Update on the context and trends

Despite the challenges of the COVID-19 pandemic, the Division of Financial and Administrative Management (DFAM) persisted in its commitment to provide greater transparency and better manage risks across the entire organization. DFAM provided strategic leadership and guidance on UNICEF’s administrative management functions to over 399 field offices in 145 countries as well as administrative issues including those related to UN Reform, to help UNICEF streamline processes. Additionally, UNICEF is continuing to play an active role in all the regular interagency forums and working groups in support towards UN coherence in all financial and administrative areas. DFAM’s drive for results yielded major achievements and contributions despite the challenges associated with Covid-19 implications worldwide.

The UNICEF Executive Director continues to emphasize effectiveness, economy and efficiency as top priorities. The work of UNICEF staff around the world who are at the frontlines of implementing the governance, risk management and internal controls (including anti-fraud) mechanisms ensures that funds entrusted to UNICEF are managed with appropriate fiduciary accountability to achieve results for children. DFAM continued to contribute to the focus on results and demonstrable value for money in view of the children-related challenges that the UN Sustainable Development Goals bring and the ever-increasing accountability to donors.

As the steward of UNICEF financial resources averaging more than USD $6 billion annually entrusted to UNICEF to ensure they are used responsibly to yield a better life for every child, DFAM strives to empower colleagues and partners to achieve their goals and fulfill UNICEF’s mission as effectively and efficiently as possible.

For the eighth consecutive year, since the adoption of the International Public Sector Accounting Standards (IPSAS), UNICEF received an unqualified audit opinion on UNICEF Financial Statements for the year ended 31 December 2020 by the United Nations Board of Auditors. UNICEF’s Office of Internal Audit and Investigations annual audit opinion, for 2020, confirmed that the adequacy and effectiveness of UNICEF framework of governance, risk management and control were generally satisfactory.

DFAM continued to make steady progress in meeting its goals of protecting UNICEF financial assets through financial risk management, liquidity, and investment management by finding innovative ways of leveraging financial arrangements to achieve programme objectives including advice and support to pre-financings, advance market commitments, and cash-based transfers to beneficiaries. The Division continued to establish and maintain global banking infrastructure required to operate efficiently. Savings continued to be realized for core resources, interest revenue, protection of financial assets, and provision of liquidity within 5 business days.

Key results of DFAM included the expansion of the anti-fraud strategy implementation as well as online fraud awareness training, targeting Implementing Partners, in various languages. Automating the system of continuous monitoring of internal controls and exception reporting in key high risks areas was a key success along with the completion of preparatory process for the issuance of Statement on Internal Control. In 2020 DFAM accelerated its response to substantiated cases of fraud.

DFAM successfully coordinated the remote global external audit of UNICEF, including a dedicated external audit of VISION during the pandemic. The Division also effectively supported the execution of Joint Inspection Unit reviews and provided key support to management on in their engagement with
UNICEF’s Audit Advisory Committee.

DFAM facilitated a repositioning of operations accountabilities from traditionally transactional ones to more strategic accountabilities and to strengthening the internal control framework with the implementation of a sound and mature enterprise risk management framework. The mainstreaming of the operations strategy as well as the release of a revamped Enterprise Risk Management Policy and the roll out of the technology platform that supports risk management (monitoring and reporting) were key successes.

In terms of system-wide coherence, steps were taken by UNICEF regarding common premises not only contributing to amplify the importance and objectives of the common premises but also reinforcing the good public image and environmental sustainability that the United Nations is promoting. As Chair of the United Nations Sustainable Development Group (UNSDG) Task Team on Common Premises and Facility Services (TTCP+FS), DFAM represented UNICEF and was actively engaged in the activities of this inter-agency group. Furthermore, UNICEF took the lead to develop a template to measure and report efficiencies gains due to common premises. DFAM already developed a tool, the Environmental Footprint & Accessibility Assessment Tool, in this regard and has shared it with other UN agencies as a model. Moreover, UNICEF has already attained the Secretary General’s target of common premises, constituting at least 50% of all office premises while working with other agencies, funds and programmes to ensure the global target is reached. In terms of capital financing and environmental sustainability, UNICEF has established the revolving Capital Asset Fund and Greening and Accessibility Fund.

