Update on the context and trends

In the 2018-2021 Strategic Plan period, the Division of Financial and Administrative Management (DFAM) strengthened UNICEF Operations function, financial management practices, risk management, internal control, the exercise of economy, organizational resilience, and contributed to the Quadrennial Comprehensive Policy Review (QCPR) resolution on climate change. Globally, DFAM play strategic role to ensure that funds entrusted to UNICEF are managed with appropriate fiduciary accountability, to achieve results for children through implementing governance, risk management and internal controls (including anti-fraud) mechanisms. Despite the challenges of the impact of the coronavirus disease 2019 (COVID-19) pandemic in the last two years of the Strategic Plan, DFAM held its commitment to provide greater transparency and better support for the management of risks across the entire organization. The Division provided strategic leadership and guidance on UNICEF administrative management functions to over 420 office locations, at the time that teams also worked to streamline processes and provide valuable contributions to the United Nations Reform. UNICEF participated in all the regular interagency forums and working groups in support of United Nations coherence in financial and administrative areas, and the efforts of DFAM contributed greatly to UNICEF achieving 53.44% of common premises in 2021, compared to the United Nations Status of 23%.

The Division advanced the UNICEF Enterprise Risk Management (ERM) Strategy roadmap to transform UNICEF into a mature risk management organization with the establishment of an ERM Framework which harmonizes risk management across offices and divisions, and includes policy for risk analysis, reporting, escalation, and exceptions, in addition to one single platform (eGRC) to capture risks and policies.

As the steward of UNICEF financial resources, and with 2021 seeing a record revenue of over USD $8 billion, DFAM is entrusted to ensure the best use of UNICEF resources to yield a better life for every child. DFAM will continue working to enhance competencies of operations staff to gain and retain the core knowledge, skills, and abilities needed for managing risks coherently, driving efficiencies and providing appropriate resource management to deliver the best possible results for children. As UNICEF continues to operate in challenging contexts within humanitarian emergencies, DFAM gained efficiencies through digital financial transformation and banking management in support to UNICEF offices, innovative finance, and cash transfers. DFAM expects to continue shifting focus from transactional support towards a more strategic business partner that brings solutions to operational challenges at UNICEF and the United Nations system.

The UNICEF Office of Internal Audit and Investigations (OIAI) annual audit opinion throughout the Strategic Plan duration confirmed that the adequacy and effectiveness of UNICEF framework of governance, risk management and control were generally satisfactory. Funding partners and stakeholders rely on the integrity and trust in UNICEF internal controls when providing resources to the organization. In 2021, UNICEF issued its first Statement of Internal Controls (a key accountability document for the organization), which resulted from an elaborate preparatory process, led by the Office of the Comptroller, to provide offices with the framework and guidance to conduct self-assessment and attest to the status of internal control in their offices.

For the nineth consecutive year, following the adoption of the International Public Sector Accounting Standards (IPSAS), UNICEF received an unqualified audit opinion on its Financial Statements for the year ended 31 December 2020 by the United Nations Board of Auditors (UNBOA). The Division has
strengthened its guidance and support to offices including the development and execution of a strategic plan to ensure prompt implementation of recommendations from oversight bodies. These efforts, in 2021, resulted to a record achievement of 75 per cent of the external audit outstanding recommendations implemented and a significant reduction in the number of long open OIAI agreed actions to only two in 2021, as well as a significant implementation rate of 86 per cent of the outstanding Joint Inspection Unit recommendations (42 implemented in 2021, with only seven still open).

The Division is leading a great effort to continue to guide offices to build organizational pillars with a financial management focus and in understanding, communicating, and supporting decision making in the face of emerging complex operations, while utilizing innovative financial arrangements for the delivery of UNICEF mandate.

**Major contributions and drivers of results**

For the 2018-2021 Strategic Plan period, the Division contributed significantly to further strengthening the UNICEF Operations function, financial management practices, risk management, internal control, organizational resilience, and response to the quadrennial comprehensive policy review resolution on climate change. Some specific achievements during the period are outlined below.

