United Nations Children’s Fund
Executive Board
First regular session 2020
11–13 February 2020
Item 12 of the provisional agenda*

UNICEF management response to the report of the Board of Auditors

Summary

Pursuant to paragraph 7 of decision 2018/3 of the UNICEF Executive Board, the present report provides a management response to the report of the Board of Auditors (A/74/5/Add.3). The report also takes into consideration the comments of the Advisory Committee on Administrative and Budgetary Questions (see document A/74/528 and Corr.1) and the Fifth Committee in their respective reviews of the report of the Board of Auditors and the note by the 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 2018 (A/74/202).

* E/ICEF/2020/1.
I. Overview

1. The present report provides a separate management response to the key findings and recommendations of the report of the Board of Auditors for the year ended 31 December 2018 (A/74/5/Add.3). The response includes comments by UNICEF management on the recommendations of the Board of Auditors and updates on progress made in the implementation of those recommendations. The management response should be read in conjunction with the report of the Secretary-General on the implementation of the recommendations of the Board of Auditors contained in its reports for the year ended 31 December 2018 on the United Nations funds and programmes (A/74/323/Add.1).

2. In July 2019, the Board of Auditors issued its report for UNICEF on the organization’s financial statements for the year ended 31 December 2018 (A/74/5/Add.3) and awarded the organization an unqualified audit opinion. This demonstrates the commitment of UNICEF to comply with the International Public Sector Accounting Standards (IPSAS) and provide transparent and comparable information on the management of the financial resources with which it is entrusted. Led by the Executive Director with the support of the Deputy Executive Director, Management, the Comptroller and heads of offices, UNICEF has vigorously promoted a culture anchored in the core values of care, respect, integrity, trust and accountability to enhance the everyday work of staff on the organization’s front lines. In every office and division of UNICEF, devoted staff are assuming their responsibilities for governance, risk management, internal control and anti-fraud practices to protect the funds entrusted to the organization.

3. In the table entitled “Recommendations implemented in 2017 and 2018” (p. 4) in its report on the financial reports and audited financial statements, and reports of the Board of Auditors for the period ended 31 December 2018 (A/74/528), the Advisory Committee on Administrative and Budgetary Questions noted that the implementation rates for recommendations had improved significantly for UNICEF (from 36 per cent in 2017 to 51 per cent in 2018). A summary table of the progress made is presented in annex I of the present report.

4. The Board of Auditors recognized the steps taken by UNICEF to strengthen the financial and managerial control of operations and issued the recommendations presented in the present report. The Board of Auditors issued 48 recommendations, of which 12 were classified as main recommendations (high priority) and 36 were classified as other recommendations (medium priority). Of the 48 recommendations, 6 were reiterations of recommendations made in previous years. UNICEF is committed to the implementation of all the recommendations, prioritizing the main ones.

5. UNICEF carefully considers the observations and recommendations of the Board of Auditors and the insights and recommendations included in its report. The recommendations include associated timelines for implementation. Led by the Office of the Comptroller, UNICEF offices and divisions have made efforts to establish the most realistic target dates to complete the required actions. The organization is committed to implementing most of the recommendations by the end of the second quarter of 2020. The organization looks forward to the assessment of the management actions and the closure of these recommendations by the Board of Auditors during their audit of the 2019 financial statements.

6. UNICEF is committed to innovation and the use of technology to improve its oversight, monitoring, risk-management and internal control activities and thus equipping management and strengthening operations with the best resources.
available. This is reflected in the observations and recommendations of the Board of Auditors included in the present management response.

II. Management response to audit recommendations by risk and priority area

7. UNICEF has continued to push for greater operational excellence, efficiency and effectiveness, with an emphasis on simplifying processes, while ensuring that adequate internal controls, risk management and fiduciary responsibilities are fulfilled.

8. The following is a summary of the management response to the audit recommendations issued by the Board of Auditors. The management response is consistent with the information provided in the report of the Secretary-General on the implementation of the recommendations of the Board of Auditors contained in its report for the year ended 31 December 2018 on the United Nations funds and programmes (A/74/323/Add.1). Progress on all the recommendations is on track to meet the target dates set out in that report.

A. Financial management

9. The Board of Auditors issued five medium-priority recommendations classified under financial management. Three recommendations relate to opportunities for enhanced UNICEF financial disclosures regarding target versus actual revenue, the difference between the original and final budgets on the statement of comparison of budget to actual amounts and the split of liabilities between active and retired staff in the notes to the financial statements. The remaining two recommendations pertain to the improved review and settlement of outstanding staff advances and the review of the system of expensing travel costs as soon as travel is authorized.

10. UNICEF is committed to implementing all the recommendations by the end of the second quarter of 2020, except for the recommendation relating to disclosing target and actual revenues in the statement of comparison of budget to actual amounts, on which UNICEF expressed divergence from the view of the Board of Auditors. UNICEF is entirely funded by voluntary contributions and does not receive assessed contributions. The current disclosures in the annual financial statements are fully aligned with IPSAS and the harmonized position of the United Nations system. According to the Task Force on Accounting Standards guidance on harmonization, the disclosure recommended by the Board of Auditors is applicable only to organizations with assessed contributions (expenditure authority granted by the General Assembly) and not to voluntarily supported funds and programmes, including UNICEF. Such information is already provided to the Executive Board in relevant budgetary planning documents and financial estimates.

11. In response to the recommendation of the Board of Auditors for expanded explanations of the difference between the original and final budgets, UNICEF will expand the disclosures already provided in note 5 (segment reporting) and the financial overview of financial statements regarding variances between the original and final budgets by budget categories that are associated with statement V of the annual financial statements.

12. In paragraph 21 of document A/74/5/Add.3, the Board of Auditors recommended that UNICEF disclose the separation of the after-service health insurance (ASHI) liability between active and retired staff. Upon completion of the
actuarial valuation, UNICEF will include the disclosure in the 2019 financial statements.

13. In paragraph 27, the Board recommended that UNICEF review and settle outstanding cases of salary and education grant advances. UNICEF reviews advances periodically, as required by applicable policies and procedures. In 2018, UNICEF cleared $1.87 million of education grant advances and $0.7 million of salary advances. Management is developing a plan to enhance the settlement of materially aged advances, with a target implementation date of the second quarter of 2020.

