

UNITED



NATIONS

UNITED NATIONS KOREAN RECONSTRUCTION AGENCY

FINANCIAL REPORT AND ACCOUNTS

for the year ended 30 June 1955

and

REPORT OF THE BOARD OF AUDITORS

GENERAL ASSEMBLY

OFFICIAL RECORDS : TENTH SESSION

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TABLE OF CONTENTS

	<i>Page</i>
Letter of transmittal	1
Financial report of the Agent General	3
Financial statements for the year ended 30 June 1955:	
Statement I. 1954-1955 plan of expenditure, obligations incurred and unobligated balances	9
Statement II. 1953-1954 plan of expenditure, obligations incurred and unobligated balances	10
Statement III. 1952-1953 plan of expenditure, obligations incurred and unobligated balances	11
Statement IV. Income, obligations incurred and net resources	12
Statement V. Assets and liabilities and net resources	13
Schedule A. Government pledges and contributions	14
Schedule B. Investments	15
Addendum A. <i>Hwan</i> assets and liabilities and net resources	17
Addendum B. <i>Hwan</i> income, obligations incurred and net resources	18
Report of the Board of Auditors to the General Assembly	19

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NOTE

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

UNITED NATIONS KOREAN RECONSTRUCTION AGENCY

Financial report and accounts for the year ended 30 June 1955 and report of the Board of Auditors

LETTER OF TRANSMITTAL

New York, 29 September 1955

Sir,

An examination has been made of the accounts of the United Nations Korean Reconstruction Agency for the financial year ended 30 June 1955.

The financial statements presented for audit certificate by the Agent General have been examined and certified.

On behalf of the Board of Auditors of the United Nations, I have the honour to transmit for presentation to the General Assembly the financial statements and audit report thereon.

Respectfully,

(Signed) Watson SELLAR
on behalf of the Board of Auditors

The Secretary-General of the United Nations,
New York.

FINANCIAL REPORT OF THE AGENT GENERAL

For the financial year ended 30 June 1955

1. The financial statements of the United Nations Korean Reconstruction Agency for the year ended 30 June 1955 are submitted herewith. The documents presented comprise the following:—

Statement I. 1954-1955 plan of expenditure, obligations incurred and unobligated balances;

Statement II. 1953-1954 plan of expenditure, obligations incurred and unobligated balances;

Statement III. 1952-1953 plan of expenditure, obligations incurred and unobligated balances;

Statement IV. Income, obligations incurred and net resources;

Statement V. Assets and liabilities and net resources;

Schedule A. Government pledges and contributions;

Schedule B. Investments;

Addendum A. *Hwan* assets and liabilities and net resources;

Addendum B. *Hwan* income, obligations incurred and net resources.

2. Since the inception of this Agency in 1950 there has been a constant lack of funds to meet the plans of expenditure approved periodically by the Advisory Committee to the Agent General. The plans of expenditure from 1950 through June 1955 have amounted to over \$236 million. Income from Governments has amounted to \$138.4 million, and miscellaneous income of approximately \$4.5 million has raised the total receipts to almost \$143 million. Contributions in kind, to the value of \$2.5 million, have been donated to the Unified Command for the Emergency Programme of Civilian Relief in Korea, thus leaving \$140.5 million for Agency projects. The net income has therefore fallen short of the plans of expenditure by more than \$95 million. Of the \$140.5 million available, approximately \$120 million were obligated prior to 30 June 1955, thus leaving free resources of almost \$20.5 million on 1 July 1955. These moneys will be used to the maximum extent possible for closing off approved plans of expenditure.

STATEMENT OF FINANCIAL YEAR 1954-1955 PLAN OF EXPENDITURE, OBLIGATIONS INCURRED AND UNOBLIGATED BALANCES FOR THE YEAR ENDED 30 JUNE 1955 (STATEMENT I)

3. At the commencement of the year under review activity was mainly concentrated on operational projects planned for previous years. However, to start the year's activities the Agent General was given permission by the Advisory Committee to incur obligations within available funds for operational personnel and establishment and administrative costs at a rate not to exceed that which had been expended for these purposes under the 1953 and 1954 plans of expenditure. On 2 March 1955, the Advisory Committee approved a plan of expenditure for the current year amounting in total to \$27,289,000. Within the authority granted to him, the Agent General has transferred from one project to

another the sum of \$50,000. The revised figures are shown as the modified plan of expenditure. It will be noted that \$13,953,209 have been committed, leaving a balance of \$13,335,791 for future implementation. Further information on the projects financed by the Agency is provided in the report of the Agent General to the tenth session of the General Assembly.¹

4. (a) Operational, personnel and establishment costs, which were reduced by almost \$1 million from those incurred during the previous year, comprise the following:

	<i>Expressed in terms of US dollars</i>
Salaries, wages and other staff costs	1,418,262
Travel	48,120
Communications	47,745
Supplies and services	29,540
Equipment	9,663
Rents and utilities	101,155
Maintenance of vehicles	59,305
Staff recruitment, transfers, separations, home leave costs	77,202
Staff leave, indemnity payments, income tax costs	161,793
Other administrative costs	30,448
TOTAL	<u>1,983,233</u>

(b) Administrative costs were divided as follows:

	<i>Expressed in terms of US dollars</i>
Salaries, wages and other staff costs	1,030,464
Travel	27,142
Communications	19,420
Supplies and services	21,887
Equipment	7,655
Rents and utilities	46,118
Maintenance of vehicles	54,854
Staff recruitment, transfers, separations, home leave costs	129,588
Staff leave, indemnity payments, income tax costs	159,924
Other administrative costs	28,607
TOTAL	<u>1,525,659</u>

STATEMENT OF FINANCIAL YEAR 1953-1954 PLAN OF EXPENDITURE, OBLIGATIONS INCURRED AND UNOBLIGATED BALANCES SHOWING CUMULATIVE POSITION TO 30 JUNE 1955 (STATEMENT II)

5. At 30 June 1954, these expenditures were reported as \$28,695,324. During the year it was found possible to eliminate certain commitments to a total of \$653,425. Additional obligations amounted to \$16,019,483, thus raising the total to that now shown—\$44,061,382. The cash expenditure on this programme, which was re-

¹ See *Official Records of the General Assembly, Tenth Session, Supplement No. 18*, document A/2936.

corded at \$5,524,246 at 30 June 1954, was raised by \$10,629,829 to \$16,154,075.

STATEMENT OF FINANCIAL YEAR 1952-1953 PLAN OF EXPENDITURE, OBLIGATIONS INCURRED AND UNOBLIGATED BALANCES SHOWING CUMULATIVE POSITION TO 30 JUNE 1955 (STATEMENT III)

6. The obligations incurred under this programme to 30 June 1954 were \$61,470,419. During the year ended June 1955, as project expenses became more firm, there was a constant examination of commitments with a view to reducing these to the minimum in order that the maximum amount of funds could be released for new projects. The total thus saved amounted to \$3,990,972. New obligations amounted to \$583,701. The total now firmly obligated is \$58,063,148, a net reduction of \$3,407,271. Cash expenditure on this programme during the year amounted to \$8,819,737.