**Financial Management**

Over the Strategic Plan period, UNICEF managed, on average, an annual portfolio of US $7 billion. In 2021 alone, UNICEF managed a record total revenue of US $8.6 billion and a total expense of US $7.14 billion and additional disbursements of US $4.2 billion related to procurement services activities in response to the COVID-19 pandemic. The 2021 financial year underscored the important role of DFAM in facilitating fiduciary duties and ensuring that funds entrusted to UNICEF by donors and partners were appropriately managed.

For four consecutive years of the Strategic Plan period, UNICEF received unqualified audit opinion from the United Nations Board of Auditors on its annual financial statements and also the Office of Internal Audit and Investigations assessed the adequacy and effectiveness of the UNICEF framework of governance, risk management and control as generally satisfactory for those years.

DFAM led UNICEF engagement with the UNBOA, the Joint Inspection Unit (JIU) and worked closely with OIAI. Milestones for these three key oversight strategic plan indicators (UNBOA, JIU and OIAI) were fully achieved. The Division had a successful year in 2021, commended by the UNBOA, UNICEF Executive Board and Audit Advisory Committee for implementing 75 per cent of the external audit outstanding recommendations and significantly reducing the long outstanding internal audit recommendations from 9 in 2020 to 2 in 2021, and long outstanding JIU recommendations from 14 in 2020 to 3 in 2021.

DFAM continues working to simplify and update guidance and procedures to better support offices, while enhancing the use of data to facilitate monitoring and oversight at offices and headquarters.

In 2018, the successful transition of the processing of contributions transaction from DFAM to GSSC took place in collaboration with PPD and with completion in 2019. The support included documenting existing processes and capacity building in GSSC.
In 2021, the Financial Grants Management conducted a comprehensive review of the Financial Grants Management procedure of other resources (OR) grants with the participation of all key stakeholders of private and public sectors. This important effort to engage all concerned parties yielded a procedure that will serve as the single point of reference for the management of grants for OR. In the same vein, an accelerated financial closure process was also established and over 700 grants were identified and closed early, which resulted in very positive feedback from country offices on the possibilities to provide donors with their statements earlier than scheduled. New guidelines were developed on the technical closure of grants along with two additional report formats available under the donor statement which support preparation of donor non-standard reporting.

**Investment Management**
During the Strategic Plan period DFAM achieved its targets on investment management. In 2021, it exceeded the US $60 million target and contributed US $68.2 million to regular resources despite the volatility in foreign exchange and low interest rate environment. Of the US $68.2 million US $45.7 million was interest revenue earned on an average portfolio of US$6 billion by Treasury operations, and US $22.5 million, foreign exchange gain due to effective FX management on a throughput of US $3 billion. The Division cost-effectively made liquidity available world-wide by funding offices within 5 business days in 99% of cases. DFAM purchased 95 currencies in 2021 with a throughput of US$ 1.6 billion, supporting 107 country and 4 regional offices, and generating US $24.0 million in savings for program activities.

DFAM successfully transferred the management of After Service Health Insurance funds to two external managers to increase rate of returns and preserve value starting in 2016. Additional $22.0 million was transferred during 2021. The funds had a market value of US $683.2 million as of 31 December 2021 from the total transferred amount of US $ 433.4 million. The average investment return since inception on ASHI funds at year end was about 10%, which is above the expected long-term target range of 5% to 6%.

**Innovative Finance**
DFAM assisted offices with finding innovative ways of leveraging financial arrangements to achieve programme objectives in a climate of financial austerity by providing technical advice and implementation support with respect to structured financing, pre-financing, advance market commitments and cash-based assistance to program delivery.

