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1. EXECUTIVE SUMMARY

UNICEF continues making progress towards more robust and appropriate financial reporting to stakeholders. DFAM led the Organization, once again, in obtaining an unqualified (clean) opinion from the Board of Auditors on the financial statements for 2013.

Grants management was consolidated in DFAM as one end-to-end process from creation to closure, gaining operational efficiencies and allowing fund raising divisions to focus resources in nourishing relationship with donors.

High volumes of fund inflows were received for L3 emergencies, in particular for Ebola countries and activities. Successful monitoring of emergency grants required development of budget tools over an ad-hoc database.

The VISION system was further strengthened by implementing the SAP module Risk Analyzer, to perform valuations of financial transactions as part of the Cash Project, and by enabling budget structures to monitor funding of results. Electronic banking, including SWIFT, was implemented with Standard Charter and Chase covering 65% of total UNICEF banking volume.

The launch of the Finance and Administration Dashboard enhanced DFAM’s ability to perform its oversight responsibility on priority financial and administrative KPIs.

DFAM led the assessment of the need for a Transaction-Level Monitoring system (TLM) in support of strengthening risk management. This software provides reporting on compliance and performance metrics. Implementation will take place in 2015.

Corporate enterprise risk management (ERM) and regulatory framework functions were consolidated in DFAM towards the end of the year. The purpose of this significant change is to improve the coordination of efforts in risk management and mitigation by guiding business owners and providing managers with the tools and training to manage risk better.

The Division intensively participated in external relations and partnerships. Its participation was central in the increasing due diligences performed by donors. DFAM represented UNICEF for financial and administrative matters in the UN fora, including the Finance and Budget Network and the Inter-agency Taskforce on Common Premises.

Due to limitations in human resources availability, key improvement initiatives had to be postponed to 2015, among them: (a) comprehensive policy update; (b) implementation of the certification manager software; (c) development of the budget formulation tool; (d) external management of ASHI funds; and (e) full implementation of the environmental footprint project in HQ.

Lessons learned in 2014 lead to the need to review business processes to address system gaps such as the data difference between HACT Manager Module and the General Ledger. There is also room to make the Travel module more user friendly through a technical review.
2. EXTERNAL RELATIONS AND PARTNERSHIPS

As a result of the increased accountability from donor governments to their taxpayers requiring performance of due diligence on UNICEF, DFAM, in partnership with PPD, regularly meets with donors to discuss UNICEF’s internal control framework and financial reporting and provides extensive support to field offices under donor review.

Within the UN Finance and Budget Network, DFAM supported implementation of the QCPR resolutions; played a lead role in the development of a proposal for common definition of operating costs, which was endorsed by agency representatives; and contributed to the harmonization of banking services in countries, via a common RFP that resulted in picking two financial institutions. A common RFP was undertaken by the UN Secretariat, UNDP and UNICEF to identify banking services in HQ in order to reduce costs and obtain better services. UNICEF intends to implement these services in 2015.

The Division represented UNICEF in the Inter-agency Taskforce on Common Premises mandated by the QCPR. The outcome of this partnership was a draft strategy on establishing common premises worldwide and a recommendation for funding of future projects through a Public Private Partnership.

3. ACHIEVEMENTS

This section provides an overview of the progress made in the first year of the Office Management Plan for 2014 – 2017 and the achievements in implementing the 2014 Annual Work Plan, both documents are provided in the Annexes.

3.1 Key results achieved

UNICEF received a clean opinion from the Board of Auditors on the financial statements for 2013. The emphasis-of-matter paragraph on the oversight of National Committees was removed, as a result of close collaboration with PFP.

Effective July 2014, all individual contribution receivables OR contribution receivables are recorded in the VISION FI module at the time the donor agreement is signed. This a change in the way receivables are recorded. Previously, a “top level” accounting entry was processed purely for financial statement purposes at the end of the year. This change implied significant additional work to process receivables outstanding as at July 2014 but were not reflected in FI, amounting to approximately $1 billion. In addition, DFAM initiated the development of a new donor report that will be implemented during 2015.
The Budget function was challenged by high volumes of fund inflows for L3 emergencies, in particular for Ebola countries and activities. DFAM developed an ad-hoc database to successfully support financial monitoring of Ebola budgets.

Electronic banking, including SWIFT, was implemented with Standard Charter and Chase, which effectively covered 65% of our total volumes. The Cash Project aims at optimizing the whole end-to-end cash cycle taking advantage of the SWIFT platform to automate and standardize financial transactions in a secure manner with our banking partners. The first phase of this Project went live at the end of 2014, addressing Treasury and Internal Audit recommendations on the automation of risk management.

DFAM led the assessment of the need for a Transaction-Level Monitoring system (TLM) in support of strengthening risk management. This software provides reporting on compliance and performance metrics. Implementation will take place in 2015.

Travel system was modified to align with new HR policies and the travel policy was updated accordingly. As a result, a final draft SOP is ready for management review and issuance. Elaboration of this SOP included collaborative review by a sample of field offices and HQ divisions. Extensive and permanent guidance on home leave and shipment entitlements was provided to field offices.

