United Nations

United Nations Children's Fund

Financial report and audited financial statements

for the year ended 31 December 2022

and

Report of the Board of Auditors

General Assembly
Official Records
Seventy-eighth Session
Supplement No. 5C

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A/78/5/Add.3

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Note

Symbols of United Nations documents are composed of letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

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Contents

Letters of transmittal

Letter dated 25 May 2023 from the Executive Director of the United Nations Children's Fund addressed to the Executive Secretary of the Board of Auditors

Pursuant to United Nations Children's Fund financial regulation 13.3, enclosed are the financial report and statements for 2022. These statements have been prepared and certified by the Comptroller.

Copies of these financial statements are also being transmitted to the Advisory Committee on Administrative and Budgetary Questions.

(*Signed*) Catherine M. **Russell**
Executive Director

Letter dated 26 July 2023 from the Chair of the Board of Auditors addressed to the President of the General Assembly

I have the honour to transmit to you the report of the Board of Auditors, together with the financial report and the audited financial statements of the United Nations Children's Fund for the year ended 31 December 2022.

(*Signed*) **Hou** Kai
Auditor General of the People's Republic of China
Chair of the Board of Auditors

Chapter I

Report of the Board of Auditors on the financial statements: audit opinion

Opinion

We have audited the financial statements of the United Nations Children's Fund (UNICEF), which comprise the statement of financial position (statement I) as at 31 December 2022 and the statement of financial performance (statement II), the statement of changes in net assets (statement III), the statement of cash flows (statement IV) and the statement of comparison of budget to actual amounts (statement V) for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of UNICEF as at 31 December 2022 and its financial performance and cash flows for the year then ended in accordance with the International Public Sector Accounting Standards (IPSAS).

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing and the International Standards of Supreme Audit Institutions. Our responsibilities under those standards are described in the section below entitled "Auditor's responsibilities for the audit of the financial statements". We are independent of UNICEF in accordance with the ethical requirements relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the financial statements and the auditor's report thereon

The Executive Director of UNICEF is responsible for the other information, which comprises the financial overview for the year ended 31 December 2022, contained in chapter IV below, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, on the basis of the work that we have performed, we conclude that there is a material misstatement in the other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

The Executive Director is responsible for the preparation and fair presentation of the financial statements in accordance with IPSAS and for such internal control as the Executive Director determines to be necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Director is responsible for assessing the ability of UNICEF to continue as a going concern, disclosing, as applicable, matters related to the going concern and using the going-concern basis of accounting unless the Executive Director intends either to liquidate UNICEF or to cease operations, or has no alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of UNICEF.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentation or the overriding of internal control;

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of UNICEF;

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Executive Director;

(d) Draw conclusions as to the appropriateness of the Executive Director's use of the going-concern basis of accounting and, on the basis of the audit evidence obtained, whether a material uncertainty exists in relation to events or conditions that may cast significant doubt on the ability of UNICEF to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause UNICEF to cease to continue as a going concern;

(e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

Furthermore, in our opinion, the transactions of UNICEF that have come to our notice or that we have tested as part of our audit have, in all significant respects, been in accordance with the financial regulations and rules of UNICEF and legislative authority.

In accordance with article VII of the Financial Regulations and Rules of the United Nations, we have also issued a long-form report on our audit of UNICEF.

(*Signed*) **Hou** Kai
Auditor General of the People's Republic of China
Chair of the Board of Auditors

(*Signed*) Jorge **Bermúdez**
Comptroller General of the Republic of Chile
(Lead Auditor)

(*Signed*) Pierre **Moscovici**
First President of the French Cour des comptes

26 July 2023

Chapter II
Long-form report of the Board of Auditors

Summary

The United Nations Children's Fund (UNICEF) was established by the General Assembly on 11 December 1946 as the United Nations International Children's Emergency Fund to meet the emergency needs of children. In 1950, the mandate of UNICEF was broadened to address the long-term needs of children and women in developing countries across the world. UNICEF became a part of the United Nations in 1953, and its name was shortened to the United Nations Children's Fund. The primary mission of UNICEF is to protect children's rights, help meet their basic needs and expand their opportunities so as to enable them to reach their full potential.

