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### United Nations Children's Fund

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### **UNICEF management response to the report of the United Nations Board of Auditors**

#### *Summary*

Pursuant to paragraph 7 of UNICEF Executive Board decision 2018/3, the present report provides a management response to the key findings and recommendations of the report of the Board of Auditors for the year ended 31 December 2020, which is contained in document (A/76/5/Add.3). This report should be read in conjunction with the note by the United Nations Secretary-General on the concise summary of the principal findings and conclusions contained in the reports of the Board of Auditors for the annual financial period 2020 for the United Nations funds and programmes (A/76/173). This report also takes into consideration comments made by the Advisory Committee on Administrative and Budgetary Questions (A/76/554) and the Fifth Committee in their respective reviews of the report of the Board of Auditors.

UNICEF continues to closely monitor the strategic management of the top audit-related priorities, reflecting the importance the organization attaches to the work of the United Nations Board of Auditors. The Executive Director and other senior management are committed to continuous improvements in addressing audit priorities, which is reflected in the high rate of implementation of audit recommendations at the end of 2020. Several corporate initiatives are in progress and efforts are being undertaken to address the current recommendations as well as those that remain from prior years.

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\* E/ICEF/2022/1.



## I. Overview

1. UNICEF has received an unqualified audit opinion from the United Nations Board of Auditors on its financial statements for the year ended 31 December 2020. This marks the ninth consecutive year of receiving an unqualified audit opinion. This accomplishment is significant as it demonstrates the commitment of UNICEF to adherence to the International Public Sector Accounting Standards (IPSAS), good internal controls, transparency and accountability in the management of resources.

2. The report of the Board of Auditors for the year ended 31 December 2020 [A/76/5/Add.3](#) indicated opportunities for UNICEF to further strengthen areas of programme management, public sector voluntary contributions for joint programmes, implementing partners, budget management, procurement management, human resources and general controls of information and communications technology. In this context, the Board of Auditors issued 22 recommendations, including 11 main (high-priority) recommendations, which are further elaborated upon in the present management response.

3. The UNICEF commitment to improving the management of resources has been commended by the Board of Auditors, as the organization fully implemented 75 per cent of the 96 outstanding recommendations that were open at the beginning of the financial year 2020. UNICEF aims to implement approximately 80 per cent of the recommendations still open by the end of the first quarter of 2022, including the long outstanding ones from 2016 and 2017, and some of the recommendations issued in 2020. UNICEF looks forward to the Board of Auditors' assessment of the management actions and their closure during audit of the 2021 financial statements.

4. UNICEF governance mechanisms and the accountability framework continue to ensure transparency and fiduciary accountability in the management of resources. UNICEF is also progressively improving processes and tools supporting the harmonized approach to cash transfers (HACT) framework. The eZHACT interface has streamlined the processing of payments and reporting of expenditure by implementing partners, while eTools has allowed UNICEF to integrate information on programmes, including assurance activities, which supports offices in prioritizing their interventions on the high-risk action points identified.

5. In 2020, UNICEF readjusted its internal processes and operations as a result of the coronavirus disease 2019 (COVID-19) pandemic. The organization experienced a significant increase in voluntary contributions (\$1.14 billion) that were related, in large part, to other resources funding earmarked for the pandemic response. UNICEF moved to a remote working environment and its agile internal controls continue functioning as established, including the built-in automated controls in the Enterprise Resource Planning system, the use of electronic signature tools and a shared virtual workspace. Senior management and staff continue to fulfil the UNICEF mandate by leveraging the ongoing corporate operational improvements, initiatives, technology and innovation.

## II. Introduction

6. UNICEF endeavours to sustain operational efficiency and effectiveness. Corporate organizational initiatives have been activated to simplify processes and achieve cost efficiencies while strengthening internal controls and risk management through technological enhancements. The monitoring of staff well-being, skills mapping and the application and dissemination of updates on flexible working modalities have been promoted in line with an organizational culture that embraces change and continuous improvement.

7. In 2020, under the leadership of the Executive Director, UNICEF began the journey to reimagining its current business models, to make them fit-for-purpose and accelerate action for children. UNICEF is currently reviewing its accountability framework to further develop areas that require clarification and ensure alignment with the current best practices. In 2020, as in previous years, the organization ranked as one of the most transparent aid organizations in the world, according to the Aid Transparency Index issued by Publish What You Fund.<sup>1</sup>

8. Recognizing the steps already taken by UNICEF to strengthen financial and management control of its operations, the Board of Auditors issued 22 recommendations (see annex I of this report). Of these recommendations, 11 were classified as main (high priority) and 11 were classified as other (medium priority). Two recommendations were considered reiterations from prior years and related to the revoking of access to VISION (Virtual Integrated System of Information) and resources to all separated staff and the clean-up of user accounts. UNICEF is committed to implementing all recommendations, prioritizing the main ones.

