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UNITED NATIONS RELIEF AND WORKS AGENCY FOR PALESTINE  
REFUGEES IN THE NEAR EAST: ACCOUNTS FOR THE FINANCIAL  
YEAR ENDED 30 JUNE 1955 AND REPORT OF THE BOARD OF  
AUDITORS

Thirteenth report of the Advisory Committee on Administrative and  
Budgetary Questions to the tenth session of the General Assembly

1. The Advisory Committee on Administrative and Budgetary Questions has examined the report of the Board of Auditors on the accounts of the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) for the year ended 30 June 1955 (A/2989)<sup>1/</sup>.

2. The statement of income and expenditure for the year under review (A/2989, statement I) shows the following position:

	<u>Dollars (US)</u>
<u>Income</u>	
Cash contributions .....	24,068,595
Contributions in kind .....	640,113
TOTAL CONTRIBUTIONS	24,708,708
Miscellaneous income .....	420,180
	25,128,888
Add: exchange adjustments .....	31,683
TOTAL INCOME	25,160,571
<u>Expenditure</u>	
Relief programme .....	22,281,630
Rehabilitation programme .....	6,941,075
TOTAL EXPENDITURE	29,222,705
EXCESS OF EXPENDITURE OVER INCOME	4,062,134

1/ See Official Records of the General Assembly, Tenth Session, Supplement No. 6B.

3. The excess expenditure of \$4,062,134 was met out of the balance of resources available as at 1 July 1954 of \$39,549,088, which was subsequently reduced by an adjustment (\$114,217) applicable to previous years. Thus the working capital resources available to the Agency as at 1 July 1955 amounted to \$35,372,737.

4. In paragraph 2(b) of its report (A/2989) the Board of Auditors has referred to the heavy arrears in the internal audit work of UNRWA and, in a separate memorandum to the Advisory Committee and the Board has also drawn attention to the inadequacy and limited coverage of the internal audit. The Committee understands that there are three reasons for this unsatisfactory situation: firstly, the nature of the Agency's operations has resulted in a certain degree of decentralization of accounts in a politically troubled area; secondly, the Agency has experienced difficulty in recruiting adequately trained staff for the recording and internal audit of its transactions; and, thirdly, the problem has been aggravated by the fact that the introduction of a new system of stores accounting has imposed an additional burden on the available staff.

5. The Advisory Committee has, however, received an assurance from the Director that, by the end of 1955, the Agency will have a sufficient number of trained staff to ensure effective financial administration. The Committee suggests, in this connexion, that a closer co-operation might be sought between the Agency and the United Nations Secretariat in the recruitment of suitably trained personnel. The Agency will, no doubt, be assisted in this task also by the fact that the General Assembly, by resolution 818 (IX) of 4 December 1954, extended the mandate of the Agency until 30 June 1960, thus giving it a measure of relative stability.

6. Costs shown as relating to administration in respect of the rehabilitation programme are somewhat high. This is perhaps partly due to the inherent difficulties in the Agency's programme; a contributory factor is the equal distribution of common services expenditures as between the relief and rehabilitation programmes. It is nevertheless important that administrative costs should be held to a minimum and not be allowed to increase unduly with any enlargement of the rehabilitation programme.

7. The Advisory Committee notes that, because pledged contributions are frequently not paid until late in the financial year, during the year under review funds were at times not available for the relief programme. In order, however,

that the relief operations might be carried on effectively and without interruption, the Agency utilized temporarily for relief purposes funds designated for the rehabilitation programme. While this practice, under which rehabilitation funds provide a form of working capital for the relief programme, can be justified as a matter of expediency, it will cease to offer a solution when the rehabilitation programme is in full operation, with almost the whole of the funds designated for that programme either absorbed or committed for their primary purpose. The Committee therefore suggests that Governments should make every effort to pay their contributions towards the relief programme earlier in the financial year.

8. The Board of Auditors has referred, in paragraph 10 of its report (A/2989), to a project in respect of which the Agency first incurred expenditures totalling \$443,157, and was then faced with the necessity, on technical grounds, of relinquishing its responsibility for the completion of the project. The Advisory Committee understands, however, that the project will now go forward on the Agency's responsibility.

9. A further matter to which the Board of Auditors has drawn attention in its separate memorandum to the Advisory Committee concerns the Agency's practices with regard to the payment of a mission allowance to international staff posted in the Near East (where the Agency has its headquarters) and of termination payments to staff members on separation from service. As regards the former item, the Committee considers that the justification for this allowance as well as the amount of the payment should be reviewed in the light of the general salary and allowance system of the United Nations. Similarly, the circumstances in which a termination indemnity should be paid to a staff member also need to be examined in consultation with the United Nations Secretariat. The Auditors have noted two cases in which the indemnity was paid during the year under review to staff members who in fact resigned from service.

10. The operation of the newly established Provident Fund for area staff of the Agency is briefly described in paragraph 13 of the audit report. There is no provision for the audit of this trust fund by or on behalf of the Board of Auditors; in fact, evidence given to the Advisory Committee indicated that the Director of the Agency envisages the use of commercial auditors, not necessarily responsible to the Board, on the ground that the Fund is a trust fund entirely

independent of the Agency's own accounts. The Advisory Committee believes, however, that the Agency has a continuing interest in the Fund and that it would be advantageous both to the Agency and to the participants in the Fund to have an audit performed by or on behalf of the Board.

11. The Advisory Committee does not wish to offer comments on any other point in the audit report, having received assurances from the Director of the Agency that practices criticized in the report and in the Board's separate memorandum to the Committee will be corrected.

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