STATEMENT OF INCOME, OBLIGATIONS INCURRED AND NET RESOURCES FOR THE YEAR ENDED 30 JUNE 1955 (STATEMENT IV)

7. (a) Resources amounting to \$10,705,093 were carried forward from the previous financial year. The programme reductions referred to in paragraphs 5 and 6 above, plus a saving of \$26,191 effected on liquidating prior years' obligations, raised the effective carry forward to \$15,375,681.

(b) Government contributions in cash and in kind amounted to \$34,340,729 and \$390,316 respectively, for a total of \$34,731,045. Details of these contributions are provided in paragraphs 18 to 21.

(c) Income from investments arose from the following sources:

	<i>Expressed in terms of US dollars</i>
Earnings on securities and bonds	475,416
Interest on bank deposit accounts	255,214
Interest on deposits with procurement agencies...	53,971
	<hr/>
TOTAL	784,601

(d) In continuance of the practice of the Agency, which is in accordance with that adopted by the United Nations, the salary costs included in the statement of obligations have been computed on a gross basis, i.e., before deductions from salaries have been made for the staff assessment plan. These deductions amounted during the year to \$485,783 and are now considered as income.

(e) All accounts of the Agency, with the exception of *hwan*, are maintained in terms of US dollars. Various exchange fluctuations during the year have resulted in a net credit to income of \$9,968.

(f) Other income during the year became available from the following sources:

	<i>Expressed in terms of US dollars</i>
Cash discounts on suppliers' invoices	15,847
Proceeds from sale of surplus property	8,013
Private donations	330
Commission on the sale of travellers cheques	304
Radio fees received	193
Sale of publications	45
	<hr/>
TOTAL	24,732

(g) The total resources including the balance brought forward at the start of the financial year amounted to \$51,411,810.

8. Net obligations for the three plans of expenditure under implementation were incurred as follows:

	<i>Expressed in terms of US dollars</i>
1954-1955	13,953,209
1953-1954	16,019,483
1952-1953	583,701
	<hr/>
TOTAL	30,556,393

In addition, Government contributions in kind valued at \$390,316 were donated to the Unified Command for use in the Emergency Programme of Civilian Relief in Korea. The total income disbursed and committed was therefore \$30,946,709, leaving net resources at the close of the year of \$20,465,101.

9. Convertible currencies account for just over \$9 million of the total net resources. This figure takes into account all commitments for which the currency of procurement had not been finally established at the time of closing the accounts. The uncommitted sterling holdings amounted to \$8.5 million. The remaining balance of approximately \$3 million covers various European currencies.

STATEMENT OF ASSETS AND LIABILITIES AND NET RESOURCES AS AT 30 JUNE 1955 (STATEMENT V)

10. All assets and liabilities other than United States dollars have been converted to dollar equivalents at International Monetary Fund rates of exchange ruling as at 30 June 1955.

ASSETS

11. *Cash on hand, at banks and in transit.* (a) The following analysis shows the amounts and types of each currency held as at 30 June 1955:

	<i>Local currency</i>	<i>US dollar equivalent</i>
Australian pounds£A.	2,376 13 ¹⁰ / ₁₀₀	5,323.78
Austrian schillingsSch.	300,645.00	11,563.27
Belgian francsFrs.	4,079,128.35	81,582.58
Canadian dollars\$	4,158.44	4,229.85
Danish kronerKr.	60,461.51	8,753.47
French francsFrs.	33,034,733.00	94,384.94
Hong Kong dollars ...HK\$	92,389.66	16,134.49
Japanese yenY	7,356.00	20.48
Netherlands guilders ...Gldrs.	2,095,679.24	551,494.53
New Zealand pounds ...£NZ	2,197.19 ⁴ / ₁₀₀	6,131.26
Norwegian kronerKr.	11,805,422.12	1,652,758.41
Sterling	£ 3,875,396 2 ⁵ / ₁₀₀	10,851,104.80
Swedish kronorKr.	72,109.15	13,938.96
Swiss francsFrs.	318,572.60	74,086.65
United States dollars ...\$	3,223,261.04	3,223,261.04
	<hr/>	<hr/>
TOTAL	16,594,768.51	16,594,768.51

(b) At the close of business on 30 June 1955, the Agency had active accounts with the following banks:
Australia: Commonwealth Trading Bank of Australia, Sydney.

Austria: Creditanstalt-Bankverein, Vienna.

Belgium: Banque de Bruxelles, Brussels.

Canada: The Royal Bank of Canada, Montreal.

Denmark: Kjobenhavns Handelsbank, Copenhagen.

France: Société générale, Paris.

Hong Kong: The Hong Kong & Shanghai Banking Corporation, Hong Kong.

Japan: The Chase Manhattan Bank, Tokyo.

Korea: The Bank of Korea, Seoul, Pusan and Taegu.

Netherlands: Amsterdamsche Bank, N.V., Amsterdam.

New Zealand: Bank of New Zealand, Wellington.

Norway: Christiana Bank og Kreditkasse, Oslo.

Sweden: Svenska Handelsbanken, Stockholm.

Switzerland: Lloyds Bank (Foreign) Limited, Geneva.

United Kingdom: Westminster Bank Limited, London.

United States of America: Bankers Trust Company, New York; The Chase Manhattan Bank, New York; Chemical Corn Exchange Bank, New York; The Hanover Bank, New York; Second Bank—State Street Trust Company, Boston.

12. *Investments.* These total \$38,317,184. Details are provided in schedule B. For the purpose of the accounts these have been valued at nominal or cost value, whichever is the lower.

13. Interest accrued but not credited to the various bank accounts of the Agency as at 30 June 1955 amounted to \$146,944. This sum will be forthcoming from the following sources:

	<i>Expressed in terms of US dollars</i>
United States Government securities	75,073
Federal Land Banks, Federal Intermediate Credit Banks and Federal Home Loan Banks securities	39,944
Deposit accounts and time deposits	31,927
TOTAL	146,944

14. Accounts receivable, advances, deposits, etc., comprise the following:

	<i>Expressed in terms of US dollars</i>
Advance to Swiss Medical Team for operation of the Taegu Hospital	62,177
Staff members (mainly income tax advances)	24,971
Sundry amounts invoiced to international and other agencies for goods and services rendered	17,831
Advance payments and refunds due from civil carriers	17,217
Sundry deposits	3,826
Imprest accounts	433
TOTAL	126,455

LIABILITIES AND NET RESOURCES

15. As at 30 June 1955, the total unliquidated obligations and outstanding commitments in respect of the plans of expenditure for the financial years ended 30 June 1953, 30 June 1954 and 30 June 1955 amounted to \$44,099,737. The Agency has continued previous arrangements with various governmental, international and other bodies which act as purchasing agents for a large proportion of the procurement requirements. Under the agreements made with these agencies, funds are advanced as commitments are made. The procuring agencies settle direct with the suppliers and render periodic financial statements to the Agency to account for the moneys transferred. As at 30 June 1955 these deposits amounted to \$10,237,720. The deposits thus held will eventually be used to liquidate outstanding obligations and commitments; they have accordingly been considered as an offset to the total amounts outstanding. The net unliquidated figure is thus reduced to