14. In response to the recommendation of the Board of Auditors for continued efforts in clearing the goods receipt and invoice receipt (GR/IR) items, with a special focus on items aged over two months, management will continue to follow up and clear GR/IR items pending for more than 60 days, with the goal of further reducing their numbers and age. UNICEF wishes to highlight that progress in timely review and action to clear open GR/IR items has improved from 2017 (45 per cent ratio of items 365 days/120 days) to 2019 (31 per cent ratio of items 365 days/120 days). An exception is also noted for construction projects, for which there are legitimate reasons for GR remaining open for 180 to 365 days.

B. Travel management

15. The Board of Auditors issued one main recommendation on travel management related to the review of the present system of travel expensing, to classify travel advances as staff advances at the release of payment and to expense at trip certification and closure.

16. Management had considered and assessed the recommended feasibility as originally proposed in paragraph 50 of the report of the Board of Auditors on the audited financial statements for the year ended 2017 (A/73/5/Add.3). UNICEF determined that expensing the full travel cost and daily subsistence allowance upon authorization of travel remains the most appropriate treatment for travel costs and ensures efficiency and effectiveness in transaction processing. Additionally, management has assessed various alternatives for simplifying and automating the various levels of certification required for the initiation and completion of travel authorizations, which will be implemented in 2020.

C. Implementing partner management

17. In relation to implementing partner management, the Board of Auditors issued eight recommendations spanning assurance activities under the harmonized approach to cash transfers (HACT) framework, the completion of documentation related to funding authorization and certificate of expenditures (FACE) forms and partnership review committees, among other areas discussed below. Management has already implemented three of these recommendations and is committed to implementing the remaining recommendations by the end of the first quarter of 2020.

Main recommendations (high priority)

18. Four main recommendations related to (a) the follow-up on findings from HACT-related assurance activities in the Lebanon Country Office; (b) ensuring the completeness of the FACE form in the Middle East and North Africa (MENA) region; (c) ensuring the completeness of documentation related to the recommendations of the partnership review committees in the State of Palestine Country Office; and
(d) documentation for the open selection process of civil society organizations in the Panama and Ecuador country offices.

19. In paragraph 83, the Board of Auditors recommended that the Lebanon Country Office act on the results of spot checks and document remedial action. The office is following up with programme and finance staff through an offline system to record progress and, beginning in 2019, has been using eTools, a software platform developed and adopted within UNICEF to manage implementing partners. The eTools platform will enhance follow-up documentation on high-risk recommendations, including the results of HACT assurance activities.

20. Regarding the second part of the recommendation that reads, “The Board also recommends that UNICEF carry out a review of the status of availability of baseline data sets in other country and regional offices and, if required, take the measures necessary to fill the gaps,” UNICEF management is unclear about the basis for this recommendation and will have a follow-up discussion with the Board of Auditors during its 2020 audit of UNICEF to better understand the Board’s concerns and to agree on specific actions to be taken, if any.

21. In response to paragraph 88, in which the Board of Auditors recommended that UNICEF strengthen controls over the completeness of FACE forms before approving cash transfers, management is pleased to indicate that the recommendation has been fully implemented using the eZHACT interface, a newly enhanced module in VISION that enables the automatic routing of FACE forms for electronic approval; no physical UNICEF signatures are required. The existing system controls ensure that a liquidation or payment of an advance is possible only once the appropriate UNICEF policy-mandated information and approvals are captured, thereby minimizing risk related to physical FACE forms. UNICEF has requested the closure of this audit recommendation.

22. In paragraph 103, the Board of Auditors recommended that the Lebanon and State of Palestine country offices ensure the completeness of documentation and actions related to the partnership review committee process and recommendations. UNICEF has implemented this recommendation, first, through a recent update of partnership review committee forms to bring them into alignment with new global procedures and guidelines and second, through the commitment by the offices’ respective chair and secretary to oversee the use of the forms and the recording of actions taken. Additionally, checklists are now used systematically to ensure the complete documentation of partnership review committee reviews. In the case of the State of Palestine Country Office, follow-up on the partnership review committees’ recommendations and suggestions were conducted and the related outcomes were reported. The partnership review committees reviewed the results of the follow-up action and endorsed the approval of the programme document. It also confirmed that all related forms had been updated according to the applicable procedures and guidelines.

23. In response to the recommendation in paragraph 109 that the Ecuador and Panama country offices carry out a formal process for the open selection of civil society organizations and document the rationale for selection in all cases where the direct selection method is preferred, the UNICEF Latin America and Caribbean Regional Office (LACRO) is guiding offices in the region in applying a more strategic approach for the selection of partners. The Ecuador and Panama country offices will increase efforts to review partners identified in an expression of interest and to ensure that cases of direct selection are documented. Their adoption of eTools has facilitated the enhanced selection process and documentation.
Other recommendations (medium priority)

24. In paragraphs 79 and 119, the Board of Auditors recommended that the LACRO and the UNICEF Middle East and North Africa Regional Office (MENARO) continue to review adherence to the HACT framework and ensure the timely implementation of assurance activities.

25. UNICEF updated the procedure on the harmonized approach to cash transfers to implementing partners framework in August 2018 and its implementation is currently being monitored quarterly. Most offices in the MENA region have reached 100 per cent completion, except for offices in Djibouti, Yemen and State of Palestine. MENARO continues to invest in monitoring HACT assurance activities for 2019, by using eTools real-time data for intervention, and LACRO will increase both reminders to offices and trainings led by HACT focal points. Management expects to improve the follow-up by country offices of identified gaps.

26. In paragraph 112, the Board of Auditors recommended that UNICEF implement a plan to improve outstanding direct cash transfers. The implementation of this recommendation is in progress, as management has already conducted a review of the reasons for the long-outstanding direct cash transfers noted in specific regions. While the causes have been identified for all long-outstanding cases, UNICEF expects remedial action to be pursued as applicable.

