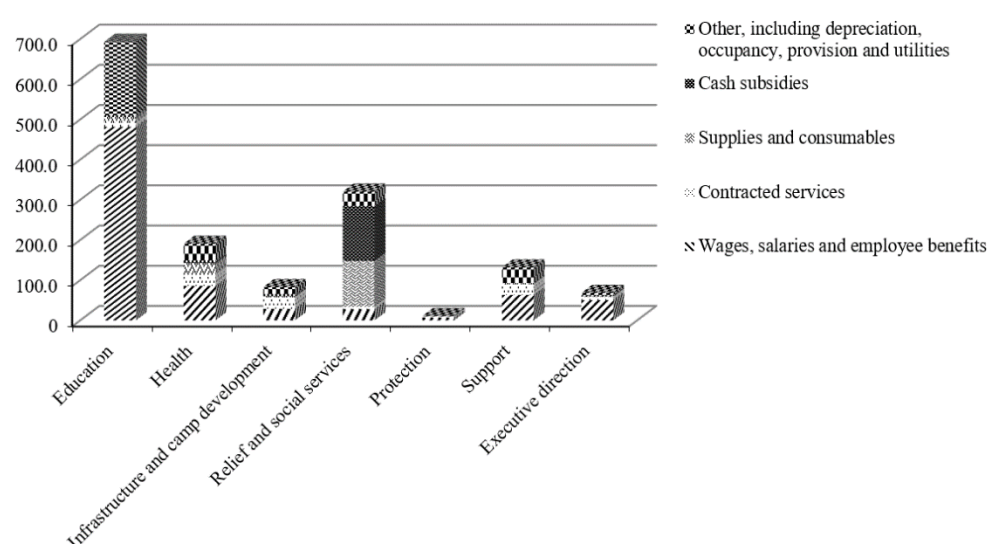
25. The Agency is functionally organized under five core programmes that provide direct services to UNRWA beneficiaries, led by executive direction and supported by support departments. Figure IV.IV shows the 2023 expenses by programme and expenses for executive direction and support departments. The programmes follow a similar expense profile to those categorized by the strategic objectives.

26. An amount of \$13.1 million was spent on the Strategic Plan 2023–2028 objective “Palestine refugees are protected through the realization of their rights under international law”, with the following desired outcomes: (i) Palestine refugees have access to UNRWA services in safety and dignity; (ii) the protection needs of vulnerable and at-risk Palestine refugees are met through preventative and remedial action; (iii) duty bearers respect, protect and fulfil the rights of Palestine refugees under international law; and (iv) Palestine refugee women and girls are empowered

and have access to services that contribute to gender equality. The services provided for the achievement of these outcomes are delivered through programmes, including the relief and social services programme, the education programme and the health and camp infrastructure and improvement programmes. In addition, a Protection Division at headquarters provides strategic direction and coordination for the implementation of the diverse protection activities across the Agency. The Division, through its thematic experts, covers the areas of protection mainstreaming, child protection, gender and gender-based violence, disability inclusion and international protection. The total expenses spent on the Division in pursuit of this objective were \$10.7 million.

Figure IV.IV  
**Expense analysis by programme<sup>a</sup>**

(Millions of United States dollars)



<sup>a</sup> \$35.7 million in inter-segment eliminations are excluded from the analysis.

27. The desired outcomes under the Strategic Plan 2023–2028 objective “Palestine refugees lead healthy lives” are as follows: (i) maternal and child health of Palestine refugees is improved; (ii) improved status of non-communicable diseases and mental health; (iii) improved status of communicable diseases and infection prevention and control; and (iv) Palestine refugees have improved access to quality health services. An amount of \$181.4 million (12 per cent of the Agency’s total expenses) was spent in pursuit of this objective, which is supported through the health programme (\$190.4 million). Approximately 44 per cent (\$79.9 million) of the expenses dedicated to pursuing this objective was spent on wages and salaries, with 16 per cent (\$29.5 million) spent on medical supplies and consumables and 14 per cent (\$25.2 million) on contracted services to enable Palestine refugees to gain access to health-care services. An additional 4 per cent (\$6.4 million) was spent on cash subsidies to enable Palestine refugees to gain access to secondary and tertiary health-care services.

28. An amount of \$644.1 million, representing 44 per cent of the Agency’s 2023 expenses, was spent on the Strategic Plan 2023–2028 objective “Palestine refugees complete inclusive and equitable quality basic education”, which is delivered within the education programme (\$693.0 million). The desired outcomes of this objective are as follows: (i) Palestine refugee girls’ and boys’ learning outcomes and critical thinking skills are improved; and (ii) Palestine refugee girls and boys learn in an

environment that is safe and inclusive, with their well-being ensured. Given the nature of the programme and goal, the vast majority of the expenses in this area are spent on educational staff wages and salaries. The impairment of educational buildings in Gaza has also had a significant impact on expenses for this programme and objective during the year.

29. An amount of \$50.0 million, or 3 per cent of the Agency's expenses, was spent on the Strategic Plan 2023–2028 objective "Palestine refugees have improved livelihood opportunities", which is delivered through the education and relief programmes, including microfinance. The objective has the following desired outcomes: (i) Palestine refugees' livelihood capacities improved; and (ii) Palestine refugees' income generation and work opportunities improved.

30. An amount of \$296.3 million, or 20 per cent, of UNRWA expenses supported the Strategic Plan 2023–2028 objective "The most vulnerable Palestine refugees have access to effective social assistance", with the desired outcome being that poverty among Palestine refugees is alleviated. This is delivered largely through the relief and social services programme (\$320.1 million). Of the total expenses dedicated to providing the most vulnerable Palestine refugees with access to effective social assistance, \$132.3 million was provided in the form of cash subsidies and a further \$114.2 million was spent on supplies and consumables, including the provision of food aid for Palestine refugees.

31. An amount of \$65.8 million, or 5 per cent of the Agency's expenses, was spent on the Strategic Plan 2023–2028 objective "Palestine refugees are able to meet their basic human needs of shelter, water and sanitation", implemented through the infrastructure and camp improvement programme with expenses of \$82.5 million. This objective has the following desired outcomes: Palestine refugees residing in camps live in adequate and safe shelters; and (ii) Palestine refugees residing in camps live in healthy and environmentally sustainable conditions. Of the expenses dedicated to pursuing this objective, \$20.3 million was spent on wages, salaries and employee benefits and \$27.5 million was spent on contracted services for the maintenance and upkeep of camps and to support environmental health. A further \$4.8 million was provided in cash subsidies to enable Palestine refugees to improve their living conditions, including the construction and repair of beneficiaries' shelters.

32. An amount of \$245.7 million, or 17 per cent, of the Agency's 2023 expenses supported the Strategic Plan 2023–2028 objective "The UNRWA mandate is implemented effectively and responsibly" with the following desired outcomes: (i) UNRWA operations are delivered effectively, efficiently and safely; (ii) UNRWA operations are transparent and accountable; and (iii) UNRWA operations are socially and environmentally sustainable. Executive direction manages all aspects of the Agency's work to ensure the effective implementation of the UNRWA mandate to provide services and humanitarian assistance to Palestine refugees, and to non-refugees on an exceptional basis, and to maintain the commitment of the international community to the social and economic well-being of Palestine refugees. Executive direction responsibilities include the effective management of oversight, legal support, fundraising, advocacy and outreach to external interlocutors.

33. The support departments assist the Commissioner-General in the smooth running of the Agency and ensure the effective management of personnel and financial resources, administrative services and internal communication. Expenses for executive direction and support departments amounted to \$68.1 million and \$131.3 million, respectively. Of the expenses relating to the objective entitled "The UNRWA mandate is implemented effectively and responsibly", 56 per cent (\$138.4 million) was spent on wages and salaries.

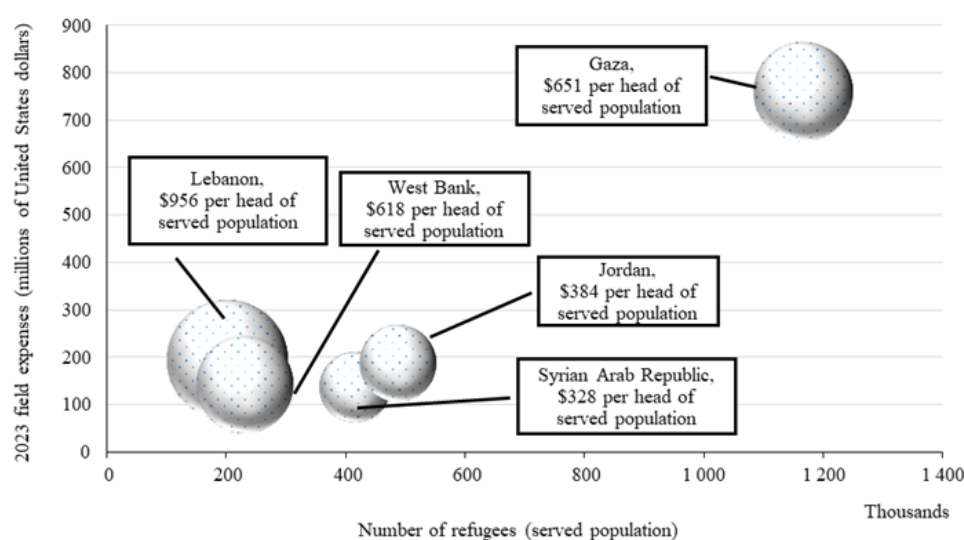
### Geographical location: expense analysis

34. Although the UNRWA Strategic Plan 2023–2028 objectives and services are delivered primarily within a programme approach, its operations are managed on a field basis. UNRWA operates in five fields: Jordan, Lebanon, the Syrian Arab Republic and the Occupied Palestinian Territory (the West Bank, including East Jerusalem, and the Gaza Strip). Each field provides similar services, but is distinctive to some extent, owing to the particular political, humanitarian and economic contexts in which the field operates and the status and rights of the Palestine refugees enjoyed in it. Figure IV.V shows the costs of UNRWA services per head of population served for each field.<sup>9</sup> The different levels of expenses reflect the prevailing situation in each of the fields.

35. The Lebanon field office has the lowest number of registered refugees, at 493,201 Palestine refugees in Lebanon<sup>10</sup> and 30,193 Palestine refugees from the Syrian Arab Republic. The field has a served population, based on individual health users, of 202,134, with an average expense per head of served population in 2023 of \$956. The very high rates of poverty among Palestine refugees in Lebanon are the result of decades of structural discrimination related to employment opportunities and denial of the right to own property in Lebanon, compounded by the most recent economic, fiscal and monetary crisis in the host country. The field office supports 12 camps, 62 schools, 1 vocational and technical training centre, 27 primary health centres, 1 community-based rehabilitation centre and 8 women's programme centres. Average expense is higher in Lebanon compared with other fields owing to higher hospitalization subsidies, cash assistance and schooling costs, given the high rates of poverty.

Figure IV.V

**Average 2023 expenses per head of served population, by field<sup>a</sup>**



<sup>a</sup> \$77.8 million in headquarters expenses and \$35.7 million in inter-segment eliminations are excluded from the analysis.

<sup>9</sup> The financial report in previous years reported on the average spend per registered refugee; however, the served population is a more reliable estimate and expenses per head of served population is considered to provide greater insight about the costs of services provided to beneficiaries.

<sup>10</sup> In addition, another 75,005 persons are registered with the Agency in Lebanon. UNRWA refugee registration information system, quarter 4, 2023.

36. The Gaza Strip has 1,586,965 registered Palestine refugees. The field has a served population, based on recipients of emergency food assistance (before the outbreak of the war in Gaza), of 1,166,882, with an average expense per head of served population in 2023 of \$651. The Gaza field office supported 8 camps, 288 schools, 2 vocational and technical training centres, 22 primary health centres, 7 community-based rehabilitation centres and 7 women's programme centres. However, the war in Gaza, which started on 7 October 2023, has had a devastating impact on the provision of normal services, with the focus of the field turning to delivery of humanitarian aid to internally displaced persons during the last quarter of 2023.

37. There are 912,879 Palestine refugees registered with the West Bank field office, with around one quarter of them living in 19 official refugee camps and 2 unofficial camps. The field has a served population, based on individual health users, of 231,024, with an average expense per head of served population in 2023 of \$618. Palestine refugees in the West Bank continue to face several socioeconomic and other protection challenges and concerns arising from the ongoing Israeli occupation. The situation in the West Bank, including East Jerusalem, has deteriorated significantly since 7 October and is extremely volatile. An increase in the number of large-scale operations by Israeli forces and in the number of armed clashes between Israeli forces and Palestinians, particularly in refugee camps, have resulted in record-high levels of fatalities and injuries, and high numbers of arrests. In addition to the 19 camps, the field office supports 96 schools, 2 vocational and technical training centres, 1 educational science faculty, 43 primary health centres, 15 community-based rehabilitation centres and 19 women's programme centres.

38. A total of 2,393,135 Palestine refugees are registered in Jordan. Most, but not all, Palestine refugees in Jordan have full citizenship, with the exception of some 179,992 Palestine refugees and their descendants displaced from Gaza as a result of the 1967 hostilities ("ex-Gazans"). Ex-Gazan Palestine refugees and their descendants do not hold Jordanian nationality and thus have difficulty accessing certain public services and face restrictions on property ownership and political participation. The field has a served population, based on individual health users, of 487,262, with an average expense per head of served population in 2023 of \$384. The field office supports 10 official camps, 3 unofficial camps, 161 schools, 2 vocational and technical training centres, 1 faculty of educational sciences and arts, 25 primary health centres, 10 community-based rehabilitation centres and 14 women's programme centres.

39. The Syrian Arab Republic field office has an estimated 438,000 registered Palestine refugees living in 9 official camps and 3 unofficial camps in the Syrian Arab Republic. The field has a served population, based on recipients of emergency cash assistance, of 416,519, with an average expense per head of served population in 2023 of \$328. The ongoing conflict in the Syrian Arab Republic has, among other things, severely affected the economy, including the socioeconomic conditions of the Palestine refugee community. Beyond this, the Agency also launched an emergency appeal to support Palestine refugees in the Syrian Arab Republic following the earthquakes on 6 February 2023 in southern Türkiye close to the Türkiye/Syrian Arab Republic border. The emergency response addressed the most critical needs while ensuring the continuity of Agency services in affected areas. In addition to the 9 official camps, the field office supports 104 schools, the Damascus Training Centre, 24 primary health centres, 12 community-based rehabilitation centres and 12 community-based organizations for women, children and persons with disabilities.

40. UNRWA headquarters comprises three locations: the Gaza Strip, East Jerusalem and Amman. The headquarters organization includes the Department of Planning, the Department of Internal Oversight Services, the Department of Human Resources, the

Department of Legal Affairs, the Commissioner-General's Office, the Department of Finance, the Central Support Services Division, the Department of Security and Risk Management, the Information Management and Technology Department, the External Relations and Communications Department and the Protection Division, as well as the Departments of Education, the Department of Health, the Department of Relief and Social Services, the Department of Infrastructure and Camp Improvement, and the Microfinance Department. The headquarters function is also carried out at representative offices in New York, Washington, D.C., and Brussels and Cairo. Headquarters expenses comprise primarily wages and salaries (\$45.3 million), contracted services (\$18.5 million) and provisions and write-offs (\$3.5 million), as the value added tax (VAT) and contributions receivable are managed at headquarters in the Gaza Strip and Amman.

### Financial position at the end of 2023

41. The Agency ended 2023 with a surplus of \$59.1 million, compared with a net liability of \$12.3 million as at 31 December 2022. The surplus arose owing to increased contributions to the Agency, particularly to the emergency appeals following the outbreak of the war in Gaza. The increased contributions were partially offset by the impairment of assets as noted in paragraph 14 and an increase in the actuarial valuation for end-of-service liabilities.

42. The financial position of each fund is detailed in note 33 to the financial statements and is summarized in table IV.2.

Table IV.2

### Summary of financial position by fund as at 31 December 2023

(Millions of United States dollars)

	<i>Unearmarked activities</i>		<i>Earmarked activities</i>				<i>Total</i>
	<i>Programme budget</i>	<i>Restricted funds</i>	<i>Microfinance Department</i>	<i>Emergency appeals</i>	<i>Projects</i>	<i>Inter-fund elimination</i>	
Current assets	78.0	14.1	34.9	384.1	214.6	(16.6)	709.1
Non-current assets	245.9	0.1	10.0	0.5	7.4	—	263.9
<b>Total assets</b>	<b>323.9</b>	<b>14.2</b>	<b>44.9</b>	<b>384.6</b>	<b>222.0</b>	<b>(16.6)</b>	<b>973.0</b>
Current liabilities	170.6	1.6	2.1	20.5	19.9	(17.2)	197.5
Non-current liabilities	711.8	—	4.6	—	—	—	716.4
<b>Total liabilities</b>	<b>882.4</b>	<b>1.6</b>	<b>6.7</b>	<b>20.5</b>	<b>19.9</b>	<b>(17.2)</b>	<b>913.9</b>
<b>Net assets/equity</b>	<b>(558.5)</b>	<b>12.6</b>	<b>38.2</b>	<b>364.1</b>	<b>202.0</b>	<b>0.6</b>	<b>59.1</b>

43. The significant negative net assets/equity position of the programme budget is due to the significant post-employment benefits liabilities, which were recognized in the financial statements upon the adoption of IPSAS in 2012, and to the accumulated deficit resulting from the funding shortfall during 2023 and over the past few years along with the reduction in property, plant and equipment (non-current assets) following the impairment of assets in Gaza due to the ongoing war.

44. The net assets/equity balance of the emergency appeals funds and the projects funds showed a balance of \$364.1 million and \$202.0 million, respectively. This is primarily due to contributions received or pledged for specific emergency activities

in Gaza that will be utilized for humanitarian assistance in 2024 and for specific projects against which expenses are expected to be incurred in future years.

45. Net assets/equity is divided into reserves of \$165.0 million partially offset by an accumulated deficit of \$105.9 million.

46. The net current liabilities (current assets less current liabilities) balance for the programme budget is \$92.6 million and the net current assets (current assets less current liabilities) of the Agency were \$511.6 million as at 31 December 2023 (compared with net current assets of \$213.2 million as at 31 December 2022), indicating an increase in short-term liquidity. The Agency's current assets amount to 72.9 per cent of its total assets, whereas current liabilities constitute 21.6 per cent of total liabilities.

#### *Cash, cash equivalents and investments*

47. Total cash amounted to \$588.3 million as at 31 December 2023, a small portion of which was held by the programme budget (4.7 per cent), owing mainly to advance receipt of contributions related to the year 2024, causing significant constraints in managing the cash flow of the portal, and in restricted funds (2.0 per cent), with the majority falling under emergency appeals and projects (56.8 per cent and 32.5 per cent, respectively). UNRWA holds the surplus cash in short-term investments of \$582.6 million (including bank deposits), which are classified as cash and cash equivalents.

#### *Receivables*

48. Contributions receivable represent confirmed agreements outstanding from donors that are due within 12 months and were valued, net of provision for estimated reductions in contribution revenue and doubtful accounts, at \$53.3 million as at 31 December 2023, owing to the programme budget (\$5.7 million), projects (\$14.4 million) and emergency appeals (\$28.8 million).

49. Accounts receivable, net of provision, were valued at \$11.5 million as at 31 December 2023. This amount relates primarily to significant VAT refund claims of \$103.7 million before provision, which are still due to the Agency for services and goods procured for the West Bank and the Gaza Strip, as well as \$3.0 million related to the personal accounts of UNRWA staff members. The VAT receivable is owed to UNRWA in line with the Convention on the Privileges and Immunities of the United Nations and the Agency will continue to follow-up on the reimbursement of VAT. However, in February 2024 the Agency took note of the press reports indicating that the Government of Israel would stop reimbursing VAT payables to UNRWA. Therefore, taking a prudent approach, an additional provision has been made for Gaza and the West Bank on the full amount of claimed and unclaimed VAT receivables from the Israeli authorities.

50. Loans receivable, net of provision, were valued at \$15.4 million and relate to loans from the Microfinance Department. Of this amount, \$5.5 million relates to short-term (current) loans receivable.

#### *Inventories*

51. The value of the Agency's inventory at the end of 2023 was estimated at \$44.7 million, reflecting a decrease of \$44.4 million compared with 31 December 2022. Assets included warehouse inventory (\$34.5 million), shelters under construction (\$3.7 million) and non-Agency installations (\$1.8 million), as well as inventory in transit valued at \$0.6 million. Pharmacy/health clinic inventory was valued at \$22.0 million, and production unit inventory for the embroidery centre

located in the Gaza Strip was valued at \$0.1 million. The war in Gaza reduced the total inventories, as the construction of assets to be handed over to third parties was stopped during the latter part of the year and provisions were made for: (i) the impairment of construction assets to be handed over to third parties owing to potential damage caused by the war in Gaza; and (ii) the impairment of inventories where warehouses/stocks were inaccessible owing to the war in Gaza.