\$33,862,017. The funds on deposit are held by the following bodies:

	<i>Expressed in terms of US dollars</i>
Canadian Commercial Corporation	568,515
Commonwealth of Australia: Department of External Affairs	635,459
Crown Agents for Oversea Governments and Administrations (United Kingdom)	2,155,473
Department of the Army (United States of America)	5,701,985
Frazier-Simplex Korea Inc. (United States of America)	308,012
General Services Administration (United States of America)	297,094
Institute of International Education (United States of America)	6,622
Norwegian Government	1,400
F. L. Smidth & Co. (Denmark)	440,332
United Nations Educational, Scientific and Cultural Organisation (UNESCO)	4,000
World Health Organization (WHO)	118,828
TOTAL	10,237,720

16. *Special Accounts.* (a) *Staff members' provident fund.* Six per cent of all staff members' base salaries is deducted as a contribution to the Provident Fund. To this the Agency adds 9 per cent. The balance of \$530,758 now shown represents both the staff members' and the Agency's contributions.

(b) *Staff Medical Service Plan.* This fund was also financed by deductions from staff members' salaries and contributions by the Agency. In view of the balance carried in relation to the rate of disbursement from the fund, it was decided during the year to suspend contributions by both the staff members and the Agency. The free balance as at 30 June 1955 was \$66,810.

17. Sundry credit balances include the following:

	<i>Expressed in terms of US dollars</i>
Advance payment received	65,969
Contract fees retained pending completion of contracts	27,457
Sundry staff members' funds	25,895
Donations held in trust for other than UNKRA projects	25,004
Provision for exchange fluctuations	15,700
Other	640
TOTAL	160,665

GOVERNMENT PLEDGES AND CONTRIBUTIONS TO 30 JUNE 1955 (SCHEDULE A)

18. (a) During the period 1 July 1954 to 30 June 1955, 13 additional pledges of contributions were received from the following Governments:

<i>Member States</i>	<i>Expressed in terms of US dollars</i>
Belgium	300,000
Canada	508,259
Guatemala . . . 10,000 lbs. of coffee not yet valued	
Luxembourg	10,000
Netherlands	526,316
Pakistan	453,375

1,797,950

Non-member States

Austria	5,000
Cambodia	1,000
Italy	681,600
Liechtenstein	465
Monaco	286
Switzerland	232,558
The Vatican	10,000
	<hr/>
	930,909
	<hr/>
TOTAL	<u><u>2,728,859</u></u>

(b). The following analysis of column (4) shows the actual currencies in which contributions in cash for the period 1 July 1954 to 30 June 1955 were received.

19. (a) Under the 1953-1954 plan of expenditure, the Agency had a project to import raw rubber to the value of approximately \$700,000. The Government of Indonesia agreed to make available a supply of rubber valued at \$43,706. The contribution was in fact received in kind; however, funds had already been budgeted for the project and the net effect of the contribution was to release money for the purchase of other essential commodities. Consequently, the value of the goods received

	<i>Contributed currency</i>		<i>U.S. dollar equivalent</i>	
<hr/>				
<i>Member States</i>				
Australia	Australian pounds	£A	518,000	1,160,320
Belgium	Belgian francs	Frs.	5,000,000	100,000
Canada	Canadian dollars	\$	500,000	508,259
Indonesia	Indonesian rupiahs	Rph.	500,000	43,706
Luxembourg	Belgian francs	Frs.	500,000	10,000
Netherlands	Netherlands guilders	Gldrs.	2,000,000	526,316
New Zealand	New Zealand pounds	£NZ	100,000	278,950
United Kingdom	Sterling	£	1,535,715	4,300,002
United States of America	US dollars	\$	27,152,615	27,152,615
				<hr/>
				34,080,168
<hr/>				
<i>Non-member States</i>				
Austria	Austrian schillings	Sch.	300,000	11,538
Cambodia	US dollars	\$	1,000	1,000
Liechtenstein	Swiss francs	Frs.	2,000	465
Switzerland	Swiss francs	Frs.	1,000,000	232,558
The Vatican	US dollars	\$	10,000	10,000
				<hr/>
				260,561
				<hr/>
				TOTAL 34,340,729

from the Government of Indonesia has been treated as a cash contribution.

(b) Negotiations were carried on during the year under review to find an economic manner in which to ship the donation of nitrates from the Government of Chile. However, it was not until after the closure of these accounts that final arrangements were made and a ship chartered to transport this donation to Korea. On collection of the nitrates by the Agency, the contribution from the Government of Chile will be shown as fully paid in cash, the treatment of this donation being similar to that accorded to the contribution of the Government of Indonesia, since the nitrates donated will be used in the UNKRA programme.

(c) The Government of Pakistan has offered 5,000 tons of rice valued at \$453,375 as its contribution to UNKRA. This rice was shipped in August 1955 and will be used in the Agency's programme. Accordingly, the contribution will be shown as being received in cash, in line with the contributions received from Indonesia and Chile.

20. Column (5) of schedule A shows that two donations in kind were received during the period 1 July 1954 to 30 June 1955.

(a) The donation from the Government of Egypt, valued at \$28,716, was diverted to the United Nations Relief and Works Agency for Palestine Refugees in the

Near East to offset a contribution from the Government of Mexico intended for UNRWA but shipped to Korea for use in the Emergency Programme of Civilian Relief.

(b) In November 1951, the Italian Government sent a field hospital unit to Korea under the auspices of the Unified Command. The expenses of operating this hospital have been shown each year as a contribution in kind. The operating expenses for the year ended 30 June 1955 amounted to \$240,000. In December 1954, the unit withdrew from Korea after three years' service, leaving behind as a donation to the Republic of Korea one complete 100-bed field hospital and essential materials, valued at \$121,600. The contribution for this year, of \$361,600, reflects the operating expenses plus the capital value of the hospital.

21. (a) Given below is a summary of the total contributions received in each financial year to date.

<i>Financial year</i>	<i>Expressed in terms of US dollars</i>
1950-1951	7,225,796
1951-1952	11,493,158
1952-1953	51,824,236
1953-1954	33,196,630
1954-1955	34,731,045
	<hr/>
TOTAL	<u><u>138,470,865</u></u>

(b) The total amount received represents 65.29 per cent of the total pledged to date and 52.05 per cent of the \$266 million target authorized by the General Assembly.

22. *Ex gratia payments.* As required by financial regulation 10.3 the following *ex gratia* payments are reported.

	<i>Expressed in terms of US dollars</i>
Limited compensation approved for seven staff members of the Agency who were seconded to the Korean Civil Assistance Command, in respect of losses of personal effects as a result of fires in their billets	3,373

Four payments amounting to \$2,212 were effected prior to 30 June 1955; the remaining three amounts are now carried in the accounts as unliquidated obligations. Of these, two have been paid at the date of preparing this report and the final payment will be made in the near future.