Corporate enterprise risk management (ERM) and regulatory framework functions were consolidated in DFAM towards the end of the year. The purpose of this significant change is to improve the coordination of efforts in risk management and mitigation by guiding business owners and providing managers with the tools and training to manage risk better. The Division is now also responsible for the regulatory framework for the entire organization. Resources transferred to the Office of the Comptroller include two professional posts (P5 and P4) formerly based in the Change Management Office (CMO).

In 2014 under CMO, the ERM procedures and tools were updated and strengthened for use by offices. The business case for acquiring an appropriate automated tool to mature risk management work processes, reporting and accountability was prepared and submitted. Offices received assistance in completing risk assessments, understanding and applying risk treatment strategies and reporting on the effectiveness and efficiency of remedies undertaken.

The Regulatory Framework initiative also made progress in 2014. The RF Task Force agreed on the normative framework for the development, communication and management of policy, procedure and guidance. Business Owners piloted the proposed templates with actual policy and procedure to identify the weaknesses of the new tools and demonstrate the added value of the new approach. The Initiative focused on strengthening the link between policy, procedure and guidance and broader Governance, Risk and Compliance (GRC) in UNICEF.
3.2 Constraints and success factors

a) Relevant constraints

Gaps in the business processes persist due to the lack of human resources. The most relevant gaps identified were (a) data difference between HACT Manager Module and the General Ledger, FI; (b) limited user-friendly capabilities of the Travel Module; (c) user unfriendliness of systems for receipt of services; and (d) streamlining of policy documents.

In exercising its foreign exchange functions, UNICEF was impacted by the persistent strengthening of the US Dollar in relation to most of the other currencies in which donors made their contributions. This gap impacted UNICEF finances particularly in December, due to the peak of cash in for more than one billion dollars and cash out in disbursements for more than 900 million dollars. The UN exchange rate changes only once a month or twice at best allowing artificial exchange rate differences in the accounting books.

Full implementation of the HQ environmental footprint project, including replacement of the lighting, was postponed to 2015 due to limited resources and competing priorities. The pilot phase started in 2014. This project aims to reduce UNICEF footprint and energy costs.

Facility and operational functions for New York Headquarters administration require strengthening of staff competencies and more middle-managers to ensure quality and timely delivery of services.

b) Success factors

Consolidation of grants management in one end-to-end process from creation to closure in DFAM was the outcome of a collaborative effort carried out with PFP and PPD in the context of the Effectiveness and Efficiency initiative. Seven positions (two professionals and five GS) were transferred from PPD to DFAM, and the Contributions Unit, formerly under Finance Section, was merged into Accounts Section. This consolidation is the basis for new gains in operational efficiencies and a greater allocation of fund raisers’ time to their activities raising money for children.

DFAM launched the Finance and Administration Dashboard in June. The primary purpose of the Dashboard is an enhanced DFAM’s ability to perform its oversight responsibility to measure, monitor and advise the Executive Management, Regional Offices and Country Offices on performance by providing almost-real-time visibility to priority financial and administrative KPIs in one place. The primary audience of this monitoring tool is the Comptroller, senior managers and technical staff within DFAM, Operations Officers and Finance/Budget Officers in the field.

Other business intelligence tools were initiated and supported by the Division, among them: (a) the inclusion of new standard financial KPIs in the Manager’s Dashboard; (b) redesign of the FI cube as one flexible data source reconcilable to VISION; and (c) budget/revenue
monitoring report to identify how much cash has been received by grant, what receivables were left and whether expenditures exceed the cash received.

**Results Based Budgeting** was emphasized and promoted as one of the key principles in reviewing budget proposals during regional budget reviews as well as ad-hoc requests for budgetary changes.

High quality and robust financial estimates for the period 2014 – 2017 were prepared in line with revised requirements requested by the Executive Board and the planned financial framework, including planned RR expenditures for country programmes approved as submitted.

Changes were introduced in VISION to further strengthen compliance with funding of results and activities in line with cost classification categories. Several budget review exercises were planned, managed and implemented including transitioning towards establishment of a GSSC, HQ Re-organization, and refinement of GRP results.

Efficiencies were gained in **policy development** by developing a user friendly Collaborative Workspace in SharePoint to facilitate user’s participation in the co-authoring process. This platform will facilitate the flow of the user’s expertise and knowledge into the policy formulation process, making it more risk informed and socializing risk mitigation practices.

**Capacity development** was a global priority for the Organization in 2014. DFAM entered into an LTA with CIPFA\(^1\) in which UNICEF staff will undertake accounting and finance courses, earning internationally-recognized qualifications at various levels. In 2014, 120 students completed their first semester and approximately 70 students were registered for the first semester of 2015. DFAM held various WebEx sessions that complimented the capacity development priority.