Internally, DFAM continues to work towards a more environmental sustainability (eco-sustainability) and inclusivity of all operations. UNICEF’s 2020 total carbon emissions were reduced by 46% noting Covid-19 as a major factor. Globally UNICEF achieved 49% accessibility level 1. To further complement the physical projects, DFAM launched periodic behavior change campaigns that sensitized and incentivized UNICEF colleagues to adopt eco-conscious behaviors to support the reduction and optimization of resource use in the office.

DFAM also partnered with internal and external stakeholders to work together in achieving its goals and priorities. One such example is the Dynamo Revolving Fund for Investment in Private Sector Fundraising. The Dynamo Revolving Fund was created to provide a targeted and sustainable investment mechanism for UNICEF country and regional offices to drive PSFR growth. The Dynamo Revolving Fund will be capitalized from various sources including the Special Purpose budget allotted to PFP and contributions from other public and private sector partners. The objectives of the Dynamo Revolving Fund are to provide additional and predictable sources of investment for growth in country office fundraising markets and leverage its potential for catalytic transformation in delivery of programme results under the Sustainable Development Goals. The UNICEF Comptroller will have fiduciary oversight of the Revolving Fund and ensure compliance with requirements as prescribed by the Financial Regulations and Rules (FRRs).

Major contributions and drivers of results

In this year-end report, the Division of Financial and Administrative Management (DFAM) would like to highlights its initiatives, major contributions and results achieved in 2020. DFAM’s contributions to the efficient financial resource and assets management of UNICEF are numerous. One of key achievements was receiving an unqualified audit opinion on the UNICEF Financial Statements in 2020 by the United Nations Board of Auditors. In addition, UNICEF’s Office of Internal Audit and Investigations issued an unqualified audit opinion for the year 2020. Below are some additional key achievements:

**Internal Controls:** The Office of the Comptroller (OoC) continued to reinforce and strengthen
internal controls and fraud risk management at all offices, through training and guidance, to enhance governance and accountability within UNICEF. The office published the Internal Control Reference Guide for Heads of offices & internal controls focal points; developed Internal Control Self-Assessment Questionnaire for offices including methodology for its completion; and planned various webinars to support and guide the offices in identifying control weaknesses and measures to remedy them. All Heads of Offices, effective 2021, are required to submit to the Comptroller, on annual basis, attestation regarding the status of internal controls in their offices. These efforts would enable UNICEF issue its first Statement on Internal Control, which is a public accountability document that describes the effectiveness of internal controls and considers any relevant events up to the date of certification of UNICEF’s 2020 financial statements. The Office of Internal Audit and Investigations annual audit opinion for 2020 confirmed that the adequacy and effectiveness of the UNICEF framework of governance, risk management and control were generally satisfactory.

**Treasury and Structured Finance:** UNICEF achieved another record performance in cash and investment management and contributed USD $137.1 million to regular resources despite volatile foreign exchange and low interest rate environment, of which USD $84.2 million was interest revenue earned on an average portfolio of USD $5 billion, and USD $52.9 million was foreign exchange gain due to effective FX management. Cost-effectively made liquidity available to country programs by funding offices within 5 business days with a 99% success rate. DFAM continued to purchase 95 currencies in 2020, supporting 107 country offices and 4 regional offices, generating USD $31.8 million in savings for program activities. DFAM continued to provide oversight on the management of After Service Health Insurance (ASHI) funds, which are externally managed. The funds had a market value of USD $611 million as at 31 December 2020 from the initial transferred amount of US$411 million. The average return since inception on ASHI funds at year end was about 10%.

As part of DFAM’s commitment on strengthening financial management and support to country offices, the Treasury and Structured Finance section continued to provide advice and technical expertise and oversight to direct cash transfer (DCT) programs 20 countries, including development of the Mobile Network Operators (MNO) strategy for free online education and cash transfers, the selection of banking counterparties and paying agents, reviews of banking agreements, terms of reference (TORs), bank guarantees and foreign exchange (FX) strategies. The section also provided guidance on the use of electronic signatures and how to receive funds (reduce check receipts) in light of the Covid-19 environment. As part of efficiency and simplification initiative, DFAM also completed the Prepaid Card polit project for small value purchases and stared preparations for global roll-out in 2021.