D. Global Shared Services Centre

27. This is the first time the Board of Auditors has included the Global Shared Services Centre (GSSC) in the scope of the annual audit of the UNICEF financial statements. The audit comprised a review of the GSSC implementation since it began full operation in 2017. The audit covered projected costs and savings, from the proposal approved in 2013 to the current operating environment. It also covered the mapping of functions, standard operating procedures, the processing of tickets and invoices, the maintenance of master data tables and the mitigation of payroll errors and exceptions.

28. Twelve recommendations, 4 assessed as main, were issued to improve GSSC operations. UNICEF has committed to implementing the recommendations by the end of the second quarter of 2020.

Main recommendations (high priority)

29. In paragraph 236, the Board of Auditors recommended that GSSC review and strengthen the methodology used to calculate savings achieved to provide a complete picture of all the efficiencies realized across the organization due to its establishment. UNICEF management has developed an updated methodology, currently under consideration, for calculating future savings and expects to present results by the second quarter of 2020.

30. In paragraph 245, the Board of Auditors recommended that UNICEF consider issuing comprehensive documents defining the roles and responsibilities of GSSC and mitigate the existing gaps in the internal instructions and procedures. While GSSC roles, functions and responsibilities are captured in several Executive Board documents and communications, GSSC has developed UNICEF-facing process instructions for 25 services/subservices as well as accountability splits by process for each service that broadly outline accountabilities between GSSC, divisions and offices.
31. In paragraph 270, the Board of Auditors recommended that UNICEF review the service-level agreement targets for business processes and consider average processing time as an important input. Management confirms that targets were set in accordance with industry standards and that they were reviewed annually by independent firms in 2017 and 2018. The targets are all above the median and generally in the first or second performance quartile. In consultation with GSSC clients following the launch of the new case-management tool (Service Gateway) in the first quarter of 2019, management has planned further review at the end of 2019 to ensure that revised delivery times incorporate the resulting changes.

32. In paragraph 279, the Board of Auditors recommended that UNICEF more regularly review the master data tables for completeness, accuracy and quality and clearly define mandatory fields. UNICEF VISION already includes built-in master data tables with mandatory fields and appropriate controls, based on information types. Management will evaluate and propose mandatory fields for finance master data records for inclusion in the master data management guidance and procedures by the second quarter of 2020.

Other recommendations (medium priority)

33. In paragraphs 271, 272 and 273, the Board of Auditors recommended that UNICEF enhance ticket processing related to tolerance limits for service-level agreement targets, manual pausing of the clock, and documentation in the ticketing tool of reasons for the return and rejection of cases. For 2019, GSSC had planned to update the ticket handling guidelines to include such improvements and included a drop-down menu with pre-listed reasons for return and rejection in Service Gateway. This recommendation is expected to be fully implemented by the fourth quarter of 2019.

34. In paragraphs 284 and 285, the Board of Auditors recommended that UNICEF improve invoice processing by incorporating input controls and data checks for the baseline date in VISION and by ensuring the timely submission and processing of invoices by all concerned offices.

35. Management is developing enhancements in VISION to flag exceptional baseline dates and has included in the standard operating procedures the review of invoices older than six months. Management is also implementing additional quality assurance oversight on aged invoices via the monthly reporting of a related indicator as well as support to country offices on relevant instructions and by instituting reminders for offices to use the reports to monitor IR/GR timelines.

36. In paragraphs 291, 292 and 293, the Board of Auditors recommended that UNICEF improve its mitigating actions for payroll errors/exceptions in relation to the recovery of outstanding balances, overpayments and information provided in exception reports.

37. For 2019, UNICEF will prioritize the reconciliation of personal accounts receivable for transactions and will work closely with country offices to recover outstanding balances where possible and to explore alternatives to regularize transactions. Similarly, management is developing a plan to enhance the recovery of any overpayments.

38. Regarding exception reports, GSSC plans to review the payroll exception report in consultation with the Division of Human Resources to assess any additional resources and actions required to implement the final treatment of recoveries or write-offs. Completion is targeted for the fourth quarter of 2019.
E. Private sector fundraising

39. The Board of Auditors made seven recommendations, two of them assessed as main recommendations, related to the process of private sector fundraising. The comments addressed UNICEF shortfalls in private sector fundraising targets for 2018, with National Committees’ contribution target rates in the Joint Strategic Plans with National Committees set lower than the 75 per cent required by UNICEF financial regulations and rules.

40. The Board of Auditors expressed concern about the stagnation of about 20 National Committees that have not reached the 75 per cent contribution targets since 2015, with expense rates of more than the agreed 25 per cent and unassessed non-statutory reserves exceeding the required three to six months of operating expenses.

41. The Board of Auditors also commented on the setting and monitoring of more-realistic returns on investment in the UNICEF fundraising development programme and on required improvements in the integrated funds management platform for better reporting and more-reliable data sourcing.

42. Management is pleased to report that most of the recommendations have been implemented or will be by the fourth quarter of 2019.

Main recommendations (high priority)

43. In paragraph 127, the Board of Auditors recommended that UNICEF identify underperforming National Committees and country offices and outline measures to strengthen strategies to address issues impacting their performance to help to achieve the targets for the current strategic plan period.

44. Management is pleased to report that this recommendation has been met. UNICEF identifies underperforming markets on an ongoing basis and works closely with the related offices on strategies to address any matters impacting performance. In 2018, the development sector faced challenges in fundraising market performance, which significantly influenced UNICEF fundraising.

45. In paragraph 134, the Board of Auditors recommended that UNICEF lay out a clear plan and engage the National Committees to ensure that contribution rates remain in line with the provision of the financial regulations and rules and the cooperation agreement. While management considers this recommendation to have been implemented through the clear steps in the Joint Strategic Plans, it is important to acknowledge that the financial regulations and rules indicate that the Executive Director may agree to vary the percentage in exceptional circumstances and that such variations shall be documented. Management considers the Joint Strategic Plans to be clear documentation of such variations. UNICEF will continue to strive to reach the desired 75 per cent contribution rate or such other percentage as laid out in the Joint Strategic Plans that takes into consideration the specific context of the various markets and the level of maturity of the National Committee. UNICEF will engage with the Board of Auditors on the key role of Joint Strategic Plans as a key part of understanding the ways in which UNICEF applies the financial regulations and rules on the retention amounts for meeting the operation costs of the National Committees.