The Board of Auditors audited the financial statements and reviewed the operations of UNICEF for the year ended 31 December 2022. The interim audit was performed at the East Asia and Pacific Regional Office and at the Thailand and the Philippines country offices from 3 October to 3 November 2022; at New York headquarters from 21 November to 16 December 2022; and at the Global Shared Service Centre in Budapest and the Supply Division offices in Copenhagen from 30 January to 3 March 2023. The final audit of financial statements was carried out in New York from 3 April to 5 May 2023.

Scope of the report

The report covers matters that, in the opinion of the Board, should be brought to the attention of the General Assembly and that have been discussed with UNICEF management, whose views have been appropriately reflected.

The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements presented fairly the financial position of UNICEF as at 31 December 2022 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS). The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

The Board also reviewed the operations of UNICEF under regulation 7.5 of the Financial Regulations and Rules of the United Nations, which allows the Board to make observations on the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of operations.

The Board also reviewed a detailed follow-up of actions taken in response to recommendations made in previous years.

Audit opinion

In the Board's opinion, the financial statements present fairly, in all material respects, the financial position of UNICEF as at 31 December 2022 and its financial performance and cash flows for the year then ended, in accordance with IPSAS.

Overall conclusion

The Board did not identify significant errors, omissions or misstatements from the review of the financial records of UNICEF for the year ended 31 December 2022.

However, the Board identified scope for improvement in the areas of implementing partners, information and communications technology, enterprise risk management, investment management, budget management, charge-back cost distribution, Global Shared Service Centre performance, funds held on behalf of third parties, and procurement management.

Key findings

Delays in the performance of spot checks

The Board found that UNICEF had not carried out financial spot checks of some of its implementing partners during 2022. Regarding other implementing partners that were the subject of spot checks, UNICEF reports indicated that the expenditure reviewed had been incurred in prior fiscal years.

Non-compliance with the vulnerability management process

The Board noted shortcomings in the information and communications technology security measures required by the organization in the vulnerability management process. Among those deficiencies were low compliance with addressing reported vulnerabilities and failure to resolve several alerts of high or medium severity. It was also noted that the UNICEF system migration process did not allow the monitoring and mitigation of risks resulting from the vulnerabilities detected, for example, the releasing of security patches. Lastly, it was observed that UNICEF had not performed the penetration test since 2019, thus hindering a general and complete analysis of the functioning of the controls that regulate that process.

Limited definition of governance and other relevant functions in the enterprise risk management structure

Following a review of the policy on enterprise risk management in UNICEF, it was noted there was no clear definition or formal document setting out the responsibilities of governing bodies in that regard.

Shortfalls in management of payroll funding

The Board noted difficulties in allocating a funding source to UNICEF staff that could cover the entire duration of their contract.

Main recommendations

On the basis of the audit findings, the Board recommends that UNICEF:

Delays in the performance of spot checks

(a) **Take measures to reduce the gaps between the time the expenditures are reported by the implementing partners and the spot checks are performed by the organization to ensure the effectiveness of this assurance activity;**

(b) **Identify the root causes of delays in spot checks and take concrete and proactive measures to address them;**

Non-compliance with the vulnerability management process

(c) **Strengthen its controls over the vulnerability management process by analysing active vulnerability alerts issued by the security tools and promptly resolving them based on the associated risk;**

(d) **Involve the local information and communications technology offices in the process of addressing the vulnerabilities identified more actively;**

(e) **Complete the roll-out of Ivanti and ensure the validation of the deployment of operating system patches and security updates on employee workstations;**

(f) **Carry out the penetration test as soon as possible and then continue to test annually as required by the procedure;**

Limited definition of governance and other relevant functions in the enterprise risk management structure