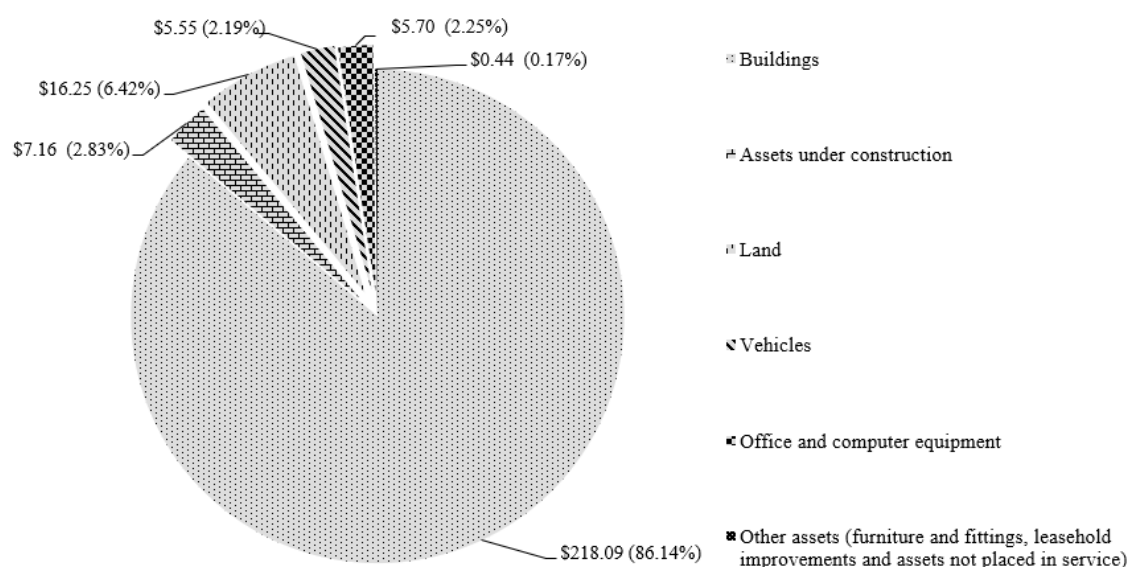
#### *Property, plant and equipment*

52. The total net carrying amount of property, plant and equipment as at 31 December 2023 was \$253.2 million, representing 26.0 per cent of total Agency assets. This item is composed mainly of buildings used for the provision of services to UNRWA beneficiaries (see figure IV.VI).

53. UNRWA will continue to operate in Gaza. Owing to the war in Gaza, most UNRWA property, plant and equipment in Gaza was either unusable or was inaccessible at the end of the year and it was not possible to undertake a physical assessment to assess the damage to individual assets. The Agency therefore conducted a comprehensive desktop analysis of the impact of the conflict on property, plant and equipment in Gaza. Given that the desktop analysis revealed significant damage to UNRWA premises and assets, the continuing air strikes and military operations in Gaza, which will cause further damage, the predicted lack of access to UNRWA premises for a significant period after the war, and taking a prudent approach, the property, plant and equipment in Gaza was fully impaired at the end of 2023. The Agency applied the impairment to the full asset portfolio in Gaza, rather than to individual assets, owing to the ongoing increasing damage caused by the war and the overall operating environment in Gaza, as well as an inability to assess and accurately estimate the reduction to individual asset values in the current circumstances. This led to an impairment charge of \$200.3 million in 2023 and contributed to a lower carrying amount of property, plant and equipment compared with 2022 (at \$462.3 million). When circumstances allow, property, plant and equipment will be inspected in Gaza and, where required, the impairment loss will be reversed for specific assets if the impairment has been over-estimated.

Figure IV.VI  
**Property, plant and equipment**

(Millions of United States dollars)



54. Assets under construction amounted to \$7.2 million as at 31 December 2023, related largely to specific construction projects under the restricted funds and projects segments. Upon the completion of capital projects using earmarked funds, assets are transferred to the programme budget for use in the delivery of the Agency's core services to Palestine refugees.

55. Land was valued at \$16.3 million as at 31 December 2023. This figure appears relatively low because host Governments and some charitable organizations provide the use of land for no or nominal rent to UNRWA for the benefit of Palestine refugees. The leases under these contracts have been assessed as operating leases, and therefore such land is not included in the UNRWA balance sheet.

#### *Employee benefits liabilities*

56. The Agency has significant liabilities related to post-employment and other long-term employee benefits. Those liabilities amounted to \$808.4 million as at the end of 2023, reflecting an increase of \$28.6 million during the year. The employee benefits liabilities represent 88.5 per cent of the Agency's liabilities, with \$95.4 million categorized as current liabilities and \$713.0 million as non-current liabilities. Actuarial valuations have been used for termination and separation costs, employee disability and death-in-service benefits, accumulated annual leave, after-service health insurance and repatriation benefits. The increase during the year is attributable primarily to an increase of \$26.2 million for end-of-service liability for area staff as well as a \$2.4 million increase for leave encashment. The increase in the end-of-service liability for area staff is attributable to the change in the discount rate from 5.12 per cent to 4.93 per cent, netted to the lowering interest rate loss of \$14.4 million, payments of \$56.2 million and actuarial gain of \$13.0 million, interest of \$37.7 million and service costs of \$43.1 million incurred during the year.

### **Budgetary analysis**

#### *Basis of the budget*

57. The budget figures for UNRWA are determined on a modified cash basis and disclosed in the statement of comparison of budget and actual amounts (statement V) as the original budget derived from the 2022–2023 programme budget (Blue Book). The budget for UNRWA includes the core requirements funded through the programme budget, which, if exceeded, requires submission to the General Assembly, and an in-kind donation budget and a projects budget, where allocation varies on the basis of donor response.

#### *Explanation of material differences*

58. The 2023 programme budget, projects budget and in-kind donation budget, as reflected in the Blue Book for 2022–2023, amounted to \$1,048.4 million (on a modified cash basis). This is disclosed in financial statement V as the "original" budget. The final 2023 budget was \$1,081.9 million and is disclosed in financial statement V as the "final" budget. The \$33.5 million increase in the final budget is attributable mainly to an increase in the final programme budget from \$849.8 million to \$861.5 million (including in-kind) and an increase in the final projects budget from \$198.6 million to \$220.3 million, including restricted funds (earmarked projects).

## **C. Enhancing transparency and accountability**

59. Financial regulation 5.2 requires that the Commissioner-General of UNRWA maintain a system of internal controls to provide for an effective current examination or review of financial transactions to ensure the regularity of the receipt, custody and disposal of the resources of the Agency, to ensure the conformity of all expenses with the provisions of the Financial Regulations, and to detect any uneconomic use of the resources of the Agency.

60. The Agency has a system of internal controls that are intended to safeguard assets, ensure adherence to regulations and rules, including management policies and procedures, and prevent fraud. To enhance transparency and control and ensure that no single individual has the final say in decisions, most high-level managerial responsibilities and decisions are administered by committees. The Agency has established detailed instructions and procedures to ensure effective financial administration and the exercise of economy. There are also organizational directives to guide the day-to-day running of the Agency and ensure adherence to internal controls.

61. In addition, the annual workplan of the Department of Internal Oversight Services includes reviews of the Agency's system of internal controls and makes recommendations for improvements. The Department's workplan and resulting reports are considered by the Agency's independent external oversight body, the Advisory Committee on Internal Oversight, which provides advice on this and on financial accountability in general to the Commissioner-General.

62. Furthermore, monthly financial reports are issued to members of the Senior Management Team of UNRWA and to major donors, thereby maintaining transparency, both internally and externally. The reports to senior management have served to strengthen its focus on identified financial risks.

63. Lastly, UNRWA regularly publishes data to the International Aid Transparency Initiative so that financial data is available to the public, thereby further enhancing transparency of the Agency's financial activities.

## **D. Enterprise and financial risk management**

### **Enterprise risk management**

64. A broad spectrum of risks is associated with the existence and the operations of UNRWA. These risks fall mainly into the broad categories of operational, environmental and financial risk. The management of risks is aimed at reducing the Agency's exposure to various forms of loss and, more critically, at reducing shortcomings in the delivery of services to Palestine refugees in the areas of education, health, relief and social services, microfinance, infrastructure and camp improvement, protection and emergency assistance.

65. "Operational risk" refers mainly to the risk of failing to deliver the services that the Agency is mandated to provide. Such risk is managed through proper planning, control and performance reviews and evaluations in the Agency's above-mentioned main service provision areas.

66. Operational risk is also managed at the field level. Given the similarities among, yet distinctive operational natures of, the Agency's five fields, the responsibility for the delivery of services to Palestine refugees was primarily devolved to them. Guided by the Agency's objectives enumerated in the UNRWA Strategic Plan for the period 2023–2028 and priorities listed in the Agency's annual operational plans, this

devolution has provided greater discretion to field offices in the provision of services geared towards local needs, taking into account the realities in the field and available resources. Such devolution, along with centralized policymaking and the regular monitoring of results, provides for enhanced management of the Agency's operational risk.

67. "Environmental risk" is the inherent risk associated with the volatile nature of the environment in which the Agency operates. Such risk is managed through recognition of the potential danger and the political and security concerns posed by the conflicts in the greater Middle East, particularly in the areas in which the Agency operates: Jordan, the Syrian Arab Republic, Lebanon, the West Bank, including East Jerusalem, and the Gaza Strip. In response, the UNRWA corporate risk register (included in Agency-wide annual operational plans) identifies top risks for the organization and provides a reference framework for their management. Risks included in the risk register are classified by type, for instance, crisis-related, political, institutional, reputational and financial risks. The risk register includes a description of the consequences of each risk, and an assessment of their likelihood and impact on the organization (low, medium or high). Mitigation measures are provided for each risk, and relevant risk owners as well as monitoring mechanisms are identified to allow for continued follow-up and necessary action. Risks are reviewed on a quarterly basis and through a range of other mechanisms, including bi-annual results reviews, quarterly expenditure review meetings, emergency task forces (once activated) and a host of senior management team, project assessment committee, programmatic and regular bi-weekly meetings.

### **Financial risk management**

68. The Agency is prone to exposure to various forms of financial risk, the greatest of which is the risk of not having sufficient financial resources to achieve the planned objectives and activities. The source of funding for operations aimed at meeting the objectives of the Agency and the needs of the refugees is predominantly the donor community. The uncertainty surrounding the timing and the actual amounts of voluntary contributions also poses some financial risk when it comes to planning. Such risk is managed in the best way possible, by considering the available information and providing for inflows in the most prudent manner.

69. On 18 January 2024, owing to allegations made against some staff of the Agency, several of the Agency's partners suspended their planned contributions to UNRWA. To safeguard the Agency's ability to continue to provide life-saving aid, those staff members' contracts were immediately terminated. An independent investigation led by the Office of Internal Oversight Services of the United Nations in New York, the highest investigative authority in the United Nations system, has been initiated, along with an internal assessment of the risk management framework and oversight processes. In addition, a fully independent review group has been commissioned by the Secretary-General of the United Nations to assess whether the Agency is doing everything within its power to ensure neutrality and to respond to allegations of serious breaches when they are made.

70. Several donors suspended funding as a result of the above allegations; some of them have now resumed funding. The Agency has significantly increased its outreach to partners in support of its operations and to manage the risk in relation to securing sufficient funding. This has resulted in pledges and contributions from new donors, both Governments and individuals, and increased support from some existing donors. Private donations increased significantly in the first quarter of 2024. Along with the outreach efforts to secure new funding, the Agency is also undertaking contingency planning, based on scenarios for different levels of funding, to understand the impact of reduced funding on operations and to plan actions accordingly.

71. The Agency's activities expose it to various financial risks, primarily the effects of changes in foreign currency exchange rates, given that most contributions are in currencies other than the Agency's reporting currency, the United States dollar. Consequently, UNRWA financial risk management focuses on the unpredictability of foreign exchange rates and seeks to minimize, where feasible, potential adverse effects on the Agency's financial performance. Financial risk management is carried out by a central treasury function using UNRWA technical guidelines that cover areas of financial risk, such as foreign exchange, the use of derivative financial instruments and the investment of excess liquidity.

72. As indicated in paragraph 56 above, employee benefits liabilities constitute nearly 90 per cent of the Agency's liabilities. UNRWA has sought advice from independent actuaries in establishing the value of those liabilities. The funding of employee benefits liabilities remains a long-term risk for the Agency. UNRWA adopts a pay-as-you-go method, and the cash to be paid for the coming year is planned and budgeted. For the long-term portion of the liabilities, the matter is inherently tied to the nature of UNRWA and its temporary mandate. It is fully expected that when there is a sustainable political solution resolving the displacement of Palestine refugees, this solution will address, among other matters, the future of UNRWA activities along with the dissolution of its assets and liabilities.

73. The Agency relies on funding from various donors, which are managed through an extensive outreach programme. It is further working towards expanding its donor base with potential supporters, with a focus on regional and emerging donors. The Agency is, at the same time, engaged in developing funding from the private sector, in order to manage this risk.

## **E. Responsibility**

74. In accordance with regulations 11.2 and 11.4 of the Financial Regulations of UNRWA, I am pleased to submit the Agency's financial statements, which have been prepared under IPSAS (see chap. V). The financial statements have been certified as correct by the Director of Finance.

## Chapter V

### Financial statements for the year ended 31 December 2023

#### United Nations Relief and Works Agency for Palestine Refugees in the Near East

#### I. Statement of financial position as at 31 December 2023

(Thousands of United States dollars )

	Reference	31 December 2023	31 December 2022 restated balance
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	Note 4	588 251	276 345
Short-term loans receivable	Note 5	5 497	18 745
Contributions receivable	Note 6	53 315	22 620
Accounts receivable	Note 7	11 493	11 662
Other current assets	Note 8	5 892	5 922
Inventories	Note 9	44 657	89 094
<b>Non-current assets</b>			
Long-term loans receivable	Note 5	9 880	2 335
Property, plant and equipment	Note 11	253 193	462 314
Intangible assets	Note 12	772	945
<b>Total assets</b>		<b>972 950</b>	<b>889 981</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Payables and accruals	Note 13	90 985	113 628
Employee benefits	Notes 14 and 15	95 384	88 767
Other current liabilities	Note 16	1 039	5 531
Advance contributions	Note 17	10 065	3 269
<b>Non-current liabilities</b>			
Employee benefits	Notes 14 and 15	713 032	691 076
Other non-current liabilities	Note 16	3 363	–
<b>Total liabilities</b>		<b>913 868</b>	<b>902 271</b>
<b>Net assets</b>		<b>59 082</b>	<b>(12 290)</b>
<b>Net assets/equity</b>			
Revaluation and other reserves		126 498	127 968
Capital reserve: microcredit community support programme and Microfinance Department	Note 19	38 492	38 488
Accumulated surplus		(105 908)	(178 745)
<b>Total net assets/equity</b>		<b>59 082</b>	<b>(12 290)</b>

**United Nations Relief and Works Agency for Palestine Refugees in the Near East**
**II. Statement of financial performance for the year ended 31 December 2023**

(Thousands of United States dollars)

	<i>Reference</i>	<i>2023</i>	<i>2022</i>
<b>Revenues</b>			
Cash contributions	Note 20	1 460 137	1 141 822
In-kind contributions	Note 21	32 827	32 644
Interest on loans	Note 22	8 349	8 448
Interest on bank deposits	Note 23	4 680	1 896
<b>Other revenues</b>			
Foreign currency exchange gain	Note 24	13 095	—
Indirect support cost recovery	Note 25	157	123
Miscellaneous revenue	Note 26	14 139	5 294
<b>Total revenue</b>		<b>1 533 384</b>	<b>1 190 228</b>
<b>Expenses</b>			
Wages, salaries and employee benefits	Note 27	744 265	736 252
Supplies and consumables	Note 28	167 596	184 080
Occupancy, utilities and premises costs	Note 29	19 978	20 232
Contracted services	Note 30	107 563	116 917
Subsidies	Note 31	154 699	208 558
Depreciation and amortization	Notes 11 and 12	30 145	29 877
Provisions and write-offs	Note 32	35 466	1 422
Loss on disposal	Note 11	579	323
Impairment of property, plant and equipment	Note 11	200 255	—
Foreign currency exchange loss	Note 24	—	14 730
<b>Total expenses</b>		<b>1 460 546</b>	<b>1 312 390</b>
<b>Surplus/(deficit) for the year</b>		<b>72 838</b>	<b>(122 163)</b>

# United Nations Relief and Works Agency for Palestine Refugees in the Near East

## III. Statement of changes in net assets/equity for the year ended 31 December 2023

(Thousands of United States dollars)

	<i>Revaluation and other reserves<sup>a</sup></i>	<i>Reserves, microcredit community support programme and Microfinance Department<sup>b</sup></i>	<i>Accumulated surplus/deficit – unearmarked</i>	<i>Accumulated surplus/deficit – earmarked</i>	<i>Total</i>
<b>Balance at 1 January 2023</b>	<b>127 968</b>	<b>38 488</b>	<b>(492 533)</b>	<b>312 667</b>	<b>(13 410)</b>
Change in accounting policy	–	–	–	1 120	1 120
Balance at 1 January 2023 as restated <sup>c</sup>	127 968	38 488	(492 533)	313 787	(12 290)
Reclassification of funds	–	–	12 000	(12 000)	–
Surplus/(deficit) for the period	–	–	(201 974)	274 812	72 838
Changes in revaluation reserve for derivative financial instruments	–	–	–	–	–
Reserves microcredit community support programme and Microfinance Department, during 2023	–	4	–	–	4
Actuarial gains/(losses) on staff termination liabilities <sup>d</sup>	(1 470)	–	–	–	(1 470)
<b>Total net assets/equity</b>	<b>126 498</b>	<b>38 492</b>	<b>(682 508)</b>	<b>576 600</b>	<b>59 082</b>

<sup>a</sup> See note 33.

<sup>b</sup> See note 19.

<sup>c</sup> See note 36.

<sup>d</sup> See note 15.11.

**United Nations Relief and Works Agency for Palestine Refugees in the Near East**
**IV. Statement of cash flow for the year ended 31 December 2023**

(Thousands of United States dollars)

	2023	2022 (restated)
<b>Cash flows from operating activities</b>		
Surplus/(deficit) for the year	72 838	(122 163)
Impact of IPSAS 41	—	1 120
<b>Adjustment for non-cash items</b>		
Add depreciation and amortization	30 145	29 877
Net cash impact on disposals/adjustments	540	294
Add Impairment	200 255	—
Actuarial gains/(losses) on employee benefits liabilities	(1 470)	210 238
(Decrease)/increase in provision for doubtful debts	2 207	(1 212)
Decrease/(increase) in inventories	44 436	(5 223)
Decrease/(increase) in contributions receivable	(33 564)	8 758
Decrease/(increase) in accounts receivable	1 345	69
Decrease/(increase) in loans receivable	5 190	(4 363)
Decrease/(increase) in other assets	29	(2 312)
(Decrease)/increase in accounts payable and accruals	(22 643)	4 629
(Decrease)/increase in leave encashment and employee benefits	28 573	(172 697)
(Decrease)/increase in other liabilities	(1 129)	4 692
(Decrease)/increase in advance contributions	6 796	(7 478)
<b>Net cash from operating activities</b>	<b>333 547</b>	<b>(55 771)</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of property, plant and equipment	53	33
Purchase of property, plant, equipment and adjustment	(21 698)	(24 121)
Purchase of intangible assets	—	(764)
<b>Net cash from investing activities</b>	<b>(21 645)</b>	<b>(24 852)</b>
<b>Cash flows from financing activities</b>		
Increase/(decrease) in capital reserve for Microfinance Department and microcredit community support programme	4	1
<b>Net cash from financing activities</b>	<b>4</b>	<b>1</b>
Net increase/(decrease) in cash	311 906	(80 622)
Cash balance at the beginning of the year	276 345	356 967
<b>Cash balance at the end of the year</b>	<b>588 251</b>	<b>276 345</b>

# United Nations Relief and Works Agency for Palestine Refugees in the Near East

## V. Statement of comparison of budget and actual amounts for the year ended 31 December 2023

(Thousands of United States dollars)

	Reference	Budget amounts		Actual on comparable basis	Variances: final budget and actual
		Original	Final		
<b>International staff</b>		—	—	—	—
Staff costs		46 271	63 940	48 791	15 148
<b>Area staff</b>					
Basic salary		477,483	388 926	388 620	306
Hazard pay and special elements		—	363	486	(123)
Provident Fund Agency contribution		66 886	73 272	61 282	11 989
Special professional occupational allowance, special occupational allowance and others		13 996	12 928	13 742	(814)
Overtime and excess hours supplement		513	8 065	7 951	114
Currency adjustment factor		8 724	312	328	(15)
Special allowance		27 582	29 392	27 211	2 181
Health-related expenses		12 588	11 075	11 065	10
Other miscellaneous staff costs		222	372	86	286
Severance cash payout		42 827	52 197	52 112	85
Limited duration contract		802	7 746	2 846	4 900
Temporary staff		5 525	33 573	30 530	3 044
<b>Total staff costs (A)</b>	<b>Note 34</b>	<b>703 418</b>	<b>682 162</b>	<b>645 050</b>	<b>37 113</b>
<b>Non-staff costs</b>					
Supplies		45 522	48 283	43 916	4 367
Utilities		6 814	5 606	4 961	645
Maintenance of premises		5 483	17 433	13 745	3 688
Equipment and non-capital construction		148 871	69 230	25 793	43 437
Training		5 483	3 437	1 964	1 473
Travel		1 505	3 063	2 044	1 020
Administrative support services		4 891	5 281	4 000	1 281
Consultancy services		30 247	12 709	8 405	4 304
Hospital services		28 632	23 255	22 419	837
Miscellaneous services		24 054	21 200	15 569	5 631
Subsidies to hardship cases		40 966	55 579	39 448	16 130
Subsidies to patients		2 635	5 262	4 917	345
Third-party subsidies		1 928	3 051	2 556	495
Other subsidies		301	389	319	71
Cost recovery		(2 617)	18 135	5 642	12 493
Reserves		234	107 848	—	107 848
Prior-year adjustments		—	(59)	(112)	53
<b>Total non-staff costs (B)</b>	<b>Note 34</b>	<b>344 949</b>	<b>399 705</b>	<b>195 587</b>	<b>204 118</b>
<b>Total resources requirements (A+B)</b>	<b>Note 34</b>	<b>1 048 367</b>	<b>1 081 867</b>	<b>840 637</b>	<b>241 230</b>

## **United Nations Relief and Works Agency for Palestine Refugees in the Near East**

### **Notes to the 2023 financial statements**

#### **Note 1**

##### **Mission statement**

1.1 The United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA or the Agency) is a United Nations agency established by the General Assembly in 1949 and is mandated to provide assistance and protection to a population of over 6.0 million registered Palestine refugees. Its mission is to help Palestine refugees in Jordan, Lebanon, the Syrian Arab Republic, the West Bank and the Gaza Strip to achieve their full potential in human development under the difficult circumstances in which they live, pending a just solution to their plight. UNRWA services encompass education, health care, relief and social services, protection, camp infrastructure and improvement, microfinance and emergency assistance. UNRWA is funded almost entirely by voluntary contributions.