Other recommendations (medium priority)

46. In paragraphs 140 and 144, the Board of Auditors recommended that UNICEF encourage the creation of a reserve policy aligned with the maintenance of benchmark requirements for reserve levels and develop key performance indicators for the activities of all related entities in the Joint Strategic Plans, with a focus on the
remittance of amounts collected and follow-up on the achievement of National Committee targets.

47. Management considers the recommendation on National Committee-related entities implemented via the 2019 Joint Strategic Plans and confirms that the process of alignment of reserve policies with the new reserve policy guidance has started, with a target completion date of the end of 2019. Action by the National Committees is expected to take place after that date.

48. In paragraph 150, the Board of Auditors recommended that UNICEF improve the management of the fundraising development programme portfolio through a more realistic assessment of the return on investment and put a robust monitoring mechanism in place for timely interventions in cases of below-par performance.

49. UNICEF considers this recommendation to be implemented, subject to events. The organization has a revised investment fundraising framework that establishes the return on the comprehensive portfolio as 3:1 for overall fundraising, rather than for all individual activities funded under the fundraising development programme. This approach facilitates the management of the overall portfolio results and incentivizes offices to submit more-realistic forecasts for returns on proposals.

50. In paragraph 155, the Board of Auditors recommended that UNICEF complete at the earliest the integration of the integrated funds management programme with VISION and other dependent systems; and in paragraph 157, the Board recommended that explicit provision for capturing and reporting on details of rejected cases be provided in the programme.

51. Management agrees with these recommendations to improve the UNICEF investment fund platform. In 2019, UNICEF developed and launched a payment module and a fundraising reduction module in which data from VISION (inSight) would be used. UNICEF expects enhanced reporting capabilities and integration with VISION by end of 2019.

F. Programme management

52. Three recommendations, one assessed as main, are classified under programme management relating, respectively, to improvements in the monitoring of programmatic activities, the implementation of Goal Area 1 (Every child survives and thrives) of the UNICEF Strategic Plan, 2018–2021, relating to health and nutrition, and the non-availability of programme information at the country level to assess programme performance.

53. Management has started to implement the three recommendations and is pleased to report that two of them are considered implemented and are awaiting assessment by the Board of Auditors. The remaining recommendation is expected to be completed by the end of 2019.

Main recommendations (high priority)

54. In paragraph 61, the Board of Auditors recommended that UNICEF review the feasibility of improving the mapping of country-level targets to the Strategic Plan targets in the programme information database coding structure.

55. Management considers this recommendation to have been implemented by the robust programme information database (PIDB) coding that links country programme documents (CPDs), country-specific programmes of cooperation and the Strategic Plan.
56. At UNICEF, country programmes are nationally led, as they are built considering the UNICEF mandate and the achievement of results that have been prioritized by the countries’ development plans (report on the accountability system of UNICEF (E/ICEF/2009/15)). The Goal Areas and result areas within CPDs describe the accountability of UNICEF towards children and national development priorities first, and they are developed and designed in alignment with the Strategic Plan. Programmes of cooperation represent the organization’s contribution to national efforts to achieve the 2030 Agenda for Sustainable Development and child-related goals and they contribute to the achievement of results set out in the Strategic Plan.

57. The PIBD codes inform the formulation of CPDs and enable the association between CPD results and the Strategic Plan. All levels of results (outcomes/outputs) and workplan activities entered in VISION are aligned with the Strategic Plan using PIDB codes. This enables UNICEF to track the contribution of all expenditures to the Strategic Plan and map programme components, outcomes and indicators in CPDs with those of the Strategic Plan.

Other recommendations (medium priority)

58. In paragraph 67, the Board of Auditors recommended that UNICEF review reasons for the output achievement gaps under Goal Area 1 and take suitable measures to address them, particularly the constraints identified in the indicators related to core programmatic activities on immunization and nutrition, which required direct intervention.

59. Management notes that this recommendation has been addressed in relation to gaps identified in programmes conducted for the southern Syrian Arab Republic, where a shift in military control of territories in June 2018 (after the offensive in the area) limited UNICEF partners’ access. Targets in the results assessment module could not be updated in the midyear review and detailed explanations were given during the year-end review.

60. UNICEF is pleased to report that the recommendation has been implemented. Management has set up a plan of action with the related government ministry for the effective distribution of micronutrients for the period 2019–2020, which includes awareness of the importance of these micronutrients among caregivers in the most vulnerable families, especially among Syrian refugees, who have limited options to diversify their children’s diet. The UNICEF workplans for 2019 have been updated and affected offices will ensure realistic targets and the proper documentation of any challenges identified.

61. In paragraph 71, the Board of Auditors recommended that the Lebanon Country Office and LACRO take the necessary measures to complete the required datasets and prepare baselines for better planning, monitoring and implementation of programmatic activities.

62. UNICEF considers this recommendation to be under implementation. In 2019, the Lebanon Country Office, together with the World Health Organization (WHO) and other stakeholders, reinforced actions to improve the quality of data for planning, monitoring and service delivery using the mobile evidence reporting and assessment application, which will cover all expanded service points for the immunization programme, such as nurseries and schools. Similarly, LACRO confirmed that the regional office management plan is fully aligned with the Strategic Plan and that indicators and targets will be adjusted during the midterm review. The concerned offices expect full implementation by the end of 2019.

63. The second part of the recommendation (para. 71), concerning the availability of baseline data sets in other country and regional offices, is not well understood by
UNICEF. Management will engage with the Board of Auditors for clarification so that actions can be taken, if appropriate.

G. Supply chain management

64. The Board of Auditors presented six recommendations, under the section entitled “Procurement, supply chain and contract management”, specifically related to UNICEF supply chain management. Those recommendations call for action to improve the treatment of goods in transit, the timeliness of the delivery of emergency supplies, the monitoring of delays by freight forwarders and the demurrage of containers.

