

*Division of Financial and Administrative Management*  
*DFAM*

# ANNUAL REPORT FOR 2015

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## 1. EXECUTIVE SUMMARY

The year 2015 was a transitional year for DFAM due to changes in Executive Management and the arrival of a new Comptroller. We continued identifying, developing and implementing systems related initiatives to gain efficiencies for the overall Organization's performance in cash management, GRC (Governance, Risk and Compliance), financial reporting and budget formulation. GSSC implementation and improvements to our field support were the Divisional priorities across the board with successful results.

In 2015, we carried out a first phase of the rationalization of bank accounts while all offices were funded within five day lead-time making liquidity available to field programmes in the most cost effective way. We collected risk self-assessments from over 90% of our offices and were able to analyze global risk information, which had not previously been done. DFAM participated in all regional meetings involving operations, strengthening our support to and communication with field programmes and operations and continued to manage the Finance Training and Certification Programme for the 3rd cohort of UNICEF staff that wanted to develop their financial capacity through formal accounting training.

DFAM led the preparation of the UNICEF financial statements for the year 2014. The United Nations Board of Auditors found that the statements presented fairly the financial position and performance of UNICEF, which led them to issue an unqualified (clean) opinion. New comprehensive donor reports were finalized, in order to elevate donor confidence in UNICEF's management of Other Resources, and a more rigorous follow-up of contribution receivables was implemented. The inventory of reporting needs led to institutionalize a quarterly report with financial and administrative statistics for the Office of the Executive Director.

The Division put together the Updated Financial Estimates for the period 2015 to 2018, which was approved by the Executive Board in its second regular session. This document provided the mid-term financial framework of revenue and expenditure estimates and the level of regular resources programme submissions for 2016. We made significant progress in developing the budget formulation tool replacement.

In order to support implementation of UNICEF's strategy of premises and official travel Carbon Neutrality by 2020, DFAM assisted field offices in reporting on their environmental footprint for 2014, establishing baselines for all field offices and identifying key initiatives for emissions reduction.

The Divisional made significant efforts to understand and overcome low scores obtained in the 2014 Staff Survey. Frank and open discussions were held during all-staff retreats using a team effectiveness methodology (NBI) and team building exercises led by a qualified expert. The focus was to increase cohesion, alignment and cross-sectional collaboration. Management has launched initiatives to encourage and support communication, work life balance and career development. We expect staff morale improvements as a result.

## 2. ACHIEVEMENTS

This section provides an overview of the progress made in the second year of the Office Management Plan for 2014 – 2017 and the achievements in implementing the 2015 Annual Work Plan, both documents are provided in the Annexes.

### 2.1 Main results achieved

***In the area of Cash Management we launched several initiatives around enhancement of the systems capacity, bank rationalization and speeding up vaccine delivery.***

The implementation and the continued refinement of various SAP Treasury modules (i.e. Market Risk, Credit Risk and Cash Management analyzers) is progressing well, with automated execution and matching of all FX transactions to effectively manage end-to-end cash flow including risk management and liquidity planning.

DFAM carried out a first phase of the rationalization of bank accounts in the context of the GSSC project. Bank accounts (416) and bank arrangements (144) were reviewed for 146 offices. We will continue this effort in 2016 and 2017.

All field offices were funded within five day lead-time making liquidity available to field programmes in the most cost effective way. Ad-hoc strategies for small offices and for large offices on purchase of foreign exchange requirements went live in July. As a result, DFAM purchased 95 currencies during the year, supporting 107 country offices and 4 regional offices, generating over USD 20 million in value added or increased local currency equivalent for programme activities. This value added represented a 130% increase over the level of 2014.

DFAM provided advice on financial matters to emergency operations in conjunction with the Immediate Response Team (IRT). We established two EMT positions at the P5 and P4 levels and the respective incumbents were recruited. DFAM Finance participates in key senior management meetings to support financial issues in emergencies.

Through innovative financial mechanisms of approximately \$60 million, we supported Supply Division's faster delivery of critical supplies where needed. Our technical assistance was critical in the Executive Board approving an increase in the ceiling of the Vaccine Independence Initiative to \$100 million.

Investments contributed \$55 million to regular resources despite the highly volatile markets, of which \$35 million was the interest revenue earned on \$ 4.4 billion of assets (increased in 4% over 2014).