(g) **Clearly describe in its policy on enterprise risk management the roles and responsibilities of the Executive Board, the Legal Office, the Evaluation Office and the Ethics Office;**

Shortfalls in management of payroll funding

(h) **Revise the existing post management procedure to adequately reflect the reality of the challenges faced by its offices in allocating funds and ensure their timely assignment;**

(i) **Implement systems to monitor the funding situation of staff members.**

Follow-up of previous recommendations

The Board noted 28 outstanding recommendations up to the year ended 31 December 2021, of which 23 (82 per cent) had been implemented, 1 (4 per cent) was under implementation, 2 (7 per cent) had not been implemented and 2 (7 per cent) had been overtaken by events.

Key facts	
16,729	Staff members
$10.33 billion	Revenue
$8.54 billion	Expenses
$1.85 billion	Surplus for the year
$18.98 billion	Assets
$6.62 billion	Liabilities
$12.36 billion	Accumulated surpluses and reserves

A. Mandate, scope and methodology

1. The United Nations Children's Fund (UNICEF) was established by the General Assembly on 11 December 1946 as the United Nations International Children's Emergency Fund to meet the emergency needs of children. In 1950, the mandate of UNICEF was broadened to address the long-term needs of children and women in developing countries across the world. UNICEF became a part of the United Nations in 1953, and its name was shortened to the United Nations Children's Fund while retaining the acronym to denote its revised mandate. The primary mission of UNICEF is to protect children's rights, help meet their basic needs and expand their opportunities so as to enable them to reach their full potential. The focus areas of UNICEF programmes include young child survival and development, basic education and gender equality, HIV/AIDS, child protection from violence, exploitation and abuse, policy advocacy and partnerships for children's rights and humanitarian action.

2. The audit was conducted in accordance with General Assembly resolution 74 (I) of 7 December 1946 and article VII of the Financial Regulations and Rules of the United Nations and the annex thereto, as well as the International Standards on Auditing and the International Standards of Supreme Audit Institutions. Those standards require that the Board comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatements.

3. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements presented fairly the financial position of UNICEF as at 31 December 2022 and its financial performance and cash flows for the financial period that ended on that date and are in accordance with the International Public Sector Accounting Standards (IPSAS). This included an assessment as to whether the expenses recorded in the financial statements had been incurred for the purposes approved by the Executive Board of UNICEF. The audit included a general review of the financial systems and internal controls and an examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

4. The observations and recommendations arising from the audit were discussed with the management of UNICEF during the course of the audit and debriefing meetings. Where appropriate, comments from UNICEF have been taken into consideration in preparing the present report. The Board presents below the main findings and conclusions arising from the audit.

B. Findings and recommendations

1. Follow-up of previous recommendations

5. The Board noted that there were 28 outstanding recommendations up to the year ended 31 December 2021, of which 23 (82 per cent) had been fully implemented, 1 (4 per cent) was under implementation, 2 (7 per cent) had not been implemented and 2 (7 per cent) had been overtaken by events (see table II.1).

Table II.1
Status of implementation of recommendations

Report	*Number of recommendations*	*Recommendations pending as at 31 December 2021*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*	*Recommendations pending as at 31 December 2022*
A/75/5/Add.3, chap. II (2019)	48	4	1	1	–	2	1
A/76/5/Add.3, chap. II (2020)	22	1	1	–	–	–	–
A/77/5/Add.3, chap. II (2021)	23	23	21	–	2	–	2
Total	**93**	**28**	**23**	**1**	**2**	**2**	**3**

6. The Board considers that the implementation of more than 80 per cent of the recommendations in an audit period, especially those issued in the report A/77/5/Add.3, chap. II (2021), reflects a solid commitment by UNICEF to improve its management. However, management still needs to take action to address the pending recommendations that have not yet been implemented, focusing on those that remain outstanding from the reports A/75/5/Add.3, chap. II (2019) and A/77/5/Add.3, chap. II (2021), in the areas of information and communications technology (ICT) and emergency programmes, for which UNICEF has not provided information on their implementation. The Board expects to receive evidence regarding their implementation in the next audit period.