9. Responses contained in this report have taken into consideration comments made by the Advisory Committee on Administrative and Budgetary Questions (A/76/554) in their respective reviews of the report of the Board of Auditors, as well as the note by the United Nations Secretary-General on the concise summary of the principal findings and conclusions contained in the reports of the Board of Auditors for the 2020 annual financial period (A/76/173).

10. The recommendations accepted by UNICEF have a set timeline for implementation. Through the leadership of the Office of the Comptroller, UNICEF offices and divisions have worked to establish the most realistic target dates for completion of implementation. UNICEF has committed to implementing remediation actions on all recommendations at the latest by the end of the fourth quarter of 2022. Management looks forward to having the implemented recommendations assessed for closure by the Board of Auditors during the audit of the 2021 financial statements of UNICEF.

### **III. Management response to audit recommendations, by topic and priority**

11. The following is a summary of the management responses to the recommendations issued by the Board of Auditors. The management response is consistent with the information provided in the 2020 report of the Secretary-General on the implementation of the recommendations of the Board of Auditors' report.

#### **A. Public sector voluntary contributions for joint programmes**

12. The Board of Auditors issued three high-priority recommendations to improve the management of grants from public sector voluntary contributions for joint programmes. One recommendation relates to the development of a solution to register and track signed agreements globally, which is expected to provide visibility for agreements signed and monitoring of timely submission of agreements. The other two recommendations relate to the treatment of joint programmes and their recording in VISION, and the enhancement of related disclosures.

##### **Main recommendations (high priority)**

13. In paragraph 25 of the report, the Board of Auditors recommended that UNICEF update its policy on revenue recognition covering accounting for joint programmes

<sup>1</sup> Aid Transparency Index 2020, available at: <<https://www.publishwhatyoufund.org/the-index/2020/>>.

and define the point where UNICEF controls the non-exchange assets related to trust fund or joint programme arrangements. UNICEF management confirms that the IPSAS policy position paper on revenue recognition has been updated to address the recommendations from the Board of Auditors on joint programming.

14. In paragraph 26, the Board also recommended that UNICEF disclose the agreements for joint programming where asset recognition criteria have not been met, as contingent assets in the financial statements. UNICEF expects to demonstrate evidence of implementation with the 2021 financial statements, in the first quarter of 2022. The revenue recognition policy has been updated to include guidance on recognition in the financial statements of the joint programme agreements. Currently, agreements are being reviewed for appropriate disclosure to ensure compliance with the recently updated policy.

15. In paragraph 27, the Board recommended that UNICEF develop a solution to track the submission of signed agreements and enhance monitoring to ensure their timely registration. Management confirms that the extension of the Service Gateway tool for offices to upload signed agreements for processing went live in October 2021. This solution will support timely tracking and reporting on the registration of agreements.

## **B. Implementing partners**

16. The Board of Auditors identified six opportunities for improvements regarding the management of implementing partners and assurance activities under the HACT framework. The findings refer to (a) the time frame for assurance activities; (b) the review and reporting of implementing partners' expenditure; (c) the reasons for the delays in closure of overdue action points in the West and Central Africa Regional Office (WCARO); (d) preventive measures to ensure closure of high-priority action points in WCARO; (e) oversight of high-priority findings, including enhancement to the eTools solution; and (f) procedure for cash transfers directly to beneficiaries. Five recommendations are considered high priority (main) and one medium priority. Four of these recommendations are expected to be implemented by the end of 2021 and two by the first quarter of 2022.

### **Main recommendations (high priority)**

17. In paragraph 42 of the report, the Board of Auditors recommended that UNICEF establish a clear time frame for assurance activities, using as a reference the funding authorization and certification of expenditures from liquidation posting. Management plans to issue instructions, with a defined time frame for initiating, executing and finalizing assurance activities, to all offices by the first quarter of 2022. Management also expects to review and update the procedure on HACT to improve the timely execution of financial assurance activities.

18. Similarly, in paragraph 43, the Board recommended that UNICEF develop a workplan with the aim of ensuring that the expenses reported by implementing partners are reviewed in a timely manner, and the required financial assurance is completed no later than the first quarter of the following year after the expenses have been reported. From the first quarter of 2022, management will institute a review and reporting process that will ensure financial assurance is completed no later than the first quarter of the following year after the reporting of the expenses by implementing partners.