#### **Note 2**

##### **Summary of significant accounting policies**

##### **(a) Basis of presentation**

2.1 The financial statements have been prepared on the accrual basis of accounting, in accordance with the requirements of the International Public Sector Accounting Standards (IPSAS). Where IPSAS is silent concerning any specific matter, the appropriate International Financial Reporting Standard or International Accounting Standard is applied.

2.2 The IPSAS Board recently issued the following standards: IPSAS 41: Financial instruments, effective 1 January 2023; IPSAS 42: Social benefits, effective 1 January 2023; IPSAS 43: Leases, effective 1 January 2025; IPSAS 44: Non-current assets held for sale and discontinued operations, effective 1 January 2025; IPSAS 45: Property, plant and equipment, which replaces IPSAS 17, effective 1 January 2025; IPSAS 46: Measurement, will be effective for periods beginning on or after 1 January 2025; IPSAS 47: Revenue, and IPSAS 48: Transfer expenses, each with an effective date of 1 January 2026; IPSAS 49: Retirement benefit plans, effective 1 January 2026. The Agency has reviewed and adopted IPSAS 41: Financial instruments, effective 1 January 2023, whereas IPSAS 42: Social benefits, is not applicable. The Agency is assessing the impact of all the new standards.

##### **(b) Accounting convention**

2.3 The financial statements have been prepared using the historical cost convention, except for some financial instruments that are carried at fair value, and donated inventory or property, plant and equipment, which are valued at fair value.

##### **(c) Functional currency and translation of foreign currencies**

##### **Functional and presentation currency**

2.4 The financial statements are presented in United States dollars, and all values are rounded to the nearest thousand. The functional currency of the Agency is the United States dollar, with the exception of the Microfinance Department, which uses the Syrian pound as the functional currency in the Syrian Arab Republic and the Jordanian dinar as the functional currency in the West Bank and Jordan.

### **Transactions and balances**

2.5 Foreign currency transactions are translated into United States dollars using the United Nations operational rates of exchange, which approximate the exchange rates prevailing at the dates of the transactions. The United Nations operational rates of exchange are set twice a month for all currencies.

2.6 Monetary assets and liabilities denominated in foreign currencies are translated into United States dollars at the year-end closing rate of the United Nations operational rates of exchange.

2.7 Realized and unrealized foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation, at year-end exchange rates, of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of financial performance.

### **Management of currency risks**

2.8 The primary principle of the currency risk management policy of UNRWA is the preservation of the value of its financial resources in United States dollar terms. The Agency's currency risk can be identified mainly as a potential loss in the value of unreceived non-United States dollar contributions and non-United States dollar cash assets as a result of a strengthening United States dollar. The risk arises from the date on which the contributions are pledged. To protect its assets and cash flow against adverse currency movements, UNRWA adopts a conservative risk management approach to minimize its exposure to exchange rate fluctuations.

2.9 The Agency provides protection against volatility in local currencies (currency adjustment factor) to its area staff for their salaries. Its currency risk management policies allow hedging against local currencies to reduce exposure arising from fluctuations in exchange rates between the United States dollar and local currencies (see note 10).

#### **(d) Materiality and use of judgment and estimates**

2.10 The concept of materiality is applied for the development of accounting policies and the preparation of financial statements.

2.11 The financial statements include amounts based on judgments, estimates and assumptions by management. Changes in estimates are reflected in the period during which they become known.

#### **(e) Significant accounting policies**

##### **Cash and cash equivalents**

2.12 Cash and cash equivalents include cash on hand, cash at banks and other short-term highly liquid investments with original maturities of up to three months.

##### **Revenue**

2.13 Revenue is recognized in the statement of financial performance when increases in future economic benefits, related to increases in assets or decreases in liabilities, have arisen from mutually agreed interactions between two parties and can be measured reliably.

*Revenue from non-exchange transactions*

2.14 Unconditional contributions are recognized when the contributions are confirmed in writing by donors. If conditions exist requiring specific performance and the return of unexpended balances, then revenue is recognized upon provision of the goods and services. At the end of projects and in accordance with the donor agreement, unexpended contributions will be included in the statement of financial position and as other income (expense) in the statement of financial performance. Contributions received from donors in advance are recorded as other liabilities (see note 17) in the statement of financial position, until the criteria for recording revenue are met (see notes 20 and 21).

*Revenue from exchange transactions*

2.15 Revenue from exchange transactions is recorded on an accrual basis at the fair value of the consideration received or receivable when it is probable that the future economic benefits and/or service potential will flow to the Agency and those benefits can be measured reliably (see notes 22 to 26). This includes revenue from interest on loans and interest on bank deposits, gains, and recoveries, as well as revenue from miscellaneous sources.

**Contributions receivable**

2.16 Contributions and contributions receivable are presented net of expected credit loss in contribution revenue and contributions receivable.

2.17 In-kind contributions of services that directly support approved operations and activities, and that have budgetary impact and can be reliably measured, are recognized and valued at fair value. Such contributions include the use of premises, vehicles and personnel.

2.18 Donated inventory or property, plant and equipment are valued at fair value and recognized as assets and revenue.

**Accounts receivable**

2.19 Receivables are recognized at their nominal value.

2.20 An allowance for expected credit loss is recognized when there is objective evidence that a receivable is impaired. In particular, an allowance is recognized on the basis of historical collection experience. Impairment losses are recognized in the statement of financial performance.

**Loans receivable**

2.21 Loans receivable represent loans from borrowers under the Agency's microfinance programme and microcredit community support programme, which offer targeted credit products through a revolving loan fund that serves its operations in all fields. Loans receivable are recognized at their outstanding principal balance.

**Allowance for expected credit loss for contributions and loans receivable**

2.22 UNRWA recognized an allowance for expected credit losses on all financial assets using the expected credit loss methodology, which captures the present and the future loss allowance expected on a financial asset. The expected credit loss methodology is a probability-weighted estimate of credit losses over the expected life of the financial instrument. Expected credit loss considers the difference between cash flows that are due to UNRWA in accordance with the contractual terms and cash flows that UNRWA expects to receive. The probability of expected credit loss on a financial

instrument arises if the credit risk on that financial instrument has increased significantly since initial recognition – whether assessed on an individual or collective basis – considering all reasonable and supportable information, including that which is forward-looking. In recognizing an allowance for expected credit losses on a financial asset, UNRWA considered the probability of default, the loss given default and the exposure at default for each of the financial assets. The probability of default assessed the increase in credit risk since the initial recognition of the financial assets and at the reporting date. The loss given default assessed the portion that the Agency will not be able to recover from the financial assets at the time of default based on the current and future available information, as well the conditions of the donor. The exposure at default focused on the amount of financial assets exposed to default at the reporting date, including other unsettled related cost or balances relating to transactions or any interest in arrears.

#### **Expected credit loss for contributions receivable**

2.23 UNRWA has examined establishing a separate expected credit loss allowance for contributions receivable based on the category of donor (e.g. Government, intergovernmental organization, non-governmental organization or United Nations organization) and has determined that the use of a single expected credit loss calculation will best meet the requirements of IPSAS 41. In determining the forecast percentage of the probability of default, UNRWA considered indicators of credit risk through the assessment of changes in historical collection patterns of the contributions receivable from the contributions made in the respective donor categories and the accessibility of relevant forward-looking information without undue cost or effort. UNRWA determined the forecast annual average probability of default percentage for the reporting year from a five-year historical contributions receivable from the contributions made in the respective donor categories from 2018 to 2022. In assessing the changes in credit risk, the historical percentage is adjusted at each year end on the basis of the availability of reasonable and supportable forward-looking and historical information without undue cost or effort. UNRWA assessed its loss given default by taking into consideration the percentage of contributions receivable that the Agency will not be able to recover from the respective donor categories based on the latest and future available information. In a conservative approach, UNRWA has determined that its loss given default percentage is 100 per cent in a worst-case scenario. UNRWA exposure at default on contributions receivable considered the amount of receivables that are exposed to default at the reporting date, including other unsettled related cost. The exposure-at-default balances are assessed to be the contributions receivable at the reporting date.

#### **Expected credit loss on loans receivable**

2.24 In determining the expected credit loss on loans receivable, the Microfinance Department classified its loan information per type of loan into five days-past-due buckets:

- Current
- 1–30 days
- 31–60 days
- 61–89 days
- 90 days and above

2.25 On the basis of the IPSAS 41 general approach, the Microfinance Department undertook a staging allocation of the type of loan classified and has determined that all financial assets are allocated to stage 1 on initial recognition. However, if a significant

increase in credit risk is identified at the reporting date compared with initial recognition, the financial asset is transferred to stage 2. If there is objective evidence of impairment, the asset is credit-impaired and transferred to stage 3. Current exposure and exposure until 30 days past due is classified as stage 1. As default is identified at 90 days, the portfolio between 31 to 60 and 61 to 90 days past due is classified as stage 2 and the portfolio 90 days past due and beyond is classified as stage 3. The Microfinance Department staging allocation is detailed below:

Stage 1: Days-past-due bucket “Current–30”

Stage 2: Days-past-due bucket “31–90”

Stage 3: Days-past-due bucket “above or equal to 90” (non-performing loans)

2.26 The Microfinance Department determined the forecasted probability of default on the loans by modifying the historical probability of default in line with macroeconomic factors, including the annual percentage change in real gross domestic product (GDP), the consumer price index (CPI) inflation rate (end-of-period), the CPI inflation rate (period average), the unemployment rate and per capita nominal GDP (United States dollars), to forecast the probability of default from 2023 to 2027. Factors considered were analysed by statistical analysis tools such as regression and least squares method. For all loans in stage 3, the applied probability of default is 100 per cent. For stages 1 and 2, the probability of default is calculated. In addition, the Microfinance Department classifies all loans on which legal action has been initiated and that are rescheduled under stage 3, with a probability of default of 100 per cent. Exposure at default comprises the portfolio outstanding for each bucket and includes interest in arrears for that bucket. For loans classified as stage 3, non-performing loans were computed in total (net of interest in suspense). The Microfinance Department determined the loss given default as the portion that the Agency will not be able to recover from the client at the time of default. The loss given default was assumed through the three following scenarios:

1. Best-case scenario: loss given default at 45 per cent
2. Base case scenario: loss given default at 60 per cent
3. Worst-case scenario: loss given default at 75 per cent

2.27 The Microfinance Department applied the weighted average for all scenarios to calculate the final expected credit loss, and the assigned weight for each scenario depends on the judgment of the management of the Microfinance Department.

2.28 In determining the forecast percentage of the probability of default for the microcredit community support programme, UNRWA considered indicators of credit risk through the assessment of changes in a five-year historical collection pattern of the loans from the respective clients from 2018 to 2022 and the accessibility of relevant forward-looking information without undue cost or effort. In assessing the changes in credit risk, the historical percentage is adjusted at each year end based on the availability of reasonable and supportable forward-looking and historical information. UNRWA assessed the loss given default for the microcredit community support programme by taking into consideration the percentage of the loans the Agency will not be able to recover from the borrowers based on the latest and future available information. In a conservative approach, UNRWA has determined that its loss-given-default percentage for the microcredit community support programme is 100 per cent in a worst-case scenario. UNRWA exposure at default for the microcredit community support programme was determined to be the amount of loans receivable at the reporting date including other unsettled related costs. UNRWA does not have any loans related to the microcredit community support programme for the financial year ended 2023.

2.29 UNRWA recognizes in surplus or deficit, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized in accordance with the Agency policy.

*Related-party (“insider”) loans*

2.30 The Agency provides credit facilities to staff, but not to the Executive Director of the Microfinance Department or to members of the Advisory Board. The loan conditions and interest rates for staff clients are identical to those for other customers. Such loans are provided for consumption and housing.

*Accrued interest on loans*

2.31 Interest income on loans is accounted for on an accrual basis.

*Recoveries*

2.32 Recoveries of previously written-off loans are reflected in the statement of financial performance for the period of receipt.

**Financial instruments**

2.33 UNRWA adopted and implemented IPSAS 41: Financial instruments, for the financial year beginning 1 January 2023. IPSAS 41: Financial instruments substantially improves the relevance of information for financial assets and financial liabilities. It replaces IPSAS 29: Financial instruments: recognition and measurement, and improves that standard’s requirements by introducing:

- (a) Simplified classification and measurement requirements for financial assets;
- (b) A forward-looking impairment model;
- (c) A flexible hedge accounting model.

UNRWA has assessed and incorporated the impact of the adoption and implementation of IPSAS 41 into the respective sections of the financial statement.

2.34 Financial instruments are recognized when UNRWA becomes a party to the contractual provisions of the instrument until such time as the rights to receive cash flows from those assets have expired or have been transferred and UNRWA has transferred substantially all the risks and rewards of ownership. The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, for financial assets, adjusted for any loss allowance.

2.35 The classification of UNRWA financial assets is subsequently measured at amortized cost, fair value through net assets/equity or fair value through surplus or deficit. Financial liabilities are classified as subsequently measured at amortized cost.

2.36 UNRWA financial instruments consist of contributions receivable in cash, loans receivable as part of the credit facilities of the Microfinance Department, the microcredit community support programme (also known by its acronym, MCSP), and cash in bank accounts and accounts payable. Loans, receivables and payables are non-derivative financial instruments with fixed or determinable payments that are not quoted in active markets. Non-derivative financial instruments are recognized in the

statement of financial position at fair value. The nominal value of receivables and payables approximates the fair value of the transaction.

2.37 The Agency uses derivative financial instruments to hedge exchange risk and they are classified as measured at fair value through surplus and deficit. Foreign exchange forward contracts are revalued at the end of the year, and the revaluation gain or loss is reported in the statement of financial performance. Financial instruments are derecognized when UNRWA no longer becomes a party to the contractual provisions of the instrument when the rights to receive cash flows from those assets have expired or have been transferred and UNRWA has transferred substantially all the risks and rewards of ownership. In comparison with IPSAS 29, UNRWA financial assets would be classified as follows under IPSAS 41:

<i>Financial assets</i>	<i>IPSAS 29 category</i>	<i>IPSAS 41 category</i>
Cash and cash equivalents (with original maturities of 3 months or less)	Financial assets at fair value through surplus and deficit	Amortized cost
Short-term loans receivable – Microfinance Department and microcredit community support programme loans	Loans and receivables (at amortized cost)	Amortized cost
Contributions receivable	Loans and receivables (at amortized cost)	Amortized cost
Long-term loans receivable – Microfinance Department and microcredit community support programme loans	Loans and receivables (at amortized cost)	Amortized cost
Accounts payables	Loans and receivables (at amortized cost)	Amortized cost
Derivatives	Financial assets and liabilities at fair value through surplus and deficit	Fair value through surplus and deficit

### **Financial risk management**

2.38 The activities carried out by UNRWA expose it to various financial risks, primarily the effects of changes in foreign currency exchange rates. Consequently, the Agency's financial risk management policies are focused on the unpredictability of foreign exchange rates and are aimed at minimizing, where feasible, potential adverse effects on the financial performance of UNRWA. Financial risk management is carried out by a central treasury function using UNRWA technical guidelines covering such areas of financial risk as foreign exchange, the use of derivative financial instruments and the investment of excess liquidity.

### **Advances and prepayments**

2.39 Advances and prepayments are recognized at their nominal value.

### **Inventories**

2.40 Inventories are stated at the lower of cost or current replacement cost. The cost of inventories includes purchase cost, or fair value if donated in kind, and all other costs incurred in bringing the inventory into custody. Cost is determined using a weighted average cost formula.

2.41 The current replacement cost, which is used so that inventories can be distributed to beneficiaries at no or nominal charge, is the cost that the Agency would incur to acquire the asset on the reporting date.

2.42 Shelter work in progress is recognized as inventory and such inventories expensed in the period in which the shelter is handed over to the refugees.

2.43 A charge for impairment is recorded in the statement of financial performance for the year in which the inventory is determined to be impaired.

### Property, plant and equipment

2.44 Property, plant and equipment items are stated at historical cost, less accumulated depreciation and any recognized impairment loss. For donated assets, fair value as at the date of acquisition is utilized as a proxy for historical cost. For property acquired before 1 January 2010, items were recognized at fair value as at that date and depreciated using the straight-line method over their estimated remaining useful lives.

2.45 Property, plant and equipment are capitalized in the financial statements if their cost exceeds a nominal value.

2.46 Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits or service potential associated with the item will flow to the Agency and the cost of the item can be measured reliably. All repairs and maintenance are charged to the statement of financial performance for the financial period during which they are incurred.

2.47 Depreciation is charged so as to allocate the cost of assets over their estimated useful lives using the straight-line method. The depreciation rates are as follows and are subject to annual review (property acquired before 2010 was fair valued and is depreciated using the straight-line method up to 60 years and not subject to the rates in the table below):

(Percentage )

<i>Asset type</i>	<i>Depreciation rate</i>
<b>Buildings and land improvements</b>	
Buildings and land improvements	4
Prefabricated buildings	10
Short-life land improvements	14
Leasehold improvement	20
<b>Vehicles</b>	
Heavy trucks	5
Sedans, light buses and light trucks/or buses	10
Other vehicles	14
<b>Equipment</b>	
Long-life information and communications technology (ICT) equipment, medical equipment and technical vocational training equipment	14
General machinery and equipment, office equipment, medium-life ICT equipment and teaching and school equipment	20
Short-life ICT equipment, computers and printers	33
Microfinance Department office equipment	10

<i>Asset type</i>	<i>Depreciation rate</i>
Lease equipment	Shorter of lease term or useful life
<b>Furniture and fixtures</b>	
Fixtures	14
Furniture	10–20

### Capital work in progress

2.48 All capital expenses incurred on construction are accumulated in a separate account within property, plant and equipment. Upon completion of construction, the accumulated cost is transferred to a property, plant and equipment account and depreciated on the basis of the aforementioned rates as at the date on which the completed asset is placed in service.

### Intangible assets

2.49 Intangible assets are carried at historical cost, less accumulated amortization and any recognized impairment loss. For donated intangible assets, fair value as at the date of acquisition is used as a proxy for historical cost. Intangible assets are capitalized in the financial statements if their cost exceeds a nominal value.

2.50 Amortization is provided on a straight-line basis on all intangible assets of finite life, at rates that will allocate the cost or value of the assets over their estimated useful lives. The estimated useful lives of classes of intangible assets are as follows and are subject to annual review:

<i>Asset class</i>	<i>Useful life (years)</i>
Software acquired externally	3
Software developed internally	6
Licences and rights	2
Copyrights	3

2.51 Intangible asset recognition requires the meeting of strict criteria with regard to being identifiable, being under the Agency's control and contributing to future economic benefits or service potential that can be reliably measured. Remaining useful life is also a consideration. Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is expensed as incurred.

### Software acquisition and development

2.52 Acquired computer software licences are capitalized on the basis of costs incurred to acquire the specific software and bring it into use. Costs directly associated with the development of software for use by the Agency are capitalized as an intangible asset. Development activities include a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if the development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and UNRWA intends to and has sufficient resources to complete development and to use the asset. The expenditure capitalized includes the costs of materials and direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognized

in the statement of financial performance as incurred: capitalized development expenditure is measured at cost, less accumulated amortization and accumulated impairment losses.

### **Impairment**

2.53 Assets that are subject to depreciation or amortization are reviewed annually for impairment to ensure that the carrying amount is still considered to be recoverable. Impairment occurs through complete loss, major damage or obsolescence. In the case of a complete loss, full impairment is recorded. This impairment loss can be reversed in subsequent periods, subject to a maximum of the impairment loss recognized.

### **Finance leases**

2.54 Leases of tangible assets, for which the Agency has substantially all the risks and rewards of ownership, are classified as finance leases.

### **Operating leases**

2.55 Leases where the lessor retains a significant portion of the risks and rewards inherent to ownership are classified as operating leases. Payments due under operating leases are charged to the statement of financial performance as an expense.

### **Payables and accruals**

2.56 Payables and accruals represent present obligations of the Agency arising from past events.

### **Employee benefits**

2.57 The Agency recognizes the following categories of employee benefits:

- (a) Short-term employee benefits fall due wholly within 12 months after the end of the accounting period in which employees render the related service;
- (b) Post-employment benefits;
- (c) Other long-term employee benefits;
- (d) Termination benefits.

2.58 UNRWA is a member organization participating in the United Nations Joint Staff Pension Fund, which was established by the General Assembly to provide retirement, death, disability and related benefits to employees. The Pension Fund is a funded, multi-employer defined-benefit plan. As specified in article 3 (b) of the Regulations of the Fund, membership in the Fund shall be open to the specialized agencies and to any other international intergovernmental organization which participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.

2.59 The plan exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Pension Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual organizations participating in the plan. UNRWA and the Pension Fund, in line with the other participating organizations, are not in a position to identify the Agency's proportionate share of the defined-benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Hence, UNRWA has treated this plan as if it were a defined contribution plan in accordance with the requirements set out in IPSAS 39: Employee benefits. The Agency's contributions to the Fund during the financial period are recognized as expenses in the statement of financial performance.

2.60 All area staff members participate in the Area Staff Provident Fund, which is accounted for as a defined contribution retirement plan in accordance with IPSAS 39.

#### **Provisions and contingent liabilities**

2.61 Provisions are made for future liabilities and charges where UNRWA has a present legal or constructive obligation as a result of past events, it is probable that it will be required to settle the obligation, and the amount can be reasonably estimated.

2.62 Other material commitments, which do not meet the recognition criteria for liabilities, are disclosed in the notes to the financial statements as contingent liabilities when their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of UNRWA.

#### **Interest revenue**

2.63 Interest revenue is recognized over the period during which it is earned.

#### **Indirect support cost recovery**

2.64 The Agency is entitled to a specific percentage of the expenditure incurred on certain projects and emergency appeal grants according to agreements with donors. Indirect support cost recoveries are recognized as income and represent recoveries of overhead costs incurred by the Agency to implement the related projects and activities.

#### **Fund accounting and segment reporting**

2.65 A fund is a self-balancing accounting entity established to account for the transactions of a specified purpose or objective. Funds are segregated for the purpose of carrying out specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The financial statements are prepared on a fund accounting basis, showing at the end of the period the aggregated position of all UNRWA funds. Fund balances represent the accumulated residual of revenue and expenses.