2. Financial overview

Financial performance

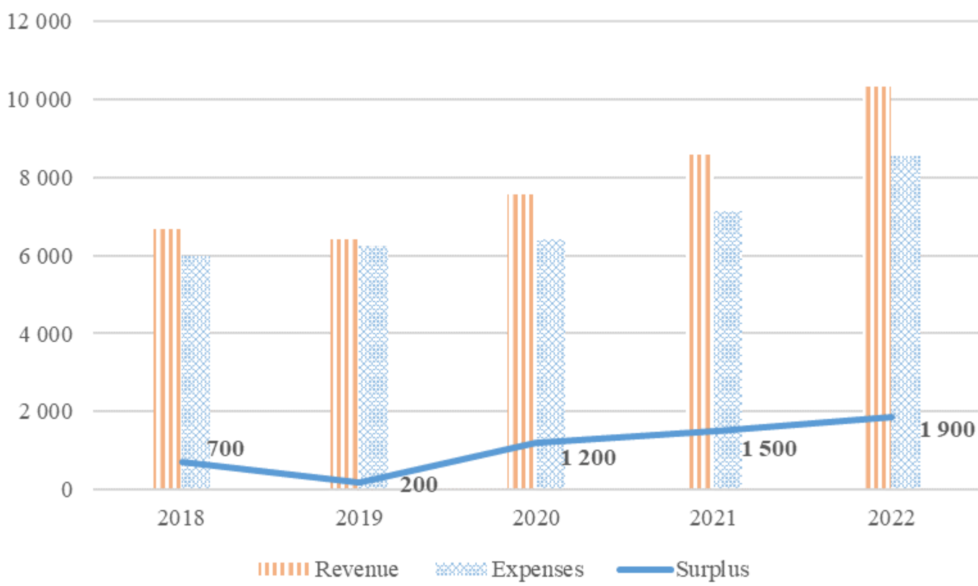
7. With respect to operating results, there was a surplus for 2022 of $1.85 billion (2021: $1.51 billion); the increase of 23 per cent is driven primarily by revenues under other resources – emergency attributable mainly to funding raised for the Ukraine refugee response of $1.25 billion.

8. Revenue for 2022 was $10.33 billion, an increase of $1.76 billion compared with the previous year (2021: $8.57 billion). The increase of 20.54 per cent was caused primarily by the above-mentioned Ukraine refugee response, which includes multi-year contributions of $709 million. Another significant change in revenues was related to other regular resources of $4.35 billion in 2022 (2021: $3.66 billion), due mainly to the increase in donations from the World Bank of $467.78 million and the Asian Development Bank of $181.02 million for Yemen, South Sudan and Afghanistan.

9. Expenses for 2022 were $8.54 billion (2021: $7.14 billion). The rise of 19.61 per cent was attributable mainly to the increases in cash assistance, which reached $3.38 billion (2021: $2.50 billion), transfers of programme supplies amounting to $1.56 billion (2021: $1.29 billion) and programme-related expert services of

$0.58 billion (2021: $0.45 billion). The increase in cash assistance was driven primarily by a $338.86 million change in implementation modality to direct cash assistance in Afghanistan to tackle the deteriorating economic circumstances and by higher direct cash transfers in Ukraine and its neighbouring countries that constituted $354.68 million in 2022 to tackle the impact of the ongoing war. Cash assistance in Ukraine and its surrounding countries and in Afghanistan included cash-based transfers to the beneficiaries of $292.84 million and $80.01 million, respectively. Comparative revenues and expenses are shown in figure II.I.