65. Management has committed to implementing related improvements by the end of 2019 and first quarter of 2020, except for the recommendations under paragraph 183 related to actions by specific countries to minimize container retention and consequent demurrage expenses. UNICEF management respectfully disagrees with the substance of the recommendation on the basis of measures already undertaken by the organization to ensure that container retentions are minimized.

Other recommendations (medium priority)

66. In paragraph 164, the Board of Auditors recommended that UNICEF continue its close monitoring of goods in transit and take further measures to avoid goods remaining in transit for more than 100 days, especially for emergency supplies. The current oversight activities of UNICEF fully integrate the monitoring of goods in transit to ensure the timely attention by country offices to identified risks. Management expects emergency supplies to be part of regular monitoring by the end of 2019.

67. In paragraph 169, the Board of Auditors recommended that UNICEF prescribe the maximum time allowed for the delivery of items for each emergency type, enforce it strictly and take corrective action towards reducing the lead times to ensure prompt supply response in emergencies. UNICEF has agreed to review the maximum time allowed for the delivery of items of each emergency type and to reduce lead times by the first quarter of 2020.

68. In paragraph 176, the Board of Auditors recommended that system issues impacting the utilization of the freight forwarders performance monitoring tool be resolved and that necessary contractual action be initiated against forwarders whose performance is found unsatisfactory. UNICEF continues to monitor freight forwarders’ performance and has acted to limit the scope of contracts for those with performance issues. UNICEF will also update the electronic data interchange to enable the attribution of responsibilities for delays to the liable supply chain stakeholder in VISION. It will also include system validations on shipment “start” and “delivery” dates in the freight forwarders performance monitoring tool, which will assist in performance monitoring. Results are expected by the first quarter of 2020.

69. In paragraph 184, the Board of Auditors recommended that UNICEF improve the freight forwarder container monitoring report to capture correct and relevant data to arrive at accurate conclusions. UNICEF welcomes this recommendation, as it reflects the level of maturity that the monitoring of demurrage has achieved in the organization, with a recommendation more focused on data quality. UNICEF expects to fully implement actions by the first quarter of 2020 and notes that the organization has performed root cause analysis of demurrage and made improvements to monitoring tools. All these actions address prior-period recommendations (para. 184 (2016)) and the new recommendation in paragraph 183 (2018).
70. In paragraph 190, the Board of Auditors recommended that UNICEF coordinate with regional and country offices, particularly those where more incidences of delay are noticed, to work with recipient countries to ensure the timely inspection and transmittal of vaccine arrival reports and further strengthen the monitoring of vaccine delivery and supply.

71. UNICEF continues to monitor the timely receipt of vaccine arrival reports directly with offices for all vaccine shipments and issues quarterly reports to regional and country offices to provide visibility on compliance with the Supply Manual and WHO recommendations. By the first quarter of 2020, UNICEF management will include receipt of vaccine arrival reports in the performance indicators for the supply chain dashboard. It is expected that the use of the vaccine arrival report mobile application will facilitate timely receipt. Management expects that, during the 2019 audit, this recommendation and previous-year reiterations (paras. 170 (2016) and 197 (2017)) will be closed.

H. Procurement and contract management

72. The Board of Auditors presented six recommendations specifically related to UNICEF procurement and contract management. Those recommendations call for action to improve the timely completion of procurement and contract management, the inclusion of liquidated damages clauses in Latin America and Caribbean region contracts, capturing final dates of service delivery, strengthening internal controls and investigations on bank guarantees and following up on outstanding value-added-tax (VAT) claims. Management has committed to implementing related improvements by the end of 2019 and the first quarter of 2020.

Other recommendations (medium priority)

73. In paragraph 197, the Board of Auditors recommended that UNICEF improve the existing case management solution to enable coordination among all internal stakeholders for the timely initiation and completion of procurement and contract management processes.

74. UNICEF notes that the recommendation refers to processes handled by the Contract Review Committee at headquarters in New York. In 2018, a supply dashboard was launched that included specific targets for all procurement subprocesses. The headquarters Supply Centre has also developed a basic system to monitor ongoing procurement activities, and management has engaged to enhance it with the automated tracking of progress and timelines to facilitate coordination with stakeholders.

75. In paragraph 203, the Board of Auditors recommended that LACRO include a specific clause regarding the levy of liquidated damages in all tenders, long-term agreements and purchase orders, and that for those cases where the clause has not been included, that justification for the decision be adequately documented. In paragraph 204, the Board also recommended that the date of the final delivery of services be properly documented.

76. LACRO has committed to having, by the end of 2019, standard terms in English that include a clause covering the levy of liquidated damages and a similar provision in Spanish, developed with the Legal Office. LACRO will also strengthen communication with contractors about applicable penalties in case of non-compliance and will enhance the tracking of cases where penalties have been waived. The Office has also agreed to improve the monitoring and documentation of the dates of final delivery of services, which are currently registered in VISION through service entry sheets.
77. In paragraphs 210 and 211, the Board of Auditors recommended that UNICEF review existing internal controls to put in place a robust mechanism over received bank guarantees, complete the investigation of related fraud cases in a timely manner and take remedial action. UNICEF management confirms that the concerned country office has implemented additional controls in cooperation with its local financial institution to verify and validate the authenticity of the letters of guarantee provided by the suppliers’ banks.

78. In paragraph 219, the Board of Auditors recommended that UNICEF further strengthen the monitoring mechanism over the submission and follow-up of VAT claims and that available measures be explored for the timely settlement of long-outstanding claims. Management continues to actively pursue VAT claims from host Governments and will evaluate if any additional measures at the local and global levels would reinforce those already operationalized. Results will be reported by the end of 2019.

III. Anti-fraud strategy and fraud risk mitigation

79. In 2019, UNICEF doubled efforts to consolidate a more consistent organizational culture of integrity and accountability. During the first half of the year, the anti-fraud awareness activities and training were reinforced with the successful introduction of a mandatory online course on fraud awareness for all UNICEF staff. In a major effort to reach the largest audience possible, the course was launched in English, French and Spanish. UNICEF is also working with other United Nations agencies to finalize a fraud awareness training addressed to implementing partners. The course is expected to be available to implementing partners in 2020.