23. *Inventory of supplies and equipment.* In accordance with physical inventories taken as at 30 June 1955 the Agency had on hand equipment and supplies valued at \$965,675 (cost or estimated cost prices); the distribution by location was as follows:

	<i>Expressed in terms of US dollars</i>
Korea	909,825
New York, United States of America	20,602
London, United Kingdom	936
Tokyo, Japan	33,416
TOTAL	964,779

24. In the financial report for the year ended 30 June 1954, it was stated that the Agency, on 31 May 1954, signed an agreement with the Government of the Republic of Korea whereby the following two accounts were established: the UNKRA Counterpart Account; and the UNKRA Aid Goods Collection Account. During the year under review, further negotiations were held with the Government of the Republic of Korea regarding the procedures to be adopted for the use of the moneys deposited in these accounts. The discussions resulted in the Agent General signing with the Government of the Republic of Korea, on 11 May 1955, a "Memorandum of Understanding concerning procedures for the operation of the UNKRA Counterpart Fund." On the basis of these procedures withdrawals are now being made from the Counterpart Account for local currency costs of Agency projects. The Government of the Republic of Korea deposits in the Counterpart Account the *hwan* equivalent of the dollar landed costs of goods and services provided to the Republic of Korea. As an offset to the Counterpart Account a Government overdraft account is created. The Collections Account is the depository for moneys received from end users. In cases where goods are delivered to Korea for Government capital construction, and no private end-users are involved, releases are made from the Counterpart Account to the Government Department concerned in order that the appropriate *hwan* equivalents may be credited to the Collections Account. To meet local administrative costs the Agency withdraws from the Counterpart Account 5 per cent of all moneys deposited by the Government. The status of the accounts at 30 June 1955 was as below:

	<i>Hwan</i>	<i>Hwan</i>
(a) Counterpart Account		
<i>Income</i>		
Total deposits by the Government of the Republic of Korea ..	7,255,547,283	
Amounts due to be deposited in respect of goods and services provided to 30 June 1955 but not billed to the Government as at that date	1,234,100,920	
<i>Expenditure</i>		
Approved transfers to Government Departments to finance UNKRA projects:		8,489,648,203
Released	357,432,000	
Due to be released	4,444,822,000	
	4,802,254,000	
Transfers to UNKRA to meet administrative expenditure:		
Received by UNKRA	362,777,364	
Due to be received by UNKRA	61,705,047	
	424,482,411	
Transfers to UNKRA to meet operational expenditure for projects initiated prior to signing of the over-all agreement on 31 May 1954	1,397,500,000	
	1,821,982,411	
		6,624,236,411
		1,865,411,792
(b) Collections Account		
Collections to date		2,805,372,410
Less: Amounts to defray the Government overdraft created by deposits in the Counterpart Account		2,117,709,364
		687,663,046

These accounts are maintained in the Bank of Korea under the administrative supervision of the Ministry of Finance of the Government of the Republic of Korea. All transactions require the approval of the Agent General as provided in the General Agreement of 31 May 1954 which governs the disposition of these accounts.

25. From the foregoing it will be seen that the sum of *hwan* 1,821,982,411 has been transferred direct to, or is due to be received by, the Agency to cover operational and administrative expenses. This money is disbursed in accordance with the Agency's normal financial procedures and the addenda A and B now provided show the activity on these funds to date.

STATEMENT OF *HWAN* ASSETS, LIABILITIES AND NET RESOURCES AS AT 30 JUNE 1955 (ADDENDUM A)

26. *Assets.* (a) The sum of *hwan* 312,914,826 represents cash balance of *hwan* 947,479 and *hwan* 311,967,347 deposited in the Agency's accounts with the Bank of Korea.

(b) At the close of business on 30 June 1955, the Agency had invoiced the Government of the Republic of Korea for all deliveries of goods and services to Korea to 30 April 1955. The balance of *hwan* 61,705,047 covers 5 per cent of the deliveries made to Korea before 30 June 1955 and for which transfers had not been made to the Agency's bank account. It will be noted that this figure is 5 per cent of the amount due to be deposited in the Counterpart Account (*hwan* 1,234,100,920) as reported in the table of paragraph 24 (a).

(c) *Accounts receivable, advances, deposits, etc.* More than 50 per cent of the total of *hwan* 42,033,350 is in respect of advance payments for various projects. These items will subsequently be transferred to expenditure on receipt of appropriate documentation. The remainder largely covers expenditures which will be recoverable from the Counterpart Account.

27. *Liabilities and net resources.* (a) The unliquidated obligations fall within the following categories:

	<i>Hwan</i>
Operational projects	101,039,885
Administrative expenditure	41,816,321
	<hr/>
TOTAL	142,856,206

(b) *Sundry credit balances.* In conjunction with the American Korean Foundation the Agency agreed to construct a small hydroponic plant. By arrangement the Agency met the dollar costs and the American Korean

Foundation the *hwan* costs. The present total of *hwan* 4,112,517 includes *hwan* 1,013,635 received from the American Korean Foundation but not disbursed on the project as at 30 June 1955. A further *hwan* 3 million result from assay fees collected by the Mineral Assay Laboratory in Taejon. These moneys will be offset against future expenses of the laboratory. The remaining balance of approximately *hwan* 100,000 is in respect of local salaries earned but not paid as at 30 June 1955.

(c) Under the agreement of 31 May 1954, the Agency was due to receive from the Counterpart Account *hwan* 1,397,500,000 for operational projects initiated prior to the signing of the Agreement. At 30 June 1954, expenditure, via a bank overdraft, had been made against this anticipated income and obligations had been incurred, leaving to be committed the sum of *hwan* 732,715,095. The entire amount of *hwan* 1,397,500,000 was charged to expense in the year ended 30 June 1954 and the uncommitted portion was carried as a special provision on the balance sheet. During the year further obligations against these projects amounted to *hwan* 575,411,273, thus reducing the provision to *hwan* 157,303,822. Activity continues on the projects concerned and it is expected that this money will be fully utilized during the current financial year.

(d) Net resources carried forward into the financial year ending 30 June 1956 amount to *hwan* 112,380,678. These funds are available entirely for administrative purposes as all further funds required for Agency projects will be withdrawn from the Counterpart Account.

STATEMENT OF *HWAN* INCOME AND NET RESOURCES FOR THE PERIOD ENDED 30 JUNE 1955 (ADDENDUM B)

28. The amount carried on 1 July 1954 was *hwan* 96,705,802; sundry adjustments and savings raised this figure by over *hwan* 1 million to *hwan* 97,994,187. Income from the counterpart funds amounted to *hwan* 178,151,850. The sale of surplus material amounted to *hwan* 6,061,610 and a few miscellaneous items (mainly bank interest) raised the total income to *hwan* 184,246,002. There was therefore available for administrative purposes, a total of *hwan* 282,240,189; of this, *hwan* 169,859,511 was obligated, leaving a carry forward of *hwan* 112,380,678.

29. The information provided in the *hwan* addenda is separate and distinct from the figures shown on all other financial statements.