In the area of innovative and structured finance, DFAM worked with Supply Division in financing mechanisms/work streams to scale up Covid-19 related procurement, played a leading role in the development of the financial instrument with the World Bank and PFP, continued to support the operation of the Pilot Crypto Fund, provided guidance to PFP on digital fundraising, and approved new digital financial fundraising channels in cooperation with the Legal Office.

DFAM in collaboration with EMOPS, continued to provide timely and quality support to countries at the onset of emergencies. The two ERTs were physically deployed in DRC, Yemen and Burkina-Faso for a total of 25 weeks and provided remote assistance to both Yemen and Mozambique for 24 weeks due to travel restrictions imposed by Covid-19.

**Resource management:** DFAM provided strategic advice to the Office of the Executive Director on financial resource management. DFAM coordinated the Mid-term Review (MTR) of the UNICEF Integrated Budget 2018-2021 and facilitated the development of the MTR Executive Board document on the same. The exercise included leading the Global Technical Review Team (TRT) reviews and support to the Global Programme Budget Review (PBR). DFAM also provided timely and effective support to the Regional PBRs as well a number ad-hoc PBR submissions for Country Offices, Regional Offices and HQ Divisions. DFAM provided support to the accelerated response to Covid-19
through timely review and implementation of decisions and realignment of resources. In addition, the division developed, tested and supported roll-out of VISION changes to facilitate tagging of COVID budget allocations. In support of the organization’s continued approach to streamline and simplify processes, further delegation of authority for approval of position changes was implemented. Moreover, in collaboration with UNDP, UNFPA and UN Women, DFAM completed and presented a joint comprehensive proposal on the cost-recovery policy at the 2020 2nd regular session of the UNICEF Executive Board.

Hosted Funds: In 2020, the division continued to be a valuable and trusted funds custodian for the hosted funds, sustaining the transformation of UNICEF’s engagement and delivery of hosted fund services through efficient delivery of services, transparency, collaboration and innovative thinking. DFAM managed several hosted funds including- Education Can’t wait, End violence Against Children, and Sanitation and Water for All. In line with managing hosted funds, DFAM overall monitored the financial framework of the organization and provided UNICEF leadership with information necessary to ensure that resources were effectively and efficiently employed in achieving results for children.

Anti-fraud strategy implementation: In 2020, the anti-fraud awareness activities and training continued, new staff took the mandatory online course on fraud awareness as part of the onboarding process. During the year, the Office of the Comptroller collaborated with six UN agencies to develop a fraud awareness eLearning course. To reach a wider audience, the fraud awareness eLearning course for implementing partners was made available in five languages (English, French, Spanish, Arabic and Portuguese). The division plans to maintain the momentum in the following years to make it easier for our implementing partners to be fraud aware and appreciate that UNICEF has a “zero tolerance” for fraud policy. The Deputy Representatives – Operations and Operations Managers have been designated as risk and fraud focal points at field levels. All these efforts will facilitate fraud deterrence, prevention, and detection in UNICEF related projects.

Management of Oversight recommendations - Through the centralized Oversight function within the Office of the Comptroller, DFAM led UNICEF’s engagement with the UN Board of Auditors (UNBOA) and the Joint Inspection Unit (JIU) and worked closely with the Office of Internal Audit and Investigations. Coordinating and supporting key assurance activities and resulting recommendations from the aforementioned oversight bodies, the oversight function negotiated on, and analysed and reported on findings and resulting opportunities for enhancement of areas identified. The office monitored and followed up on implementation of UNBOA, OIAI, and JIU recommendations.

Implementation of UNBOA recommendations: Highlighting the implementation action undertaken by respective UNICEF offices, the centralized oversight function negotiated for closure of 39 UNBOA audit recommendations, noted as one of the higher counts among UN agencies for the period ended 31 December 2019. Long-standing recommendations aged 24+ months generate high interest among key stakeholders including the Executive Board, major donors, among others. In close conjunction with the incoming UNBOA audit team, DFAM has advanced review of recommendations for implementation and closure, as a result of which 25 recommendations have already been confirmed as closed.