2.66 A segment is a distinguishable activity or group of activities for which financial information is reported separately in order to evaluate an entity's past performance in achieving its objectives and for making decisions about the future allocation of resources. UNRWA classifies all projects, operations and fund activities into five segments:

- (a) Unearmarked activities, comprising activities under the programme budget;
- (b) Earmarked activities, which include:
  - (i) Restricted activities: a series of recurring activities aimed at bringing about clearly specified objectives within a defined time period and a defined budget. This applies to activities related to both cash and in-kind contributions for the regular budget;
  - (ii) Emergency appeals: activities under an external funding request to respond to a rapid crisis or a protracted humanitarian crisis with emergency operations;
  - (iii) Projects: used to meet capital expenditure or development needs to improve or supplement existing programmes and systems;
  - (iv) Microfinance: used to provide credit for enterprise activities, household consumption and housing needs that will improve the quality of life of

householders and small-business owners and will help to sustain jobs, reduce poverty, empower women and provide income-generating opportunities for Palestine refugees.

### Note 3

#### Budget comparison

3.1 The budget for the biennium 2022–2023 was submitted to the General Assembly. After consideration by the Assembly, the allocation and the appropriations were carried out by exercising the delegated authority.

3.2 The biennial budget is prepared on the modified cash basis and the statement of financial performance is prepared on the accrual basis. Owing to the different bases used for the preparation of budgets and financial statements, statement V, which provides a comparison of budget and actual amounts, is prepared on the same basis of accounting classification and period as the approved budget, as required under IPSAS 24.

3.3 The comparison statement includes the original budget, the final budget, the expenditure on a modified cash basis for each corresponding budgetary amount and an explanation of material differences between the budget and expenditure.

3.4 Note 34 provides a reconciliation of actual amounts presented on the same basis as the budget with the actual amounts of net cash flows from operating activities, investing activities and financing activities presented in the financial statements, identifying separately any basis, timing and entity differences.

### Note 4

#### Cash and cash equivalents

4.1 Cash is held principally in United States dollar bank accounts. The composition of cash is as follows:

(Thousands of United States dollars)

	31 December 2023	31 December 2022
Cash in hand	5 651	3 935
Cash at banks	582 600	272 410
<b>Total</b>	<b>588 251</b>	<b>276 345</b>

4.2 The increase in cash in hand was attributable chiefly to cash held in the Syrian Arab Republic field office for immediate cash assistance distribution to the beneficiaries. The cash balance is net of the provision for potential cash losses in Gaza.

4.3 Compared with 2022, cash at banks increased by \$311.916 million owing chiefly to a higher cash balance held under emergency appeals at the end of 2023 following the outbreak of the war in Gaza. The major increase was attributable to a new emergency appeal by the Agency for the war in Gaza that started in October, for which there were receipts towards the end of the year that will be spent in 2024.

4.4 The Agency held funds for other United Nations entities in the amount of \$0.249 million as at 31 December 2023 (compared with \$0.332 million as at 31 December 2022).

4.5 The balances of cash and cash equivalents on hand as at 31 December 2023 were held in the currencies shown in the table below. Currency values have been converted at the United Nations official rates of exchange as at 1 January 2024.

Currency	Balance as at 31 December 2023			Balance as at 31 December 2022		
	Currency amount (thousands)	United Nations official rate of exchange	United States dollar amount (thousands)	Currency amount (thousands)	United Nations official rate of exchange	United States dollar amount (thousands)
Australian dollar	164	1.460	112	17 939	1.480	12 121
Canadian dollar	10 405	1.319	7 888	4 101	1.356	3 024
Swiss franc	340	0.835	408	180	0.923	195
Danish krone	697	6.713	104	410	6.987	59
Egyptian pound	781	30.839	25	6 282	24.709	254
Euro	58 316	0.901	64 723	49 294	0.939	52 496
Pound sterling	2 107	0.783	2 691	4 547	0.831	5 472
Jordanian dinar	40 397	0.708	57 058	27 795	0.708	39 258
Japanese yen	1 406 053	140.770	9 988	1 405 442	133.050	10 563
Lebanese pound	1 404 537	85 500.000	16	2 466 724	38 000.000	65
New Israeli shekel	18 622	3.618	5 147	6 603	3.523	1 874
Norwegian krone	290 851	10.120	28 740	198 675	9.882	20 105
Swedish krona	92 933	9.944	9 346	804 246	10.462	76 873
Syrian pound	4 735 226	12 500.000	379	187 656	3 000.000	63
United States dollar	395 933	1.000	395 933	49 928	1.000	49 928
Emirati dirham	101	3.673	28	24	3.672	7
Malaysian ringgit	65	4.606	14	232	4.418	53
<b>Total</b>			<b>582 600</b>			<b>272 410</b>

## Note 5

### Loans receivable

5.1 Loans receivable include loans outstanding from funds disbursed from the Microfinance Department and the microcredit community support programme both through an initial donor contribution (first-time loans) and from revolving loan funds. The Microfinance Department operates as a separate department within UNRWA. The microcredit community support programme is a subprogramme of the Social Services Division of the Relief and Social Services Department of UNRWA.

5.2 The composition of loans receivable, net of the expected credit loss by maturity, is as follows:

(Thousands of United States dollars)

	31 December 2023			31 December 2022 (restated)		
	Microfinance Department	Microcredit community support programme	Total	Microfinance Department	Microcredit community support programme	Total
Current	5 497	—	5 497	18 745	—	18 745
Non-current	9 880	—	9 880	2 335	—	2 335
<b>Total</b>	<b>15 377</b>	<b>—</b>	<b>15 377</b>	<b>21 079</b>	<b>—</b>	<b>21 079</b>

5.3 The total decrease in loans receivable for 2023 compared with 2022 is attributable primarily to the war in Gaza as well as some loans in the West Bank; that decrease has resulted in an increase in the allowance for expected credit loss. The loans continue to be repayable to UNRWA under the contractual terms and the Agency will continue to pursue repayments for all loans. However, to be prudent, the management of the Microfinance Department has authorized a full provision (100 per cent) for loans associated with borrowers from the West Bank who are workers in Israel and loans associated with borrowers from Gaza, taking into consideration the tragic situation in Gaza and the associated economic impact. The loans receivable from the microcredit community support programme for 2022 are restated on the basis of the retrospective application of IPSAS 41: Financial instruments, and no new loans were issued in 2023.

#### Allowance for loans receivable

5.4 The change in the allowance for expected credit loss for loans receivable is as follows:

(Thousands of United States dollars)

	2023			2022 (restated)		
	Microfinance Department	Microcredit community support programme	Total	Microfinance Department	Microcredit community support programme	Total
Beginning balance	(2 016)	–	(2 016)	(1 558)	–	(1 558)
Additions	(6 888)	–	(6 888)	(1 196)	–	(1 196)
Less: write-off/adjustment	1 207	–	1 207	737	–	737
Reduction in provision/adjustment	553	–	553	1	–	1
<b>Ending balance</b>	<b>(7 144)</b>	<b>–</b>	<b>(7 144)</b>	<b>(2 016)</b>	<b>–</b>	<b>(2 016)</b>

5.5 The increase in loans written off and provision in 2023 compared with 2022 is attributable primarily due to the war in Gaza as well as some loans owed by workers based in the West Bank who were employed in Israel (see note 5.3).

#### Expected credit loss allowance for loans

5.6 For the microcredit community support programme, the expected credit loss allowance attributable to the probability of default is determined as an annual average percentage of historical loan payments and applied to the respective outstanding loan portfolios at the reporting date, excluding loans to UNRWA staff, for which no allowance is made. UNRWA does not have any loans related to the microcredit community support programme for the financial year ending 31 December 2023.

5.7 As highlighted in note 2, the expected credit loss allowances attributable to the probability of default and loss given default for the Microfinance Department are determined based on the classification of loan types into days-past-due buckets, a staging allocation of the days-past-due buckets and the best and worst condition or scenarios of the loans applied to the respective outstanding loans portfolios. The Microfinance Department makes a full provision for the expected credit loss allowance for loans where there is objective evidence of an impairment loss. Criteria used to determine that there is objective evidence of an impairment loss may include: indications that the borrower or a group of borrowers is experiencing significant financial difficulty; default or delinquency in payments of interest or principal; breach of loan covenants or conditions; deterioration in the value of collateral; the probability exists that they will enter bankruptcy or other financial reorganization; and observable data indicate that there is a

measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. Recoveries of written-off loans continue to be pursued through the collection and compliance section of the Department.

5.8 On an exceptional basis and to mitigate the considerable effect on the Microfinance Department portfolio of the war in Gaza, and further to extensive analysis and consultation on the proper measure to address such risk to the portfolio, the Microfinance Department decided to allocate a full expected credit loss allowance of 100 per cent against the loan portfolio pertaining to Gaza, as noted in the financial statements. Following the developments in Gaza, the West Bank has also experienced a significant economic downturn, adversely affecting all sectors of the economy, in particular workers employed in Israel. The loans continue to be repayable to UNRWA under the contractual terms and the Agency will continue to pursue repayments for all loans. However, in response to these challenges and to be prudent, the Microfinance Department has authorized a full expected credit loss allowance of 100 per cent for loans associated with borrowers who are workers in Israel.

## Note 6

### Contributions receivable

6.1 Contributions receivable represent confirmed and binding pledges outstanding from donors that are due within 12 months. The following is a breakdown of contributions receivable balances by donor category at the end of the year:

(Thousands of United States dollars)

	31 December 2023	31 December 2022 (restated)
Due from Governments	33 179	18 663
Due from intergovernmental organizations	24 153	6 354
Due from non-governmental organizations	8 368	7 129
Due from United Nations organizations	163	154
Provision against contributions receivable	(12 548)	(9 679)
<b>Total contributions receivable</b>	<b>53 315</b>	<b>22 620</b>

6.2 The balances for the financial year ended 31 December 2022 for “Provision against contributions receivable” have been restated owing to the retrospective application of the new IPSAS 41, which has replaced IPSAS 29, which resulted in a reduction in the provision of \$3.255 million.

6.3 Contributions receivable increased by \$30.694 million owing to the contribution agreements signed towards the end of 2023 to provide humanitarian assistance required in response to the war in Gaza. Contributions receivable from intergovernmental organizations increased by \$17.799 million and contributions receivable from Governments increased by \$14.517 million in 2023.

6.4 Contributions receivable are related to donor contributions for each of the five identified segments. Donor contributions may include restrictions that require UNRWA to use the contribution for a specific project, activity or country within a specified time period.

6.5 Contributions receivable are shown net of the expected credit loss accounts.

(Thousands of United States dollars)

	31 December 2023	31 December 2022 (restated)
Beginning balance	(9 679)	(12 939)
Reduction in provision/adjustment	1 241	3 265
Addition during the period	(4 110)	(5)
Less: write-offs	—	—
<b>Ending balance</b>	<b>(12 548)</b>	<b>(9 679)</b>

6.6 The contributions receivable for 2022 are restated on the basis of the retrospective application of IPSAS 41. The change in the expected credit loss for contributions receivable in 2023 is largely attributable to the adoption of IPSAS 41.

6.7 UNRWA has evaluated contributions receivable from each category of donors based on historical collection patterns of the contributions receivable for a five-year period from 2018 to 2022 to derive the average annual probability of default percentages. The categories and the annual probability of default based on the evaluation are as follows: Governments, 12 per cent; intergovernmental organizations, 6 per cent; non-governmental organizations, 100 per cent; and United Nations agencies and other donors, 0 per cent. These percentages are applied to the gross contributions receivable from each category of donors. At each year end, the average annual probability of default percentage will be adjusted based on historical patterns and other available forward-looking information to reflect the changes in credit risk.

6.8 After all collection efforts have been exhausted, the write-off request, together with the supporting documents, shall be submitted to the Director of Finance for approval based on the timeline below:

Governments	After 6 years
Intergovernmental organizations	After 3 years
Non-governmental organizations	After 3 years
Sundry donors	After 3 years

## Note 7

### Accounts receivable

7.1 Accounts receivable are due to be collected within 12 months and comprise the following:

(Thousands of United States dollars)

	Relevant reference	31 December 2023	31 December 2022
Value added tax receivable	7.1	103 689	109 386
Other accounts receivable	7.3	11 510	7 158
Less: provisions	7.5	(103 706)	(104 882)
<b>Accounts receivable net of provisions</b>		<b>11 493</b>	<b>11 662</b>

## Value added tax receivable

7.2 Value added tax (VAT) receivable represents amounts receivable from Governments for value added tax paid by the Agency that is subject to reimbursement. The composition of VAT receivable by government is as follows:

(Thousands of United States dollars)

	31 December 2023	31 December 2022
Value added tax receivable from the Palestinian Authority	100 275	100 172
Value added tax receivable from the Government of Israel	2 736	6 712
Value added tax receivable from the Government of Lebanon	678	2 503
<b>Total</b>	<b>103 689</b>	<b>109 387</b>

7.3 The decrease in VAT receivable from the Government of Lebanon is attributable to the settlement of receivables, while the decrease in the VAT receivable from the Government of Israel is attributable to the settlement of long outstanding receivables for 2017 and earlier years.

## Other accounts receivable

7.4 Other accounts receivable comprise the following:

(Thousands of United States dollars)

	31 December 2023	31 December 2022
Miscellaneous receivable	8 389	4 067
Personal accounts of staff members	2 955	2 896
Refundable utility deposits	166	194
<b>Total</b>	<b>11 510</b>	<b>7 158</b>

7.5 Compared with 2022, the increase in miscellaneous receivable at the end of the year is attributable chiefly to an increase in receivables from the Area Staff Provident Fund and from other United Nations agencies.

## Provisions and write-offs

7.6 Provisions and write-offs comprise the following:

(Thousands of United States dollars)

	31 December 2023				31 December 2022			
	Value added tax	Accounts receivable	Microfinance Department	Total	Value added tax	Accounts receivable	Microfinance Department	Total
Beginning balance	(104 076)	(651)	(156)	(104 883)	(104 401)	(678)	(136)	(105 215)
Additions	(4 071)	—	(44)	(4 115)	(356)	—	(20)	(376)
Reduction in provision/adjustment	3 450	—	—	3 450	681	27	—	708
Less: write-offs	1 842	—	—	1 842	—	—	—	—
<b>Ending balance</b>	<b>(102 855)</b>	<b>(651)</b>	<b>(200)</b>	<b>(103 706)</b>	<b>(104 076)</b>	<b>(651)</b>	<b>(156)</b>	<b>(104 883)</b>

7.7 The provisions for VAT receivable and accounts receivable are estimated amounts based on the aged analysis of the outstanding amounts as at the reporting date.

(Percentage)

<b>Value added tax receivable</b>	Less than 2 years	0
	From 2 years to less than 3 years	50
	3 years or more	100
<b>Other receivable</b>	1 year or more	100

7.8 The additions for accounts receivable provisions (see note 7.5) during the year reflect a provision of \$4.115 million in 2023 (compared with \$0.376 million in 2022). The VAT receivable is owed to UNRWA in line with the Convention on the Privileges and Immunities of the United Nations and the Agency will continue to follow up on the reimbursement of VAT. However, in February 2024 the Agency took note of the press reports indicating that the Government of Israel would stop reimbursing VAT payables to UNRWA. Therefore, taking a prudent approach, an additional provision has been made for Gaza and the West Bank on the full amount of claimed and unclaimed VAT receivables from the Israeli authorities (see note 7.5).

7.9 After all collection efforts have been exhausted, the write-off request for the doubtful debts, together with the supporting documents, shall be submitted to the Director of Finance for approval after six years for value added tax receivable and three years for other receivables. In some instances, collection efforts continue after the time periods specified above have elapsed.

## Note 8

### Other current assets

8.1 Included in other assets are prepaid expenses and advances to suppliers. Prepaid expenses and advances to suppliers totalled \$5.893 million as at 31 December 2023 (compared with \$5.922 million in 2022). Included therein are prepayments to staff in the amount of \$0.195 million as at 31 December 2023 (compared with \$0.082 million in 2022).

(Thousands of United States dollars)

<i>Type</i>	<i>31 December 2023</i>	<i>31 December 2022</i>
Current		
Advances to suppliers	5 697	5 839
Prepayment to staff	195	82
<b>Total</b>	<b>5 892</b>	<b>5 922</b>

## Note 9 Inventories

### 9.1 Inventories consist of the following:

(Thousands of United States dollars)

Type	31 December 2023	31 December 2022
Warehouse	34 548	46 715
Pharmacy/clinic	22 044	19 095
In transit	588	4 770
Shelter under construction	3 728	16 307
Non-Agency installations	1 835	2 097
Production unit	78	110
Impairment provision	(18 164)	–
<b>Total</b>	<b>44 657</b>	<b>89 094</b>

9.2 Owing to the war in Gaza, most UNRWA premises in Gaza were not accessible at the end of the year, preventing a stock count in the field. Using a pragmatic approach based on a review of storekeeper management records, the REACH system (the enterprise resource planning system of UNRWA) and consultations with the Gaza field office, and the Health Department's e-Health system, a significant proportion of the inventories were considered impaired or lost. The values of the provisions for the impairment of inventories in Gaza were \$10.530 million for non-clinical inventory at warehouse/stores, \$5.721 million for pharmacy/clinic inventory, \$0.627 million for shelter under construction, \$1.208 million for non-Agency installations and \$0.078 million for production unit.

9.3 Warehouse inventories comprise four main categories of items that are distributed to refugees or used to provide services to refugees: medical supplies, general supplies, food and motor transport. Warehouse inventories decreased during 2023 owing mainly to the situation in Gaza. The war gave rise to increased demand for goods to be issued from the warehouse and this, combined with the disruptions in the supply of goods caused by the closure of crossings into Gaza following the war's outbreak, resulted in goods not being replenished in stores as quickly as they were issued. Furthermore, a significant impairment provision was made to reduce stock at inaccessible premises that could not be verified and therefore was assumed to be lost or damaged.

9.4 Pharmacy/clinic inventory represents medical supplies distributed from the warehouse and held in the respective pharmacies and clinics for the five fields.

9.5 Inventory in transit for 2023 decreased by \$4.182 million owing chiefly to the war in Gaza.

9.6 The inventory of shelter under construction decreased by \$12.579 million owing to the handover of facilities to the refugees in Gaza and Lebanon as well as to the stoppage of constructions in Gaza due to the war.

9.7 The inventory of non-Agency installations decreased by \$0.262 million owing to the handover of facilities to the local communities in Gaza and Lebanon during the year.

9.8 The components of the production unit inventory are as follows:

(Thousands of United States dollars)

	31 December 2023	31 December 2022
Raw materials inventory – embroidery	24	49
Work in progress – embroidery	7	7
Finished goods – embroidery	47	54
<b>Total</b>	<b>78</b>	<b>110</b>

9.9 Production unit inventory relates to the Agency’s self-supporting production unit, which is the embroidery centre located in the Gaza Strip. This unit is governed by separate instructions for effective management control and performance assessment. Inventories of the production unit are reported at cost, under assets in the financial statements. Provision for the impairment of the production unit inventory was made in 2023 due to the ongoing war in Gaza.

## Note 10

### Derivative financial instruments

#### Nature of financial instruments

10.1 Details of the significant accounting policies and methods adopted, including the criteria for recognition and derecognition, the basis of measurement and the basis on which gains and losses are recognized in respect of each class of financial asset and financial liability, are set out in note 2.

10.2 The financial instruments of UNRWA comprise contributions receivable in cash, loans receivable as part of the Microfinance Department credit facilities, the microcredit community support programme, cash in bank accounts, financial derivative forward contracts and accounts payable.

#### Financial derivatives

10.3 Financial derivative forward contracts, if present in a particular year, are revalued during that year.

10.4 UNRWA did not enter into any hedging contracts during 2023 owing to uncertainty in the timing of the receipt of contributions against the budgeted schedule, high volatility in currency movements and unfavourable exchange rates in the market.

10.5 As at 31 December 2023, there were no outstanding forward contracts, resulting in no impact on financial position or on financial performance.

#### Credit risk

10.6 The Agency has limited credit risk because its donors are generally of a high credit standing. Contributions receivable are primarily due from sovereign nations. Details of contributions receivable, including expected credit loss for reductions in contribution revenue, are provided in note 6.

10.7 A significant area of credit risk arises from loans provided by the Microfinance Department. The Department manages credit risk by:

(a) Establishing ceilings on amounts of direct credit for each product linked to the cash flow of each client;

(b) Providing a range of products to different sectors and segments to spread credit and reduce concentration;

(c) Formulating credit policies by product covering collateral requirements and credit compliance with regulatory requirements in each jurisdiction;

(d) Establishing the authorization structure for the approval and renewal of credit facilities;

(e) Reviewing and assessing credit risk in excess of designated limits prior to facilities being committed to customers. Renewals of facilities are subject to the same process;

(f) Developing and maintaining a risk-grading system to categorize exposure according to when impairment provisions are required against specific credit exposures;

(g) Providing guidance and training to improve the skills of staff in order to promote best practice in the management of credit risk.

10.8 The Agency has its cash deposited with various banks and is therefore exposed to the risk that a bank will default in its obligation towards it. However, UNRWA holds all significant cash deposits in international banks with a high credit rating.

10.9 There is no perceived risk that other receivables may not be liquidated when they fall due.

#### **Interest rate risk**

10.10 The Agency deposits its funds in short-term fixed interest accounts and therefore has no significant interest rate risk exposure. For certain non-United States dollar currencies, banks set their own specific thresholds beyond which they apply interest rates. Interest is calculated on the basis of average balances held with the banks and charged monthly.

#### **Foreign currency risk**

10.11 The Agency receives contributions from donors in currencies other than the primary currency of the expenditures, United States dollars. In 2023, 40 per cent of contributions to the programme budget were denominated in the United States dollar base currency, and 60 per cent were denominated in other currencies. The Microfinance Department lends in different currencies, according to the Agency's fields of operation, with the United States dollar used in the Gaza Strip, the Jordanian dinar used in Jordan and the West Bank, and the Syrian pound used in the Syrian Arab Republic.