(Signed) John B. COULTER
Agent General

**FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
30 JUNE 1955**

Statement I

Statement of 1954-1955 plan of expenditure, obligations incurred and unobligated balances for the year ended 30 June 1955

(Expressed in terms of US dollars)

	Plan of expenditure		Obligations incurred				Unobligated balances		
	Original (1) \$	As modified (2) \$	Allo- tments issued (3) \$	Liqui- dated by disburse- ments (4) \$	Unli- quidated (5) \$	Out- standing commit- ments (6) \$	Total (7) \$	Allo- tments (8) \$	Plan of expendi- ture (9) \$
A. Reconstruction and rehabilitation									
1. Health, sanitation and welfare.....	150,000	150,000	—	—	—	—	—	—	150,000
2. Agriculture, forestry and fisheries.....	—	—	—	—	—	—	—	—	—
3. Power	—	—	—	—	—	—	—	—	—
4. Manufacturing plant reconstruction.....	6,275,000	6,235,000	5,075,000	—	600,000	4,475,000	5,075,000	—	1,250,000
5. Mining reconstruction and rehabilitation.....	7,960,000	7,960,000	15,000	—	—	15,000	15,000	—	7,945,000
6. Education	1,190,000	1,190,000	690,000	—	—	690,300	690,000	—	500,000
7. Housing	500,000	500,000	—	—	—	—	—	—	500,000
B. Imports of essential materials and equipment.....	5,514,000	5,514,000	3,330,000	—	—	3,330,000	3,330,000	—	2,184,000
C. Special projects	2,000,000	1,950,000	1,342,000	1,071,999	157,503	104,815	1,334,317	7,683	615,683
D. Operational personnel and establishment.....	2,100,000	2,100,000	2,079,547	1,656,785	326,448	—	1,983,233	96,314	116,767
E. Administrative costs	1,600,000	1,600,000	1,561,683	1,298,306	227,353	—	1,525,659	36,024	74,341
TOTAL	27,289,000	27,289,000	14,093,230	4,027,090	1,311,304	8,614,815	13,953,209	140,021	13,335,791

Certified correct

(Signed) J. McLEAN
Comptroller

AUDIT CERTIFICATE

Approved
(Signed) John B. COULTER
Agent General

The above statement of plan of expenditure, obligations incurred and unobligated balances has been examined in accordance with the provisions of the financial regulations. All information and explanations required were provided, and I certify, as a result of the audit, that the statement is in accordance with the books of the Agency and is, in my opinion, correct.

On behalf of the Board of Auditors
(Signed) Watson SELLAR, Canada

Statement II

Statement of 1953-1954 plan of expenditure, obligations incurred and unobligated balances showing cumulative position to 30 June 1955

(Expressed in terms of US dollars)

	Obligations incurred			Unobligated balances				
	Plan of expenditure (1) \$	Alloiments issued (2) \$	Liquidated by disbursements (3) \$	Unliquidated commitments (4) \$	Outstanding commitments (5) \$	Total (6) \$	Alloiments (7) \$	Plan of expenditure (8) \$
A. Reconstruction and rehabilitation								
1. Health, sanitation and welfare.....	9,050,000	5,442,888	387,287	2,444,660	2,610,941	5,442,888	—	3,607,112
2. Agriculture, forestry and fisheries.....	17,810,000	3,572,916	1,589,357	1,384,907	598,652	3,572,916	—	14,237,084
3. Power	17,531,000	—	—	—	—	—	—	17,531,000
4. Manufacturing plant reconstruction and rehabilitation.....	19,832,000	13,156,102	730,168	10,372,457	2,053,477	13,156,102	—	6,675,898
5. Mining reconstruction and rehabilitation.....	7,800,000	4,430,918	980,907	1,889,369	1,560,642	4,430,918	—	3,369,082
6. Education	3,300,000	2,054,906	738,397	909,762	406,747	2,054,906	—	1,245,094
7. Housing (materials)	5,000,000	2,317,282	626,496	1,274,486	416,300	2,317,282	—	2,682,718
B. Imports of essential materials and equipment.....	36,677,000	6,676,978	5,154,541	1,521,353	1,084	6,676,978	—	30,000,022
C. Special projects	6,750,000	2,121,223	1,837,792	116,426	27,468	1,981,686	139,537	4,768,314
D. Operational personnel and establishment.....	4,250,000	2,929,098	2,682,245	210,047	—	2,892,292	36,806	1,357,708
E. Administrative costs	2,000,000	1,557,839	1,426,885	108,529	—	1,535,414	22,425	464,586
Total	130,000,000	44,260,150	16,154,075	20,231,996	7,675,311	44,061,382	198,768	85,938,618

Certified correct
(Signed) J. McLEAN
Comptroller

AUDIT CERTIFICATE

The above statement of plan of expenditure, obligations incurred and unobligated balances has been examined in accordance with provisions of the financial regulations. All information and explanations required were provided, and I certify, as a result of the audit, that the statement is in accordance with the books of the Agency and is, in my opinion, correct.

Approved
(Signed) John B. Coulter
Agent General

On behalf of the Board of Auditors,
(Signed) Watson SELLAR, Canada

Statement of 1952-1953 plan of expenditure, obligations incurred and unobligated balances showing cumulative position to 30 June 1955

(Expressed in terms of US dollars)

	Plan of expenditure		Obligations incurred			Unobligated balances	
	Original (1) \$	As modified (2) \$	Allocations issued (3) \$	Liquidated by disbursements (4) \$	Unliquidated (5) \$	Outstanding commitments (6) \$	Total (7) \$
A. Reconstruction and rehabilitation							
(a) Food and agriculture	6,900,000	6,000,000	4,502,531	4,227,983	266,958	7,590	4,502,531
(b) Industries	10,650,000	8,150,000	6,805,374	5,951,173	772,662	81,539	6,805,374
(c) Power	7,100,000	5,100,000	3,493,668	2,157,950	1,324,053	11,665	3,493,668
(d) Transport and communications	7,500,000	6,900,000	5,590,585	5,119,760	468,670	2,155	5,590,585
(e) Natural resources	2,000,000	2,000,000	1,639,369	1,211,586	416,218	11,565	1,639,369
(f) Housing	3,000,000	3,000,000	2,009,271	1,108,130	881,731	19,410	2,009,271
(g) Education	8,000,000	8,000,000	6,435,307	5,183,658	1,234,840	16,809	6,435,307
(h) Health, sanitation and welfare	2,500,000	2,500,000	1,707,600	1,343,657	310,479	53,464	1,707,600
B. Sustaining commodity imports	14,000,000	20,000,000	19,513,651	19,504,610	9,041	—	19,513,651
C. Operational personnel and establishment	2,500,000	2,500,000	2,111,154	2,022,772	88,382	—	2,111,154
D. Special projects							
(a) Personnel for KCAC	2,500,000	2,340,000	1,648,973	1,484,400	164,573	—	1,648,973
(b) Support to voluntary agency programmes	500,000	640,000	639,570	639,570	—	—	639,570
(c) Technical assistance projects	350,000	370,000	353,802	341,797	12,005	—	353,802
E. Administrative costs	2,500,000	2,500,000	1,612,293	1,499,791	112,502	—	1,612,293
GRAND TOTAL	70,000,000	70,000,000	58,063,148	51,796,837	6,062,114	204,197	58,063,148

Certified correct
(Signed) J. McLEAN
Comptroller

(Signed) John B. COULTER
Agent General

AUDIT CERTIFICATE

The above statement of plan of expenditure, obligations incurred and unobligated balances has been examined in accordance with provisions of the financial regulations. All information and explanations required were provided, and I certify, as a result of the audit, that the statement is in accordance with the books of the Agency and is, in my opinion, correct.