Figure II.I
Revenue and expenses, 2018–2022
(Millions of United States dollars)

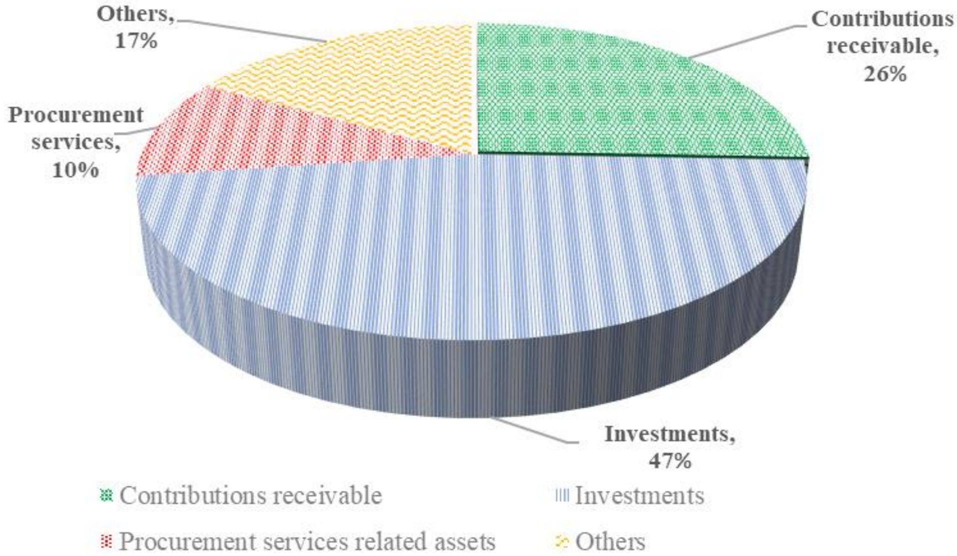


Source: UNICEF financial statements for 2018 to 2022.

Financial position

10. As at 31 December 2022, UNICEF had total assets of $18.98 billion, a decrease of 0.27 per cent from the previous year (2021: $19.03 billion), caused mainly by a reduction of $1.23 billion in procurement service-related assets. In 2021, procurement service-related assets were $3.19 billion due to funding received from Gavi, the Vaccine Alliance, specifically for procurement activities related to the COVAX Advance Market Commitment. In 2022, those assets decreased to $1.96 billion, as the procurement activities were in progress. The impacts were reflected in parallel in the liability accounts for funds held on behalf of third parties. The composition of the assets is shown in figure II.II.

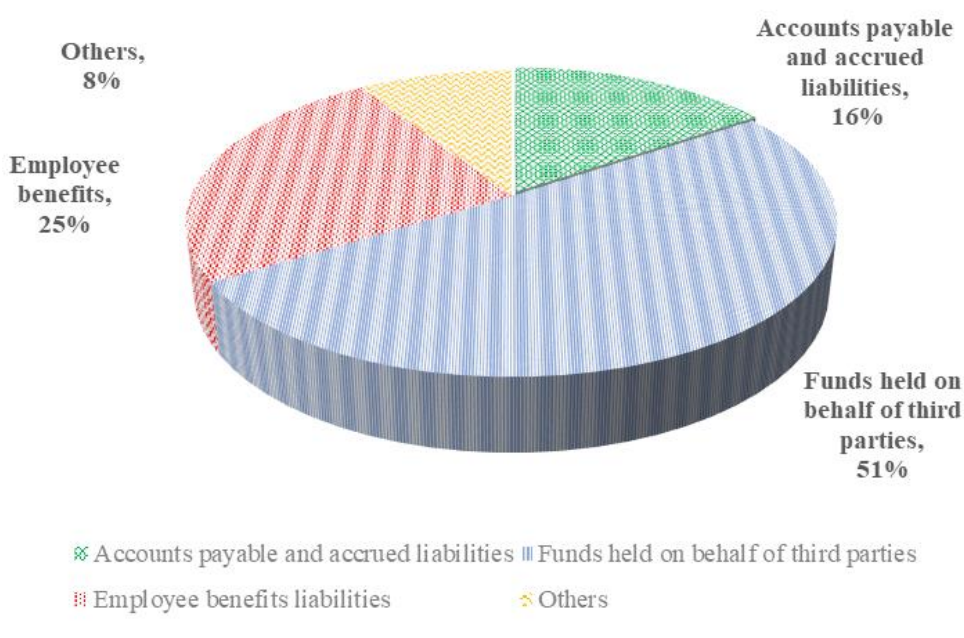
Figure II.II
Composition of assets as at 31 December 2022



Source: UNICEF financial statements for 2022.