A contracting and governance mechanism was agreed to move ASHI related assets of \$400 million to two external asset managers over the next year.

***In the area of Coordination, Planning and Oversight our focus was the improvement of internal control systems; efficient coordination of external oversight and capacity building and developing strategies for the global implementation and monitoring of Enterprise Risk Management (ERM) and the Regulatory Framework (RF).***

ERM and RF were moved to the Division's oversight at the very end of 2014. Under our leadership, we collected risk self-assessments from over 90% of our offices and were able to analyze global risk information, which had not previously been done. The decision memo, policy and procedure for the organizational regulatory framework were drafted. Related to these initiatives, we drafted a request for proposal to solicit bids for the GRC platform which is envisaged to comprise integrated modules that will manage our ERM, RF and Transaction Level Monitoring.

Two significant technical developments were launched to improve our internal controls systems. With the establishment of the GSSC, new roles for access to VISION had to be created in the finance and human resources areas, as well as the development of Segregation of Duties rules in the system associated with those roles. We partnered with ITSS in converting all VISION roles to a composite structure which will bring back office efficiencies as well as allow for future decentralization of roles management. We also piloted Certification Manager, a system which allows for the electronic sign off of annual reviews of the table of authority and VISION access. Subsequently, the system was rolled out to 61 offices.

The requirement of EC verifications has increased dramatically in the last two years to 16 visits in 2015. Consequently, we had to adjust our approach to the way we support field offices and respective UNICEF activities in response to the increased scrutiny. In particular, we created a template to standardize responses for the offices to customize and co-planned and lead the first field face-to-face training on EC verification visit management.

DfID performed a central assessment on UNICEF and started visits to country offices. This required to the Division to meet with the donor on multiple occasions to brief them on UNICEF's processes and to develop terms of reference for their visits.

DFAM participated in all regional meetings involving operations, strengthening our support to and communication with field programmes and operations. These opportunities were used to provide updates on travel procedures, accounts closure instructions, budget formulation tool, cash management, risk management and to discuss plans for capacity development in operations.

DFAM continues to manage the Finance Training and Certification Programme with CIPFA for the 3rd cohort of UNICEF staff that wanted to develop their financial capacity through formal accounting training. 188 students from all regions registered are currently enrolled in the programme.

We developed a global learning strategy to address the capacity gaps in finance and administration that were identified in interviews with field and HQ operations managers. The strategy comprises e-learning, inductions programmes, and mentoring components to be implemented in 2016

***In the area of Financial Reporting the key focus is to protect the Organization from associated financial risks pursuing unqualified financial statements and to continue gaining efficiencies in making information available to users and stakeholders on a timely basis.***

DFAM led the preparation of the UNICEF financial statements for the year 2014. The United Nations Board of Auditors found that the statements presented fairly the financial position and performance of UNICEF, which led them to issue an unqualified (clean) opinion.

New comprehensive donor reports were finalized, in order to elevate donor confidence in UNICEF's management of Other Resources. The new reports address donor concerns regarding the integrity of UNICEF's financial systems, which had arisen as a result of donors receiving Funds Utilization Reports from country offices that did not match with the certified statement of account from UNICEF HQ. The new reports address this issue by showing multiple "views" of the expenditure (e.g. by result or by category) but with a consistent definition of expenditure, which means that all views show the same total expenditure for a grant. In addition, in a move to increase transparency, the new report includes additional information that was not available in the previous report. For example, the new report will show commitments and unliquidated DCTs separately and also shows calendar year expenditure separately from cumulative (inception to date) expenditure.

Several major processes were improved at minimal cost, among them: (a) the procedures for oversight of inventory were enhanced in agreement with Supply Division; (b) a new approach for recording Forex transactions; (c) the merger of accounting records with PFP former company codes 1000 and 2000; and d) new, more efficient approach for preparation of the financial statements using the data warehouse was substantially completed before end of 2015 in time for use for preparation of 2015 financial statements in early 2016.

In addition, with regards to the management of Other Resources, a more rigorous follow-up of contribution receivables was implemented in 2015 along with a strengthened process for recording the reasons for grant extensions. Analysis of receivables is carried out on a regular basis and issues, if any, are promptly escalated to UNICEF management. Also, procedures for review and recording of donor agreements were standardized in coordination with PFP. Simplified approach for recording country office PSFR was implemented. Testing and data cleanup was done with the participation of field offices.