10.12 Furthermore, some field office expenditures are incurred in non-United States dollar currencies. The Agency is therefore exposed to foreign currency exchange risk arising from fluctuations of currency exchange rates.

10.13 To protect its assets and cash flow against adverse currency movements, UNRWA adopts a conservative risk management approach.

10.14 As at 31 December 2023, 70 per cent of cash held in banks was denominated in the United States dollar base currency and the remainder in other currencies. An amount comprising 8 per cent of UNRWA balances was denominated in local currencies to support operating activities in field offices, and the remaining cash at banks was held in other currencies. A full breakdown of cash held at banks in currencies other than the United States dollar is provided in note 4.

## Note 11

### Property, plant and equipment

11.1 The table below presents a summary of property, plant and equipment as at 31 December 2023.

11.2 Owing to the war in Gaza, most UNRWA property, plant and equipment in Gaza was either unusable or inaccessible at the end of the year. It was not possible to undertake a physical assessment to assess the damage to individual assets owing to the ongoing war and the resulting security risks to Agency staff. In the light of this, the Agency conducted a comprehensive desktop analysis of the impact of the conflict on property, plant and equipment in Gaza. This analysis was conducted with the information available in the REACH system, satellite imagery, news media reports and eyewitness accounts, in collaboration with the Field Finance Office, the Gaza field office, the Field Security and Risk Management Office in Gaza, the Department of Infrastructure and Camp Improvement and the Field Procurement and Logistics Office.

11.3 Beyond the desktop analysis, a number of significant factors need to be considered in assessing impairment of property, plant and equipment in Gaza, including that:

(a) The continued ground invasion and air strikes in Gaza will cause further damage and destruction to UNRWA property, plant and equipment;

(b) There will be significant obstacles to accessing UNRWA property, plant and equipment in Gaza once the war has finished, because:

(i) Unexploded ordnance will need to be cleared from Agency premises, the surrounding areas and from major routes across Gaza before safe access can be secured for staff and beneficiaries;

(ii) Unsafe buildings will need to be demolished and cleared, either within Agency premises or in surrounding areas;

(iii) Critical infrastructure such as roads will need to be rebuilt to allow for the delivery of the materials required to repair/rebuild premises and to provide full access to the Agency's property;

(c) Most UNRWA premises in Gaza that have not been significantly damaged are used as emergency shelters for internally displaced persons. UNRWA emergency shelters will need to be made available for their intended purpose, such as schools and health clinics. As a large proportion of homes will have been damaged or destroyed, people are unlikely to be able to move out of the shelters until alternative accommodation is available to them;

(d) There will likely be competing demands on key materials and labour, given the high number of buildings destroyed or damaged, which may hamper the progress of any rebuilding effort for Agency premises;

(e) Recent adverse policy changes towards UNRWA limit its freedom of movement and access to premises.

11.4 Furthermore, the furniture and fittings and office and computer equipment that are housed in UNRWA premises are considered to be damaged or looted. Any assets that are still in use in Gaza are being used well beyond their regular operational capacity and without normal maintenance, which will result in accelerated damage. Many Agency vehicles in Gaza have sustained increased damage, beyond normal wear and tear, owing to the current state of the roads in Gaza, a lack of general

maintenance of vehicles, a breakdown of law and order giving rise to increased vandalism, or through direct hits to the vehicles.

11.5 UNRWA will continue to operate in Gaza to provide services to Palestine refugees. However, considering that the desktop analysis has revealed extensive damage to UNRWA premises and assets, and other factors as set out above, and taking a prudent approach, property, plant and equipment in Gaza will be fully impaired for financial reporting purposes. The Agency applied the impairment to the full asset portfolio in Gaza, rather than to individual assets, owing to the ongoing increasing damage caused by the war and the overall operating environment in Gaza, as well as an inability to assess and accurately estimate the reduction to individual asset values in the current circumstances. The values of write-downs were as follows: buildings, \$182.004 million; furniture and fittings, \$3.217 million; equipment, \$2.863 million; motor vehicles, \$3.761 million; and construction in progress, \$7.964 million.

11.6 The recoverable service amount for the impairment of property, plant and equipment in Gaza is based on fair value less costs to sell. All premises in Gaza are built on leased land, either private lease agreements or in-kind lease agreements. In view of this, the Agency would be unable to sell the buildings as the land is not owned by UNRWA and therefore the fair value less costs to sell is considered to be zero.

11.7 When circumstances allow, property, plant and equipment will be inspected in Gaza and, where required, the impairment loss will be reversed for specific assets if the impairment has been over-estimated.

(Thousands of United States dollars)

Description	2023								2022	
	Land	Buildings	Leasehold improvements	Furniture and fittings	Equipment	Motor vehicles	Construction in progress	Assets not placed in service	Total	Total
<b>Cost</b>										
As at 1 January	16 250	661 804	675	8 648	57 412	37 676	16 472	173	799 110	778 612
+ Additions in year	–	16 849	–	680	3 249	2 333	(1 345)	(68)	21 698	24 121
(-) Disposals/adjustment in year <sup>a</sup>	–	750	–	2	1 137	1 402	–	–	3 291	3 623
<b>(A) Balance as at 31 December</b>	<b>16 250</b>	<b>677 903</b>	<b>675</b>	<b>9 326</b>	<b>59 524</b>	<b>38 607</b>	<b>15 127</b>	<b>105</b>	<b>817 517</b>	<b>799 110</b>
<b>Depreciation</b>										
Balance as at 1 January	–	247 031	675	4 595	49 472	28 758	–	–	330 531	304 066
+ Depreciation in year	–	24 316	–	1 184	2 582	1 889	–	–	29 971	29 761
(-) Depreciation on disposals/adjustments in year <sup>a</sup>	–	238	–	2	1 098	1 354	–	–	2 692	3 296
<b>(B) Balance as at 31 December</b>	<b>–</b>	<b>271 109</b>	<b>675</b>	<b>5 777</b>	<b>50 956</b>	<b>29 293</b>	<b>–</b>	<b>–</b>	<b>357 810</b>	<b>330 531</b>
<b>Impairment</b>										
Balance as at 1 January	–	6 257	–	–	1	7	–	–	6 265	6 265
+ Impairment in year	–	182 450	–	3 217	2 863	3 761	7 964	–	200 255	–
(-) Impairment reversed and on disposal in year	–	6	–	–	–	–	–	–	6	–
<b>(C) Balance as at 31 December</b>	<b>–</b>	<b>188 701</b>	<b>–</b>	<b>3 217</b>	<b>2 864</b>	<b>3 768</b>	<b>7 964</b>	<b>–</b>	<b>206 514</b>	<b>6 265</b>
<b>Net book value as at 31 December (A)-(B)-(C)</b>	<b>16 250</b>	<b>218 093</b>	<b>–</b>	<b>332</b>	<b>5 704</b>	<b>5 546</b>	<b>7 163</b>	<b>105</b>	<b>253 193</b>	<b>462 314</b>

<sup>a</sup> See note 11.8.

11.8 The net cost of assets disposed is \$0.593 million, which comprises the following:

(Thousands of United States dollars)

	2023	2022
Original cost of disposal	3 291	3 623
Accumulated depreciation	(2 692)	(3 296)
Accumulated impairment	(6)	—
<b>Net cost of assets disposed in accordance with note 11.1</b>	<b>593</b>	<b>327</b>

11.9 The proceeds from the sale of assets and from gain and loss on disposal is shown in the table below.

(Thousands of United States dollars)

	2023	2022
Loss on disposal	579	323
Gain on disposal	(39)	(29)
Proceed from sale of assets	53	33
<b>Net cost of assets disposed in accordance with note 11.1</b>	<b>593</b>	<b>327</b>

11.10 The following table presents the proceeds from the sale of assets and the net cost of assets disposed:

(Thousands of United States dollars)

	2023	2022
Net impact of assets disposed	593	327
Cash proceeds from sale of assets	(53)	(33)
<b>Net cash impact on disposals/adjustments</b>	<b>540</b>	<b>294</b>

11.11 In addition to the active assets valued at \$253.193 million, the Agency continues to utilize fully depreciated assets with a gross carrying value of \$84.484 million. The proceeds from the sale of assets are reported under miscellaneous revenue in the statement of financial performance, while the net result of assets disposed is reported in the cash-flow statement.

11.12 The net book value of assets as at year end decreased by \$209.121 million owing to the impairment of assets due to the war in Gaza during the year as well as lower additions compared with the depreciation charges.

## Note 12

### Intangible assets

12.1 Intangible assets are summarized as follows:

(Thousands of United States dollars)

Description	2023			2022	
	Software acquired separately	Software developed internally	Licences and rights	Total	Total
<b>Cost</b>					
As at 1 January	3 569	39 075	628	43 272	42 508
+ Additions in year	–	–	–	–	764
(-)/+ Disposals and adjustments in year	–	–	–	–	–
<b>(A) Balance as at 31 December</b>	<b>3 569</b>	<b>39 075</b>	<b>628</b>	<b>43 272</b>	<b>43 272</b>
<b>Amortization and impairment</b>					
Balance as at 1 January	3 400	38 399	528	42 327	42 212
Amortization in year	35	139	–	174	115
(-)/+ Amortization on disposals and adjustments in year	–	–	–	–	–
<b>(B) Balance as at 31 December</b>	<b>3 435</b>	<b>38 538</b>	<b>528</b>	<b>42 501</b>	<b>42 327</b>
<b>Net book value as at 31 December (A)-(B)</b>	<b>134</b>	<b>537</b>	<b>100</b>	<b>771</b>	<b>945</b>

12.2 The decrease in the net book value is attributable to no additions in intangible assets in 2023, against the amortization of the UNRWA enterprise resource planning system and the refugee registration information system.

## Note 13

### Accounts payable and accruals

13.1 Accounts payable consist of the following:

(Thousands of United States dollars)

	Reference	31 December 2023	31 December 2022
Supplier accounts payable	Note 13.2	31 118	27 870
Miscellaneous provision	Note 13.3	860	848
Accrued expenses	Note 13.4	26 344	26 251
Other accounts payable	Note 13.6	32 663	48 206
Due to Area Staff Provident Fund	Note 14.2	–	10 454
<b>Total</b>		<b>90 985</b>	<b>113 628</b>

13.2 Supplier accounts payable represent balances owed to vendors for goods and services received. The current year balance saw a significant increase owing chiefly to food supplies received for Gaza towards the end of the year with payments due in 2024.

13.3 Miscellaneous provision includes provision for the Agency to meet various contingent liabilities that are likely to materialize, including in relation to pending arbitral proceedings.

**Accrued expenses**

13.4 Accrued expenses include the following:

(Thousands of United States dollars)

	31 December 2023	31 December 2022
Accrued expenses for services and utilities	10 418	14 208
Area staff group medical insurance	3 855	1 678
Accrued salaries, wages and other expenses	137	139
Other salary-related payable	11 905	9 800
Payable – reclassifications of accounts receivable balance staff	29	426
<b>Total</b>	<b>26 344</b>	<b>26 251</b>

13.5 The decrease in accrued expenses is attributable to the significant reduction in expenses under utilities and services in Gaza following the outbreak of the war and a decrease in accrual for hospitalization services in the Syrian Arab Republic. This decrease was partially offset by an increased accrual under hospitalization services in Lebanon. Compared with the previous year, there is an increase in group medical insurance payable in Jordan towards the end of the year.

**Other accounts payable**

13.6 Other accounts payable consist of the following:

(Thousands of United States dollars)

	31 December 2023	31 December 2022
Deposits received	809	258
West Bank water supply, Palestinian Authority	724	656
Funds held for other entities, including United Nations entities	1 329	1 530
Interest payable for projects	1 996	240
Miscellaneous accounts payable	1 393	1 547
Central Emergency Response Fund	10 000	30 000
Staff liabilities payable	15 232	12 758
Unearned income canteen rent	1 179	1 217
<b>Total</b>	<b>32 663</b>	<b>48 206</b>

13.7 Interest payable for projects increased in 2023 owing mainly to higher interest income earned during the year and to an increase in cash balance held towards the end of the year under earmarked grants, for which the interest payable is due in 2024.

13.8 The agency repaid the Central Emergency Response Fund payable of \$30 million that was availed in 2022 but availed only \$10 million in 2023 owing to increased donor inflows and improved cashflow.

13.9 Compared with the previous year, the increase in staff liabilities payable is attributed to the unpaid salaries for daily paid staff and separation benefits payments towards the end of the year.

**Note 14**  
**Employee pension fund**

**Area Staff Provident Fund of the United Nations Relief and Works Agency for Palestine Refugees in the Near East**

14.1 The UNRWA Area Staff Provident Fund, established under article XIII of the Agency's Financial Regulations, is a retirement benefit plan that applies to all area staff members and vests after six months of service. UNRWA has treated this plan as if it were a defined contribution plan in accordance with the requirements of IPSAS 39. The Agency's contributions to the plan during the financial period are recognized as expenses in the statement of financial performance.

14.2 The contributions from the Agency and employees to the Area Staff Provident Fund in 2023 amounted to \$96.458 million (compared with \$96.292 million in 2022) and are expected to amount to \$100.317 million in 2024 on the basis of expected increases in staff and Agency contributions. The balances outstanding with the Provident Fund as at 31 December 2023 and 2022 are shown in the table below.

(Thousands of United States dollars)

	31 December 2023	31 December 2022
Opening balance <sup>a</sup>	10 454	10 617
Employee contributions and repayments of PFHRW <sup>b</sup>	68 365	68 417
Agency contributions	63 195	63 936
Withdrawals	(127 500)	(94 777)
Area staff – PFHRW <sup>b</sup>	(19 826)	(44 998)
Area staff – PFHRW <sup>b</sup> commission	79	170
Current account with Provident Fund	2 866	7 089
<b>Total</b>	<b>(2 367)</b>	<b>10 454</b>

<sup>a</sup> Opening balance represents the carried-over balances (payable/receivable) from the previous year.

<sup>b</sup> Provident Fund humanitarian repayable withdrawal.

14.3 The Agency had a receivable of \$2.367 million from the Provident Fund towards the end of the year, compared with a payable of \$10.454 million in 2022.

**United Nations Joint Staff Pension Fund: international staff**

14.4 UNRWA is a member organization participating in the United Nations Joint Staff Pension Fund, which was established by the General Assembly to provide retirement, death, disability and related benefits to employees. The Fund is a funded, multi-employer defined-benefit plan. As specified in article 3 (b) of the Regulations of the Fund, membership in the Fund shall be open to the specialized agencies and to any other international, intergovernmental organization that participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.

14.5 The Pension Fund exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual organizations participating in the Fund. UNRWA and the Fund, in line with the other organizations participating in the Fund, are not in a position to identify the proportionate share of UNRWA in the defined-benefit obligation, the plan assets and the costs associated with the plan with

sufficient reliability for accounting purposes. Hence, UNRWA has treated this plan as if it were a defined-contribution plan in line with the requirements of IPSAS 39: Employee benefits. UNRWA contributions to the Fund during the financial period are recognized as expenses in the statement of financial performance.

14.6 The Regulations of the Pension Fund state that the Pension Board shall have an actuarial valuation made of the Fund at least once every three years by the Consulting Actuary. The practice of the Pension Board has been to carry out an actuarial valuation every two years. The primary purpose of the actuarial valuation is to determine whether the current and estimated future assets of the Fund will be sufficient to meet its liabilities.

14.7 The financial obligation of UNRWA to the Pension Fund consists of its mandated contribution, at the rate established by the General Assembly (currently at 7.9 per cent for participants and 15.8 per cent for member organizations), together with any share of any actuarial deficiency payments under article 26 of the Regulations of the Fund. Such deficiency payments are only payable if and when the Assembly has invoked the provision of article 26, following the determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Fund as at the valuation date. Each member organization shall contribute to this deficiency an amount proportionate to the total contributions that each paid during the three years preceding the valuation date.

14.8 The most recent actuarial valuation for the Fund was completed as at 31 December 2021, and the valuation as at 31 December 2023 is currently being performed. A roll forward of the participation data as at 31 December 2021 to 31 December 2022 was used by the Fund for its 2022 financial statements.

14.9 The actuarial valuation as at 31 December 2021 resulted in a funded ratio of actuarial assets to actuarial liabilities of 117.0 per cent. The funded ratio was 158.2 per cent when the current system of pension adjustments was not taken into account.

14.10 After assessing the actuarial sufficiency of the Fund, the Consulting Actuary concluded that there was no requirement, as at 31 December 2021, for deficiency payments under article 26 of the Regulations of the Fund, as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the plan. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as at the valuation date. At the time of the present report, the General Assembly had not invoked the provision of article 26.

14.11 Should article 26 be invoked owing to an actuarial deficiency, either during the ongoing operation or because of the termination of the Fund, deficiency payments required from each member organization would be based on the proportion of that member organization's contributions to the total contributions paid to the Fund during the three years preceding the valuation date. Total contributions paid to the Fund during the preceding three years (2020, 2021 and 2022) amounted to \$8,937.68 million, of which 0.27 per cent was contributed by UNRWA.

14.12 During 2023, contributions paid to the Fund by the Agency amounted to \$10.437 million (2022: \$8.674 million). Expected contributions due in 2024 are approximately \$11.481 million.

14.13 Membership in the Fund may be terminated by decision of the General Assembly, upon the affirmative recommendation of the United Nations Joint Staff Pension Board. A proportionate share of the total assets of the Fund at the date of termination shall be paid to the former member organization for the exclusive benefit of those members of its staff who were participants in the Fund at that date, pursuant to an arrangement mutually agreed between the organization and the Fund. The amount is determined by the Pension Board on the basis of an actuarial valuation of the assets and liabilities of the Fund at the date of termination; no part of the assets that are in excess of the liabilities are included in the amount.

14.14 The Board of Auditors carries out an annual audit of the Fund and reports to the Pension Board and to the General Assembly on the audit every year. The Fund publishes quarterly reports on its investments, which are available at [www.unjspf.org](http://www.unjspf.org).

## Note 15

### Staff end-of-service and termination benefits

15.1 The Agency recognizes the following categories of employee benefits:

- (a) Short-term employee benefits are due to be settled within 12 months after the end of the accounting period in which employees render the related service;
- (b) Post-employment benefits;
- (c) Other long-term employee benefits;
- (d) Termination benefits.

(Thousands of United States dollars)

	31 December 2023	31 December 2022
Current	95 384	88 767
Non-current	713 032	691 076
<b>Total</b>	<b>808 416</b>	<b>779 843</b>

(Thousands of United States dollars)

	31 December 2023	31 December 2022
Annual leave encashment for area staff	43 432	41 037
End-of-service liability for area staff	763 269	737 110
Short-term employee benefits for international staff not funded through the United Nations regular budget	1 096	1 072
Long-term employee benefits for international staff not funded through the United Nations regular budget	619	624
<b>Total</b>	<b>808 416</b>	<b>779 843</b>

### Short-term employee benefits for area staff

15.2 Short-term employee benefits consist of the annual leave of area staff. The amount of liability is calculated on the basis of the accumulated leave balances in the human resources module as at 31 December 2023. The total employee annual leave liability as at 31 December 2023 amounted to \$43.432 million (compared with \$41.037 million as at 31 December 2022).

### End-of-service liabilities for area staff

15.3 Area staff end-of-service and termination benefit liabilities are determined by professional actuaries or calculated by UNRWA on the basis of personnel data and past payment experience. As at 31 December 2023, total employee benefits liabilities amounted to \$763.269 million (compared with \$737.110 million as at 31 December 2022). The end-of-service benefits are fully unfunded. However, UNRWA allocates funding each year equivalent to the cash payout for that particular year.

15.4 In accordance with the requirements set out in IPSAS 39, the actuary has used the projected unit credit actuarial method to assess the plan's liabilities. Under this

method a “projected accrued benefit” is calculated for each benefit that will accrue for all active members of the plan. The projected accrued benefit is based on the plan’s accrual formula and on the service period as at the valuation date but using a member’s final compensation projected to the age at which it is assumed that the employee will leave active service. The plan liability is the actuarial present value of the projected accrued benefits as at the valuation date for all active employees.

#### **Normal and early retirement benefit**

15.5 In the case of normal and early retirement, area staff are paid end-of-service benefits in accordance with rule 109.2 of the UNRWA Area Staff Rules. The criteria and assumptions used in calculating normal and early retirement benefits according to the actuarial method under IPSAS include the following:

(a) All area staff employees, including part-time staff but excluding employees on limited duration contracts, are eligible, and the normal retirement age is considered to be 60, plus a minimum service period of 10 years;

(b) The option of the extension of retirement age from 60 years to 62 years, which was withdrawn for 2018, was reinstated in 2020; the retirement age was returned to 60 in 2021 with exceptional approval to extend; and the current assumption for the purpose of valuation is 92 per cent retire by age 60, 50 per cent retire by age 61 and 100 per cent retire by age 62;

(c) The amount payable is calculated on the basis of the formula of base salary times 11 per cent times the number of completed years of service before 1 January 2015 plus base salary times 12 per cent times the number of completed years of service after 1 January 2015. With effect from 2020, the end-of-service percentages have gradually increased, and will reach 12.5 per cent by 2024 (i.e. 12.1 per cent for 2020, 12.2 per cent for 2021, 12.3 per cent for 2022, 12.4 per cent for 2023 and 12.5 per cent for 2024). For calculation purposes, it is assumed that funding is available at the beginning of the year;

(d) The service period is prorated until the last completed month of service;

(e) The base salary is the basic matrix salary without allowances, except in Jordan and the West Bank, where the basic matrix salary is adjusted for the fluctuation of the local currency against the United States dollar;

(f) For health staff, the qualifying salary for the service period up to 31 December 2016 is the qualifying salary of 31 December 2016 and is frozen at that date, while the qualifying salary for the service period after 31 December 2016 is subject to the new salary scale for health staff, which became effective from 1 January 2017;

(g) During 2023, a new scheme was introduced that will allow eligible area staff to separate on an early voluntary retirement plan with the payment of their retirement benefits under rule 109.2(5) of the UNRWA Area Staff Rules deferred until the staff member turns 60 years of age, which will be the normal retirement age.