On behalf of the Board of Auditors,
(Signed) WATSON SELLAR, Canada

Statement of income, obligations incurred and net resources for the year ended 30 June 1955

(Expressed in terms of US dollars)

	\$	\$	\$	\$
Net resources as at 30 June 1954				10,705,093
<i>Add:</i> Savings effected in liquidating prior years' obligations				26,191
Reduction of 1952/53 programme obligations				3,990,972
Reduction of 1953/54 programme obligations				653,425
<i>Add:</i> Income for the year:				
Government contributions (schedule A)				
In cash (column 4)		34,340,729		
In kind (column 5)		390,316		
Miscellaneous income				
Income from investments		784,601		
Staff assessment plan		485,783		
Exchange adjustments		9,968		
Other		24,732		
TOTAL RESOURCES				1,305,084
<i>Deduct:</i>				
Obligations incurred during the year:				
1954/55 Plan of expenditure (Statement I, column 7)			44,061,382	
1953/54 Plan of expenditure (Statement II, column 6)				
<i>Less:</i> Obligations incurred as at 30 June 1954			28,695,324	
<i>Less:</i> Reduction of programme obligations during 1954-1955			653,425	
1952/1953 Plan of expenditure (Statement III, column 7)			28,041,899	
<i>Less:</i> Obligations incurred as at 30 June 1954			58,063,148	
<i>Less:</i> Reduction of programme obligations during 1954-1955			3,990,972	
Contributions to Unified Command of goods received from Governments for use in the Emergency Programme of Civilian Relief in Korea			583,701	
Net resources as at 30 June 1955				30,556,393
				390,316
				30,946,709
				20,465,101
				15,375,681

Certified correct
(Signed) J. McLEAN
Comptroller

AUDIT CERTIFICATE

The above statement of income, obligations incurred and net resources has been examined in accordance with the provisions of the financial regulations. All information and explanations required were provided, and I certify, as a result of the audit, that the statement is in accordance with the books of the Agency and is, in my opinion, correct.

On behalf of the Board of Auditors,
(Signed) Watson SELLAR, Canada

Approved
Agent General
(Signed) John B. COULTER

Statement of assets and liabilities and net resources as at 30 June 1955

(Expressed in terms of US dollars)

ASSETS		LIABILITIES AND NET RESOURCES	
	\$	\$	
Cash on hand, at banks and in transit			
Current balances	2,341,594		Unliquidated obligations, including outstanding commitments
Time deposits	<u>14,253,174</u>		Year ended 30 June 1953.....
		16,594,768	Year ended 30 June 1954.....
Investments (schedule B)	38,317,184		Year ended 30 June 1955.....
Interest accrued	146,944		<u>44,099,737</u>
Accounts receivable, advances, de- posits, etc.	<u>126,455</u>		<i>Deduct:</i> Deposits with government departments, government agen- cies and other suppliers against orders placed
TOTAL	<u><u>55,185,351</u></u>		<u>10,237,720</u>
			33,862,017
			Special accounts:
			Staff Provident Fund
			Staff Medical Service Plan
			<u>630,758</u>
			<u>66,810</u>
			697,568
			Sundry credit balances
			160,665
			Net resources (statement IV)
			<u>20,465,101</u>
			<u><u>55,185,351</u></u>

Certified correct
(Signed) J. McLEAN
Comptroller

Approved
(Signed) John B. COULTER
Agent General

AUDIT CERTIFICATE

The above statement of assets and liabilities and net resources has been examined in accordance with provisions of the financial regulations. All information and explanations required were provided, and I certify, as a result of the audit, that the statement is in accordance with the books of the Agency and is, in my opinion, correct.

On behalf of the Board of Auditors,
(Signed) Watson SELLAR, Canada

Government pledges and contributions to 30 June 1955

(Expressed in terms of US dollars)

Received

Member States	Amount pledged (1) \$	Prior to 1 July 1954		1 July 1954 to 30 June 1955		Total received (6) \$	Balance outstanding (7) \$
		In cash (2) \$	In kind ^a (3)	In cash (4) \$	In kind ^a (5)		
Argentina	500,000	—	500,000	—	—	500,000	—
Australia	4,001,726	2,456,126	—	1,160,320	—	3,616,446	385,280
Belgium	600,000	300,000	—	100,000	—	400,000	200,000
Burma	49,934	—	49,934	—	—	49,934	—
Canada	7,413,021	6,904,762	—	508,259	—	7,413,021	—
Chile	250,000	—	—	—	—	—	250,000
Denmark	860,000	289,555	—	—	—	289,555	570,445
Dominican Republic	10,000	—	—	—	—	—	10,000
Egypt	28,716	—	—	—	28,716	28,716	—
El Salvador	500	500	—	—	—	500	—
Ethiopia	40,000	40,000	—	—	—	40,000	—
France	142,857	142,857	—	—	—	142,857	—
Greece	12,063	—	12,063	—	—	12,063	—
Honduras	2,500	2,500	—	—	—	2,500	—
Indonesia	143,706	100,000	—	43,706	—	143,706	—
Israel	33,600	—	33,600	—	—	33,600	—
Lebanon	50,000	50,000	—	—	—	50,000	—
Liberia	15,000	—	15,000	—	—	15,000	—
Luxembourg	50,000	40,000	—	10,000	—	50,000	—
Netherlands	1,052,632	526,316	—	526,316	—	1,052,632	—
New Zealand	557,900	278,950	—	278,950	—	557,900	—
Norway	1,725,323	1,698,846	26,477	—	—	1,725,323	—
Pakistan	453,375	—	—	—	—	—	453,375
Panama	3,000	—	—	465	—	465	3,000
Paraguay	10,000	10,000	—	—	—	10,000	—
Saudi Arabia	20,000	20,000	—	—	—	20,000	—
Sweden	966,518	322,237	—	—	—	322,237	644,281
United Kingdom of Great Britain and Northern Ireland ..	28,000,000	22,540,000	—	4,300,002	—	26,840,002	1,159,998
United States of America	162,500,000	65,750,000	—	27,152,615	—	92,902,615	69,597,385
Venezuela	100,000	30,000	70,000	—	—	100,000	—
TOTAL	209,592,371	101,502,649	707,074	34,080,168	28,716	136,318,607	73,273,764
<i>Non-member States</i>							
Austria	179,474	122,936	40,000	16,538	—	179,474	—
Cambodia	1,000	—	—	1,000	—	1,000	—
Italy	2,014,933	—	1,333,333	—	361,600	1,694,933	320,000
Liechtenstein	465	—	—	465	—	465	—
Monaco	858	572	—	—	—	572	286
Switzerland	255,814	—	23,256	232,558	—	255,814	—
The Vatican	10,000	—	—	10,000	—	10,000	—
Viet-Nam	10,000	10,000	—	—	—	10,000	—
TOTAL	2,472,544	133,508	1,396,589	260,561	361,600	2,152,258	320,286
GRAND TOTAL	212,064,915	101,636,157	2,103,663	34,340,729	390,316	138,470,865	73,594,050

^a These contributions in kind have been made available to Unified Command for use in the Emergency Programme for Civilian Relief in Korea. For further comments see financial report.