An internal **Divisional learning plan** included four well attended lunch time sessions on emergencies, HACT, policy update, and financial reporting. Several DFAM colleagues were given the opportunity to gain exposure to field operations by being deployed to support field operations in Ivory Coast, Iraq, Palestine, Zimbabwe, Mexico and the Philippines offices. These missions used innovative modalities to fund field exposure such as combination with staff home leave and filling Operations vacancy. Mentioned missions included assignments to two L3 emergencies.

DFAM provided **effective administrative assistance to offices** on opening and closing of physical locations; managing global insurance policies; and processing staff claims to the UNCB. The Divisional Dashboard gave enhanced visibility to the UNICEF real estate portfolio allowing the Executive Management to make informed decisions on the Organization’s

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\(^1\) The Chartered Institute of Public Finance and Accountancy (CIPFA) is a professional institute for accountants working in the public services. CIPFA promotes public finance globally by standing up for sound public financial management and good governance.
presence in the Field. Support to field operations included management of 22 tons of mail and diplomatic pouch.

3.3 Risk mitigation practices

DFAM continued providing Executive Management with key financial information, analysis and recommendations to support strategic allocation of resources to fund corporate priorities. The almost-real-time performance information of the Finance and Administration Dashboard enables the Division to better identify and assess risks as well as to advise on more specific risk mitigation measures. Also, the SAP module Market Risk Analyzer\(^2\) was implemented as part of the VISON Cash Project.

Divisional procurement was centralized at the Office of the Comptroller strengthening the risk management element of the procurement process.

3.4 Office management systems and practices

a) Staffing

Three significant reductions of senior positions took place during 2014. The Deputy Director positions for Finance and Budget were merged. The Downgrading of the head of the Administration Section position from D1 to P5, originally planned in the OMP for 2016, was implemented in 2014.

The creation of the Field Results Group (FRG) at a DED level enabled conditions for synergies in managing risks related to HACT processes in a consolidated manner. As a result, DFAM accountabilities in this functional area and the related human resources (P5 and P4) were transferred to the FRG.

b) Management practices

The Senior Management Team (SMT) is composed of the Comptroller, the Deputy Directors and four other senior managers. It meets weekly to review the current Divisional priorities and coordinate cross-sectional work.

The Division aims at having quarterly staff meetings. In 2014, the Staff meeting themes were workplanning; structural & staffing changes; and year-end review.

Sections generally meet every month for information sharing, workplan review and team communication.

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\(^2\) The Market Risk Analyzer offers extensive position evaluations, such as mark-to-market valuations of financial transactions. It also includes tools for calculating risk and return figures, including exposure, future values, sensitivities and value at risk. The valuations can be based on both real and simulated market prices.
Other mechanisms for staff participation include the Learning Committee, representation in staff association, and open social events.

4. LESSONS LEARNED

4.1 Lessons learned by the Division in undertaking its organizational function

In order to meet current and upcoming challenges, DFAM needs a strengthened human resource structure. The enhanced resource capacity should be able to perform daily duties as well as be able to undertake policy and process improvements that would achieve efficiencies. Proper staffing should also support proactive clinics and drop-ins providing direct support to field operations.

A Divisional staffing review should take into consideration new functions added to the Division as well as build in redundancies to cover vacancies, leaves and missions.

UNICEF has identified the need to for greater flexibility in adjusting the UN exchange rate to financial markets more often than only once a month, learning from the high volatility experienced during 2014.

An organization of UNICEF’s size requires to further strengthen the competencies in management of premises and assets in HQ and CO locations to do it more effectively and in line with the value of such assets.

4.2 Future strategies

Analysis and reflection on 2014 experience and lessons learned lead to the following strategies and actions for the way forward.

Comprehensive training in finance and administration should go beyond systems use and transaction processing to include policies, risk management and data analysis, aiming at equipping and empowering staff to identify and address inefficiencies and gaps.

The certification manager software will be launched in 2015. This new component of Approva will support the automation of the table of authority and VISION access reviews in all offices.

DFAM will host posts for two full time members of the Emergency Response Team (ERT) in the operations functional areas: one P5 Senior Operations Manager and one P4 Administrative Manager. These two positions aim to support L2 and L3 emergencies and will be filled in the first half of 2015.
New donor reports will address requirements for more detailed and transparent information supported by clearer policy. This will be coupled with further development of grants monitoring tools to enhance the quality of financial information available by grant.

The second phase of the Cash Project should address cash forecasting and incorporation of anticipated cash requirements both by HQ and COs in 2015 - 2016. This should also interface with the budget formulation tool to be developed as integrated part of VISION.

ASHI funds will be managed by two external investment agencies selected in 2014 under a common RFP between UNDP and UNICEF. Total amount of investment assets is close to $1bn.

Funding model for centrally managed services is going to be expanded and new modality to be developed and implemented as part of efforts to further strengthen linkages between results and budgets.

Innovative re-distribution of offices with more open spaces introduced in NYHQ will be expanded.

5. ANNEXES

5.1 – Divisional targets of the Office Management Plan

5.2 – Annual workplan