Implementation of Long outstanding OIAI Recommendations: UNICEF has 9 OIAI recommendations open for more than 18 months. DFAM continues to work towards meeting the ambitious target of 3 recommendations. DFAM has been forging a closer working relationship with OIAI and successfully negotiated to obtain access to the global view of OIAI recommendations housed in TeamCentral. This access, once provisioned in the cloud version of TeamCentral (under implementation) will enhance follow-up, analysis and reporting on areas noted for organizational improvement and harness trends for proactive organizational action for areas with recurring findings.

Implementation of Joint Inspection Unit (JIU) recommendations: In 2020, the OoC supported 12 separate JIU reviews at various stages of the review process liaising with internal technical focal
points as well as senior management. A total of 93 JIU recommendations were monitored in 2020 of which 35 were implemented and 47 remain open. Of the 47 in progress, 14 are considered long outstanding recommendations (+24 months) and will continue to be aggressively monitored.

**Audit Advisory Committee:** OoC supported senior management’s interaction with the UNICEF Audit Advisory Committee by providing briefing notes and supporting meetings. In addition, DFAM was a key contributor to the finalization of the revised Charter signed March 2020.

**Business Continuity:** DFAM successfully represented UNICEF at interagency crisis management and business continuity strategic meetings during the pandemic, sharing information with UNICEF management for timely decision-making and taking of actions. DFAM also acted as the liaison with the UN Medical Services, obtaining and disseminating accurate medical guidance to support UNICEF personnel globally.

**Repositioning of the Operations function:** The Strategic Business Support Unit (SBS) was established to work on innovations for operations and internal control framework related to the repositioning of the operations function, the advancement of risk maturity in UNICEF, the enhancement of policy management and the linkage of risks and the regulatory framework, and to the development of a pragmatic definition of value for money for UNICEF. DFAM facilitated a repositioning of operations accountabilities from traditionally transactional ones to more strategic accountabilities and to strengthening the internal control framework with the implementation of a sound and mature enterprise risk management framework.

**Enterprise Risk Management:** DFAM rolled out a new Enterprise Risk Management policy which governs risk management in UNICEF. While UNICEF cannot eliminate all threats nor increase all opportunities, it endeavors to manage them to acceptable levels. If UNICEF fails to achieve the objectives set out in UNICEF’s Strategic Plan and the Country Programme Documents - ultimately, children bear the consequence. The system was launched and is supporting the UNICEF ERM strategy and maturity: top down (enterprise risks) and bottom risks (offices risks) which were assessed in 2019 and 2020 and informed risk-based decisions. The organizational policy management system supporting online development and digital authorization of UNICEF regulatory documents was also launched concurrent to the eGRC. All documents are now available in the new format and are linked to organizational risks. In order to strengthen operations capacity development and staffing planning, a web platform dedicated to operations is now available in Agora along with a strategy for Talent Planning and Placement for Operations staff.

**Continuous transaction monitoring** – DFAM strengthened its transaction level monitoring efforts by upgrading the manual process to high-bound robotics and created additional scripts on high-risk transactions. This solution complements the fraud awareness work in facilitating fraud deterrence, prevention and early detection and reducing the potential losses.

**Substantiated cases of fraud** – Relevant actions (blocked vendor, recovery of losses initiated, administrative sanctions) were taken on all substantiated fraud investigations in 2020. UNICEF remains committed and will take immediate and appropriate measures on implementing partners and others implicated in fraudulent activities by recovering substantiated losses, barring such partners from implementing further programmes and flagging them to other United Nations entities using the UN Partner Portal.

**Asset management:** The new mAsset application for managing and verifying assets was launched for year-end counts, 1 November 2020. The application is intended to eliminate paper from the count verification process, bring modern management tools to asset management with real-time integration with VISION through enhancing the efficiency of time spent on the annual count and accuracy of asset records as the application eliminates all manual activities related to asset verification. Due to pandemic, the mandatory adoption of the mAsset app for 2020 asset count was significantly curtailed to about 8,000 assets but wider application, where possible was encouraged. Over 42,000 assets and
attractive items were verified through the application far exceeding what was expected. The users found the application to be useful and user friendly based on feedback received and only a low number of users needed support during the roll-out. All offices are using mAsset application for daily management of assets. The new PSB workflow tool replaces the manual paper or email-based process, provides for better analysis of the write-off or disposal cases, better visibility for the requesting office and Division of Financial and Administrative Management (DFAM), accelerates the process of obtaining approval and documenting the implemented action and automates case creation for disposal.

