

Financial report and audited financial statements

**For the year ended 31 December 2012 and
Report of the Board of Auditors**

IPSAS Financial Statements

Statement of Financial Position (Balance sheet)

Assets \$5.7 billion

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

Liabilities \$2.6 billion

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

Net Assets \$3.1 billion

IPSAS Financial Statements

Statement of Financial Performance (Income Statement)

Revenue \$3.9 billion

- Includes Voluntary contributions, Greeting cards, Interest, Other

Expenses \$3.6 billion

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

Net Surplus \$0.3 billion

New for IPSAS

- Comparison of budget to actuals
- Segment reporting
- Related parties
- And other expanded note disclosures

Sources of Revenue

	2012 (\$b)	2011 (\$b)
Government	2.2	2.3
Private sector/Non-government	1.3	1.1
Inter-org arrangements	0.3	0.3
Other income	0.1	0.0
Total Revenue	3.9	3.7

The Financial Report - Expense

Expense \$3.6 billion

- Cash assistance \$1.1 billion (31%)
- Programme supplies \$0.6 billion (17%)
- Employee benefits \$1.0 billion (28%)
- Other \$0.9 billion (24%)

Cash assistance and Programme supplies by Geographic Area

	Cash assistance (\$m)	Programme supplies (\$m)
Eastern and Southern Africa	363	232
Western and Central Africa	269	213
East Asia and Pacific	83	37
South Asia	185	80
Middle East and North Africa	66	41
Latin America and Caribbean	86	19
Central and Eastern Europe and Commonwealth of Independent States	27	5
Transfers to UN organisations	24	2
Total	1,103	629

Report of the Board of Auditors

For the year ended 31 December 2012

Unqualified Audit Opinion

“In our opinion, the financial statements present fairly, in all material respects, the financial position of UNICEF as at 31 December 2012 and its financial performance and cash flows for the period then ended, in accordance with IPSAS.

Emphasis of matter

We draw attention to note 35 to the financial statements, in which UNICEF has disclosed its relationship with the National Committees, as well as the amount of revenue the Committees have raised through private sector fundraising activities. In 2012, the Fund recognized in its financial statements net cash contributions from private sector fundraising activities of the National Committees totalling \$834.22 million, while a total amount of \$341.41 million retained by National Committees (including \$337.44 million to cover relevant costs and \$3.97 million retained as reserves) is disclosed in the note to the financial statements. In addition, a total amount of \$188.6 million held by all National Committees as reserves as at 31 December 2012 is also disclosed in the note to the financial statements. Our opinion is not qualified in respect of this matter.”

-UN Board of Auditors

Report of the Board of Auditors

Significant Observations / Recommendations for 2012 summarized in 3 categories:

- Monitoring of National Committees
- Budget management
- Programme management , specifically cash transfers

National Committees

BOA Observations	UNICEF Response
High retention rates	UNICEF is currently negotiating the Joint Strategic Planning Process for 2014-2017 with NCs. These plans will indicate the agreed target contribution rates for each NC.
High reserves	UNICEF has reviewed reserve levels of NCs and proposed benchmarks (subject to local requirements). Additionally, it has specifically requested reserve levels to be reduced for select NCs.

UNICEF is introducing new financial reporting formats and mechanisms at the end of 2013 to be used by NCs. This will strengthen disclosure and info included in NC revenue and expenditure reporting.

Budget management

BOA Observations	UNICEF Response
Insufficient justifications for budgets	OMP guidance for 2014-2017 budgets specifically ensured greater scrutiny of proposals.
Fragmented budget of some Headquarter divisions/offices	The harmonized framework for the integrated budget from 2014 and the said integrated budget was approved by the Executive Boards in January and September 2013, respectively.
Lack of visibility and management of operational expenditures funded by programme	UNICEF developing plan of action for analyzing operational expenses in programme.

Programme management

BOA Observations	UNICEF Response
Insufficient capacity assessment and assurance activities on cash transfers	An inter-agency effort to improve HACT is underway. In addition, UNICEF is currently addressing issue with field and has set funds aside in next budget cycle to address capacity issues.

Report of the Board of Auditors

Status of implementation of recommendations:

	2012		2010-2011	
	#	%	#	%
Implemented	6	23%	20	69%
Under Implementation	20	77%	7	24%
Overtaken by events	-	-	2	7%
Total	26	100%	29	100%

* Two of these recommendations are re-stated by the BOA.

Thank You

Questions / Comments