19. In paragraphs 57 and 58, the Board issued two recommendations related to the follow-up of assurance activities by WCARO. The two recommendations refer to the identification, in the eTools action points feature, of 290 high-priority items under WCARO oversight that were still open by the end of the 2020 financial year.

20. In collaboration with the affected country offices, WCARO has worked to implement a system to resolve action points from assurance activities and identify the reasons for any delays. All 290 overdue high-priority action points identified by the audit team were resolved as recommended.

21. Similarly, concerning the recommendation in paragraph 58 on preventive measures to ensure closure of HACT action points within a year of creation, WCARO, with the support of the Division of Data, Analytics, Planning and Monitoring (DAPM), prepared a guidance note to advise country offices on the type of actions to be recorded in eTools and the basic criteria to determine the level of prioritization. The guide was disseminated to country offices at the end of the third quarter of 2021 and allowed the closure of the remaining high-priority action points identified by the Board of Auditors. The West and Central Africa Regional Office has further ensured that its country offices frequently monitor and report on high-priority action points, including through bilateral follow up, and inclusion of an agenda item in the quarterly webinars on the management of partnerships.

22. Finally, in paragraph 59, the Board of Auditors recommended that DAPM, together with UNICEF regional offices, develop a methodology to facilitate effective oversight for closure of high-priority findings from HACT assurance activities, and enhance the eTools module to support effective closure of overdue action points by country offices. UNICEF management has committed to developing a monitoring dashboard to support the follow up of high-priority financial findings and oversight of outstanding high-priority items by the regional office. Further, DAPM will establish a process for monitoring overdue action points by regional offices and headquarters divisions and offices.

#### **Other recommendations (medium priority)**

23. In paragraph 68, the Board of Auditors recommended that UNICEF finalize the regulatory procedure for cash transfers directly to beneficiaries, to ensure clear instructions are in place for accurate financial reporting of cash transfers, and taking into consideration the three modalities of cash transfer delivery that UNICEF is already using: cash transfers through a financial service provider, through an implementing partner, or direct implementation. Management is currently finalizing a procedure on cash transfers to beneficiaries that offices will be mandated to apply. The procedure clarifies the various modalities of cash transfers to beneficiaries, as noted above, as well as their related assurance activities and accounting processes. The procedure is expected to be finalized in the fourth quarter of 2021.

### **C. Procurement management**

#### **Main recommendations (high priority)**

24. In paragraph 82 of the report, the Board of Auditors issued one high-priority recommendation to strengthen the forecasting procedure and evaluate adjusting the forecasts of essential strategic commodities in a timely manner to reflect the significant variances that may occur. The UNICEF Supply Division is committed to strengthening the forecasting procedure, in coordination with country and regional offices. This will include evaluating the adjustment of forecasts based on timely communication between the division and offices. Completion of the enhancement is expected in second quarter of 2022.

## **D. Programme management**

### **Main recommendations (high priority)**

25. In paragraphs 93 and 94 of the report, the Board of Auditors issued two high-priority recommendations for the management of emergency programmes. One recommendation is addressed to UNICEF New York headquarters to formalize the new emergency procedures that include regulations for Level 1 emergencies. A second recommendation is for UNICEF to establish a formal repository or list of Level 1 emergencies, in order to facilitate access information on those emergencies by all levels of the entity.

26. Management confirms that new emergency procedures are being developed to include a definition of Level 1 emergencies, along with Level 2 and Level 3 emergencies, their applicable regulations, description of activation steps, criteria for deactivation and responsibilities and accountabilities. Completion is planned for the fourth quarter of 2021.

27. With respect to paragraph 94, the Office of Emergency Programmes, in coordination with the Information and Communication Technology Division and the Global Shared Services Centre, are working to establish a formal repository for Level 1 emergencies, which will be managed through VISION. This will allow the identification of country offices under Level 1, 2 or 3 emergencies, and will be available to all entity levels by the fourth quarter of 2021.

## **E. Budget management**

28. The Board of Auditors identified two opportunities for improvement, assessed as medium priority, regarding budget management at UNICEF. One in paragraph 106 refers to the closure of grants, while paragraph 122 relates to budget formulation by the Supply Division. The latter recommendation was not accepted by UNICEF, as indicated in the paragraphs below.

### **Other recommendations (medium priority)**

29. In paragraph 106 of the report, the Board of Auditors issued a recommendation for UNICEF to take measures to strengthen the process of technical closure of financially closed grants and provide training to offices, as required. UNICEF management confirms that the review of grants for technical closure has been updated from an annual to a quarterly basis, which will result in grants being technically closed more rapidly, with closer follow-up of long outstanding cases.