11. The total liabilities of UNICEF had a decrease of 23.91 per cent ($6.62 billion) as at 31 December 2022 (2021: $8.70 billion), due mainly to a significant decrease in funds held on behalf of third parties of $1.61 billion and a decline in employee benefits of $380.90 million owing to the changes in financial assumptions, in particular, the increase in the discount rate. The composition of the liabilities is shown in figure II.III.

Figure II.III
Composition of liabilities as at 31 December 2022



Source: UNICEF financial statements for 2022.

Ratio analysis

12. All ratios have shown an increase compared with the previous year; therefore, UNICEF remains in a very comfortable and solvent position. The ratio of total assets to total liabilities was 2.87, which indicates strong solvency. The current ratio was 2.72, which is greater than the ratio of 2.06 in 2021 due to the decrease in funds held on behalf of third parties.

13. The increase in the quick ratio and cash ratio is due essentially to the increase in cash and cash equivalents of 67 per cent. Moreover, during 2022, the decrease in the current liabilities was driven mainly by the funds held on behalf of third parties. The financial ratios of UNICEF over the past two years are set out in table II.2.

Table II.2
Financial ratios

Description of ratio	*31 December 2022*	*31 December 2021*
Total assets: total liabilities[a]		
Assets: liabilities	2.87	2.19
Current ratio[b]		
Current assets: current liabilities	2.72	2.06
Quick ratio[c]		
(Cash + short-term investments + accounts receivable): current liabilities	2.34	1.82
Cash ratio[d]		
(Cash + short-term investments): current liabilities	1.56	1.37

Source: UNICEF financial statements for 2022 and 2021.

[a] A high ratio indicates an entity's ability to meet its overall obligations.

[b] A high ratio indicates an entity's ability to pay off its current liabilities.

[c] The quick ratio is more conservative than the current ratio because it excludes inventory and other current assets, which are more difficult to turn into cash. A higher ratio means a more liquid current position.

[d] The cash ratio is an indicator of an entity's liquidity; it measures the amount of cash, cash equivalents or invested funds that are in current assets to cover current liabilities. UNICEF adjusted the calculation of its cash ratio to properly reflect the impact of assets related to procurement services, by adding the amount of Gavi, the Vaccine Alliance ($1.96 billion), in the numerator to correct distortion in the ratio caused by the related liability in funds held on behalf of third parties included in the denominator.

3. Implementing partners

14. In accordance with the UNICEF procedure on a harmonized approach to cash transfers to implementing partners (FRG/PROCEDURE/2018/001), effective since 1 August 2018, assurance activities are a critical component of programme monitoring. These activities are carried out to ensure that cash is used as planned and/or reported by the implementing partners and that the intended results are achieved. The four main assurance activities are programmatic visits, spot checks, scheduled audits and special audits.

15. UNICEF offices determine the appropriate corrective and preventive measures to be undertaken by the organization, known as action points, in cases where negative results are recorded during the assurance activities. Corrective actions, which may be of a financial or non-financial nature, must be quantified and prioritized and include programme adjustments, refund of ineligible expenditures or other appropriate actions.

16. In this regard, UNICEF issued guidance on follow-up of financial findings from spot checks and audits, which establishes the necessity to quantify all financial findings and assign priority ratings (high or low), including ineligible expenses, unsupported amounts and unspent balances. All spot checks and audit findings, including their quantification and priority rating, are then formally reviewed by means of an exit meeting among the third-party service provider and/or programme office/programme assistant, the finance officer and the implementing partner.

17. When a spot check or audit includes high-priority findings, follow-up actions are determined and recorded in the action points module of the eTools platform and assigned a person responsible and a due date for proper tracking of the action points.