15.6 The benefit referred to above is also payable in the case of early voluntary retirement. The conditions for early voluntary retirement are as follows: (a) attainment of the age of 50 to 59, with 10 years of service or more; (b) attainment of the age of 60, with 10 years of service or more, for staff members whose service has been extended beyond the official age of retirement at the staff member’s request and approved by the Agency; (c) a service period of 25 years or more; (d) attainment of the age of 45 to 49, with a service period of 10 years or more; and (e) 20 to 24 years of service. The aforementioned eligibility criteria for early retirement are listed in descending order and are subject to an annual budget set by the Agency.

### Termination in the interests of the Agency

15.7 Area staff are paid end-of-service benefits in accordance with rule 109.9 of the UNRWA Area Staff Rules if the termination is as stipulated in rule 109.1 of the Staff Rules and is in the interests of the Agency as reflected in the following criteria: (a) the service period must be equal to or greater than one year and age must be less than 60 years; (b) the employee is paid under either of the following two schemes, with the benefit amount and the application terms varying by years of qualified service and attained age, as follows:

<i>Years of qualifying service</i>	<i>Months of base salary</i>
0	0
1	1
2	1
3	2
4	3
5	4
6	5
7	6
8	7
9 or more	8

<i>Age</i>	<i>Months of base salary</i>
46	8.25
47	8.50
48	8.75
49	9.00
50	9.25
51	9.50
52	9.75
53	10.00
54	10.25
55	10.50

(c) the benefit is not paid if separation from service is initiated by the employee (e.g. through resignation); (d) the service period is prorated until the last completed month of service; and (e) the base salary is the basic matrix salary without allowances, except in Jordan and the West Bank, where the basic matrix salary is adjusted for the fluctuation of the local currency against the United States dollar.

### Death benefits

15.8 Death benefits for area staff are paid in accordance with rule 109.8 of the UNRWA Area Staff Rules. In the event of separation as a result of the death of an area staff member, the Agency shall pay a death benefit to the staff member's nominated beneficiary or beneficiaries. The death benefit shall be computed either: (a) as 11 per cent of the deceased staff member's ending annual salary for each year of qualifying service before 1 January 2015 and 12 per cent for each year of qualifying service after 1 January 2015, plus a supplemental benefit representing 50 per cent of the ending annual salary. With effect from 2020, the end-of-service percentages have gradually

increased, and will reach 12.5 per cent by 2024 (i.e. 12.1 per cent for 2020, 12.2 per cent for 2021, 12.3 per cent for 2022, 12.4 per cent for 2023 and 12.5 per cent for 2024); or (b) as 200 per cent of the ending annual salary, whichever is greater.

### Disability benefits

15.9 Area staff are paid in accordance with rule 109.7 of the UNRWA Area Staff Rules if terminated on the stated ground that they are, for reasons of health, incapacitated insofar as further service with the Agency. In the event of the disability of a staff member on or after 1 September 1987 and subject to paragraphs 3 to 6 of the above-mentioned rule, a disability benefit is computed either: (a) as 11 per cent of the ending annual salary before 1 January 2015 and 12 per cent for each year of qualifying service after 1 January 2015. With effect from 2020, the end-of-service percentages have gradually increased, and will reach 12.5 per cent by 2024 (i.e. 12.1 per cent for 2020, 12.2 per cent for 2021, 12.3 per cent for 2022, 12.4 per cent for 2023 and 12.5 per cent for 2024); or (b) as 200 per cent of the ending annual salary, whichever is greater.

### Reconciliation of end-of-service benefits

15.10 The interest costs and service costs incurred during the year have been directly accounted for in the statement of financial performance. The amount of interest costs, service costs and past service costs accounted for is shown in the table in note 15.14.

15.11 The amount of actuarial losses presented in the statement of changes in net assets/equity is \$1.470 million, which includes the impact of change in the discount rate and experience gains.

15.12 Interest costs and service costs amounted to \$80.853 million as at 31 December 2023 (compared with \$83.335 million for 2022). The actuarial (gains)/losses are directly accounted for in the statement of changes in net assets/equity. In the 2023 valuation of end-of-service liabilities, actuarial gains were determined to be \$12.967 million owing to experience, and actuarial losses from remeasurements to be \$14.437 million owing to discount rate changes during the year.

15.13 The valuation of the end-of-service benefit for local staff as at 31 December 2023 was conducted using the same demographic assumptions as the valuation for 2022. The discount rate decreased to 4.93 per cent from 5.12 per cent, and other financial assumptions remained the same compared with 2022. The total actuarial losses due to experience and the change in the discount rate amount to \$1.470 million.

15.14 The reconciliation of the opening and closing balance of the area staff end-of-service benefits is provided in the table below.

(Thousands of United States dollars)

	31 December 2023	31 December 2022
Opening balance as at 1 January	737 110	908 875
Interest costs for the year	37 710	26 514
Service costs for the year	43 143	56 821
Past service costs	—	—
Financial remeasurements <sup>a</sup>	14 437	(193 956)
Payments in the year	(56 164)	(44 862)
Actuarial (gains)/losses	(12 967)	(16 282)
<b>Total</b>	<b>763 269</b>	<b>737 110</b>

<sup>a</sup> For 2023, the discount rate (financial remeasurements) changed from 5.12 to 4.93 percent and is included in the actuarial gains/(losses) in the statement of changes in net assets/equity.

### Area staff assumptions

15.15 The discount rate (financial remeasurements) used was based on the currency and the terms of the underlying liabilities. Where the benefit offered by the Agency provided protection for the fluctuation of the local currency against the United States dollar, the benefit was assumed to be in United States dollars and the applicable United States dollar discount rate was used. This has been the case for the West Bank and Jordan field offices and the Amman headquarters.

15.16 The discount rates (financial remeasurements) and future escalation used, by field and currency, are as follows:

(Percentage)

<i>Field</i>	<i>Currency</i>	<i>Currency protection</i>	<i>Discount rate</i>	<i>Future escalation (2023 onward)</i>
Gaza	United States dollar	No	4.93	2.50
Gaza headquarters	United States dollar	No	4.93	2.50
Jordan	Jordanian dinar	Yes (Jordanian dinar/United States dollar)	4.93	2.50
Amman headquarters	Jordanian dinar	Yes (Jordanian dinar/United States dollar)	4.93	2.50
West Bank	Jordanian dinar	Yes (Jordanian dinar/United States dollar)	4.93	2.50
Lebanon	United States dollar	No	4.93	2.50
Syrian Arab Republic	United States dollar	No	4.93	2.50

15.17 The discount rate is based on the United Nations AA Corporate Bonds Yield Curves for United States, developed by Aon, which has a duration of 13 years, consistent with the duration of the end-of-service liability of the Agency (13 years). The same benchmark was used in the previous year's valuation to set discount rates. Discount rates decreased in 2023 to 4.93 per cent from 5.12 percent in 2022.

15.18 This decrease in the discount rate and losses due to experience has resulted in an actuarial loss of \$1.470 million for 2023 (compared with gains of \$210.238 million in 2022), which represents 0.2 per cent of the opening balance of the provision.

### Step increments

15.19 According to the current salary matrices of the Agency, step increments can be either an amount or a percentage. Subject to satisfactory performance, step increments are applied once a year for each employee until the employee reaches step level 20, applied once in two years until step 22 and thereafter applied once in four years until the maximum step level of 24. Area health staff are granted an additional two steps of increments, applied once every two years, until they reach the maximum step level of 26.

### Exchange rates as at 31 December 2023

15.20 The exchange rates used to convert local currencies to the United States dollar are based on the United Nations exchange rates, as follows: United States dollar, 1.000; and Jordanian dinar, 1.412.

### Resignation rates

15.21 It is assumed that plan members will resign at the following rates per annum, according to attained age: less than 30 years, 3 per cent; 30 to 34 years, 2 per cent; 35 to 39 years, 1.5 per cent; and 40 years and above, 0 per cent.

### Early retirement rates

15.22 It is assumed that plan members will elect early retirement according to the rates set out in the table below.

(Percentage)

Attained age	Number of years since early retirement conditions have been satisfied			
	0	1	2	3+
Less than 45	2.0	1.25	0.75	0.25
45–49	2.0	1.25	0.75	0.25
50–54	2.0	1.25	0.75	0.25
55–59	2.0	1.25	0.75	0.25

15.23 For the Jordan field and the Amman headquarters, the assumed early retirement rates set out above were multiplied by 150 per cent.

### Mortality

15.24 It is assumed that active members of the plan will experience in-service mortality in accordance with the 1996 United States Annuity 2000 mortality table for males and females.

### Disability

15.25 It is assumed that disability cases will occur annually according to the probabilities set out in the table below.

### Disability rate

(Per thousand)

Age	Male	Female
Less than 45	0.50	0.75
45–54	1.00	1.50
55–62	1.50	2.25

### Sensitivity analysis

15.26 The table below illustrates the sensitivity of the results to the base assumptions of a discount rate of 4.93 per cent, a salary escalation of 2.50 per cent and a provision of \$763.269 million.

(Thousands of United States dollars)

Subject	Variance	Aggregate variance	Total variance
Discount rate	+1%	-9.09%	693 985
	-1%	10.60%	844 253
Salary escalation	+1%	11.13%	848 297
	-1%	-9.66%	689 581
Early voluntary retirement	+1%	0.78%	769 340
	-1%	-0.33%	760 868

<i>Subject</i>	<i>Variance</i>	<i>Aggregate variance</i>	<i>Total variance</i>
Resignation rates	+1%	-0.40%	760 268
	-1%	0.42%	766 571
Mortality	120%	0.24%	765 187
	80%	-0.24%	761 509
Disability	120%	0.08%	763 953
	80%	-0.08%	762 752

### **Maturity profile of the defined-benefit obligation**

15.27 The maturity profile represents the expected future cash flows for the valuation of the end-of-service benefit in the years following the valuation date. The expected payments include all modes of separation and are based on the assumptions used for the valuation. The maturity analysis of the benefit payments and the average duration of the area staff end-of-service benefits are as follows:

(Thousands of United States dollars)

	<i>31 December 2023</i>	<i>31 December 2022</i>
Year 1	50 368	45 505
Year 2	53 417	53 770
Year 3	58 303	56 153
Year 4	62 644	61 205
Year 5	61 024	65 133
Years 6 to 10	343 274	333 628
More than 10 years	2 108 212	2 132 608
Duration	13 years	13 years

### **International staff end-of-service liability**

15.28 The separation costs of international staff funded from the regular budget of the United Nations (217 posts as at 31 December 2023 and 201 posts as at 31 December 2022) are borne by the regular budget, and no provision for these costs is made in the Agency's financial statements given that the liability will be borne by the United Nations. As a result, UNRWA has not disclosed after-service health insurance, repatriation grant or leave pay encashment in its financial statements. These liabilities related to international staff should be included in the financial statements contained in the report of the Board of Auditors on the United Nations.

15.29 As part of the implementation of IPSAS, UNRWA appointed an actuarial consultant to determine the employee liabilities for international staff members not funded from the United Nations regular budget. The value of liabilities for international staff not funded from the regular budget is summarized in the table below.

(Thousands of United States dollars)

<i>Benefit</i>	<i>31 December 2023</i>	<i>31 December 2022</i>
Repatriation grant	55	61
Shipment	562	451
Travel	93	71
After-service health insurance	619	624
Outstanding annual leave	386	489
<b>Total</b>	<b>1 715</b>	<b>1 696</b>

### International staff assumptions

15.30 The discount rate is assumed to be 4.93 per cent and future salary escalation is assumed to be 3 per cent. The general inflation considered for travel and shipment costs is 2 per cent. The after-service health insurance premium applied for United States nationality is assumed to increase by 6 per cent per annum and that applied for other nationalities is 4 per cent per annum. It is assumed that plan members will resign at the following rates per annum according to their attained ages: less than 30 years, 3 per cent; 30 to 34 years, 2 per cent; 35 to 39 years, 1.5 per cent; and 40 years and above, 0 per cent. It is assumed that rates of after service-health insurance mortality of members of the plan will reflect those in the 2017 United Nations after-service health insurance rates of mortality for males and females.

15.31 After-service health insurance coverage is optional for eligible former international project staff members and their dependants. The Agency's contribution to the after-service health insurance premium is set at 50 per cent, with the rest paid by the former staff member. Premium rates were used for international staff members not funded from the United Nations regular budget, on the basis of whether they hold United States citizenship or are of other nationalities, as applicable for the region. It is of note that only six employees are expected to qualify for this benefit on the assumption of no contract extension.

### Sensitivity analysis

15.32 The table below illustrates the sensitivity of the results to the base provision of \$1.715 million.

(Thousands of United States dollars)

<i>Subject</i>	<i>Variance</i>	<i>Aggregate variance</i>	<i>Total</i>
Discount rate	+1%	-4.32%	1 680
	-1%	5.29%	1 849
Salary escalation	+1%	0.03%	1 757
	-1%	-0.03%	1 756
All inflation rates	+1%	5.75%	1 857
	-1%	-4.83%	1 672
Resignation rates	+1%	0.01%	1 756
	-1%	-0.01%	1 756
Mortality	120%	-2.14%	1 719
	80%	2.72%	1 804

## Note 16

### Other current liabilities

16.1 Other current liabilities comprise the following:

(Thousands of United States dollars)

	31 December 2023	31 December 2022
Goods in transit payable	588	4 770
Deferred early voluntary retirement	451	—
Donor refund payable	—	761
Finance lease liability	—	—
<b>Total</b>	<b>1 039</b>	<b>5 531</b>

16.2 Goods in transit payable decreased by \$4.182 million owing chiefly to the war in Gaza.

16.3 Donor refund payables were all settled during the year.

16.4 Deferred early voluntary retirement represents the payable to staff who opted for a deferred retirement benefits payment, as explained in note 15.5 (g). The current liabilities for deferred early voluntary retirement represent the amount payable to staff who expected to receive their benefits in the coming 12 months, while non-current liabilities represent the amount due after that period.

### Other non-current liabilities

16.5 Other non-current liabilities comprise the following:

(Thousands of United States dollars)

	31 December 2023	31 December 2022
Deferred early voluntary retirement	3 363	—
<b>Total</b>	<b>4 402</b>	<b>—</b>

## Note 17

### Advance contribution

17.1 The amount of contributions received in advance of the criteria for revenue recognition being met is as follows:

(Thousands of United States dollars)

	31 December 2023	31 December 2022
Received from Governments	9 292	2 991
Received from intergovernmental organizations	—	—
Received from United Nations organizations	773	278
<b>Total</b>	<b>10 065</b>	<b>3 269</b>

17.2 Advances from Governments increased by \$6.301 million (compared with \$2.991 million in 2022) due to support received from Member States to bridge the cash-flow gap towards the end of the year.

## Note 18

### Contingent liabilities, contingent assets, and lease commitments

#### Contingent liabilities

18.1 The Agency's contingent liabilities as at 31 December 2023 arise broadly from two categories: those in connection with personnel matters in respect of significant claims, litigation or arbitration and those associated with contractual matters. Contractual matters relate mostly to claims pertaining to procurement (goods, services and construction contracts) and claims from proprietors of buildings rented by the Agency.

18.2 A number of personnel appeals that could involve the payment of salary and entitlements or other damages were pending with the UNRWA Dispute Tribunal and the United Nations Appeals Tribunal. The contingent liabilities related to these appeals amounted to approximately \$1.295 million as at 31 December 2023 (compared with \$1.140 million as at 31 December 2022).

18.3 The contingent liabilities for commercial contracts amounted to approximately \$11.440 million as at 31 December 2023 (compared with \$18.028 million as at 31 December 2022).

#### Contingent assets

18.4 The Agency's contingent assets represent pledges for which donor agreements have been signed but the criteria for revenue recognition have not been met. The total amount of contingent assets outstanding as at 31 December 2023 was \$664.176 million (compared with \$714.497 million as at 31 December 2022). The reduction in contingent assets is attributable primarily to significant receipt of prior multi-year pledges during 2023, while there was no major increase in the signing of new multi-year agreements in 2023.

#### Operating lease commitments

18.5 Operating lease payments amounting to \$3.274 million were recognized as operating lease expenses for 2023 (compared with \$3.227 million in 2022). The amount includes minimum lease payments. No contingent rent payments were made.

18.6 The Agency holds principally cancellable operating leases. The operating lease agreements relate mainly to school premises, health centres, land and collective shelters for camps, field administrative offices and warehouse and distribution centres. The total of future minimum lease payments is as follows:

(Thousands of United States dollars)

	31 December 2023	31 December 2022
Not later than one year	11	26
Later than one year and not later than five years	305	286
<b>Total</b>	<b>316</b>	<b>312</b>

18.7 Most of the operating lease agreements contain renewal clauses that enable the Agency to extend the terms of the leases at the end of the original terms. Some of the agreements have escalation clauses based on a fixed percentage increase or a fixed amount increase applied at pre-specified intervals or dates in the future. No lease agreements contain purchase options.

18.8 The host Governments and some charitable organizations in the fields in which UNRWA operates provide the use of land for no or nominal rent to UNRWA for the benefit of Palestine refugees. The land is used to build schools, health centres or other UNRWA facilities that are administered by the Agency or in which it provides services.

18.9 The fair value for the in-kind donations was calculated using recently negotiated commercial leases that UNRWA holds for land and buildings. The average rental return for the commercial leases was applied to the capital value, as assessed by external surveyors, for land provided to UNRWA at no or nominal value. These in-kind donations were valued at a fair value of \$5.617 million in 2023 (compared with \$5.206 million in 2022).

18.10 The Agency received revenue of \$2.215 million from sublease payments in 2023 (compared with \$2.089 million in 2022). All subleases may be cancelled and contain no contingent lease payments. The increase in 2023 was attributable mainly to the resumption of the canteen services, specifically in the schools in the West Bank area.

#### Finance lease commitments

18.11 Leasing agreements that transfer to the Agency substantially all the risks and rewards of ownership of an asset are treated as finance leases. Assets acquired under finance leases are capitalized and depreciated over the shorter of lease term or useful life. The Agency had no finance leases at the end of the year.

#### Note 19

##### Revolving loan fund

19.1 Restricted contributions received for on-lending purposes are transferred to the revolving loan fund for both the Microfinance Department and the microcredit community support programme. The revolving loan fund is included as a component of the Microfinance Department and microcredit community support programme reserve in the statement of changes in net assets/equity.

19.2 The composition of the revolving loan fund as at 31 December 2023 and 2022 was as follows:

(Thousands of United States dollars)

	31 December 2023	31 December 2022
Microfinance Department	35 146	35 147
Microcredit community support programme	3 346	3 341
<b>Total</b>	<b>38 492</b>	<b>38 488</b>

## Note 20

### Cash contributions revenue

20.1 Total cash contributions revenue by source received in 2023 and 2022 was as follows:

(Thousands of United States dollars)

	2023	2022
Governments	1 219 647	962 085
Intergovernmental organizations	139 708	122 577
Non-governmental organizations and other entities	34 957	10 377
United Nations organizations	48 521	43 136
Sundry	17 304	3 647
<b>Total</b>	<b>1 460 137</b>	<b>1 141 822</b>

20.2 Cash contributions revenue was \$318.315 million higher in 2023 in comparison with the previous period owing chiefly to additional contributions received from donors towards the flash appeal following the outbreak of the war in Gaza. The Agency received generous support from Governments (Member States), which resulted in increased contributions of \$257.561 million in 2023 when compared with the previous year.

## Note 21

### In-kind contributions revenue

21.1 Total in-kind contributions revenue by source received in 2023 and 2022 was as follows:

(Thousands of United States dollars)

	2023	2022
Governments	27 588	27 763
Non-governmental organizations and other entities	3 934	3 167
United Nations organizations	1 305	1 714
<b>Total</b>	<b>32 826</b>	<b>32 644</b>

## Note 22

### Interest on loans

22.1 Interest on loans represents interest charged on loans issued by the Microfinance Department and the microcredit community support programme throughout the five fields. The composition of interest on loans in 2023 and 2022 was as follows:

(Thousands of United States dollars)

	2023	2022
Microfinance Department	8 348	8 382
Microcredit community support programme	1	66
<b>Total</b>	<b>8 349</b>	<b>8 448</b>

22.2 The interest generated from loans decreased during the year owing chiefly to the decrease in loans disbursed in 2023 following the outbreak of the war in Gaza and the difficult economic situation in the West Bank.

## Note 23

### Interest revenue

23.1 Interest revenue is recognized over the period during which it is earned. The amount of interest on bank deposits is \$4.680 million in 2023 (compared with \$1.896 million in 2022). Interest revenue increased in 2023 owing mainly to the rise in interest rates, increased cash balances and the options of keeping multi-currency short-term deposits.

## Note 24

### Currency exchange (loss)/gain

24.1 Currency exchange gains or losses are realized and unrealized exchange gains or losses that are made on the translation of non-United States dollar denominated balances and transactions during the year.

(Thousands of United States dollars)

	2023	2022
Realized currency exchange rate gain	4 840	13 065
Unrealized currency exchange rate gain/(loss)	7 609	(29 078)
Accounts receivable income realized exchange rate gain/(loss)	646	1 283
<b>Total</b>	<b>13 095</b>	<b>(14 730)</b>

24.2 The realized currency exchange rate gain has decreased as non-United States dollar currencies have seen a decline in the exchange rate for the year. Field currencies contributed to decreased gains during the year. The United States dollar remained strong during all of 2023.

24.3 The unrealized currency exchange rate gain was \$7.609 million, as against a loss of \$29.078 million in 2022, owing mainly to the strengthening of the United States dollar against other currencies during the year. Non-United States dollar currencies recovered slightly during 2023 and a high portion was offloaded, which led to an overall decrease in the impact of the revaluation of currencies.

24.4 The accounts receivable income realized exchange rate gain or loss represents the gain or loss due to changes in exchange rates between the dates of invoices and actual receipt during the year. The exchange rate gain of \$0.646 million in 2023 was primarily attributable to the favourable timing of contribution receipts when compared with the date of pledges.

## Note 25

### Indirect support cost recovery

25.1 The Agency is entitled to a specific percentage of the expenditure incurred on certain projects and emergency appeal grants in accordance with donor agreements. Indirect support cost recoveries are recognized as income under the programme budget and represent the recovery of indirect costs incurred by the Agency in implementing the related projects.