In collaboration with PPD, DFAM introduced the Funding Pipeline Initiative, a tool developed to provide better cash forecasting and visibility on funding and contributions pre-grant phase. While ensuring compliance with IPSAS, DFAM continued to review and support processes for new contractual arrangements, and innovative and alternative finance initiatives focusing on risk-based efficient solutions and processes.

The Comptroller maintained fiduciary oversight on the revolving Dynamo Revolving Fund, approved by the UNICEF Executive Board to provide a targeted and sustainable investment mechanism for UNICEF country and regional offices to drive private sector fundraising growth. The UNICEF Executive Board authorized the Executive Director, with the advice of the Comptroller, to execute the World Bank Bond in partnership with the World Bank to raise additional financing for investment in private sector fundraising, as a pilot project limited to an amount of $50 million.

DFAM guided the establishment of the Working Capital Fund that has been funded by allocating a portion of investment revenue as an internal financing mechanism. The UNICEF Executive Board approved the advancement of these funds to UNICEF offices and divisions to ensure the continued financing of projects within risk management parameters and on condition that funds will be repaid timely. Moreover, DFAM leveraged technology to accelerate Digital Finance Transformation to
benefit Operations, Programme, and Fundraising.

The Division also supported the continuing operation of the pilot Cryptocurrency Fund with the Innovation Team. Since 2020, UNICEF has been able to receive, hold, and disburse donations of cryptocurrencies (ether and bitcoin), through this fund and is the first in the United Nations system to use them to fund open-source technology, benefiting children and young people around the world.

**Digital Finance Transformation**

DFAM rolled-out the Prepaid Card project for small value purchases as part of its efficiency and simplification initiative with 102 country offices onboarded by the end of 2021. This project led by DFAM with other offices, was a pilot, offering a decentralized automated solution to pay for low value purchases by UNICEF offices, with seamless integration between SAP and the card provider’s technology platform. The solution is expected to mitigate risk of fraud and diversion, increase efficiency of payments and reconciliations, enhance transparency, and save significant staff time in processes for low value transactions and associated payment reconciliation.

DFAM collaborated with EMOPS and Programme Group, in the development of a cash transfer data Management Information System to be connected to VISION for increased payment traceability, and through inter-agency cooperation with WFP and UNHCR to be rolled out to several pilot offices of the United Nations Common Cash System. DFAM provided site field support to new programs and adapted the financial standard operating procedures for cash transfers in line with digital financial transformation. In partnership with EMOPS, the Division also provided emergency support for operations to countries at the onset of emergencies, deploying staff physically and remotely to deliver cash transfers to marginalized, poor, and excluded children and caregivers.

Financial management was also strengthened in 2020 with the roll-out of new asset management tools, including mAsset iPhone application, the Asset Tracking Fiori application, for management of assets; and the Property Survey Board Workflow tool for asset disposal process in Service Gateway. The mAsset app has been a vital component in the tracking of assets owned or loaned to UNICEF and provides a user-friendly and paper free means for offices to handle daily asset management and annual count as the application eliminates manual activities related to asset verification. In 2021, further simplifications and efficiencies were introduced through rolling out the workflow tool to cover property survey board activities related to inventory. In addition, DFAM introduced shorter monthly and year-end closures, trialed in 2019 and implemented in 2020 which enabled quicker release of financial information to IATI monthly and to Executive Director and Executive Board on an annual basis.

DFAM played a key role in the development of the Donor Reporting Portal that contains all donor related documentation, Certified and Uncertified Financial Statements, Programme Donor Reports and Donor Agreements. Staff across the organization can now monitor reporting requirements, upload reports and financial statements, review and approve documents, and use the portal to find relevant information for other matters related to donor relations. In 2021, the Donor Reporting Portal operated for a first full year, which made available all certified statements issued in 2021 in the Portal and accessible to all UNICEF staff and relevant donors and partners increasing transparency and accessibility to information.

