

FINANCIAL REPORT AND AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

AND

REPORT OF THE BOARD OF AUDITORS



unicef  | for every child

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COMPONENTS OF UNICEF FINANCIAL STATEMENTS

1. Statement by management on internal control over financial reporting : Management's perspective on effectiveness of internal control over financial reporting. Included for the first time in 2015 report

2. Financial Overview

- Financial and Budget highlights
- Key risks and mitigation measures

3. IPSAS Financial Statements I - V

Key statements are:

- Statement I (Balance sheet) – presents UNICEF's financial position as of 31 December 2015
- Statement II (Income statement) – states financial performance for the year ended 31 December 2015
- Statement V Financial – compares actual to budget amounts for 2015

4. Notes to the Financial Statements

Disclosure of UNICEF's structure, accounting policies and explanatory detail to elements of Financial Statements

□ Report of the Board of Auditors: audit opinion, observations and recommendations

IPSAS FINANCIAL STATEMENTS

Statement of Financial Position (Statement I):

Assets \$8.8 billion (same as 2014)

- Includes Cash, Investments, Receivables, Advances of cash assistance, Inventory, Property and equipment, Intangible and Other assets

Liabilities \$4.2 billion (2014: \$4.1 billion)

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

Net Assets \$4.6 billion (2014: \$4.5 billion)

IPSAS FINANCIAL STATEMENTS

Statement of Financial Performance (Statement II):

Revenue \$5 billion (2014: \$5.2 billion)

- Sources: Voluntary contributions, Greeting cards sales, Interest and Other revenue

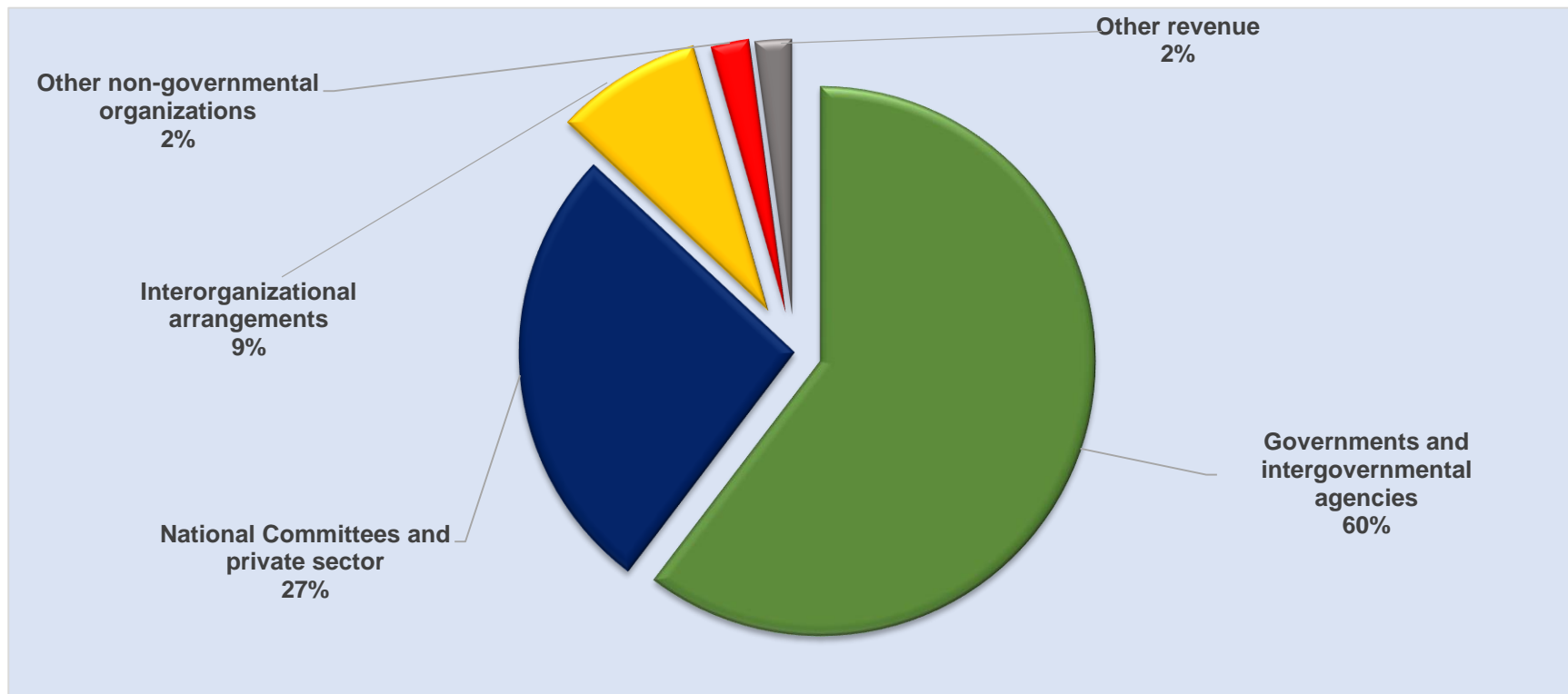
Expenses \$5.1 billion (2014: \$4.6 billion)