80. In 2019, a more detailed fraud risk assessment was included as part of the annual risk assessment exercise. The fraud risk assessments will provide information that is comparable and will be used in the implementation of the anti-fraud strategy and mitigation measures.

81. During fiscal year 2018, the UNICEF Office of Internal Audit and Investigations documented a $0.4 million loss due to 19 fraud cases, of which only 3 per cent was recovered. Additionally, results from an investigation related to cash-based transfer projects, by an independent organization engaged by UNICEF, documented 184 cases with a loss of $0.08 million, of which 99 per cent was recovered. Aggregated losses for 2018 show more encouraging numbers in terms of losses compared with fiscal year 2017, when estimated substantiated financial losses amounted $1.58 million, and 2016, when financial losses hit $1.22 million.

82. Management is aware of the challenges for the recovery of losses once fraud has occurred. The organization has strengthened the ongoing monitoring of transactions through the development of a prototype transaction-level monitoring tool aimed at deterring, preventing and detecting fraud. Similarly, UNICEF has successfully implemented a comprehensive fraud risk-mitigation process for cash transfers managed and implemented by a specialized project management unit, and lessons learned will help in the design of risk-management strategies for future cash-based transfer modalities in programme implementation.

IV. Status of audit recommendations for the year ended 31 December 2018

83. For the year ended 31 December 2018, the Board of Auditors issued 48 audit recommendations in its audit report for UNICEF (A/74/5/Add.3) compared with 36
recommendations for previous year. Of the 48 recommendations, 12 were classified as high priority while the remaining 36 were classified as medium priority. Management agreed with 46 (96 per cent) of the recommendations and disagreed with the Board on the assessment of two recommended actions. One recommendation with which UNICEF disagreed relates to the disclosure of expected versus actual revenue, for which information currently made available in UNICEF financial statements is fully compliant with IPSAS and consistent and harmonized with other voluntary funded funds and programmes of the United Nations system. The other recommendation with which UNICEF disagreed relates to demurrage charges, for which actions have already been undertaken and documented by UNICEF. While there is a difference of opinion, UNICEF will engage with the Board of Auditors and present information and evidence on the adequacy of current mitigating actions and request the closure of the two recommendations during the 2019 audit.

84. As of October 2019 – three months since the formal release of the report of the Board of Auditors – management actions have already commenced on the 46 audit recommendations with which UNICEF agreed, with 11 of those recommendations (24 per cent) considered implemented by management and ready to be presented to Board for assessment.

85. All recommendations have target completion dates within 12 months of the issuing of the Board of Auditors’ report, as presented in tables 1 and 2.

Table 1
**Implementation status, financial year 2018, by target completion dates**

<table>
<thead>
<tr>
<th>Target completion date</th>
<th>Number of recommendations</th>
<th>Not accepted</th>
<th>Number of recommendations accepted</th>
<th>Implemented (closure requested)</th>
<th>Under implementation</th>
<th>Total accepted for implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td>4Q 2019</td>
<td>17</td>
<td>17</td>
<td>17</td>
<td>17</td>
<td>17</td>
<td>17</td>
</tr>
<tr>
<td>1Q 2020</td>
<td>15</td>
<td>15</td>
<td>15</td>
<td>15</td>
<td>15</td>
<td>15</td>
</tr>
<tr>
<td>2Q 2020</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Ready for assessment</td>
<td>11</td>
<td>11</td>
<td>11</td>
<td>11</td>
<td>11</td>
<td>11</td>
</tr>
<tr>
<td>Not accepted</td>
<td>2</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>48</strong></td>
<td><strong>2</strong></td>
<td><strong>46</strong></td>
<td><strong>11</strong></td>
<td><strong>35</strong></td>
<td><strong>46</strong></td>
</tr>
<tr>
<td><strong>Percentage</strong></td>
<td><strong>100%</strong></td>
<td><strong>4%</strong></td>
<td><strong>96%</strong></td>
<td><strong>24%</strong></td>
<td><strong>76%</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

Table 2
**Implementation status, financial year 2018, by priority**

<table>
<thead>
<tr>
<th>Priority</th>
<th>Number of recommendations</th>
<th>Not accepted</th>
<th>Number of recommendations accepted</th>
<th>Implemented (closure requested)</th>
<th>Under implementation</th>
<th>Total accepted for implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>12</td>
<td>12</td>
<td>6</td>
<td>6</td>
<td>6</td>
<td>12</td>
</tr>
<tr>
<td>Medium</td>
<td>36</td>
<td>2</td>
<td>34</td>
<td>5</td>
<td>29</td>
<td>34</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>48</strong></td>
<td><strong>2</strong></td>
<td><strong>46</strong></td>
<td><strong>11</strong></td>
<td><strong>35</strong></td>
<td><strong>46</strong></td>
</tr>
<tr>
<td><strong>Percentage</strong></td>
<td><strong>100%</strong></td>
<td><strong>4%</strong></td>
<td><strong>96%</strong></td>
<td><strong>24%</strong></td>
<td><strong>76%</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>
V. Status of audit recommendations for the year ended 31 December 2017 and prior years

A. Status of recommendations for the year ended 31 December 2017 report

86. The Board of Auditors issued 36 audit recommendations in the audit report for the year ended 2017 (A/73/5/Add.3). Seven were classified as high priority while the remaining 29 were classified as medium priority. Management agreed with 97 per cent of the recommendations and presented its disagreement with the recommendation under paragraph 104 related to the analysis of the reasons for low contributions from fundraising channels, specifically corporate donors.

87. The difference of opinion was on the most efficient and effective mitigation plan for this recommendation. UNICEF management undertook a significant situation analysis, which resulted in the Private Sector Plan 2018–2021: IMPACT for Every Child (IMPACT Plan), to focus efforts on channels that would maximize return on investment. UNICEF set targets for various channels. Considering the current fundraising market, especially for private sector donors, it is unrealistic to consider that the organization will reach every ambitious target across every market. The Board of Auditors’ original recommendation required analysis and the formulation of an appropriate strategy, which is fully implemented, as evidenced by the situation analysis and the resulting IMPACT Plan. UNICEF will continue to engage with the Board to provide evidence to demonstrate that management actions have addressed this recommendation.