Investments as at 30 June 1955

(Expressed in terms of US dollars)

	Interest	Cost \$	\$	Nominal value \$	\$
United States Treasury Notes					
Due 15 December 1955.....	1¾%	200,250		200,000	
Due 15 December 1955.....	1¾%	800,875		800,000	
			1,001,125		1,000,000
Federal Home Loan Bank Consolidated Notes					
Due 17 October 1955.....	2.05%	1,500,469		1,500,000	
Due 15 February 1956.....	2.25%	1,000,313		1,000,000	
			2,500,782		2,500,000
United States Treasury Bonds					
Due 15 November 1960.....	2½%	501,797		500,000	
			501,797		500,000
Federal Land Banks Consolidated Federal Farm Loan Bonds					
Due 1 February 1960.....	2¾%	275,344		275,000	
Due 1 February 1960.....	2¾%	500,625		500,000	
Due 1 February 1960.....	2¾%	300,375		300,000	
Due 1 February 1960.....	2¾%	1,500,937		1,500,000	
			2,577,281		2,575,000
The Thirteen Banks for Cooperatives Consolidated Collateral Trust Debentures					
Due 3 January 1956.....	1.95%	500,279		500,000	
			500,279		500,000
Federal Intermediate Credit Banks Consolidated Debentures					
Due 1 November 1956.....	2.05%	400,361		400,000	
Due 1 February 1956.....	2.15%	400,274		400,000	
Due 1 February 1956.....	2.15%	460,483		460,000	
Due 1 February 1956.....	2.15%	140,098		140,000	
Due 1 February 1956.....	2.15%	195,072		195,000	
			1,596,288		1,595,000
		Nominal value \$		Cost \$	
United States Treasury Notes					
Due 15 March 1956.....	1½%	8,000,000		8,000,000	
Due 15 August 1956.....	2%	2,200,000		2,200,000	
Due 15 August 1956.....	2%	800,000		800,000	
			11,000,000		11,000,000
United States of America Certificates of Indebtedness					
Due 15 December 1955.....	1¾%	1,000,000		998,594	
Due 15 August 1955.....	1½%	450,000		450,000	
			1,450,000		1,448,594
United States Treasury Bonds					
Due 15 November 1960.....	2½%	2,000,000		2,000,000	
			2,000,000		2,000,000
United States Treasury Bills					
Due 7 July 1955.....	—	1,200,000		1,195,563	
Due 11 August 1955.....	—	1,000,000		996,450	
Due 11 August 1955.....	—	300,000		298,908	
Due 11 August 1955.....	—	200,000		199,272	
Due 29 September 1955.....	—	1,350,000		1,345,244	
			4,050,000		4,035,437

	<i>Discounts</i>	<i>Nominal value</i>		<i>Cost</i>	
		\$	\$	\$	\$
General Motors Acceptance Corporation Notes					
Due 5 July 1955.....	2½%	1,000,000		993,049	
Due 26 August 1955.....	1½%	300,000		296,625	
Due 4 January 1956.....	1⅞%	100,000		98,588	
Due 7 February 1956.....	2⅞%	750,000		738,047	
			2,150,000		2,126,309
General Electric Credit Corporation Notes					
Due 23 December 1955.....	1¾%	250,000		246,719	
Due 30 December 1955.....	1⅞%	100,000		98,599	
Due 23 March 1956.....	2⅞%	250,000		246,015	
			600,000		591,333
Commercial Credit Company Notes					
Due 28 October 1955.....	2%	100,000		99,011	
Due 9 November 1955.....	2%	150,000		148,500	
Due 16 December 1955.....	1¾%	150,000		148,031	
Due 7 February 1956.....	2⅞%	150,000		147,609	
			550,000		543,151
Associates Investment Company Notes					
Due 16 August 1955.....	1¾%	1,000,000		991,153	
Due 29 August 1955.....	1½%	250,000		247,167	
Due 31 October 1955.....	2%	500,000		494,944	
Due 9 November 1955.....	2%	150,000		148,500	
Due 2 December 1955.....	1¾%	500,000		493,438	
Due 16 December 1955.....	1¾%	400,000		394,769	
Due 7 February 1956.....	2⅞%	150,000		147,609	
Due 26 March 1956.....	2⅞%	500,000		491,972	
			3,450,000		3,409,552
Commercial Investment Trust Incorporated Notes					
Due 9 November 1955.....	2%	500,000		495,000	
Due 2 December 1955.....	1¾%	500,000		493,438	
Due 30 December 1955.....	1⅞%	500,000		492,995	
Due 30 December 1955.....	1⅞%	500,000		492,995	
Due 7 February 1956.....	2⅞%	500,000		492,031	
Due 6 March 1956.....	2⅞%	500,000		492,031	
Due 23 March 1956.....	2⅞%	500,000		492,061	
			3,500,000		3,450,551
The Thirteen Banks for Cooperatives					
Consolidated Collateral Trust Debentures					
Due 1 February 1956.....	1.90%	200,000		200,000	
			200,000		200,000
Federal Intermediate Credit Banks					
Consolidated Debentures					
Due 1 November 1955.....	1.60%	600,000		599,283	
			600,000		599,283
Province of Ontario Bonds					
Due 30 June 1962.....	3½%	249,204		242,974	
			249,204		242,974
TOTAL			38,476,756	38,317,184	

Statement of *hwan* assets and liabilities and net resources as at 30 June 1955

(Expressed in hwan)

ASSETS		LIABILITIES AND NET RESOURCES	
Cash on hand and at bank	312,914,826	Unliquidated obligations	142,856,206
Due from the Counterpart Account in respect of local currency administrative expenses, in accordance with agreement dated 31 May 1954	61,705,047	Sundry credit balance	4,112,517
		Provision for completion of reconstruction projects agreed to with the Government of the Republic of Korea, as at 30 June 1954	732,715,095
		<i>Deduct:</i> Obligations incurred	575,411,273
Accounts receivable, advances, deposits, etc.	42,033,350		157,303,822
	<u>416,653,223</u>	Net resources (addendum B)	112,380,678
TOTAL	<u><u>416,653,223</u></u>	TOTAL	<u><u>416,653,223</u></u>

Statement of income, obligations incurred and net resources for the period ended 30 June 1955

(Expressed in hwan)