- Includes Cash assistance, Programme supplies, Employee benefits, Program-related expert services and Other expenses

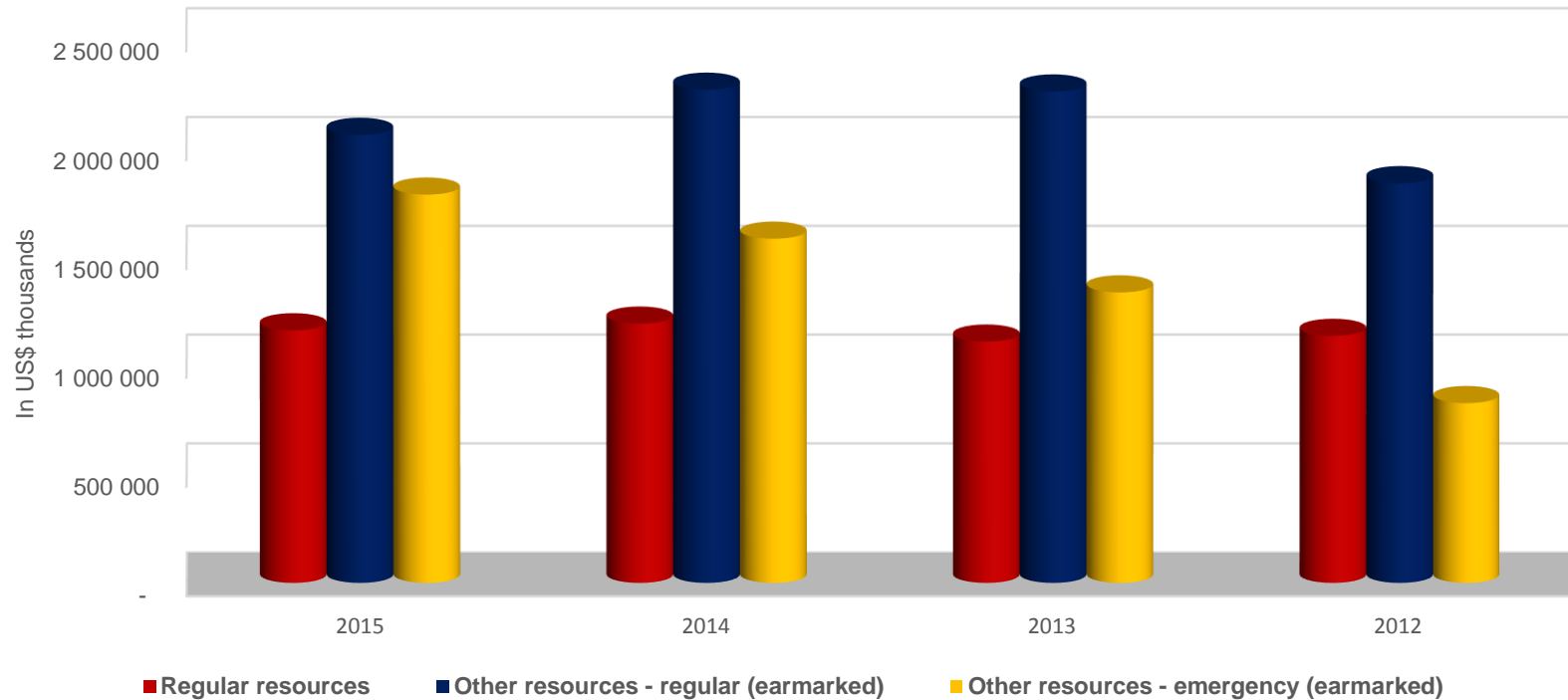
Net deficit \$0.1 billion (2013: \$0.6 billion net surplus)

- Attributable to a conscious effort by management to draw down on accumulated reserves.