88. As of October 2019, out of the 35 accepted recommendations for 2017, 20 (55 per cent) had been assessed as implemented by the Board of Auditors, 9 recommendations (25 per cent) have been implemented and are awaiting assessment and closure by the Board and 6 (16 per cent) are still under implementation, with target completion dates for the end of 2019 and the first quarter of 2020, as presented in tables 3 and 4.

Table 3
Implementation status, financial year 2017, by target completion dates

<table>
<thead>
<tr>
<th>Target completion date</th>
<th>Number of recommendations</th>
<th>Implemented (closure requested)</th>
<th>Under implementation</th>
<th>Not accepted</th>
</tr>
</thead>
<tbody>
<tr>
<td>4Q 2019</td>
<td>4</td>
<td>4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1Q 2020</td>
<td>2</td>
<td>2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ready for assessment</td>
<td>9</td>
<td>9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Implemented according to audit report for 2018</td>
<td>20</td>
<td>20</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Not accepted</td>
<td>1</td>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>36</strong></td>
<td><strong>29</strong></td>
<td><strong>6</strong></td>
<td><strong>1</strong></td>
</tr>
<tr>
<td><strong>Percentage of total</strong></td>
<td><strong>100%</strong></td>
<td><strong>81%</strong></td>
<td><strong>16%</strong></td>
<td><strong>3%</strong></td>
</tr>
</tbody>
</table>
Table 4
Implementation status, financial year 2017, by priority

<table>
<thead>
<tr>
<th>Priority</th>
<th>Number of recommendations</th>
<th>Implemented (closure requested)</th>
<th>Under implementation</th>
<th>Not accepted</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>7</td>
<td>5</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Medium</td>
<td>29</td>
<td>24</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>36</td>
<td>29</td>
<td>6</td>
<td>1</td>
</tr>
<tr>
<td>Percentage of total</td>
<td>100%</td>
<td>80%</td>
<td>17%</td>
<td>3%</td>
</tr>
</tbody>
</table>

B. Status of long-standing recommendations for the 2013, 2015 and 2016 reports

89. The Board of Auditors issued 36 recommendations in its audit report for the year ended 31 December 2016 (A/72/5/Add.3). Eight recommendations were classified as high priority while the remaining 28 were classified as medium priority. Management agreed with 97 per cent of the recommendations and expressed disagreement with the recommendation under paragraph 193, related to the generation and circulation of division-wide monthly reports on open travel authorizations as a monitoring mechanism for open travel authorizations.

90. UNICEF disagreed with the high transactional costs of producing monthly reports for more than 150 business areas, particularly because the trip closure information is already included in the UNICEF management dashboards and accessible on demand to every UNICEF staff member and manager. Sending a status report via email is redundant when managers already have access to live data related to travel.

91. As of October 2019, of the 35 accepted recommendations, 23 (63 per cent) had been assessed as implemented by the Board of Auditors, 8 (22 per cent) have been implemented and are awaiting assessment and closure and 4 recommendations (11 per cent) are under implementation, with target completion dates for the end of 2019, as presented in table 5.

Table 5
Implementation status, financial year 2016, by target completion date

<table>
<thead>
<tr>
<th>Target completion date</th>
<th>Number of recommendations</th>
<th>Implemented (closure requested)</th>
<th>Under implementation</th>
<th>Not accepted</th>
</tr>
</thead>
<tbody>
<tr>
<td>4Q 2019</td>
<td>4</td>
<td>4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ready for assessment</td>
<td>23</td>
<td>23</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Implemented according to audit report for 2018</td>
<td>8</td>
<td>8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Not accepted</td>
<td>1</td>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>36</td>
<td>31</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>Percentage of total</td>
<td>100%</td>
<td>86%</td>
<td>11%</td>
<td>3%</td>
</tr>
</tbody>
</table>

Status of long-standing recommendations for the 2013 and 2015 reports

92. The Board of Auditors issued 39 recommendations for the years 2013 and 2015. Of the 39 recommendations, 3 recommendations are considered long-standing and
continue to be presented for assessment of implemented actions to the Board of Auditors. UNICEF is pleased to report that all recommendations for the year 2014 have been assessed as implemented by the Board and that the three long-standing recommendations are considered implemented by UNICEF.

93. The implementation of these three recommendations, related to budget management, required investment in and the implementation of the budget formulation tool, which was rolled out during the second half of 2018, with go-live training completed during the first semester of 2019. The Board of Auditors has acknowledged these actions and wishes to verify implementation of the tool during the 2019 audit. A summary table of these recommendations is provided in annex II.

Table 6
Implementation status, financial years 2013 and 2015, long-standing recommendations

<table>
<thead>
<tr>
<th>Target completion date</th>
<th>Number of recommendations</th>
<th>Implemented (closure requested)</th>
<th>Under implementation</th>
<th>Not accepted</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013, ready for assessment</td>
<td>1</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015, ready for assessment</td>
<td>2</td>
<td>2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>3</td>
<td>3</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Percentage of total</td>
<td>100%</td>
<td>100%</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

VI. Report of the Advisory Committee on Administrative and Budgetary Questions

94. UNICEF is acknowledged by the Advisory Committee on Administrative and Budgetary Questions as one of the few United Nations system entities whose rate of Board of Auditors recommendation implementation has significantly increased (see annex I). This is an indicator of management’s commitment to implementing the Board of Auditors’ recommendations.

95. The Advisory Committee, in its report on the financial reports and audited financial statements for the period ended 31 December 2018, and reports of the Board of Auditors (A/74/528) indicated that UNICEF held $5.1 billion in cash and investment resources that were not pooled. The Advisory Committee recommends that the pooling of cash and investments be managed by a single United Nations entity because it believes that this can decrease the cost of transactions and provide expert investment management services to the participating entities.

96. While the Advisory Committee is correct that UNICEF, as at 31 December 2018, had cash, cash equivalents and investments of $5.1 billion, most of these resources cannot be pooled as UNICEF requires them for programmatic needs at short notice.