**Hosted Funds**

Since 2016, DFAM Funds Support Office has managed a combined donor commitment portfolio of over US $1 billion with US $700 million in cash received and over US $450 million in disbursements. In 2021, DFAM took the strategic lead in providing administrative and operational support to approximately 90 hosted secretariat staff and consultants; processed over US $140 million in donor contributions; and disbursed approximately US $120 million to over 70 grantee organizations. Trustee fees collected since 2016 amount to US $7 million with a total of US $1.4 million collected in 2021.
In 2021, DFAM spearheaded the development of standard operating procedures for hosted arrangements which included an updated costing methodology for hosted secretariats.

**Results Based Budgeting**
DFAM led the preparation of the UNICEF Integrated Budget for the quadrennium 2022-2025, which was approved by the UNICEF Executive Board during the 2021 second session. This was an extraordinarily challenging exercise which included the preparation of resource frameworks and supporting the Global Programme Budget Review and the Executive Director in prioritizing the use of scarce financial resources. At the request of the DED-Management, DFAM also coordinated the launch of the Headquarters Efficiency Initiative, which seeks to identify cost savings that can be repurposed to fund corporate priorities that would otherwise remain unfunded.

The Division prepared quarterly assessments of UNICEF financial health and provided periodic financial analysis and recommendations to the Office of the Executive Director and the Global Management Team for planning and decision-making purposes. DFAM also introduced several new features in the ZPS-PLAN budget functionality to facilitate reporting on COVID-19 expenditures and allocation which was used for global reporting reducing the burden of reporting of individual offices.

**Eco-efficiency and inclusivity**
Despite the impact of COVID-19, DFAM advanced its efforts to respond to the QCPR resolution on climate change through implementation of eco-efficiency projects aimed to reduce carbon emissions and promote efficient use of resources. The DFAM Inclusion and Sustainability Operations team implemented 16 eco-efficiency and accessibility projects, which includes the EDGE certification for a new construction project and the development of Long-Term Arrangement for photovoltaic cells (PV) leasing which provided opportunities for all UNICEF Offices to use solar energy reducing energy costs and carbon emissions. Efforts also included communication campaigns, such as the Agenda for Action Workshop, A Greener UNICEF Make it Happened and Pledge to Act Sustainably to promote good practice in line with UNICEF Procedures. In this regard, offices undertook accessibility, energy, water, and diesel fuel assessments, which led to development and implementation of eco-sustainable projects that yielded saving of over USD $4.6 million for the Strategic Plan period to date.

Lessons learned from the manual reporting of data in the web-based Environmental Footprint & Accessibility Assessment Tool (EFAAT) led to the introduction of the Smart Energy Metering which enabled the transfer of energy data from electrical counter directly to EFFAT, eliminating manual transfer of data and improving quality of reporting. Over the period, the percentage of offices meeting minimum standards of accessibility increased to 52% in line with the DFAM procedure, including major improvements in the New York Headquarters.

**Facilities and Fleet Management**
The phased implementation of the Capital Master Plan for UNICEF House continued with overall progress of implementation at 25%. In response to the pandemic, all Headquarters office layouts were reorganized to ensure CDC recommended physical distancing and further enhancements made with the installation of glass screens between workstations. DFAM played a leading role in the implementation of the 'Return to Office Plan' and facilitated the phased return of staff to work in the office on a hybrid modality. In response to the needs of staff in 2020, DFAM carried out studies on cost-benefit implications of a satellite office concept and conducted staff survey, in collaboration with the NYHQ Staff Association. Following a positive feedback, an initial pilot phase of the satellite offices initiative was rolled out in three locations and latter extended and implemented in two additional locations.

During the period between 2018 and 2021, UNICEF staff security and efficiency were also improved through the deployment of standard solution for global Vehicle Tracking System (VTS) with a total implementation rate of 49%, which, along with other fuel-saving measures established by offices, resulted in fuel cost saving as well. Greater saving is expected in the future with projected additional
installation of VTS and other fuel saving measures due to close monitoring of movements of vehicles.