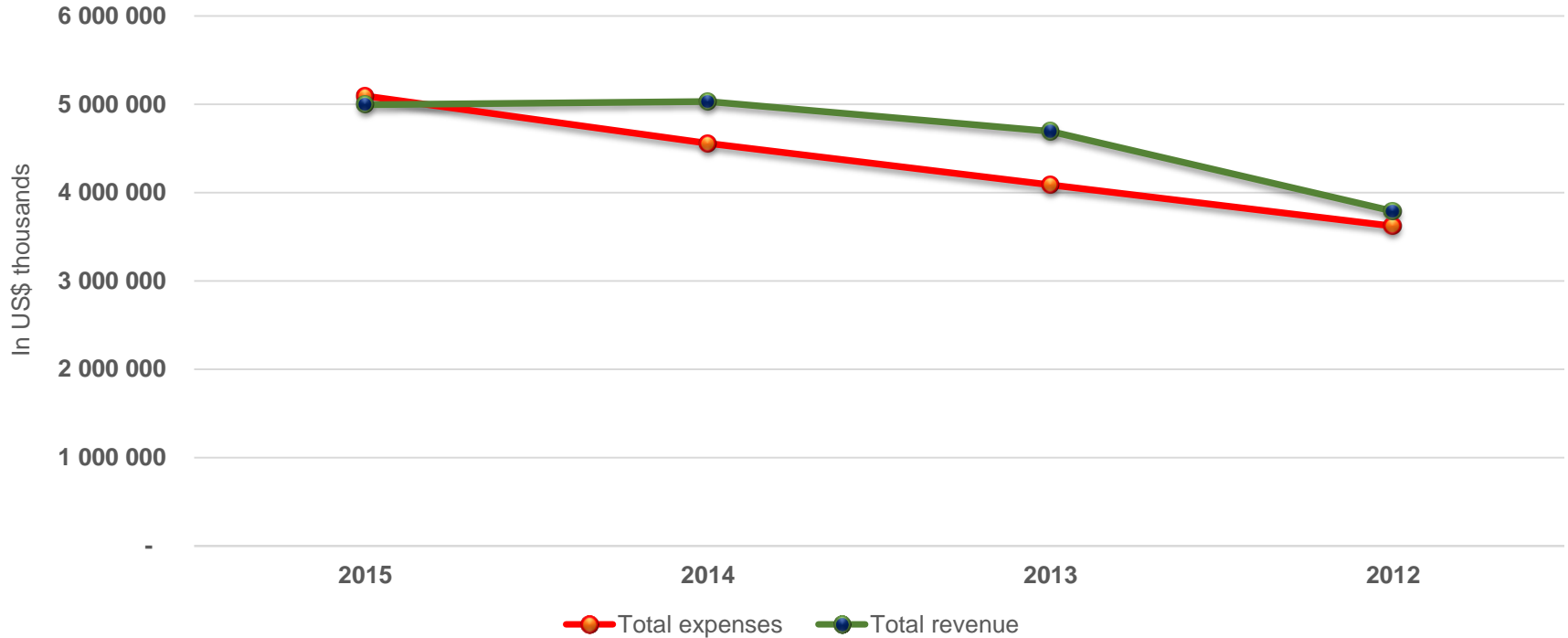
2015 REVENUE BY FUNDING TYPE



VOLUNTARY CONTRIBUTIONS REVENUE BY SEGMENT - 4 YEAR TREND



TOTAL REVENUE AND EXPENSES - 4 YEAR TREND

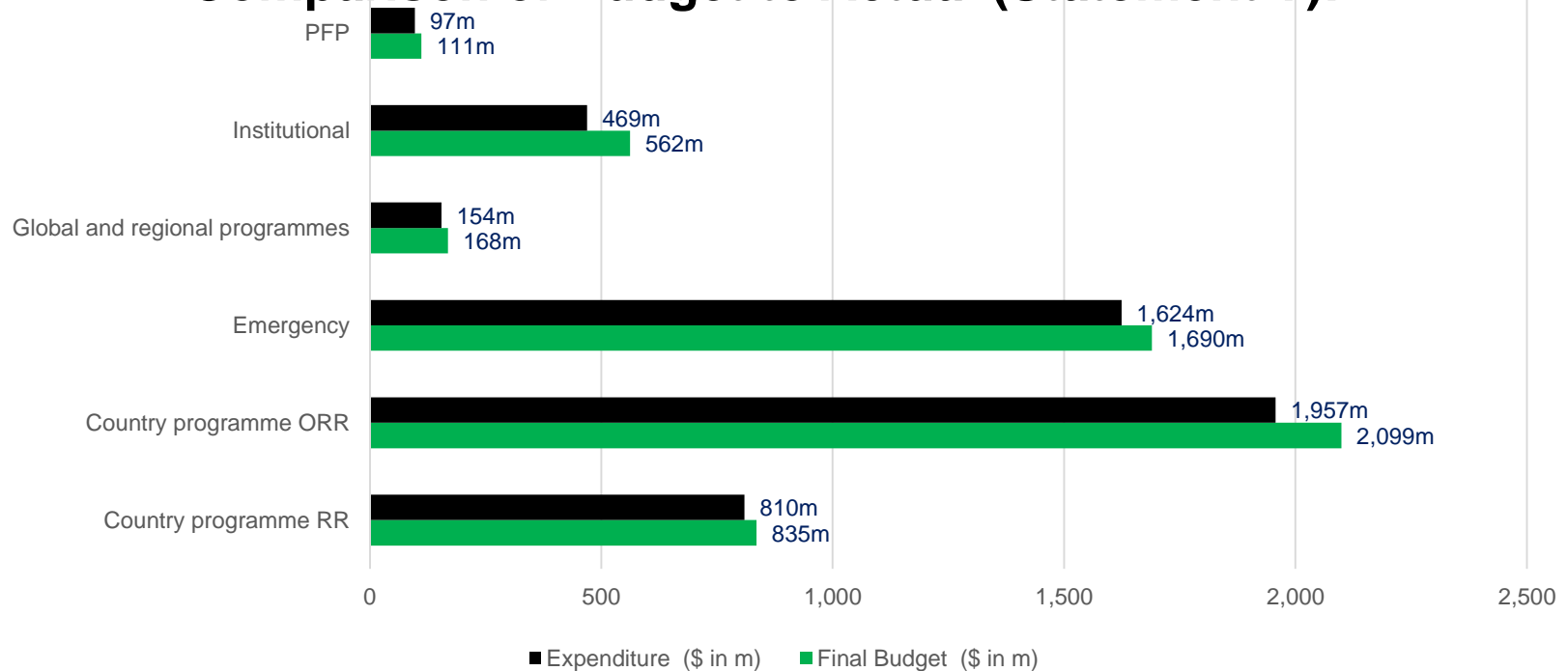


TRANSFER OF PROGRAMME SUPPLIES AND CASH ASSISTANCE BY REGION

	2015 (\$ in m)	2014 (\$ in m)	% change
Eastern and Southern Africa	731.3	617.4	18%
Western and Central Africa	836.2	711.0	18%
East Asia and Pacific	172.1	184.8	-7%
South Asia	259.4	224.9	15%
Middle East and North Africa	703.8	467.8	50%
Latin America and Caribbean	66.3	67.7	-2%
Central and Eastern Europe and Commonwealth of Independent States	78.4	51.5	52%
Transfers to UN agencies and other organizations at HQ	21.9	27.6	-21%
Total	2,869	2,353	22%

IPSAS FINANCIAL STATEMENTS

Comparison of Budget to Actual (Statement V):



REPORT OF THE BOARD OF AUDITORS

FOR THE YEAR ENDED 31 DECEMBER 2015

UNQUALIFIED AUDIT OPINION



“In our opinion, the financial statements present fairly, in all material respects, the financial position of UNICEF as at 31 December 2015 and its financial performance and cash flows for the period then ended, in accordance with IPSAS.”