25.2 The total indirect support cost recovery from projects and emergency appeal grants for 2023 was \$38.624 million compared with \$45.210 million in 2022. The decrease in indirect support cost recoveries is attributable chiefly to decreased emergency appeals and project expenditures during the year. In addition to the recovery from projects and emergency appeals, there was an indirect support cost recovery of \$0.157 million in 2023 (compared with \$0.123 million in 2022) from the Junior Professional Officers programme.

## Note 26

### Miscellaneous revenue

26.1 Miscellaneous revenue comprised the following:

(Thousands of United States dollars)

	2023	2022
Canteen lease revenue	2 216	2 090
Sundries	7 229	7 938
Profit on income-producing activities	73	83
Reimbursed provision revenue	5 035	65
Income received from United Nations agencies	175	101
Refunds to donors	(588)	(4 983)
<b>Total</b>	<b>14 139</b>	<b>5 294</b>

26.2 Sundries revenue decreased in 2023 owing mainly to a reduction in revenue received from services provided to other agencies and revenue from marine insurance claims.

26.3 Reimbursed provision revenue increased in 2023 by \$4.970 million owing to the settlement of long outstanding VAT claimed from Israeli authorities that was provided for in previous periods.

26.4 Refunds to donors represent amounts that have been recorded as revenue in previous periods, but are refunded to donors in accordance with the terms of donor agreements. Refunds to donors decreased in 2023 owing mainly to a reduction in unspent balances requiring refunds for completed projects and in accordance with donor agreements.

## Note 27

### Wages, salaries and employee benefits

27.1 Wages, salaries and employee benefits in 2023 and 2022 consisted of the following:

(Thousands of United States dollars)

	2023	2022
International staff	50 839	46 438
<b>Area staff</b>		
Basic salaries, allowances and benefits	619 510	614 347
Area Staff Provident Fund contributions	62 817	63 839
Health-related expenses	11 099	11 627
<b>Total</b>	<b>744 265</b>	<b>736 251</b>

27.2 Basic salaries and allowances for area staff increased during the year owing chiefly to mandatory increases such as salary increments and ex-gratia hazard payment to staff in Gaza following the outbreak of the war. The increases were partially offset by salaries not paid to staff in the West Bank during the industrial action. The increase in international staff costs was attributable chiefly to an increase in the number of staff subsequent to the approval of funding through assessed contributions and the hiring of support surge personnel to manage the emergency response in Gaza.

## Note 28

### Supplies and consumables

28.1 The composition of supplies and consumables in 2023 and 2022 was as follows:

(Thousands of United States dollars)

	2023	2022
Basic commodities	88 385	116 094
Clothing supplies	2 529	1 327
Fresh food	22 560	1 139
Medical supplies	29 036	29 882
Miscellaneous supplies	9 786	14 228
Sport supplies	399	408
Textbooks and library books	6 574	9 554
Transportation supplies	8 327	11 448
<b>Total</b>	<b>167 597</b>	<b>184 080</b>

28.2 The decrease in the consumption of basic commodities in 2023 was attributable chiefly to the lack of access to the warehouses in Gaza following the outbreak of the war and the non-delivery of goods into Gaza due to access restrictions and other logistical challenges. In addition, there was a decrease in the consumption of basic commodities in the Syrian Arab Republic due to reduced food distribution as a result of reduced funding to the emergency appeal.

28.3 The increase in the consumption of clothing supplies in 2023 was attributable chiefly to the distribution of blankets, mattresses and clothes to internally displaced persons following the outbreak of war in Gaza.

28.4 The increase in the consumption of fresh foods in 2023 was attributable mainly to the procurement and distribution of fresh foods, such as canned and ready-to-eat meals, to internally displaced persons following the outbreak of war in Gaza.

28.5 The decrease in the consumption of miscellaneous supplies during the year was attributable mainly to reduced programmatic activities in the last quarter in Gaza, following the outbreak of war.

28.6 The decrease in the consumption of textbooks and library books was attributable to the cessation of the education programme during the last quarter of 2023, following the outbreak of war in Gaza.

28.7 The decrease in transportation supplies costs in 2023 was attributable to the favourable exchange rate of the United States dollar against the Lebanese pound in Lebanon.

**Note 29**  
**Occupancy, utilities and premises costs**

29.1 Occupancy, utilities and premises costs in 2023 and 2022 included the following:

(Thousands of United States dollars)

	2023	2022
Rental of premises	9 212	8 730
Maintenance of premises	6 012	5 855
Utilities	4 754	5 647
<b>Total</b>	<b>19 978</b>	<b>20 232</b>

29.2 The increase in rental of premises costs during 2023 was attributable chiefly to the application of the high inflation rate in Lebanon, which increased the value of in-kind leases when compared with 2022.

29.3 The decrease in utilities costs in 2023 was attributable mainly to a lower consumption of utilities during the last quarter of the year in Gaza, with many of the premises being inaccessible following the outbreak of the war.

**Note 30**  
**Contracted services**

30.1 The composition of services expenses in 2023 and 2022 was as follows:

(Thousands of United States dollars)

	2023	2022
Construction and equipment	34 801	33 784
Contractual costs	12 664	10 377
Hospital costs	22 744	33 614
Miscellaneous services	1 903	2 043
Consultancy costs	16 716	16 103
Demurrage and port charges	13 047	16 645
Training costs	1 705	2 075
Travel	2 983	2 276
<b>Total</b>	<b>106 563</b>	<b>116 917</b>

30.2 The increase in construction and equipment costs is attributable to the significant increase in Lebanon, and in Gaza before the start of the war, in the construction of shelters to be handed over to beneficiaries. This increase was mostly offset by reduced construction activities in the West Bank field and in Jordan.

30.3 The increase in the contractual costs is attributable chiefly to the increased spending on computer and information technology services.

30.4 The decrease in hospitalization costs during the year was attributable mainly to the favourable exchange rate of the Lebanese pound against the United States dollar,

which resulted in lower hospitalization costs in Lebanon. In addition, there has been reduced hospitalization spending in Gaza following the outbreak of the war.

30.5 The decrease in demurrage and port charges during the year was attributable chiefly to a reduction in cargo transport costs following the outbreak of the war.

### Note 31 Subsidies

31.1 Subsidies represent amounts paid to Palestine refugees for the following:

(Thousands of United States dollars)

	2023	2022
Cash subsidies to beneficiaries	141 866	168 282
Patient subsidies	6 708	5 515
Subsidies for the construction and repair of shelters	3 486	32 142
Subsidies to third parties	2 639	2 619
<b>Total</b>	<b>154 699</b>	<b>208 558</b>

31.2 Cash subsidies to beneficiaries are paid in order to provide selective cash assistance to conflict-affected Palestine refugees in all fields for food security and rental subsidies. The decrease compared with 2022 was attributable mainly to a reduction in the subsidies paid to beneficiaries in the Syrian Arab Republic as a result of the lower funding to the emergency appeal in the Syrian Arab Republic.

31.3 Subsidies for the construction and repair of shelters decreased, as the major portion of the amount received against the flash appeal for reconstruction activities following the 2021 Gaza conflict was paid in 2022 and therefore activity was lower in 2023.

31.4 Subsidies paid to third parties consist of cash disbursed by UNRWA to the community and other parties such as national committees for activities that will help improve the lives of the refugees.

### Note 32 Provisions and write-offs

32.1 The composition of provisions and write-off expenses in 2023 and 2022 was as follows:

(Thousands of United States dollars)

	2023	2022 (restated)
Provisions and write-off expenses on accounts receivable	5 857	523
Provisions and write-off expenses on contributions receivable	4 110	5
Provisions and write-off expenses on loans receivable	6 584	843
Inventory, work in progress and third-party provisions	18 164	–
Write-off of overstated receivables and others	751	54
<b>Total</b>	<b>35 466</b>	<b>1 425</b>

32.2 The increase in the provision for accounts receivable was largely attributable to a \$3.675 million provision for VAT from the Israeli authorities, in view of the press reports indicating that Israel would stop reimbursing VAT to UNRWA (see note 7.7).

32.3 The increase in the provision for contributions receivable is largely attributable to the changes resulting from the adoption of IPSAS 41 in determining the expected credit loss (see notes 6.6 to 6.8).

32.4 The increase in the provision for loans receivable is largely attributable to a full provision against the loan portfolio in Gaza due to the war. In addition, the West Bank has experienced a significant economic downturn, adversely affecting all sectors of the economy, in particular workers employed in Israel. The management of the Microfinance Department has therefore authorized a full provision (100 per cent) for loans associated with borrowers who are workers in Israel (see note 5.7).

32.5 The provision for inventory, work in progress and third parties has been made following the outbreak of the war in Gaza. Inventories that were stored in UNRWA premises that are no longer accessible owing to the ongoing war are considered impaired or lost. In addition, the Agency has shelter under construction and non-agency installations in Gaza that were intended to be handed over to third parties; these assets are considered to be impaired due to the ongoing war and have therefore been provided for during 2023 (see note 9.2). The provision will be reviewed when circumstances allow, and inventory will be written off as necessary.

### **Note 33**

#### **Segment reporting**

33.1 A segment is a distinguishable activity or group of activities for which it is appropriate to report financial information separately. Segment information is provided on several bases to reflect UNRWA objectives and activities. Full segment reporting is provided for sources of fund segments; segment expense reports are provided for strategic outcomes, programmes and geographical locations.

#### **(a) Sources of funds**

33.2 A fund is an accounting entity established to account for transactions related to a specified purpose or objective. Funds are segregated for the purpose of conducting specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The financial statements are prepared on a fund accounting basis, showing at the end of the period the aggregated position of all funds. Fund balances represent the accumulated residual amount of revenue and expenses.

33.3 The Agency's activities are financed through five fund groups. Each group of funds has differing parameters for utilization of the revenue.

33.4 The unearmarked fund is part of the UNRWA programme budget and is the principal means of financing the Agency's recurrent activities. The fund enables the Agency to meet obligations from authorized appropriations and is financed primarily by voluntary contributions and in-kind donations from Governments, intergovernmental and non-governmental bodies and host authorities.

33.5 The earmarked fund is also part of the UNRWA programme budget, but its use is restricted to specific activities (e.g. direct support, cash and food assistance provided through the social safety net programme) that are undertaken during a defined time period within a defined budget.

33.6 The Microfinance Department fund is used to provide credit for enterprise activities, household consumption and housing needs that will improve the quality of

life of householders and small-business owners and will help to sustain jobs, reduce poverty, empower women and provide income-generating opportunities for Palestine refugees.

33.7 Emergency appeals funds are used to address emergency needs through the delivery of emergency relief, for example, food aid, shelter and medical supplies. Funds are raised mainly through the consolidated appeals process and are to be utilized during specified time periods.

33.8 Project funds are used to meet capital expenditure needs (e.g. school and health centre construction) or development needs to improve or supplement existing programmes and systems (e.g. environmental health improvement). Projects are undertaken to meet a specific objective, and contributions are time-bound and earmarked for specified purposes.

**(b) Strategic objectives**

33.9 The mission of UNRWA is to help Palestine refugees to achieve their full potential in human development under the difficult circumstances in which they live, pending a just solution to their plight. The Strategic Plan for 2023–2028 for UNRWA has seven strategic objectives that guide the Agency's core activities, as follows:

(a) Palestine refugees are protected through the realization of their rights under international law, with the following desired outcomes: (i) Palestine refugees have access to UNRWA services in safety and dignity; (ii) the protection needs of vulnerable and at-risk Palestine refugees are met through preventative and remedial action; (iii) duty bearers respect, protect and fulfil the rights of Palestine refugees under international law; and (iv) Palestine refugee women and girls are empowered and have access to services that contribute to gender equality;

(b) Palestine refugees lead healthy lives, with the following desired outcomes: (i) maternal and child health of Palestine refugees is improved; (ii) improved status of non-communicable diseases and mental health; (iii) improved status of communicable diseases and infection prevention and control; and (iv) Palestine refugees have improved access to quality health services;

(c) Palestine refugees complete inclusive and equitable quality basic education, with the following desired outcomes: (i) Palestine refugee girls' and boys' learning outcomes and critical thinking skills are improved; and (ii) Palestine refugee girls and boys learn in an environment that is safe and inclusive, with their well-being ensured;

(d) Palestine refugees have improved livelihood opportunities, with the following desired outcomes: (i) Palestine refugees' livelihood capacities improved; and (ii) Palestine refugees' income generation and work opportunities improved;

(e) The most vulnerable Palestine refugees have access to effective social assistance, with the desired outcome being that poverty among Palestine refugees is alleviated;

(f) Palestine refugees are able to meet their basic human needs of shelter, water and sanitation, with the following desired outcomes: Palestine refugees residing in camps live in adequate and safe shelters; and (ii) Palestine refugees residing in camps live in healthy and environmentally sustainable conditions;

(g) The UNRWA mandate is implemented effectively and responsibly, with the following desired outcomes: (i) UNRWA operations are delivered effectively, efficiently and safely; (ii) UNRWA operations are transparent and accountable; and (iii) UNRWA operations are socially and environmentally sustainable.

**(c) Programme**

33.10 The Agency is functionally organized under four core programmes that provide direct services to UNRWA beneficiaries, led by executive direction and supported by support departments:

(a) The education programme provides basic and secondary education for learners with special educational needs and vocational and technical training. The programme operates over 700 elementary and preparatory schools in its five fields of operation, including some secondary schools in Lebanon, providing free basic education for Palestine refugee children. In addition, technical vocational training and higher education is provided at vocational training centres for Palestine refugees in all fields of operations and in educational science faculties (teacher training institutes, one in the West Bank and one in Jordan);

(b) The health programme provides a network of primary health-care facilities and mobile clinics that provide the foundation of its health services, offering preventive general medicine and specialist care services tailored for each stage of life. Although the programme is focused mainly on primary health care, it also helps Palestine refugees to gain access to secondary and tertiary health-care services. The environmental health subprogramme controls the quality of drinking water, provides sanitation and carries out vector and rodent control in refugee camps;

(c) The infrastructure and camp improvement programme addresses the deteriorating living conditions of Palestine refugees in camps. The programme promotes environmentally and socially sustainable neighbourhoods. UNRWA repairs shelters and, in coordination with the host Governments, plans for rehousing and reconstruction projects after demolitions caused by armed conflict or other emergencies. The programme manages the construction and maintenance of all UNRWA facilities and installations;

(d) The relief and social services programme provides a range of direct and indirect social protection services for Palestine refugees. The relief services subprogramme provides social safety-net assistance that includes basic food support, cash subsidies and additional family income supplements for the most vulnerable Palestine refugees caught in the cycle of abject poverty. It also provides selective cash assistance, such as one-off cash grants for basic household needs in family emergencies. In addition, the subprogramme provides direct aid during emergencies caused by violence and political unrest, along with shelter rehabilitation in coordination with other programmes. The social services subprogramme promotes community-based action that enables particularly vulnerable refugees to become more self-reliant. The programme addresses in particular the needs of women, refugees with disabilities, young persons and the elderly. It also helps vulnerable refugees through its microcredit programme, which is managed by community-based organizations;

(e) Executive direction manages all aspects of the Agency's work to ensure efficient implementation of UNRWA mandates to provide services and humanitarian assistance to Palestine refugees, and to other persons that it is mandated to serve in accordance with relevant General Assembly resolutions, and to maintain the commitment of the international community to the social and economic well-being of Palestine refugees. Executive direction responsibilities include the effective management of oversight, legal support, fundraising, advocacy and outreach to external interlocutors;

(f) The support departments assist the Commissioner-General in the smooth running of the Agency and ensure effective management of personnel and financial resources, administrative services and internal communication;

(g) The Protection Division was established at UNRWA headquarters in Amman to provide strategic direction of, and coordination to, the implementation of the diverse protection activities across the Agency. In accordance with the Agency's mandate, the aim of UNRWA protection activities is to respond to the protection needs of Palestine refugees amid increasing conflict and displacement in the region. UNRWA applies a holistic approach to protection. This includes an "internal" dimension focused on realizing the rights of Palestine refugees in and through the Agency's service delivery programmes, and an "external" dimension involving engagement with relevant duty bearers to ensure respect for Palestine refugee rights. The Protection Division, through its thematic experts, covers the areas of protection mainstreaming, advocacy, child protection, gender and gender-based violence, disability and international protection.

**(d) Geographical locations**

33.11 Although UNRWA goals and services are delivered primarily within a programme approach, the Agency's operations are managed on a field basis. In accordance with the mandate set out by the General Assembly as the Agency's parent organ, UNRWA operates in five fields: Jordan, Lebanon, the Syrian Arab Republic, the Gaza Strip and the West Bank. Each field provides similar services but is distinctive to some extent, owing to the particular political, humanitarian and economic contexts in which it operates, and the status and rights enjoyed by the Palestine refugees in it.

**(e) Basis of pricing for inter-segment transfers and charges**

33.12 Indirect support costs are incurred by UNRWA in support of the implementation of its non-regular budget activities that cannot be directly attributed to specific activities, projects or programmes. Indirect support costs represent administrative, managerial, logistical, and other support costs, including costs related to staff recruitment, budgetary and financial control, information and communications technology support, and actions in respect of procurement transport and warehousing.

33.13 Indirect support costs represent a recovery of programme budget expenditures to ensure that non-regular activities do not constitute financial costs in terms of the Agency's regular budget. Indirect support costs at a uniform standard rate of 11 per cent are usually charged against all contributions for non-regular budget activities.

A/79/5/Add.4

## Segment reporting by fund: financial position as at 31 December 2023

(Thousands of United States dollars)

	Unearmarked activities		Earmarked activities				Total
	Programme budget	Restricted funds	Microfinance Department	Emergency appeals	Projects	Inter-fund balances	
<b>Assets</b>							
<b>Current assets</b>							
Cash and cash equivalents	27 472	11 566	23 893	334 340	190 953	28	588 251
Short-term loans receivable	—	—	9 400	—	—	(3 903)	5 497
Contributions receivable	5 678	—	—	28 779	14 357	4 501	53 315
Accounts receivable	25 657	27	5	944	154	(15 294)	11 493
Other current assets	4 808	9	603	460	12	—	5 892
Operational Microfinance Department account with UNRWA	—	931	1 000	—	—	(1 931)	—
Inventories	14 371	1 588	—	19 583	9 117	—	44 657
<b>Non-current assets</b>							
Other non-current assets	—	—	—	—	—	—	—
Long-term loans receivable	—	—	9 880	—	—	—	9 880
Property, plant and equipment	245 122	127	81	487	7 375	—	253 193
Intangible assets	769	—	2	—	—	—	772
<b>Total assets</b>	<b>323 878</b>	<b>14 248</b>	<b>44 864</b>	<b>384 593</b>	<b>221 968</b>	<b>(16 600)</b>	<b>972 950</b>
<b>Liabilities</b>							
<b>Current liabilities</b>							
Payables and accruals	64 696	1 558	700	20 382	19 921	(16 273)	90 985
Employee benefits	94 934	—	450	—	—	—	95 384
Operational Microfinance Department account with UNRWA	—	—	931	—	—	(931)	—
Other current liabilities	862	—	—	153	24	—	1 039
Advance contributions	10 086	—	—	—	—	(21)	10 065
<b>Non-current liabilities</b>							
Employee benefits	708 479	—	4 553	—	—	—	713 032
Other non-current liabilities	3 363	—	—	—	—	—	3 363
<b>Total liabilities</b>	<b>882 421</b>	<b>1 558</b>	<b>6 634</b>	<b>20 535</b>	<b>19 945</b>	<b>(17 225)</b>	<b>913 868</b>
<b>Net assets/equity</b>	<b>(558 543)</b>	<b>12 690</b>	<b>38 230</b>	<b>364 058</b>	<b>202 022</b>	<b>625</b>	<b>59 082</b>
Revaluation and other reserves	123 965	—	—	—	—	2 533	126 498
Capital reserve: microcredit community support programme and Microfinance Department	—	3 346	35 146	—	—	—	38 492
Accumulated surplus/(deficit)	(682 508)	9 344	3 084	364 058	202 022	(1 908)	(105 908)
<b>Total net assets/equity</b>	<b>(558 543)</b>	<b>12 690</b>	<b>38 230</b>	<b>364 058</b>	<b>202 022</b>	<b>625</b>	<b>59 082</b>

## Segment reporting by fund: financial performance as at 31 December 2023

(Thousands of United States dollars)

	<i>Unearmarked activities</i>	<i>Earmarked activities</i>					<i>Total</i>
	<i>Programme budget</i>	<i>Restricted funds</i>	<i>Microfinance Department</i>	<i>Emergency appeals</i>	<i>Projects</i>	<i>Inter-fund balances</i>	
<b>Revenues</b>							
Cash contributions	755 648	66	—	582 422	122 002	—	1 460 137
In-kind contributions	—	16 845	—	13 084	2 898	—	32 826
Interest on loans	—	1	8 349	—	—	—	8 349
Interest on bank deposits	3 470	49	884	26	250	—	4 680
<b>Other revenue</b>							
Foreign currency exchange gain	11 604	2 288	(826)	(127)	157	—	13 095
Internal support cost recovery	38 781	—	—	—	—	(38 624)	157
Miscellaneous revenue	7 527	5 321	608	(8)	(580)	1 272	14 139
<b>Total revenue</b>	<b>817 030</b>	<b>24 569</b>	<b>9 014</b>	<b>595 397</b>	<b>124 726</b>	<b>(37 352)</b>	<b>1 533 384</b>
<b>Expenses</b>							
Wages, salaries and employee benefits	658 456	2 856	5 760	60 087	17 059	48	744 265
Supplies and consumables	30 360	11 328	196	121 558	4 154	—	167 597
Occupancy, utilities and premises costs	9 747	5 814	378	1 896	2 137	6	19 978
Contracted services	43 661	2 107	1 420	23 136	37 226	13	107 563
Indirect support costs	—	116	30	31 102	7 376	(38 624)	—
Subsidies	36 383	2 540	—	105 052	10 724	—	154 699
Depreciation and amortization	30 131	—	14	—	—	—	30 145
Provisions and write-offs	17 396	212	3 595	7 902	3 549	2 812	35 466
Loss on disposal	579	—	—	—	—	—	579
Impairment of property, plant and equipment	192 291	—	—	—	7 964	—	200 255
<b>Total expenses</b>	<b>1 019 004</b>	<b>24 974</b>	<b>11 392</b>	<b>350 733</b>	<b>90 189</b>	<b>(35 745)</b>	<b>1 460 546</b>
<b>Surplus/(deficit) for the year</b>	<b>(201 974)</b>	<b>(405)</b>	<b>(2 378)</b>	<b>244 664</b>	<b>34 537</b>	<b>(1 607)</b>	<b>72 838</b>