**Risk management**

During the 2018-2021 period, DFAM established a roadmap to advance risk maturity in UNICEF. It reinforced the Enterprise Risk Management (ERM) Framework and revised the ERM policy to align with the ERM strategy. The updated policy was successfully rolled-out to all offices in 2020 in conjunction with the Enterprise Governance Risk and Compliance system (eGRC), which is now the single source platform, to capture risks, controls and policies and support risk management in UNICEF.

Throughout 2021, UNICEF took further steps to enhance risk management, supporting offices in risk assessments process and reporting, training, harmonization of risk libraries across regional and country offices, and on-going fraud risk awareness and training in different languages. Furthermore, in 2021, the UNICEF Procedures on Regulatory Framework, and Exception Requests to Regulatory Framework Documents were issued. An annual ERM Report to help senior management take decisions related to ERM strategy has also been developed including the development of a draft Risk Appetite Statement for UNICEF.

In 2021 the UNICEF Senior Management Risk Committee (SMRC) was established and operationalized. The SMRC is responsible for oversight of the effectiveness of the Enterprise Risk Management Framework. The committee brings together a cross-disciplinary group of senior leaders in the organization to take an enterprise view of risks, pursue strategies to avoid risk-aversion, promote risk culture and sound risk management practices across the UNICEF. The committee also plays a key role in monitoring the overall effectiveness of the risk response plans, to synthesize, clarify risk information and highlight to the UNICEF Executive Board the most critical risk facing the organization.

**Internal controls**

During the period 2018-2021, UNICEF strengthened its internal control and anti-fraud mechanisms with the roll-out of an enhanced anti-fraud strategy, consolidating fraud related regulatory documents into a single reference point. This effort included detailed tools, processes, and established practices for the prevention, detection and response to fraud, corruption, waste, and abuse. It was accompanied by instructor led trainings and mandatory online courses, in various languages, for all personnel. The online training for implementing partners was also developed in collaboration with other United Nations agencies in several languages. In 2021, DFAM continued the overall roll-out of streamlined fraud risk categories to help offices identify fraud risks as part of their Annual Risk Assessment Exercise. DFAM also introduced the use of Transaction Level Monitoring to identify high risk transactions in VISION and put in place an on-going monitoring of controls.

Additionally, in 2021 to strengthen financial management and efficiency of operations globally, DFAM launched the revised release strategy to update spending limits for offices to adapt to contextual and operational changes and empower them as part of the UNICEF decentralization model.

**System-wide Coherence**

For the past four years, DFAM chaired the inter-agency Task Team on Common Premises which has played a critical role in the United Nations Reform initiative. UNICEF surpassed the Secretary General’s 50% target for 2021 with 53.44% of common premises.

In addition, UNICEF is leading two working groups - the United Nations Task Force on Accounting Standards (UNTFAS) working on revenue recognition and the Finance and Budget Network (FBN) working on harmonized cost clarifications.
Lessons Learned and Innovations

As DFAM reflects on the lessons learned and contributions to the Strategic Plan 2018-2021, it notes achievements in the strengthening of the UNICEF Operations function, financial management practices, risk management, internal control, organizational resilience, and response to the QCPR resolution on climate change.

During the 2018-2021 Strategic Plan, UNICEF operations were impacted by the COVID-19 pandemic. This coupled with global emerging risks such as climate change, political instability and mental health in the workplace which have urged UNICEF to adapt its operations and strategy to a changing economic landscape. DFAM aims to position itself as a strategic partner to effectively support operations in the context of increased complexity and those requiring innovative approaches to problem solving. In this regard, DFAM has led the UNICEF Reimagined Business Models initiative aimed at promoting better complementarities between Headquarters, regional offices, country offices and sub-offices to increase efficiencies and ensure resources are used to support achievements of results and by building mindsets, behaviors and a culture of agility, innovation, and creativity. In the years ahead, DFAM will continue reinforcing UNICEF internal controls to grow as a resilient organization with solid systematic application of risk management for the identification, assessment, escalation, and mitigation of major risks as defined in the Enterprise Risk Management framework.