- UN Board of Auditors – 30 June 2016

AUDIT FINDINGS



Key observations and recommendations for 2015 are summarized into the following categories:

- Budget management
- Harmonized approach to cash transfers (HACT)
- Programme management
- Procurement and contracting
- Travel Management

BUDGET MANAGEMENT

UNBOA recommendation	Status	Action	Target Implementation date
Consider consolidating an annual integrated budget and inclusion of budgeted amounts under each outcome at appropriate business level	<i>Partially implemented</i>	<ul style="list-style-type: none"> • Consolidating annual integrated budget implemented • Currently developing new budget management tool that links resource utilization with outcome to be rolled out in 2017 	Q4 2017
Clearer identification of operational costs to be met from programme and institutional budget	<i>Under implementation</i>	<ul style="list-style-type: none"> • Proposal on cost-attribution in monitoring and control of use of programme budget for operational expenditure is being finalized and to be implemented within the first quarter of 2017 	Q1 2017

HARMONIZED APPROACH TO CASH TRANSFERS (HACT)

UNBOA recommendation	Status	Action	Target Implementation date
<p>Institute a process to comprehensively capture data and monitor outcomes of assurance activities and action taken; and ensure compliance with the DCT³ policy</p>	<p><i>Under implementation</i></p>	<ul style="list-style-type: none"> • Implemented HACT Status Report in 2015 and eTools for data capture and monitoring of assurance activities • eTools is currently in use in 20+ countries and roll-out will continue in 2017 	<p>Q3 2017</p>

³ Direct Cash Transfer

PROGRAMME MANAGEMENT

UNBOA recommendation	Status	Action	Target Implementation date
<p>Prepare realistic IMEPs⁴ and improve completion rate of activities; (b) follow UNICEF PPPM⁵ procedures in preparation and implementation of AWP⁶ and AMP⁷ for timely execution.</p>	<p><i>Under implementation</i></p>	<ul style="list-style-type: none"> • Currently implementing PRIME, a software platform to replace manual IMEPs. PRIME requires multiple aspects of quality assurance throughout the year, ensuring IMEP activities are realistic thus improving completion rate • Revised guidance on AWP⁶ and AMP⁷ in PPPM issued in Q4 2015 	<p>Q2 2017</p>

⁴ Integrated monitoring and evaluation plans (IMEP);

⁵ Programme Policy and Procedure Manual (PPP manual);

⁶ Annual Workplan (AWP);

⁷ Annual Management Plan (AMP)

PROGRAMME MANAGEMENT (CONT.)

UNBOA recommendation	Status	Action	Target Implementation date
Consider a fund tracking system to establish links between planned and actual expenditure against the appropriate planning level	<i>Under implementation</i>	<ul style="list-style-type: none">• Development of new budget management tool underway. Planned to be rolled out to all offices during 2017 to ensure effective budget management and expenditure monitoring	<i>Q4 2017</i>

PROCUREMENT AND CONTRACTING

UNBOA recommendation	Status	Action	Target Implementation date
Review delay and follow up to ensure timely delivery of supplies	<i>Implemented</i>	<ul style="list-style-type: none">• Reviewed cases of delay and updated key reports used to monitor purchase orders• Additional alert to identify orders with upcoming delivery dates also in place to support timely execution of purchase orders• Currently 76% of supplies are delivered on time and continue to work on further improvement	<i>Implemented</i>

TRAVEL MANAGEMENT

UNBOA recommendation	Status	Action	Target Implementation date
Review policy on advance booking globally in view of the changes in the travel business	<i>Under implementation</i>	<ul style="list-style-type: none">• Data reviews of North American market indicate significant reductions of unit cost of travel booked within 14 days• Deeper analysis underway and upon completion, UNICEF will review and consider global travel strategy and policy revision	Q2 2017

SUMMARY OF IMPLEMENTATION STATUS OF AUDIT RECOMMENDATIONS

Recommendations	Issued Pre-2015	Issued in 2015
Issued	54	22 ²
Implemented	49	9
Percentage Implemented	91%	41%
Under implementation	5 ¹	13
Percentage under implementation	9%	59%

¹Of 5 recommendations under implementation, 2 are duplicates and are expected to be validated for closure by the Board during the 2016-2017 audit season

²Of 22 recommendations issued, 5 recommendations were duplicated from years prior to 2015



THANK YOU

QUESTIONS/COMMENTS