30. A management action plan is already in progress and new guidelines covering operational steps for the financial and technical closure of grants will be issued by the fourth quarter of 2021. Management will conduct training and webinars for offices, including messages to raise awareness of available tools and systems controls.

31. In paragraph 122, the Board recommended that the Supply Division, in coordination with the Division of Financial and Administrative Management, evaluate in successive budget formulations improving the methodology for the estimation of post and non-post costs and take the necessary actions to improve their accuracy so as to gain efficiency in the budget management process.

32. UNICEF management disagreed with this recommendation issued during the audit of the Supply Division, based on the following:

(a) The difference in non-post costs budget outturn was as a result of a project that could not take place in 2020 due to the outbreak of the COVID-19 pandemic and

was therefore rolled forward to 2021. Adjusting for the postponed project results in 99.8 per cent budget utilization;

(b) Post costs are determined centrally, with a standard cost for each position according to the level and duty station, and resultant variances also analysed centrally, both for valid operational reasons;

(c) Budget accuracy and formulation deficiency issues do not arise when there are valid reasons and/or justifying events that are beyond the control of organizational units that result in variances, which are clearly explained.

33. UNICEF had a follow-up meeting with the Board of Auditors' audit team to clarify the issues, and agreed to provide additional information to substantiate the basis of the disagreement. The recommendation is not applicable given that the variances could be explained and had not resulted from a budget formulation process that needs improvement.

## **F. Human resources management**

### **Other recommendations (medium priority)**

34. In paragraph 133 of the report, the Board of Auditors recommended that UNICEF review the feasibility of including the essential documentation of personnel files to be maintained in the electronic official status file, in line with recent automation and simplification of processes in human resources.

35. UNICEF is reviewing the current list of essential documents in personnel files, in line with the recent automation and simplification of processes and will determine the final list of essential documents and maintain them in the appropriate systems.

36. In paragraph 134, the Board also recommended that UNICEF evaluate, conclude and update the policy regulating the content and source of information of the documentation that must be included into the electronic official status file.

37. The UNICEF Global Shared Services Centre, in coordination with the Division of Human Resources, is evaluating the relevant policy and will determine the list of essential documents and systems (including the electronic official status file, where applicable) in which they shall be maintained.

38. UNICEF expects to complete the review and update of the policy by the fourth quarter of 2021.

## **G. Property and equipment**

### **Other recommendations (medium priority)**

39. In paragraph 159 of the report, the Board of Auditors recommended that UNICEF evaluate the impact of use of the new Property Survey Board workflow tool and consequently update the related Global Shared Services Centre standard operating procedure, especially with regard to the mandatory documentation that must be uploaded.

40. UNICEF management confirms that the Property Survey Board workflow tool has been rolled out. The tool automates case creation for the disposal of assets by the Global Shared Services Centre. UNICEF has assessed the impact of the tool as positive and is reviewing the related work instructions.

41. In paragraph 160, the Board recommended that UNICEF establish and formalize the determination of functions and roles in processing of disposals at the Global

Shared Services Centre and the Division of Financial and Administrative Management.

42. UNICEF confirms implementation of this action. A letter of delegation of authority related to asset disposal processes has been formalized and approved. This document clarifies the responsibilities to be undertaken by both the Global Shared Services Centre and the Division of Financial and Administrative Management in the area of disposal of assets.

## **H. Information and communications technology**

43. The Board of Auditors identified three opportunities for improvements, assessed as medium priority, regarding information and communications technology (ICT) at UNICEF, in particular the management of VISION accounts.

### **Other recommendations (medium priority)**

44. In paragraph 171, the Board recommended that UNICEF ensure it revokes access to VISION and all ICT resources for all separated staff in a timely manner. Similarly, in paragraph 172, the Board recommended that UNICEF detail the execution guidelines for monitoring the VISION user accounts clean-up procedure, ensuring that it is constantly updated. Finally, in paragraph 173, the Board recommended that UNICEF generate evidence concerning the results of the monitoring, as well as the measures taken in that regard, along with executing regular reviews and maintenance for VISION accounts.

45. By the end of 2021, UNICEF expects to have automated the revocation of access to VISION and other ICT systems in accordance with personnel contract dates. The automation will ensure timely deactivation in accordance with the established policy and procedure. UNICEF will also ensure that the policy and procedure are updated and are aligned with the automated process and will generate reports to provide evidence that actions have been appropriately taken.