DFAM carried out an inventory of reporting needs as a basis for further improve internal cooperation to better support executive decisions. As a result, a quarterly report was

institutionalized with financial and administrative statistics for the Office of the Executive Director. The first set of statistics was coordinated and consolidated.

In addition, to improve quality, timeliness and accessibility of financial information in VISION, in 2015 we further improved the value of the quarterly financial packs by including analysis of any negative variances to provide context for UNICEF management's review. We also worked closely with FRG to ensure that the periodic financial updates to IATI were complete and accurate. In addition, we made significant efforts during 2015 to improve accessibility and reporting of financial information addressing requirements of stakeholders through enhancements of Insight dashboards and reports, among them a new grants monitoring report, enhancements to the financial information cube with supplemental reports with transaction level details substantially completed, the start of an asset dashboard and development of the new Budget to Actuals cube.

DFAM supported the GSSC project by setting up relating accounting processes and implementing changes to the accounts payable and bank reconciliation processes including implementation of inbound (MT940) and outbound (XML) for 80% of accounts with SCB and Citibank.

***In the area of Budget Management we focused on three main lines of work relating to the planned financial estimates, support to the GSSC and management of central budgets.***

The Division put together the Updated Financial Estimates for the period 2015 to 2018, which was approved by the Executive Board in its second regular session of 2015. This document provided the mid-term financial framework of revenue and expenditure estimates and the level of regular resources programme submissions for 2016.

In the context of the above financial plan, DFAM periodically provided financial analysis and recommendations to the Office of the Executive Director, particularly on monitoring and control of regular resources expenditure within updated revenue estimates.

In line with DFAM's responsibility to support regional PBRs and lead the global ones, we played a key role in the successful PBR for the establishment of the GSSC in Budapest. DFAM monitors all budgets for centrally provided services that require periodic review and processes requests for release of savings from vacant posts.

We have made significant progress in developing the budget formulation tool replacement, including the project board setup, charter adoption and RFP for application. This critical project continues in 2016 aiming to improve budget formulation and monitoring and gain efficiencies for field and global processes.

***In the area of Administrative Management we focused on support to implementation of the GSSC, the speed up premises related processes, the launch of the premises and official travel Carbon Neutrality, and travel related savings.***

DFAM supported the administrative implementation of the GSSC by advising on the agreement relating to the building provided by the government. We reviewed and advised on the design of office space and layout, ensuring that accessibility and greening aspects were taken into consideration, as well as fixtures and fittings, travel and general services support.

We reviewed and cleared 53 premises-related agreements and recommendations of funding allocations for field office premises from both Capital Asset Funds and security enhancement funds totaling \$6.7m. In 2015, we initiated the streamlining of premises projects and funding review process. A dedicated site with premises related tools for field offices was launched in December 2015.

In order to support implementation of UNICEF's strategy of premises and official travel Carbon Neutrality by 2020, DFAM assisted field offices in reporting on their environmental footprint for 2014, establishing baselines for all field offices and identifying key initiatives for emissions reduction. A temporary consultant was hired for the reporting and initiative coordination.

We also established a system of cost attribution for Green House Gas reduction on all official air travel. End-to-end integration for a 3% carbon surcharge collection within VISION Travel Module was completed in Jan 2016.

DFAM implemented cost-savings and spend improvement initiatives in travel exceeding targeted (4%) reductions in average ticket price to 6.8%, or from \$2,550 in 2014 to \$2,375 in 2015. Reduced ticket prices also helped bring overall travel spend down for UNICEF from \$11.1M in 2014 to \$10.3M in 2015, while demand for the number of tickets remained unchanged. Overall, an estimated \$1.4M in additional benefits was realized through improved travel services in NYHQ.

We are upgrading the 3UN lightening through replacement of light fixtures in support to implementation of UNICEF's strategy of premises and official travel for Carbon Neutrality by 2020. The project is in progress and final design has been submitted for approval to New York Power Authority. The next stage is bidding, project will span into 2016.

UNICEF House capital improvements and renovation projects are on track. Plaza work, Accessible Restrooms at the B1 level and the cafeteria electrical capacity upgrade were completed while the 2nd floor off-set roof is in its final stages of completion.

General administrative services obtained an overall score of 93% on a service satisfaction survey conducted in Dec 2015. Those services included dispatch of 1,478 outgoing red bags.