**Segment reporting by strategic objective: expenses as at 31 December 2023**

(Thousands of United States dollars)

	<i>Objective 1: Palestine refugees are protected through the realization of their rights under international law</i>	<i>Objective 2: Palestine refugees lead healthy lives</i>	<i>Objective 3: Palestine refugees complete inclusive and equitable quality basic education</i>	<i>Objective 4: Palestine refugees have improved livelihood opportunities</i>	<i>Objective 5: The most vulnerable Palestine refugees have access to effective social assistance systems</i>	<i>Objective 6: Palestine refugees are able to meet their basic human needs of shelter, water and sanitation</i>	<i>Objective 7: The UNRWA mandate is implemented effectively and responsibly</i>	<i>Inter-fund balances</i>	<i>Total</i>
Wages, salaries and employee benefits	8 535	79 872	454 436	25 340	17 348	20 320	138 366	48	744 265
Supplies and consumables	172	29 517	11 266	2 175	114 236	2 435	7 796	—	167 597
Occupancy, utilities and premises costs	224	1 362	5 970	3 063	117	528	8 708	6	19 978
Contracted services	3 139	25 186	5 942	3 138	3 080	27 453	39 612	13	107 563
Indirect support costs	771	1 899	4 850	581	21 473	2 172	6 878	(38 624)	—
Subsidies	55	6 435	2 342	2 373	132 277	4 813	6 403	—	154 699
Depreciation and amortization	72	5 124	16 871	1 593	469	1 805	4 211	—	30 145
Provisions and write-offs	4	5 427	3 323	3 674	5 240	1 860	13 126	2 812	35 466
Loss on disposal	—	—	101	11	—	419	48	—	579
Impairment of property, plant and equipment	97	26 549	138 999	8 022	2 029	3 993	20 565	—	200 255
<b>Total</b>	<b>13 069</b>	<b>181 371</b>	<b>644 100</b>	<b>49 970</b>	<b>296 269</b>	<b>65 798</b>	<b>245 713</b>	<b>(35 745)</b>	<b>1 460 546</b>

## Segment reporting by programme: expenses as at 31 December 2023

(Thousands of United States dollars)

	<i>Education</i>	<i>Health</i>	<i>Infrastructure and camp improvement</i>	<i>Relief and social services</i>	<i>Protection Division</i>	<i>Support department</i>	<i>Executive direction</i>	<i>Inter-fund balances</i>	<i>Total</i>
Wages, salaries and employee benefits	481 505	85 693	28 598	27 885	7 131	63 165	50 240	48	744 265
Supplies and consumables	15 166	29 633	2 894	114 688	77	3 596	1 543	—	167 597
Occupancy, utilities and premises costs	8 670	1 412	2 609	669	159	5 379	1 074	6	19 978
Contracted services	9 569	27 363	28 412	5 950	2 572	25 967	7 717	13	107 563
Indirect support costs	5 643	2 358	2 837	22 103	614	2 382	2 687	(38 624)	—
Subsidies	3 671	6 463	5 547	136 355	54	212	2 397	—	154 699
Depreciation	18 295	5 407	2 304	792	45	2 838	464	—	30 145
Provisions and write-offs	4 124	5 427	1 860	8 856	4	12 116	267	2 812	35 466
Loss on disposal	111	—	419	—	—	49	—	—	579
Impairment of property, plant and equipment	146 212	26 668	7 060	2 848	87	15 641	1 738	—	200 255
<b>Total</b>	<b>692 966</b>	<b>190 424</b>	<b>82 540</b>	<b>320 146</b>	<b>10 743</b>	<b>131 345</b>	<b>68 128</b>	<b>(35 745)</b>	<b>1 460 546</b>

## Segment reporting by geographical location: expenses as at 31 December 2023

(Thousands of United States dollars)

	<i>Gaza field</i>	<i>Lebanon field</i>	<i>Syrian Arab Republic field</i>	<i>Jordan field</i>	<i>West Bank field</i>	<i>Headquarters</i>	<i>Inter-fund balances</i>	<i>Total</i>
Wages, salaries and employee benefits	321 220	84 638	50 965	138 173	103 911	45 310	48	744 265
Supplies and consumables	123 434	8 912	15 694	14 026	5 291	240	—	167 597
Occupancy, utilities and premises costs	3 381	5 382	1 111	5 164	4 038	896	6	19 978
Contracted services	30 816	32 275	8 069	8 232	9 628	18 530	13	107 563
Indirect support costs	19 594	6 793	7 877	1 790	1 406	1 164	(38 624)	—
Subsidies	24 735	51 824	50 942	16 020	8 868	2 310	—	154 699
Depreciation	16 692	2 762	1 441	2 648	6 113	489	—	30 145
Provisions and write-offs	19 799	253	2	949	3 455	8 196	2 812	35 466
Loss on disposal	115	419	—	44	1	—	—	579
Impairment of property, plant and equipment	199 191	—	447	—	—	617	—	200 255
<b>Total</b>	<b>758 978</b>	<b>193 257</b>	<b>136 547</b>	<b>187 046</b>	<b>142 709</b>	<b>77 753</b>	<b>(35 745)</b>	<b>1 460 546</b>

## Note 34

### Presentation of budget information

34.1 The budget figures for UNRWA are determined on a modified cash basis and are disclosed in the statement of comparison of budget and actual amounts (statement V). The original budget amounts in statement V are in line with the original budget as presented in the 2022–2023 programme budget.

34.2 The UNRWA budget encompasses two main funding portals: (i) the programme budget, funded chiefly by unearmarked voluntary contributions, including the United Nations regular budget and in-kind donations; and (ii) the project budget.

34.3 The final budget amounts for the programme budget, presented in statement V, are made available at the beginning of each financial period and reflect reduced requirements based on the income forecast and where necessary, if the income forecast is insufficient to cover costs, an acceptable cash shortfall. The projects budget, included in the final budget amounts presented in statement V, reflects the resources that are made available when contributions are received and/or, on an exceptional basis, when pledges are confirmed by donors by means of a signed agreement, for approved project proposals.

34.4 In accordance with IPSAS, UNRWA adopts an accrual budgeting system. However, in compliance with the Financial Rules and Regulations, the final budget set out in financial statement V still refers to a modified cash basis budget and is used for comparison with the expenditure.

34.5 The budgets and accounts of UNRWA are prepared on different accounting bases. The statement of financial position, the statement of financial performance, the statement of changes in net assets and the statement of cash flow are prepared on an accrual basis, using a classification based on the nature of expenses in the statement of financial performance, whereas the statement of comparison of budget and actual amounts (statement V) is prepared on a modified cash basis of accounting.

34.6 As required under IPSAS 24, the expenditure presented on a comparable basis to the budget shall, where the financial statement and the budget are not prepared on a comparable basis, be reconciled to the expenditure presented in the financial statement, identifying separately any basis, timing and entity differences. There may also be differences in formats and classification schemes adopted for the presentation of the financial statements and the budget.

34.7 Basis differences occur when the approved budget is prepared on a basis other than the accounting basis, as stated in paragraph 34.6 above.

34.8 Timing differences occur when the budget period differs from the reporting period reflected in the financial statements. There are no timing differences for UNRWA for purposes of comparison of budget and expenditure.

34.9 Entity differences occur when the budget excludes funds that are part of the entity for which the financial statements are prepared.

34.10 Presentation differences are attributable to differences in the format and classification schemes adopted for presentation of the statement of cash flow and the statement of comparison of budget and actual amounts.

34.11 Reconciliation between the actual amounts on a comparable basis in the statement of comparison of budget and actual amounts (statement V) and the actual amounts in the statement of cash flow (statement IV) for the period ended 31 December 2023 is presented in the table below.

(Thousands of United States dollars)

	<i>Operating</i>	<i>Investing</i>	<i>Financing</i>	<i>Total</i>
<b>Actual amounts on a comparable basis (statement V)</b>	<b>814 844</b>	<b>25 793</b>	<b>–</b>	<b>840 637</b>
Basis differences	231 211	(47 521)	(30)	183 660
Timing differences	–	–	–	–
Entity differences	244 319	82	34	244 436
Presentation differences	(956 850)	–	–	(956 850)
<b>Actual amounts in the statement of cash flow (statement IV)</b>	<b>333 525</b>	<b>(21 645)</b>	<b>4</b>	<b>311 884</b>

34.12 Open commitments, including open purchase orders and net cash flows from operating, investing and financing activities, are presented as basis differences. Entity differences occur as the approved budget, as noted above, includes the programme budget and the projects budget. The cash-flow statement also includes the emergency appeals fund, the Microfinance Department fund and the earmarked fund of the programme budget. Revenue that does not form part of the statement of comparison of budget and actual amounts is reflected as presentation differences.

34.13 Budget amounts have been presented on a classification based on the nature of expenses in accordance with the approved 2022–2023 programme budget, as recommended by the Advisory Committee on Administrative and Budgetary Questions and endorsed by the General Assembly.

(Thousands of United States dollars)

	<i>Total expenses</i>
<b>Actual amounts on a comparable basis (statement V)</b>	<b>840 637</b>
Basis differences	285 738
Timing differences	–
Entity differences	334 172
<b>Actual amounts in the statement of financial performance (statement II)</b>	<b>1 460 546</b>

#### *Explanations of material differences*

34.14 Explanations of material differences between the original budget and the final budget, and between the final budget and the expenditure, are presented below.

#### *Original and final budgets (income and expenditure)*

34.15 The original budget of expenditure is the budget as published in the programme budget, or Blue Book,<sup>11</sup> while the final budget of expenditure is the approved annual operational budget allocation at year end.

34.16 The 2023 programme budget, including in-kind and projects, as reflected in the Blue Book for 2022–2023, amounted to \$1,048.367 million (on a modified cash basis). This is disclosed in financial statement V as the “original” budget. On a modified cash

<sup>11</sup> The Blue Book is the instrument that the Agency uses to forecast its budget for a specific period of time, which includes the core requirements of the Agency. This is disclosed in financial statement V as the “original” budget.

basis, the final 2023 budget was \$1,081.867 million, representing an increase of \$33.5 million, or 3.2 per cent. This is disclosed in financial statement V as the “final” budget. The \$33.5 million reflects the increase in the final budget owing mainly to an increase in the final programme budget from \$849.780 million to \$861.548 million (including in-kind) and an increase in the final projects budget from \$198.590 million to \$220.320 million, including restricted funds (earmarked projects).

*Utilization of the budget*

34.17 The overall variation in the budgetary utilization of the different budget cost components is the result of various factors, such as the industrial staff action in the West Bank field office that resulted in a temporary pause in the programmatic and operational activities for more than three months during the year; the war in Gaza that disrupted programmatic activities and led to a humanitarian crisis from October 2023; the latest conflicts in Jenin in the West Bank, conflicts in Ein El Hilwa in Lebanon and the earthquake crisis in early 2023, all of which reduced the cash and food distribution from the social safety net programme; and other unallocated budget reserves. The utilization rates against the various key cost components rates are as follows:

(a) *Staff costs.* The implementation rate is 95 per cent. The underutilization of \$37.11 million is attributable to: (i) maintaining a vacancy rate through a delay in recruitment, and the utilization of the daily paid contract modality in lieu of the fixed-term contract modality; and (ii) underspending under extrabudgetary funds for international staff, fixed-term area staff and daily paid and limited duration contracts of \$34.45 million, of which are attributable to timing variances;

(b) *Supplies.* The implementation rate is 91 per cent. The underutilization of \$4.37 million is attributable to the late receipt of project funds and the commitment of funds at year end that were carried forward to 2024, and disruptions in operations due to staff industrial action in the West Bank and the war in Gaza;

(c) *Utilities.* The implementation rate is 88 per cent. The underutilization of \$0.64 million is attributable to a significant part of the operations in Gaza being affected by the war, leading to disrupted supply and reduced demand for utilities;

(d) *Maintenance of premises and equipment.* The implementation rate is 46 per cent. The underspending of \$47.13 million is attributable to timing differences in project lifespans and late receipts of project contribution;

(e) *Administrative and miscellaneous services, including consultancy, training and travel.* The implementation rate is 70 per cent. The underutilization of \$13.71 million is a result of efficiencies within the programme budget and timing variances for project contribution versus project implementation;

(f) *Hospital services.* The implementation rate is 96 per cent. The underspending of \$0.84 million is attributable to projects for hospitalization contracts that will be implemented in the next financial period, in line with the lifespan of the projects, and a delay in the receipt of hospital invoices;

(g) *Subsidies, including subsidies to hardship cases, to patients, to third parties and others.* The implementation rate is 73 per cent. The underspending of \$16.13 million under cash subsidies is attributable mainly to utilization of emergency appeal funds in lieu of the programme budget, the favourable impact of exchange rate fluctuations, the late receipt of project funds and the timing variances in the distribution of cash;

(h) *Reserves.* Reserves represent the unfunded unallocated portion of the programme budget. This amount is redeployed to other budget line items in

accordance with the approval of the Executive Office through the decision notes as endorsed by Executive Advisory Group. For projects, the respective reserve is funded and represents a temporary budget allocation until a detailed budget breakdown is received from the relevant fields/headquarters departments.

### Note 35 Going concern

35.1 The accompanying financial statements have been prepared on the assumption that the Agency will continue to operate as a going concern. The General Assembly votes in favour of key resolutions supporting UNRWA operations every year and for the renewal of the Agency's mandate every three years. In addition, the Advisory Commission of UNRWA, which brings together the main donors as well as hosts of UNRWA operations, reaffirms its support for the Agency at a semi-annual meeting. On 12 December 2022, by its resolution 77/123, the Assembly renewed the mandate of UNRWA operations until 30 June 2026.

### Note 36 IPSAS 41 implementation

36.1 The following disclosure reflects each class of UNRWA financial assets and financial liabilities based on the initial application of IPSAS 41 for the financial statements for the year ended December 2023. The table below presents the new and original measurement category and the carrying amount determined in accordance with IPSAS 41 and IPSAS 29.

(Thousands of United States dollars)

<i>Financial assets and financial Liabilities</i>	<i>Measurement category IPSAS 41</i>	<i>Measurement category IPSAS 29</i>	<i>Changes in Measurement?</i>	<i>IPSAS 41 carrying amount – 31 December 2023</i>	<i>IPSAS 41 carrying amount – 31 December 2022</i>	<i>IPSAS 29 carrying amount – 31 December 2022</i>	<i>Variances – IPSAS 41 and 29 carrying amount – 31 December 2022</i>
Short-term and long-term loans receivable – Microfinance Department	Amortized cost	Loans and receivables (at amortized cost)	No	50 324	22 621	19 366	3 255
Contributions receivable	Amortized cost	Loans and receivables (at amortized cost)	No	15 377	21 079	22 171	(1 092)
Loans receivable – microcredit community support programme	Amortized cost	Loans and receivables (at amortized cost)	No	–	–	1 043	(1 043)
<b>Totals</b>	<b>588</b>	<b>5 531</b>		<b>65 701</b>	<b>43 700</b>	<b>42 580</b>	<b>1 120</b>

36.2 There are no balances related to financial assets and financial liabilities in the statement of financial position that were previously designated as measured at fair value through surplus and deficit. As reflected in note 2 to the financial statements, there are no changes in the classifications of financial assets and financial liabilities that resulted in changes in the carrying amounts as at the date of initial application of IPSAS 41.

36.3 UNRWA has not reclassified financial assets and financial liabilities to amortized cost, and none of the financial assets have been reclassified from fair value through surplus and deficit to fair value through net assets/equity on the basis of the

transition to IPSAS 41. There are no fair value gains or losses that have been recognized in surplus or deficit or net assets/equity during the reporting period owing to the reclassification of financial assets and financial liabilities from fair value through surplus and deficit to fair value through net assets/equity.

36.4 UNRWA has not reclassified any financial assets and financial liabilities from fair value through surplus and deficit that have resulted in the use effective interest rate, the recognition of interest revenue or expense, or any new gross carrying amount related to the fair value of financial assets and financial liabilities, on the basis of the transition to IPSAS 41.

### Reconciliation of variances in gross closing balance of financial assets due to retrospective application of IPSAS 41 in comparison with IPSAS 29 for the financial year ended 31 December 2022

(Thousands of United States dollars)

Description	IPSAS 41 – 31 December 2022 restated balance				IPSAS 29 – 31 December 2022				Variances IPSAS 41 and IPSAS 29 – 2022
	Contributions receivable	Microfinance Department	Microcredit community support programme	Total	Contributions receivable	Microfinance Department	Microcredit community support programme	Total	
Opening balance	32 300	23 095	1 071	56 466	32 300	23 095	1 071	56 466	–
Changes based on IPSAS 41 adoption	–	–	–	–	–	–	–	–	–
<b>Gross closing balance</b>	<b>32 300</b>	<b>23 095</b>	<b>1 071</b>	<b>56 466</b>	<b>32 300</b>	<b>23 095</b>	<b>1 071</b>	<b>56 466</b>	<b>–</b>

### Reconciliation of variances in expected credit loss of financial assets due to the retrospective application of IPSAS 41 in comparison with IPSAS 29 for the financial year ended 31 December 2022

(Thousands of United States dollars)

Description	IPSAS 41 – 31 December 2022 restated balance				IPSAS 29 – 31 December 2022				Variances IPSAS 41 and IPSAS 29 – 2022
	Contributions receivable	Microfinance Department	Microcredit community support programme	Total	Contributions receivable	Microfinance Department	Microcredit community support programme	Total	
Opening balance	(12 939)	(677)	(29)	(13 645)	(12 939)	(677)	(29)	(13 645)	–
Changes based on IPSAS 41 adoption	3 255	(1 092)	(1 043)	1 120	–	–	–	–	1 120
Additions	10	(986)	–	(976)	10	(986)	–	(976)	–
Less: write-off/ adjustment	(5)	739	1	735	(5)	739	1	735	–
<b>Expected credit loss closing balance</b>	<b>(9 679)</b>	<b>(2 016)</b>	<b>(1 071)</b>	<b>(12 766)</b>	<b>(12 934)</b>	<b>(924)</b>	<b>(28)</b>	<b>(13 886)</b>	<b>1 120</b>

## Reconciliation of variances in net closing balance of financial assets due to the retrospective application of IPSAS 41 in comparison with IPSAS 29 for the financial year ended 31 December 2022

(Thousands of United States dollars)

Description	IPSAS 41 – 31 December 2022 restated balance				IPSAS 29 – 31 December 2022				Variances IPSAS 41 and IPSAS 29 – 2022
	Contributions receivable	Microfinance Department	Microcredit community support programme	Total	Contributions receivable	Microfinance Department	Microcredit community support programme	Total	
<b>Net closing balance</b>	<b>22 621</b>	<b>21 079</b>	<b>–</b>	<b>43 700</b>	<b>19 366</b>	<b>22 171</b>	<b>1 043</b>	<b>42 580</b>	<b>1 120</b>

### Note 37

#### Related parties

37.1 Total compensation and remuneration to key management personnel and other senior management for the year ended 31 December 2023 was as follows:

(Thousands of United States dollars)

Description	Total remuneration	Outstanding advances and loans	Number of individuals
Key management personnel	7 019	306	29
<b>Total</b>	<b>7 019</b>	<b>306</b>	<b>29</b>

37.2 Key management personnel, who include the members of the Senior Management Team, have authority with respect to planning, directing and controlling the activities of the Agency (or significant parts thereof). The major classes of key management personnel are Commissioner-General/Deputy Commissioner-General and field/headquarters directors. Related parties for UNRWA include key management personnel of the Agency, the United Nations Secretariat, and the Area Staff Provident Fund.

37.3 The aggregate remuneration paid to key management personnel includes net salaries, post adjustment, entitlements such as allowances, grants and subsidies, and employer pension and health insurance contributions. Key management personnel remuneration incorporates housing allowances and representation allowances paid as part of salaries, despite the presence of a representative aspect to these allowances.

37.4 A company partially owned by one family member of a member of key management personnel had transactions with the Agency under a long-term agreement signed in 2016 and again in 2020. The staff member in question became part of the Management Committee in April 2019. The total value of the Agency's transactions with this company for 2022 was \$0.246 million. The company has been a supplier to the Agency since 1995, and its revenues from UNRWA account for less than 10 per cent of its operations.

37.5 Advances are those made against entitlements in accordance with UNRWA area and international staff rules and regulations. These are widely available to all UNRWA staff.

**Note 38**

**Subsequent events**

38.1 The Agency's reporting date is 31 December 2023 for the 2023 IPSAS financial statements. On 18 January 2024, owing to allegations made against some staff of the Agency, several of the Agency's partners suspended their planned contributions to UNRWA. To safeguard the Agency's ability to continue to provide life-saving aid, those staff members' contracts were immediately terminated. An independent investigation led by the Office of Internal Oversight Services of the United Nations in New York, the highest investigative authority in the United Nations system, has been initiated, along with an internal assessment of the risk management framework and oversight processes. In addition, a fully independent review group has been commissioned by the Secretary-General of the United Nations to assess whether the Agency is doing everything within its power to ensure neutrality and to respond to allegations of serious breaches when they are made. The Agency has significantly increased outreach to partners in support of its operations.

38.2 As at the date of approval and signing of these accounts, there have been no material events between the reporting date and the date when the financial statements were authorized for issuance that would have had an impact on these statements.

**Note 39**

**Date and approval**

39.1 The financial statements and notes were certified as correct and approved by the Director of Finance and were issued on 31 March 2024.