## **IV. Anti-fraud strategy and fraud risk mitigation**

46. In 2020, anti-fraud awareness activities and training continued, and new UNICEF personnel were required to undertake a mandatory online course on fraud awareness as part of the onboarding process. During the year, UNICEF collaborated with six other United Nations entities to develop fraud awareness training targeted at implementing partners. This training is available in five languages: Arabic, English, French, Portuguese and Spanish.

47. The total financial loss on cases substantiated by the UNICEF Office of Internal Audit and Investigations (OIAI) in 2020 amounted to \$578,423, of which \$360,474 was recovered (62 per cent). Further, through investigations conducted by contracted independent firms for project-specific cases in the Yemen Emergency Cash Transfer project, the loss substantiated on fraudulent transactions amounted to an equivalent of \$74,968, of which \$72,245 was recovered (96 per cent). During 2020, the total loss, for cases closed by OIAI and cases investigated by the independent organizations was \$653,391, of which \$432,719 was recovered.

48. UNICEF will take immediate and appropriate measures towards implementing partners implicated in fraudulent activities by recovering substantiated losses, barring such partners from further partnerships with UNICEF and flagging them to other United Nations entities using the United Nations Partner Portal.



## V. Status of audit recommendations for the year ended 31 December 2020

49. The Board of Auditors issued 22 audit recommendations in its report for the year ended 31 December 2020 (A/76/5/Add.3), compared with 55 recommendations in 2019. Of the 22 recommendations, 11 were classified as high priority. Management agreed with 21 (95 per cent) of the recommendations issued and disagreed with one related to budget formulation by the Supply Division (see section III.E above for details).

50. For the 21 accepted recommendations, UNICEF management has actions plans and target dates of implementation. As at 31 October 2021, three months following the formal release of the report of the Board of Auditors, four recommendations (18 per cent of all recommendations) were considered implemented by management and ready to be presented to the Board of Auditors for assessment; 13 recommendations (59 per cent) are expected to be completed by the end of 2021; and four (18 per cent) are expected to be completed by the second quarter of 2022.

Table 1  
Implementation status, financial year 2020, by target completion date

Target completion date	Number of recommendations	Not implemented	Overtaken by events	Implemented	
				(closure requested)	Under implementation
2022 second quarter	1	-	-	-	1
2022 first quarter	3	-	-	-	3
2021 fourth quarter	13	-	-	-	13
Ready for assessment	4	-	-	4	-
Not accepted	1	1	-	-	-
<b>Total</b>	<b>22</b>	<b>1</b>	<b>-</b>	<b>4</b>	<b>17</b>
<b>Percentage</b>	<b>100%</b>	<b>5%</b>	<b>-</b>	<b>18%</b>	<b>77%</b>

Table 2  
Implementation status, financial year 2020, by priority

Priority	Number of recommendations	Not Implemented	Implemented (closure requested)	
			Under implementation	
High	11	-	3	8
Medium	11	1	1	9
<b>Total</b>	<b>22</b>	<b>1</b>	<b>4</b>	<b>17</b>
<b>Percentage</b>	<b>100%</b>	<b>5%</b>	<b>18%</b>	<b>77%</b>

## **VI. Status of audit recommendations for the year ended 31 December 2019 and prior years**

### **A. Status of recommendations for the report for the year ended 31 December 2019**

51. The Board of Auditors issued 55 audit recommendations in its 2019 report of the audit of UNICEF (A/75/5/Add.3), compared with 48 recommendations for 2018. Of the 55 recommendations, 23 were classified as high priority, while the remaining 32 were classified as medium priority. Management agreed with 52 (95 per cent) of the recommendations issued and disagreed with the three that follow:

52. The first recommendation UNICEF disagreed with was on additional disclosures on inventory from expired grants. This recommendation was subsequently assessed as implemented by the Board of Auditors, after a review of the amount of expired grants and recognition of compliance with IPSAS.

53. The second recommendation UNICEF did not agree with related to the strengthening of inventory management. Upon recognition of UNICEF efforts with regard to inventory monitoring and analysis of delays, the Board assessed this recommendation as being implemented.

54. The third recommendation UNICEF disagreed with related to the classification of the long-term components of the after-service health insurance investment portfolio as non-current investments. This is still under discussion and consultation with the Board of Auditors and, as a result, it is considered under implementation. UNICEF management maintains its non-acceptance as shared with the Board originally during the 2019 audit fieldwork and management response to the Board's audit report for 2019. While funds are set aside to meet future liabilities and are disclosed in the notes to the financial statements, the instruments in the after-service health insurance investment portfolio of UNICEF are intended to be traded to maximize returns to UNICEF. Sales proceeds in 2019 represented 44 per cent of the value of the investments, illustrating high turnover of instruments held. Management further disagrees with the interpretation that the objective of the portfolio (generating returns to meet long-term liability) determines the classification in substance or in form. The classification proposed in the recommendation would give the impression that the instruments are held for long periods of time to maturity, which is not the case nor the intention of the UNICEF management.