## 2.2 Areas of shortfall

**In the area of Cash Management**, while Overture software was implemented as a tool to manage bank accounts (replacing BCMS) in support to GSSC implementation, further enhancements to include integration to FI and BCM remain outstanding. In relation to banking master data, the decision to replace Acuity services with another provider was postponed until 2017 due to numerous ongoing projects, e.g. bank project and sub-projects.

### **In the area of Coordination, Planning and Oversight.**

For the first time, UNICEF has outstanding external audit recommendations which have been outstanding for more than three years. A handful of recommendations are global issues which require a long term, strategic approaches in addressing, as well as behavior change on a global level, e.g. single source contracting, HACT implementation, cost allocation of operational costs. DFAM is working with the other HQ Divisions on coordinated approaches to improving on these issues.

Unfortunately, DFAM was not able to implement an organizational regulatory framework which would be mandatory for all policy-issuing offices, as recommended by a 2012 internal audit. DFAM inherited this initiative with the dissolution of the Change Management Office at the end of 2014. The arrival of a new Deputy Executive Director for Management in 2015 brought about a new strategy and direction to the initiative which shifted the focus on its launch. We are hopeful the initiative will be approved by executive management for implementation in 2016.

A Divisional roster was put in place to identify staff members willing to go to the field on stretch assignments in order to support and strengthen their familiarity with country operations. A P4 went to Indonesia and another P4 to Iraq. This initiative recognizes that UNICEF is a mobile organization and rotation is highly encouraged. Therefore, DFAM learned from the 2015 experience that the initiative requires a systemic approach balancing staff member's career goals with offering opportunities and staffing possibilities.

### **In the area of financial reporting.**

Due to competing priorities, certain key initiatives have been deferred to 2016 including (1) implementation of an improved procedures for recording VAT due to UNICEF, and (2) new approach to management information of DCT-related transactions that will introduce efficiencies, reduce errors and eliminate some burdensome workarounds for HQ and country office staff, as well as providing more a flexible report to all users meeting their individual and varying needs of the information. We expect both of these projects to be completed at minimal cost but with great benefits to the organization. DCT reporting change impacts multiple areas and is likely to continue through 2016 and into early 2017.

### **In the area of Administrative Management.**

Recruitment of key staff for the Administrative Management Section took longer than anticipated, among them the head of the section (P5), an administrative specialist (P3), a supervisor for general services (G7) and the consultant for implementation of the agency carbon neutrality strategy. This was partially attributed to the wish to have the P5 head of section on board to participate in a restructuring exercise of the unit to better align resources and responsibilities. The P5 Head of section joined the division in the 3rd quarter of 2015, the restructuring exercise is well underway and scheduled for completion in the first half of 2016.

## **2.3 Partnership**

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 led a UN task force on property, plant and equipment. The tool was completed and tested by the UN System and is ready for adoption.

The Division led a UNDG Common Services Task Team (reporting to the BOWG) that was created in March 2015 to prepare Common Services packages (including "best practices") for sharing with UN country teams to help them achieve efficiency gains.

The Division represented UNICEF in the Inter-agency UNDG Task Team on Common Premises (TTCP). The outcome of this partnership was an enhanced participation and collaboration in TTCP weekly meetings, joint TTCP field visits to promote the benefits of "delivering as one UN" and participation in the INFM annual meeting.

UNICEF continued to play a key role in the Inter-Agency Travel Network and partnership initiative with UNDP and the Secretariat in NYHQ. We were able to sign two global air carrier contracts delivering point of sale discounts to all UNICEF regional offices and some country locations.

The Division regularly partners with ITSS and the field to implement enhancements to VISION to facilitate its use and make information more accessible and timely.

## **3. PUBLICATIONS COMPLETED IN 2015**

<b>Title</b>	<b>Sequence number</b>	<b>Type of report</b>	<b>Themes</b>	<b>Management response</b>
UNICEF Strategic Plan: updated financial estimates 2015-2018	E/ICEF/2015/AB/L.4	Executive Board document	Resource, financial, budgetary	The EB approved the integrated resource plan as the financial framework for the strategic plan, 2015-2018.
Financial report and audited financial statements for the year ended 31 December 2014 and report of the Board of Auditors	A/70/5/Add.3	UN General Assembly, Sixty-eight Session	Official Records	These statements have been prepared and signed by the Comptroller.