**Donor reporting portal:** DFAM led a cross divisional effort (DFAM/PPD/PFP/ITCD) in the development of the donor reporting portal. This is a major step to ensuring that there is one stop shop, accessible to UNICEF employees and donors, for all documents related to a donor/Grants including donor agreements, narrative and financial reports as well as receipts and payment requests. This project, apart from fulfilling a long-standing audit recommendation, also fulfilled a critical need for better communication with UNICEF donors. The common repository is accessible to all stakeholders including National Committees and government donors and has increased transparency and efficiency. Moreover, the portal has improved donor report quality assurance by creating a more structured process for donor report approvals.

**Premises Management:** During 2020, the ratio of common premises improved from 49% in 2019 to 50% in 2020. All 44 UNICEF guesthouses are now accessible through the World Food Program (WFP) humanitarian hub which has contributed to efficiencies.

**Fleet Management:** UNICEF vehicle tracking systems (VTS) installation is ongoing, with USD 693,640 already disbursed for installation on 1,031 vehicles against a total number of 2,669 vehicles. Due to the COVID 19, only 979 out of the 1,031 vehicles were installed with VTS, a 37% implementation rate. The policy on fleet management has been updated resulting in clarification of management responsibilities of vehicles in UNICEF.

**Road safety:** The new Fleet Management Procedure and Road Safety Procedure were finalized and shared with all staff. The planned road safety training for all country offices in coordination with UNSSC could not be implemented due to Covid-19.

**Eco-efficiency & Accessibility:** Eight key eco-efficiency projects were implemented which included the replacement of heating systems and air conditioners, capacity expansion of solar PV systems, sensor and LED lighting systems, totaling USD$475,127.35. In comparison to 2019, UNICEF’s 2020 total carbon emissions were reduced by 46% also resulting in cost reduction, noting Covid-19 as a major factor. Moreover, fourteen (14) accessibility projects were implemented to support offices to achieve accessibility level one including: installation of ramps and door widening, bathroom accessibility and evacuation chairs, totaling USD$124,487. Globally UNICEF achieved 49% accessibility level 1 at HQ, Regional, and Country offices. As part of an initiative to extract lessons learned during COVID 19 and to strengthen synergies between the 2020 global shutdown and greening/eco-efficiency, the ISO team developed the “Eco-office Challenge,” an innovative exercise to engage with the field.

**Travel:** The Travel Management Working Group was established to review key organizational business procedures. The group’s recommendations included a re-designed travel simplification process offering a self-service model for staff to manage mission travel, streamlining the current policy, and centralizing the administration of international travel at GSSC. This new initiative was approved will be implemented during 2021 – 2022.

**Capital Master Plan:** As part of the Capital Master Plan (CMP) for UNICEF House, the Facilities Management team completed three major capital projects within a total budget of over USD $10 million. Facilities Management successfully completed the construction of 13 ADA restrooms within the 3-UN building, thus accomplishing one of the goals of the CMP, ensuring that the building is fully ADA compliant. The full rehabilitation of all core restrooms in the building is now 80% completed.
Archives: In Jan 2020, the UNICEF Archives was established to oversee the preservation of all UNICEF historical and archival heritage regarding its global work for the welfare of children. The unit successfully identified an offsite storage service provider, through an LTA for the safe storage of records in New York, to be used by any division. With this, a total of 4,280 archival boxes that were previously kept in the Secaucus warehouse were moved to the new offsite storage facility.

Lessons Learned and Innovations

Despite the unprecedented challenges faced worldwide with the onset of the pandemic, UNICEF adapted and continued to deliver results for children. As a result of DFAM’s well established business continuity plan, there was almost no disruption to the workplan of the division utilizing the latest technologies and innovative approaches to ensure continuity and productivity.

The division also leveraged its use of technology to enhance transaction level monitoring (TLM) in high-risk areas. By automating TLM the division eliminated manual processes and ensured that exceptions reports were available for review on monthly basis strengthening risk monitoring.

The inter-agency collaboration in developing and launching the fraud awareness eLearning for implementing partners revealed the positive impact of working with other UN agencies in combating fraud. More so, the eLearning course being available in different languages will help reach a wider audience of partners. The division is also working toward making the course available in Agora, UNICEF’s learning portal, and in more languages, making it easier for all partners and staff to access.