55. Finally, regarding the 52 accepted recommendations, as at 31 October 2021, UNICEF management confirms that 36 recommendations (69 per cent) have been assessed by the Board as having been implemented, two recommendations have been overtaken by events and have been closed by the Board, and 14 recommendations are assessed to be still under implementation. Of the 14, one has been implemented and is ready to be presented to the Board of Auditors for assessment while 13 recommendations are still in progress.

Table 3  
Implementation status, financial year 2019, by target completion dates

Target completion date	Number of recommendations	Not Implemented	Overtaken by events	Implemented	
				(closure requested)	Under implementation
2022 third quarter	1	-	-	-	1
2022 first quarter	2	-	-	-	2
2021 fourth quarter	10	-	-	-	10
Ready for assessment	1	-	-	-	1
Implemented	38	-	-	38	-
Overtaken by events	2	-	2	-	-
Not accepted	1	1	-	-	-
<b>Total</b>	<b>55</b>	<b>1</b>	<b>2</b>	<b>38</b>	<b>14</b>
<b>Percentage</b>	<b>100%</b>	<b>2%</b>	<b>4%</b>	<b>69%</b>	<b>25%</b>

Table 4  
Implementation status, financial year 2019, by priority

Priority	Number of recommendations	Not Implemented	Implemented (closure requested)	
			Under implementation	
High	23	1	16	6
Medium	32	-	24	8
<b>Total</b>	<b>55</b>	<b>1</b>	<b>40</b>	<b>14</b>
<b>Percentage</b>	<b>100%</b>	<b>2%</b>	<b>73%</b>	<b>25%</b>

## B. Status of long-standing recommendations from the 2018, 2017 and 2016 reports

### 2018 Board of Auditors report

56. The Board of Auditors issued 48 audit recommendations in the 2018 audit report (A/74/5/Add.3). Of these, 12 were classified as high priority, while 36 were classified as medium priority.

57. As at 31 October 2021, 38 of the 47 accepted recommendations (81 per cent) had been assessed as implemented by the Board of Auditors, four had been overtaken by events, while five were considered implemented by UNICEF management and the Board of Auditors requested further clarification or evidence to assess them (see annex II). For one of these recommendations, the Board of Auditors informed UNICEF management that the review would take place during the 2021 audit of the UNICEF Supply Division in the first quarter of 2022. Information on the 2018 audit recommendations is presented in tables 5 below

Table 5  
**Implementation status, financial year 2018, by target completion date**

<i>Implementation Status</i>	<i>Number of recommendations</i>	<i>Not Implemented</i>	<i>Overtaken by events</i>	<i>Implemented (closure requested)</i>	<i>Under implementation</i>
Closure requested	5	-	-	5	-
Implemented	39	-	-	39	-
Overtaken by events	4	-	4	-	-
<b>Total</b>	<b>48</b>	<b>-</b>	<b>4</b>	<b>44</b>	<b>-</b>
<b>Percentage</b>	<b>100%</b>	<b>-</b>	<b>9%</b>	<b>91%</b>	<b>-</b>

### 2017 Board of Auditors report

58. The Board of Auditors issued 36 recommendations in the 2017 audit report (A/73/5/Add.3). Seven were classified as high priority while the remaining 29 were classified as medium priority.

59. As at 31 October 2021, only one out of the 36 recommendations from the 2017 report was still under implementation according to the Board of Auditors. UNICEF has implemented this recommendation by resolving the elements listed in the audit findings related to the travel process. UNICEF travel information is reported through different instruments: the travel dashboard, and the financial reporting line. Management considers this recommendation implemented based on the various enhancements and simplifications already executed and will further discuss with the Board of Auditors the underlying risks that may require further coverage for closure of this recommendation.

### 2016 Board of Auditors report

60. The Board of Auditors issued 36 recommendations in the 2016 audit report (A/72/5/Add.3). Eight recommendations were classified as high priority and 28 recommendations were classified as medium priority.

61. Of the 36 recommendations, only one remains in progress. This in-progress recommendation relates to the formulation of risk tolerance and risk appetite at appropriate operational levels. UNICEF has articulated a risk tolerance and risk appetite statement at the organizational level as part of the updated Enterprise Risk Management policy. The Senior Risk Management Committee is currently reviewing the document, which will be presented to the Board of Auditors for assessment and closure during the 2021 year-end audit.