The UNICEF response to COVID-19 helped reflect on the need to build a resilient organization strengthened with sound business continuity systems. The DFAM Business Continuity Unit has been rethought as the Continuity & Resilience Unit to expand its function to include organizational resilience, support to UNICEF preparedness, cooperation and coordination efforts in case of disruptive events. The dedicated Continuity and Resilience function will have appropriate representation at the United Nations Secretariat level to ensure engagement in discussions on strategic issues in this critical area. The Unit will build upon the work already completed to provide business continuity guidance and technical support to all offices. Practices will be reviewed for relevance, gaps closed, where applicable to ensure proper adaptation to meet the United Nations standards for organizational resilience.

DFAM is committed to responding to the increased demands for technical assistance from offices in the face of challenges resulting from their operational environment in emergencies. Taking lessons learned from increased donor requirements for timelier implementation of activities, DFAM has strengthened the operations function and is working across the organization to develop new, innovative financing structures intended to advance UNICEF programmes. DFAM is also actively supporting offices with the review of innovative financing arrangements and the setting up of budget and accounting systems for appropriate recording and reporting, in compliance with the regulatory framework.

Taking lessons from the past four years, one of the areas DFAM will focus on is decentralized decision-making through the repositioned Operations functions, to allow for effective oversight. To achieve this, DFAM will invest in training the Operations functions on review and identification of compliance issues, monitoring of implementing partners, fiduciary responsibility around resource management in country offices, prioritization of financial resources to meet the most urgent humanitarian needs, and financial accountability and risk management in emergency programmes.

DFAM has strengthened the Internal Control, Compliance and Oversight function as well as the Risk Management function, ensuring organizational risks are mitigated and opportunities for children are enhanced. With the launching of the anti-fraud strategy, and an effort to promote accountability, a culture of fraud prevention and detection, coupled with introduction of transactional level monitoring
and the control self-assurance activities, DFAM was able to issue the first Statement of Internal Controls and will continue to do so annually. At term end, DFAM was able to coordinate and support prompt implementations of most of the long outstanding recommendations from the internal and external oversight bodies. Taking all these successful efforts into 2022, DFAM will also focus on risk reporting, continual improvement of policy, procedures and risk management efforts that contribute towards a robust and responsive organization.

DFAM also played a critical role in coordinating the implementation of eco-sustainable and inclusive strategies, through climate-smart solutions and renewable energy aiming at reducing UNICEF carbon footprint considering that environmental responsibility has been at the forefront of operations at UNICEF. Building on lessons learned, DFAM conceived and engaged into Long-Terms Arrangement for solar PV leasing which provided opportunities for all UNICEF Offices to use solar energy reducing energy costs and carbon emissions. DFAM innovated and introduced the Smart Energy Metering to enable the transfer of energy data from electrical counter directly to EFFAT, eliminating manual transfer of data and improving quality of reporting.

As part of the difficulties of working in a COVID-19 impacted world significant challenges with regards to staff working modalities emerged. DFAM played an integral role in implementation of satellite offices in New Jersey and New York at the height of the pandemic. Similarly, DFAM will contribute towards an environmentally and socially responsible organization where staff, visitors, beneficiaries, partners, information, and physical assets are safe and secure.

The UNICEF offices will be further designed to improve operating efficiency, eco-sustainability, and security in response to COVID and other threats, and in support of the Green Fund. Improvements to NYHQ office will be in preparation for the transfer of the UNICEF House ownership to UNICEF in 2026. Eco-efficient projects including installation of vehicle management systems to reduce fuel consumption and promote green power for energy will continue to be key.

DFAM also worked in the simplification and revamping of travel processes which positively impacted many divisions in terms of costs and time savings. In the coming year, DFAM will implement a self-service model for staff to manage their own mission travel and streamlining the current policy which will yield significant overall savings.