Net resources as at 30 June 1954	96,705,802	
<i>Add:</i> Adjustment to previous year	105,988	
Savings affected in liquidating prior years obligations	1,182,397	
		97,994,187
Transfers from the Counterpart Account in respect of local currency administrative expenses		
Amount received	116,446,803	
Due but not received	61,705,047	
Proceeds from sale of surplus	178,151,850	
Others	6,061,610	
		184,246,002
		282,240,189
<i>Less:</i> Obligations incurred during the period 1 July 1954 to 30 June 1955		
Personnel and establishment costs	168,730,171	
Personnel for KCAC	1,129,340	
		169,859,511
Net resources as at 30 June 1955		112,380,678

REPORT OF THE BOARD OF AUDITORS TO THE GENERAL ASSEMBLY

1. The Agent General of the United Nations Korean Reconstruction Agency presented to the Board of Auditors the following statements for certification:

Statement I. 1954-1955 plan of expenditure, obligations incurred and unobligated balances;

Statement II. 1953-1954 plan of expenditure, obligations incurred and unobligated balances;

Statement III. 1952-1953 plan of expenditure, obligations incurred and unobligated balances;

Statement IV. Income, obligations incurred and net resources; and

Statement V. Assets and liabilities and net resources; together with supporting schedules and addenda. Examinations were made of accounts and records at the Agency's offices in Korea to the extent deemed necessary to permit certification of the statements.

2. Resolution 410 (V) of the General Assembly established an Advisory Committee of five Member States to advise the Agent General with regard to major financial, procurement, distribution and other economic problems pertaining to planning and operations. The Committee consists of representatives of Canada, India, the United Kingdom of Great Britain and Northern Ireland, the United States of America and Uruguay. The financial regulations of the Agency provide that upon the Advisory Committee approving a plan of expenditure, obligations may be incurred "to the extent that contributions are actually received or may be anticipated, in the recorded judgment of the Committee, as the result of declarations made to the Agent General by contributors, as well as to the extent that other funds are actually available". Plans of expenditures for each of the past three years were approved and all are still in application because the regulations stipulate that once moneys are reserved to liquidate commitments, the amount shall continue to be earmarked until the liability is discharged.

3. Schedule "A" to the financial statements for 1954-1955 lists \$212,064,915 as the total of the pledges given since the Agency was created and \$138,470,865 had been received up to 30 June 1955. Of this total, \$2,493,979 was contributed in kind, the supplies being transferred to the Unified Command for use in the emergency programme for civilian relief, therefore that portion never became available for Agency activities.

4. Allotments of funds in the three-year period have totalled \$116,416,528:

	Plan of expenditure \$
1952-1953	58,063,148
1953-1954	44,260,150
1954-1955	14,093,230
	116,416,528

The purpose of allotments is to make certain that out of moneys in hand sums are reserved to discharge completely all financial obligations consequent to the implementation of policy decisions. As soon as a legal liability is accepted, a formal obligation is recorded in the accounts, and the total of contractual and other obligations actually incurred as at 30 June 1955 was:

Plan of expenditure	Obligations		Total \$
	Liquidated \$	Unliquidated \$	
1952-1953	51,796,837	6,062,114	57,858,951
1953-1954	16,154,075	20,231,996	36,386,071
1954-1955	4,027,090	1,311,304	5,338,394
TOTAL	71,978,002	27,605,414	99,583,416

5. When the three plans of expenditure are summarized into a composite total, the current position is:

	\$
Actual disbursements	71,978,002
Recorded unliquidated obligations	27,605,414
Provision for commitments under agreements with the Government of the Republic of Korea	16,494,323
Free balance	338,789
TOTAL	116,416,528

After making provision for the estimated cost of implementing decisions already taken under approved plans of expenditure, there remain net resources of \$20,465,101, a considerable portion of which, it is anticipated, will ultimately be expended on projects provided for in the 1954-1955 plan of expenditure and which, as of 30 June, were under negotiations with the Korean authorities.

6. *Commitments and obligations.* Because plans of expenditure continue indefinitely in effect, audit consideration was given to the current status of allotments, commitments and obligations, especially those that have been recorded for rather long periods of time. It was observed that administrative practice is to review from time to time the state of all and to delete those which do not appear to represent currently a commitment which is to be implemented. As the reviews were conscientiously performed, the financial statements are regarded as disclosing realistically the year-end position of each plan of expenditure. On the other hand, a limited number of unliquidated obligations appear to have been recorded prematurely. Using the two major amounts to illustrate, there is an obligation of \$325,000 for the purchase of fishing nets although no procurement action was taken in the financial year. Another amounts to \$590,000 for textile machinery, but by the year-end action had only reached the point of deciding to negotiate with certain suppliers.

7. *Inventories of equipment and supplies.* The physical inventories taken by the Agency value equipment and

supplies as at 30 June 1955 at \$964,779. The major part is, of course, in Korea. The largest write-off in the year was the \$163,975 loss suffered by a warehouse in Pusan being destroyed by fire in November 1954.

8. *Hwan accounts.* In the last audit report, reference was made to the fact that Korean authorities were in arrears in placing credits to the special *hwan* accounts in the Bank of Korea. That situation no longer existed as at 30 June 1955. Throughout the year, the rate of *hwan* 180 to the US dollar continued to be applied in calculating the value of goods delivered and technical assistance rendered. Until 18 January 1955 the same rate was used for the UNKRA Aid Goods Collection Account, but since then the rate has been *hwan* 350 to the dollar. The state of *hwan* resources is given in addenda "A" and "B" to the accounts presented by the Agent General.

9. *The Audit.* Because of the location of the accounts and the fact that the financial year of the Agency ends on 30 June, the Board of Auditors allocated the audit of UNKRA accounts to the Canadian member of the Board. This decision was reported to the Advisory Committee on Administrative and Budgetary Questions, as is required by United Nations financial regulation 12.3, and the Advisory Committee gave its concurrence. Consequently, this report is signed only by the Canadian member of the Board of Auditors.

10. Examinations of vouchers and records in Korea were made by officers of the Canadian Audit Office, and the co-operation of the Comptroller and his staff, in

particular, and of other officers of the Agent General made it possible to complete the work during the month of September. The scope of examinations, of course, went far beyond a review of transactions related to the 1954-1955 plan of expenditure because, as already pointed out, those of previous years were also active. To illustrate, the 1954-1955 statement records the total of obligations liquidated as being \$4,027,000, but an additional \$19,450,000 was paid out in the year in settling obligations incurred under the plans of expenditure for the two preceding years. This is mentioned because the audit performed is to be regarded as a progressive review of the state of the plans of expenditure. Until a final statement is presented for any plan, all transactions are deemed to continued under audit review, particularly accountable advances, an instance being the \$308,012 outstanding as an advance to a United States corporation for the construction of a flat glass plant in Korea.

11. *Memorandum to the Advisory Committee.* In accordance with established practice, a memorandum is being addressed to the Advisory Committee on Administrative and Budgetary Questions. It treats with a few matters relating to the routine of administration.

(Signed) Watson SELLAR,
Canada,
on behalf of the Board of Auditors

27 September 1955.

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