## VII. Conclusion

62. UNICEF management welcomes the unqualified audit opinion on the 2020 financial statements from the Board of Auditors. For the management and staff working in UNICEF offices and divisions around the world, the challenges of the year tested their capacities to continue delivering as a team, even when their own personal circumstances were impacted by the global pandemic. UNICEF has demonstrated its capacity to adapt to new technologies and remote working modalities in support of its operations without disruption. UNICEF will continue to innovate, reimagine and become a more agile and efficient organization, which is responsive to the needs of children in this rapidly changing world.

## Annex I

### Summary of the recommendations issued in 2020, by priority and topic area

<i>Area</i>	<i>Main (high)</i>	<i>Other (medium)</i>	<i>Total</i>
Implementing partners	5	1	6
Voluntary contributions	3	-	3
Human resources management	-	3	3
Information and communications technology	-	3	3
Property and equipment	-	2	2
Budget management	-	2	2
Programme management	2	-	2
Procurement management	1	-	1
<b>Total</b>	<b>11</b>	<b>11</b>	<b>22</b>

## Annex II

### Summary of long-standing recommendations

<i>Recommendation</i>	<i>Status</i>
<p>1. <a href="#">A/72/5/Add.3, chap. II, para. 111.</a> (financial year 2016). The Board recommends that UNICEF ensure formulation of risk tolerance and risk appetite at appropriate operational levels.</p>	<p><b>In progress.</b> UNICEF has articulated a risk tolerance and risk appetite statement at the organizational level as part of the updated Enterprise Risk Management policy. The Senior Risk Management Committee is currently reviewing the document, which will be presented to the Board of Auditors for assessment and closure during the 2021 year-end audit.</p>
<p>2. <a href="#">A/73/5/Add.3, chap. II, para. 55</a> (financial year 2017). The Board recommends that UNICEF get a verification of compatibility and customization process of VISION, including the travel management functionality, done.</p>	<p><b>Closure requested/further evidence required.</b> UNICEF has implemented this recommendation by resolving the elements listed in the audit findings related to the travel process, and expects to meet with the Board to clarify the requirements for closure.</p> <p>In 2020, travel information was reported through different reports, the travel dashboard and the financial reporting line. Management considers this recommendation to be implemented based on the various enhancements and simplifications implemented.</p>
<p>3. <a href="#">A/74/5/Add.3, chap. II, para. 79</a> (financial year 2018). The Board recommends that the Middle East and North Africa Regional Office and the Latin America and the Caribbean Regional Office continue to close the gaps in the assurance activities related to the harmonized approach to cash transfers and ensure their timely implementation to achieve the minimum required targets in all the country offices. The Board also recommends that UNICEF review the status of assurance in other country and regional offices and, if required, take the measures necessary to fill the gaps.</p>	<p><b>Implemented/further evidence required.</b> The Board of Auditors considered that the analysis of the sample can also indicate a need for review of the systems in place in other parts of the organization, as similar issues were noted during the 2020 audit.</p> <p>UNICEF considers this recommendation implemented based on the strong progress achieved during 2019 and 2020, considering the impact of the coronavirus 2019 (COVID-19) pandemic.</p> <p>In 2019, the overall Middle East and North Africa Regional Office (MENARO) achieved 198 per cent of the programmatic assurance visits, with all offices reaching the harmonized approach to cash transfers (HACT) key performance indicator (KPI) target. The total achievement for financial assurance activities was 93 per cent, which was slightly below the minimum target of 95 per cent. This was partly due to the impact of natural disasters and the escalation of conflicts.</p> <p>In 2020, the region completed 403 per cent of the minimum required programmatic visits and 73 per cent of the minimum required spot checks. Ninety-three per cent of country offices in the region met their programmatic visits indicators and exceeded the minimum required targets, while 87 per cent of offices met their financial assurance KPIs.</p> <p>In 2019, the Latin America and Caribbean Regional Office (LACRO) continued investing and strengthening HACT quality assurance activities across country offices,</p>