18. Similarly, it is stated in the guidance that the relevant reviewers monitor the status of implementation of follow-up actions related to high-priority findings on a quarterly basis by reviewing their status in the action point dashboard of e-Tools. In that regard, paragraph 56 of the procedure on programme implementation: work planning, partnership and risk management emphasizes the importance of closing the action points in a timely manner, stating: "High-risk observations from monitoring and assurance activities require follow-up. Country and regional offices monitor the status of open high-priority action points and ensure timely closure in eTools.".

Inadequate action points management

19. The Board selected a sample of 55 implementing partners that had submitted cash advance assistance reports to UNICEF in 2022 and analysed whether the action points resulting from the assurance activities conducted in relation to those implementing partners had been recorded in the action points module of eTools with the assigned priority rating, in accordance with the UNICEF guidance on follow-up of financial findings from spot checks and audits.

20. It was noted that 15 implementing partners had recorded one or more action points that were not properly linked to the action points module of eTools by UNICEF users. In addition, the action points had not been assigned a risk categorization within an average of 19 months from the completion of the spot check or audit. As a result, the progress made by the entity in implementing the recommendation and closing it in a timely manner could not be tracked.

21. The Board is of the opinion that inadequate management of the action points module in eTools could have an impact on the implementation of preventive and corrective measures by UNICEF offices to address the recommendations resulting from the action points, as well as the timeliness of closing them. Similarly, this could lead to delays when resolving potentially ineligible expenditures, either through reimbursement or impairment, and could also cause uncertainty both in relation to the use of the funds transferred to partners and to whether the funds had been utilized for their intended purpose.

22. Conversely, proper use of eTools contributes to the timely monitoring of financial findings resulting from assurance activities, which helps to ensure timely corrective action and prevent the financial loss that may result from unaddressed errors.

23. **The Board recommends that UNICEF promote and remind eTools users of the relevance of this platform's action points module to ensure that they make full use of the tool to manage assurance activities in a timely manner.**

24. **The Board recommends that UNICEF ensure that its country offices regularly monitor that the action points in eTools are properly addressed to ensure their effectiveness.**

25. UNICEF accepted the recommendations.

Lack of supporting documentation for closed action points

26. The Board reviewed the status of all country and regional office action points recorded in eTools as at 30 September 2022. UNICEF was asked to provide evidence to support the closure of a sample of 30 closed action points. In five cases, the required documentation could not be obtained. According to UNICEF, in two cases, the required information was not available because the staff member responsible had left the organization. In the other three cases, the organization did not have the necessary documentation to support the closure of the action items.

27. The Board is of the view that once action points are closed, it is essential to have sufficient supporting documentation of the actions taken to adequately assess their closure, which must be available and maintained, even in the event of staff changes or exceptional situations. Failure to do so could jeopardize the main purpose of assurance activities, which is to assess whether funds provided to the implementing partners are being used in conformity with the programme documents, as well as to monitor whether field offices are adequately addressing the findings raised during the assurance activities, in particular when significant issues have been identified. This would enable UNICEF to verify that funds have been spent correctly and that any inefficiencies or inaccuracies identified have been corrected.

28. **The Board recommends that UNICEF improve the practice of uploading the supporting documentation of actions taken in eTools or any other platforms as appropriate.**

29. UNICEF accepted the recommendation.

Delayed closure of action points in the Philippines country office

30. The Board reviewed the status of the action points recorded in the eTools platform as at 30 September 2022 by the Philippines country office and observed that a total of 30 action points had been recorded as “open”, 8 had been recorded as “on time” and 22 remained “delayed”.

31. Of the 22 delayed action points, 13 follow-up actions were not updated in the eTools platform and were closed after the Board’s report. It should be noted that the closed action points were between 50 and 300 days overdue.

32. The Board considers that maintaining an updated status of action points is a key step in the review of findings arising in the assurance activities process, as well as essential to provide real information on the performance of implementing partners involved with the country office.

