



Financial Report and Audited Financial Statements

For the year ended 31
December 2014 and
Report of the Board
of Auditors

IPSAS Financial Statements

Statement of Financial Position (Balance sheet)

Assets \$8.8 billion (2013: \$8.0 billion)

- Includes Cash, Investments, Receivables, Advances of cash assistance, Inventory

Liabilities \$4.3 billion (2013: \$3.9 billion)

- Includes Accounts Payable, Deferred Revenue, Funds held on behalf of third parties, Employee benefits

Net Assets \$4.5 billion (2013: \$4.1 billion)

IPSAS Financial Statements

Statement of Financial Performance (Income Statement)

Revenue \$5.2 billion (2013: \$4.9 billion)

- Includes Voluntary contributions, Greeting cards, Interest, Other

Expenses \$4.6 Billion (2013: \$4.1 billion)

- Includes Cash assistance, Programme supplies, Employee benefits, Depreciation, Other

Net Surplus \$0.6 billion (2013: \$0.8 billion)

Statement V – Budget to Actuals

	Final Budget (\$m)	Expenditure (\$m)
Country programme RR	847	807
Country programme ORR	2,307	1,978
Emergency appeals	1,538	1,366
Global and Regional programmes	211	174
Institutional budget	481	441
PFP	109	102
Grand Total	5,493	4,868

Cash assistance and Programme supplies by Geographic Area

	Cash assistance (\$m)	Programme supplies (\$m)
Eastern and Southern Africa	418	200
Western and Central Africa	408	303
South Asia	158	67
East Asia and the Pacific	112	73
Middle East and North Africa	295	172
Latin America and Caribbean	56	11
Central and Eastern Europe and Commonwealth of Independent States	30	22
Transfers to other organizations and adjustments	24	3
Total	1,501	851

Report of the Board of Auditors

For the year ended 31 December 2014

Unqualified Audit Opinion

“In our opinion, the financial statements present fairly, in all material respects, the financial position of UNICEF as at 31 December 2014 and its financial performance and cash flows for the period then ended, in accordance with IPSAS”.

-UN Board of Auditors

Report of the Board of Auditors

Observations / Recommendations for 2014
summarized in 5 categories:

- Budget management
- National Committee reserves
- Programme management
- Inventory management
- Procurement management

Budget Management

BOA Observations	UNICEF Response
Need for definition of direct costs to programmes	UNICEF is currently consulting with offices for purposes of issuing guidance on cost attribution principles to be used in 2016 and 2017 budget submissions. UNICEF is also in the middle of the rollout of a Global Shared Service Centre in which transactional processing will be centralized. Once it is fully operational, we will be able to determine the appropriate level of operational posts at country offices in successive budget preparation processes.
High number of Grant extensions without documenting reasons in the ERP system	UNICEF now records a reason for all grant extensions. A monthly report that shows the reasons for all grant extensions has been created and is distributed to Management who analyze the reasons for these extensions. Should these reasons suggest grant objectives are not being achieved, appropriate action will be taken.

National Committees

BOA Observations	UNICEF Response
Continued effort on the establishment of NatCom Reserve policy and reduction of cases of high retention	UNICEF is working with all NatComs to have reserve policies. As of today, only 2 policies remain outstanding due to vacancies in leadership at the respective NatCom. We also reviewed all non-statutory reserve levels at end of 2014. Of the four cited by the report, three were accepted as reasonable based on the Board approved policies and national laws. Detailed discussions were held with the remaining NatCom and reserves were subsequently reduced.

Programme Management

BOA Observations	UNICEF Response
Need for strengthened monitoring of outstanding DCT	DCT balances are presented in “live” dashboards as well as reviewed in monthly closure activities.
Inconsistencies in data in the monitoring systems related to DCT	Systems have been reviewed and updated.
Need for strengthened monitoring of HACT activities	COs monitor these activities, which is complemented by a monitoring tool now available at the regional and HQ level. Formal reporting on status is now required on a semi-annual basis.
Need for timely recording of FACE forms for accounts closure	Closure instructions have been clarified to require documentation on FACE forms received and not recorded which will form the basis for a year end adjustment.

Programme management

BOA Observations	UNICEF Response
Timeliness of issuance of reports to donor and data inconsistencies in monitoring system	Guidance and tools for financial management capacity development are part of the planned activities and output of the Global HACT Strategy work plan.
Lack of timely completion of planning documents	UNICEF is replacing its Word based planning process with a software system that will allow multiple aspects of quality assurance of monitoring planning requirements.

Inventory management

BOA Observations	UNICEF Response
Need for strengthened monitor of stock levels and in transit items	Dashboards have been developed and training has been given on monitoring of the supply chain. In addition, HQ is regularly monitoring the activity and following up with COs.

Procurement management

BOA Observations	UNICEF Response
Need for strengthened monitoring of Purchase Order placement and execution	UNICEF is developing an online procurement training course on PO management and is revising its procedures to include guidance on enforcement of liquidation damages. We have also updated our reports to allow for more effective monitoring of PO execution.
Lack of liquidation damages in LTAs	UNICEF will consider additional safeguards for Long Term Agreements and document its analysis and conclusion.

Procurement management

BOA Observations	UNICEF Response
Expedite closure of contracts after expiry	UNICEF has developed a report that can be used by Office for monitoring status of service contracts, including determining whether any commitments/funds remain open for expired contracts. Procedures have been updated accordingly. We are also working to add this as an indicator in the Dashboards.
Minimize the use of Single sourcing and provide adequate documented justification	UNICEF will provide guidance on the implementation of the policy on Consultants and Individual Contractors, in particular transparent and adequate documentation. In addition, we are analyzing the reasons for single sourcing and will develop additional guidelines for exceptional cases when single source selection can be used. Monitoring tools to enable offices to analyze the use of single-source selection will be implemented.

Report of the Board of Auditors

Status of implementation of recommendations:

	2014		2013		2012	
	#	%	#	%	#	%
Implemented	3	27%	12	71%	22	84%
Under Implementation	8	73%	5	29%	2	8%
Overtaken by events					2	8%
Total	11	100%	17	100%	26	100%

Thank You

Questions / Comments