<i>Recommendation</i>	<i>Status</i>
	<p>reaching 104 per cent in programmatic visits and 94 per cent in spot checks. For spot checks, 19 country offices met the minimum requirements, with only four involved in the humanitarian response not reaching targets. In comparison, in 2018, there were five country offices that lagged behind the targets.</p> <p>In 2020, LACRO continued providing guidance and support to country offices to meet assurance activities requirements, resulting in overall completion of 113 per cent of programmatic visits and 74 per cent of minimum spot checks.</p> <p>UNICEF reiterated that perfect closure of gaps is unrealistic as there are conditions outside of the control of the organization. For example, in 2020, performance was strongly impacted by the COVID-19 pandemic, resulting in the adjustment of the minimum requirements to 65 per cent. The offices in MENARO and LACRO continue to work towards closing the gaps in assurance activities particularly in the most vulnerable countries in both regions. UNICEF has requested the Board to close this recommendation in consideration of the progressive successes recorded since 2018.</p> <p>Management reiterates that the second part of this recommendation, as noted by UNICEF in 2018 and 2019, was not raised during the global audit visits, in the respective management letters, nor in the Board's draft report. Without a clear basis, UNICEF is not in a position to agree with the recommendation, nor to respond to it in a meaningful way, and has therefore requested its closure by the Board.</p>
<p>4. <b>A/74/5/Add.3, chap. II, para. 140</b> (financial year 2018). The Board recommended that UNICEF constructively engage with the National Committees to have a reserve policy that is aligned with the maintenance of benchmark requirements for reserve levels.</p>	<p><b>Implemented/closure requested.</b> UNICEF has implemented this recommendation and is awaiting assessment by the Board of Auditors. UNICEF engaged with all the National Committees for UNICEF that had reserve policies due for review. All National Committees with reserves now have a reserve policy that is aligned with the benchmark requirements. In addition, UNICEF guidance on the reserve policy was revised in 2017 (effective 2018); one of the changes introduced was the extension of the frequency of review from one year to four years, as one year was considered too short and impractical.</p>
<p>5. <b>A/74/5/Add.3, chap. II, para. 169</b> (financial year 2018). The Board recommended that UNICEF prescribe the maximum time allowed for delivery of the items for each emergency type, enforce it strictly and take corrective action towards reducing the lead times to ensure prompt supply response in emergencies.</p>	<p><b>Implemented/to be reviewed in the 2021 audit.</b> UNICEF has implemented this recommendation and the Board of Auditors has informed the UNICEF management that it will assess it during the 2021 audit of Supply Division in the first quarter of 2022.</p> <p>UNICEF has reviewed and elected to maintain the maximum delivery time commitments, as noted in Supply Division procedure 010 on the management of emergency</p>

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	<p>orders. The Supply Division developed a report and has integrated it into the system to monitor the timeliness of orders. By the end of first quarter of 2020, the timeliness of delivery of emergency orders increased to 85.9 per cent, up from 74.5 per cent at the end of 2019. The delivery of orders entails aspects that are beyond the control of UNICEF. While management strives to achieve the highest level of timeliness in delivery of emergency orders, it is important to highlight that, considering the challenging contexts in which UNICEF operates, in countries such as Nigeria, Somalia and Yemen, among others, this will remain an area requiring ongoing operational effort.</p> <p>UNICEF considers this recommendation to be implemented and looks forward to demonstrating further performance progress based on the maximum delivery time commitments elected and the Core Commitments for Children in Humanitarian Action.</p>
<p>6. <b>A/74/5/Add.3, chap. II, para. 204</b> (financial year 2018). The Board recommended that specific dates on which the final delivery of services was made be properly documented.</p>	<p><b>Implemented/further evidence requested.</b> UNICEF has implemented this recommendation and the Board of Auditors has requested further evidence in order to assess it for closure. UNICEF management expects to clarify with the Board the specific requirements for closure.</p> <p>LACRO has implemented monthly monitoring reports for all country offices in the region, to ensure good management of contracts, including tracking final delivery and closing of expired contracts. Examples of the report and monthly follow up with offices to adequately monitor their contracts, were shared with the audit team.</p>
<p>7. <b>A/74/5/Add.3, chap. II, para. 211</b> (financial year 2018). The Board recommended that investigation in the fraud case be completed in a timely manner and that necessary remedial action be taken.</p>	<p><b>Implemented/closure requested.</b> UNICEF has implemented this recommendation and is currently awaiting assessment by the Board of Auditors.</p> <p>UNICEF reiterated and shared evidence that the case had been handled in accordance with UNICEF policies and procedures relating to investigations. As a result of the investigation findings, and in accordance with the UNICEF anti-fraud strategy, UNICEF took the necessary remedial action to block the vendor for ethical reasons, and followed-up with the vendor and local authorities and confirmed that all works due from the vendor had been satisfactorily completed and delivered. To address the underlying root causes of this occurrence, the Office also established a detailed procedure that included an independent third-party verification.</p>