Risk management is maturing at a reasonable pace within the organization. Culture change is important at all levels ensuring that risk is embedded in daily operations. Staff at all levels need to be cognizant of UNICEF’s risk appetite. UNICEF is far from aversion to the risk discipline per se and to risk in general. The continuing requests from donors and auditors is contributing to the mainstreaming of risk management in UNICEF culture. Moreover, the tone from the top and the coordination with senior management to revive the Senior Management Risk Committee are key to the sustainability of the risk maturity process in UNICEF.

With a strong understanding of the organizational impact of internal and external long outstanding recommendations and the related interest among key internal and external stakeholders, strengthening mechanisms for monitoring status of recommendations continues to be a priority. Leveraging the latest technologies operationalizing the replacement system for tracking of United Nations Board of Auditor audit recommendations in 2021 will be further strengthen monitoring and reduce manual processes streamlining the follow-up process. While the nature of various long-standing internal and external recommendations requires organizational action, behavioural and cultural shifts or system development and implementation requiring a longer implementation period, enhanced tracking will strengthen and advance monitoring activity and earlier engagement of senior management as applicable for earliest implementation to address UNICEF’s opportunities for enhancement and consequently the delivery of results for children.

In rolling out the new suite of assessment management tools, engagement, and proactive collaboration with field offices both as active members of the core working group but also through a field reference group was a lesson learned. The reference group was highly active in the project and grew from initial 20 members to over 400 colleagues by the time of the launch of the new tool kit. Requiring training prior to the adoption of the tool and monitoring both completion of the training and adoption of the application led to a smooth roll out. To supplement, the division provided detailed supporting documents along with FAQs and guidelines which proved to be essential. All these elements and the enthusiasm of our reference group were critical to enable DFAM to do a global launch of the tool in the middle of a pandemic.
The Covid-19 pandemic presented a number of constraints but also provided opportunities to learn and innovate on how we do business. It was clear that business as usual was not an option as the environment created new threats such as cyber-attacks and staff exposure to the virus. DFAM, with the help of ICTD, provided guidance and implemented the use of electronic signatures even for instructions to banks as staff worked remotely. Guidance was also given to minimize or eliminate receipt of funds using checks. Where the use of checks was unavoidable, use of ATM cards at NYHQ was implemented to avoid staff physical presence thereby lessening staff exposure to the virus.

Provision of liquidity in sanctioned countries continued to be a challenge and made worse with the pandemic due to closure of some banking channels as a direct result of lockdowns. The division found other ways of providing liquidity by working closely with other UN agencies and international organizations.

With the institution of travel restrictions and country-wide lockdowns across international borders in the first quarter of 2020, the New York Travel Team worked diligently to support stranded UNICEF travelers across the globe to return safely to their duty stations. The team also worked diligently to obtain refunds and unused ticket credits saving the organization financial resources.

The pandemic impacted the planned launch of the ban on single-use plastics in UNICEF premises. As part of an initiative to extract lessons learned during Covid-19 and strengthen synergies between the 2020 global shutdown and greening/eco-efficiency, ten UNICEF offices from different regions participated in a 6-week Eco-Office Challenge and implemented measures to work "eco-efficiently" with minimized use of water and energy resources, and zero paper usage. This evidence-based exercise demonstrated that at zero to minimal costs, offices can use existing tools and solutions to change behavior and continue delivering results using fewer natural resources and reducing the environmental impact of UNICEF’s operations.

Due to the impact of Covid-19 safety of staff was a priority. As the implementation of accessibility projects, mostly linked to construction, was impacted because of the closure of offices in headquarters, the team managed to overcome this obstacle by shifting priorities including installation of extended high glass stackers and acrylics sneeze guard in cubicles, reconfiguring offices to allow for the prescribed distance measures and acquisition and installation of evacuation chairs.

Despite the pandemic, the Division was able to sustain momentum in the 2020 for planned initiatives and where needed, shifted, reprioritized and reimagined its operations. Having well connected systems and more staff being able to perform critical functions remotely ensured business continuity during the global pandemic. One of the key lessons learned from 2020 was that agile, adaptive, and forward-thinking staff were key to the success of our division.