97. Of the $5.1 billion balance as at 31 December 2018, $3 billion was cash held in current investments to meet immediate programmatic commitments and accounts payable for emergencies and regular programmatic activities; and $0.5 billion was held to meet expenditures of the institutional budget payables and commitments for the six months after the end of the year. It should also be noted that about $1 billion was held in bank accounts at the country- and zonal-office levels to meet immediate cash requirements, for which UNICEF provides two-weeks’ cover of expenditures to offices in the local bank accounts.
98. Most of these resources are provided by voluntary donors through over 3,000 individual agreements, which require close monitoring to ensure that cash provided in advance is available for programme activities on demand. The portfolio strategy is set up to manage the unique cash-flow requirements of the programme activities, especially in emergencies, to meet just-in-time liquidity requirements and demands. An additional complexity is that a significant portion of resources is contributed by the private sector, necessitating the receipt and spending of resources in multiple currencies.

99. To effectively manage foreign currency risk, UNICEF employs an integrated approach to portfolio management that combines close collaboration among divisions and country offices with a comprehensive cash forecasting system and approach. This integrated approach to portfolio management is critical to ensuring the capital preservation of donor funds, which, if not properly managed, can result in huge losses that would be borne by UNICEF regular resources.

100. A pooled portfolio in a different operating context would not effectively respond to these unique needs and has the potential for the significant downside risk of breaking investment maturity periods, as the other funds in the pool may not have the same volatility and timing of liquidation. If UNICEF were to pool investments intended for programmatic activities, transactions costs would increase due to the constant need to liquidate investments for use, defeating the purpose of investment pooling.

101. UNICEF supports the pooling of investments where it is feasible and does not impact the ability to provide liquidity for programmatic activities, with consideration for the business models of the different United Nations agencies. Currently, UNICEF participates in a pooled fund, along with the United Nations Development Programme and the United Nations Population Fund, for ASHI reserve investments. All three organizations have transferred these investments to an external investment manager. These ASHI funds support long-term liabilities where cash is not immediately required.

102. UNICEF is better placed and willing to manage the portfolios of smaller United Nations entities, whose portfolio and liquidity demands are similar to those of UNICEF, especially those with development and humanitarian activities, but without the capacity to effectively manage such portfolios.

103. The Advisory Committee also recommended that more efforts in the management of implementing partners be made with respect to adequate monitoring and oversight across different entities. UNICEF takes this recommendation seriously and, as stated in section C of the present management response, the recommendations of the Board of Auditors are being implemented to strengthen the monitoring and oversight of implementing partners.

**VII. Conclusion**

104. Management is pleased with the unqualified audit opinion from the Board of Auditors for the 2018 financial statements. The efforts of UNICEF leadership to promote a higher culture of integrity and accountability across the organization, the introduction of innovation to accelerate efficiency, effectiveness and transparency, and the hard work of all staff have been key to this achievement.
Annex I

Summary of rate of implementation of recommendations, 2013–2018

<table>
<thead>
<tr>
<th>Recommendations</th>
<th>2013</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>Total pre-2018</th>
<th>2018</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issued by the Board of Auditors</td>
<td>17</td>
<td>22</td>
<td>36</td>
<td>36</td>
<td>111</td>
<td>48</td>
<td>159</td>
</tr>
<tr>
<td>Implemented according to the 2018 Board of Auditors report</td>
<td>16</td>
<td>20</td>
<td>23</td>
<td>20</td>
<td>79</td>
<td>–</td>
<td>79</td>
</tr>
<tr>
<td>Percentage implemented according to the 2018 Board of Auditors report</td>
<td>94%</td>
<td>91%</td>
<td>70%</td>
<td>56%</td>
<td>71%</td>
<td>–</td>
<td>50%</td>
</tr>
<tr>
<td>Outstanding according to the 2018 Board of Auditors report</td>
<td>1</td>
<td>2</td>
<td>13</td>
<td>16</td>
<td>32</td>
<td>–</td>
<td>32</td>
</tr>
<tr>
<td>Closure requested</td>
<td>1</td>
<td>2</td>
<td>8</td>
<td>9</td>
<td>20</td>
<td>11</td>
<td>31</td>
</tr>
<tr>
<td>Not accepted</td>
<td>–</td>
<td>–</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td><strong>UNICEF implemented total</strong></td>
<td>17</td>
<td>22</td>
<td>32</td>
<td>30</td>
<td>101</td>
<td>13</td>
<td>114</td>
</tr>
</tbody>
</table>

| Percentage                                          | 100% | 100% | 89%  | 83%  | 91%            | 27%  | 72%   |
| In progress                                         | 0    | 0    | 4    | 6    | 10             | 35   | 45    |
| Target date Q4 2019                                 | –    | –    | 4    | 4    | 17             | –    | –     |
| Target date Q1 2020                                 | –    | –    | –    | 2    | 15             | –    | –     |
| Target date Q2 2020                                 | –    | –    | –    | –    | 3              | –    | –     |
## Annex II

### Summary of long-standing recommendations

<table>
<thead>
<tr>
<th>Recommendation by the Board of Auditors</th>
<th>Actions under implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Budget formulation tool</strong></td>
<td></td>
</tr>
</tbody>
</table>

**A/69/5/Add.3 (2013) para. 69.** The Board of Auditors recommended that UNICEF require its country offices to apply fully justified budget assumptions in the preparation of the resource estimation for activities in the multi-year/rolling workplans.

The budget formulation tool was rolled out to all offices during Q4 2018 and Q1 2019.

**A/71/5/Add.3 (2015), para. 14.** The Board of Auditors recommended that UNICEF consider (a) consolidating at the corporate level an annual integrated budget containing figures from all the budgets approved by the Executive Board; and (b) including budgeted amounts for various activities under each outcome at the appropriate business unit level.

The Board of Auditors indicated that it would verify the implementation of the tool during the 2019 audit and hence the recommendations remain open.

**A/71/5/Add.3 (2015) para. 105.** The Board of Auditors recommended that UNICEF consider (a) putting in place a fund-tracking system to establish links between planned and actual expenditure against the appropriate planning level (outcome, output, activity); (b) reviewing the existing guidance and other resource material for their improvement and better utilization; and (c) aligning output indicators with focus areas and activities towards achievement of outputs under the outcome “Education”.

---