33. **The Board recommends that the Philippines country office monitor the updates of the action points on assurance activities in the eTools platform regularly.**

34. The Philippines country office accepted the recommendation.

Delays in the performance of spot checks

35. As stated above, the four main assurance activities are programmatic visits, spot checks, scheduled audits and special audits. In the UNICEF procedure on a harmonized approach to cash transfers to implementing partners, spot checks are defined as a review of financial records to obtain reasonable assurance that amounts reported by the implementing partner on the funding authorization and certificate of expenditures form are accurate. Spot checks are to be performed in the office of implementing partners where financial records are kept.

36. Furthermore, it is stated in the procedure that, at a minimum, one spot check should be required for all implementing partners reporting more than $50,000 in expenditures in a year from funds provided by UNICEF.

37. Added to the foregoing, it is stated in the UNICEF spot check guidance issued on 30 June 2015 (FRG/GUIDANCE/2015/001) that the frequency of spot checks shall be determined based on the risk rating of the implementing partner as established by the microassessment and the planned cash transfer amount for the year.

38. The minimum requirements for spot checks for implementing partners receiving UNICEF funding are set out in the spot check guidance, as shown in table II.3.

Table II.3
Minimum spot check requirements

Cash transfer amount in the year (United States dollars)	*Risk rating*	*Spot checks*
Up to 50 000	All risk levels	Not required
50 001 – 100 000	All risk levels	1 or more per year
100 001– 350 000	Low or medium	1 or more per year
	Significant or high	2 or more per year
More than 350 000	Low or medium	1 or more per year
	Significant or high	3 or more per year

Source: Spot check guidance FRG/GUIDANCE/2015/001, issued on 30 June 2015.

39. With regard to the timing, it is stipulated in the guidance that during the first quarter of the fiscal year, UNICEF can conduct spot checks on the fourth quarter of the previous fiscal year.

40. At the end of April 2023, the Board reviewed a sample of 55 implementing partners that individually had reported expenditures of more than $50,000 during 2022, amounting to $151.94 million in reported expenditures.

41. It was noted that for 10 of the 55 implementing partners, with a total reported expenditure of $7.29 million, UNICEF had not performed spot checks in 2022. In that regard, UNICEF stated that five spot checks were at an "ongoing" stage and four spot-check reports were at a draft stage.

42. In addition, the Board verified that 21 of the 55 implementing partners, with a total reported expenditure of $44.30 million, had been the subject of spot checks; nevertheless, the reports indicated that the expenditure reviewed had been incurred in prior fiscal years, between 2019 and 2021.

43. The Board is concerned about the delayed performance of spot checks, which enable UNICEF to effectively assess whether the financial information provided by implementing partners is reliable and free from material misstatement. Therefore, it is paramount that offices be able to plan and monitor the execution of spot checks within a reasonable time frame. Given the key role of implementing partners in programme implementation, these checks serve as a valuable tool in detecting any irregularities, potential fraud or misallocation of resources. They also provide an opportunity to promptly address any issues and take corrective action to safeguard the proper use of funds.

44. To address this concern, it is crucial for UNICEF to prioritize the timely execution of spot checks. This may involve allocating sufficient resources, streamlining internal processes and ensuring clear communication and coordination between UNICEF and implementing partners. By enhancing the efficiency of spot checks, UNICEF may be able to strengthen its financial oversight mechanisms, reinforce transparency and reassure stakeholders that resources are being used in accordance with the organization's mandates and objectives.

45. **The Board recommends that UNICEF take measures to reduce the gaps between the time the expenditures are reported by the implementing partners and the spot checks are performed by the organization to ensure the effectiveness of this assurance activity.**

46. **The Board recommends that UNICEF identify the root causes of delays in spot checks and take concrete and proactive measures to address them.**

47. UNICEF accepted the recommendations.

4. Information and communications technology

Non-compliance with the vulnerability management process

48. In the UNICEF "Standard on information security: ICT operations security" (ICTD/STANDARD/2018/003), effective since 29 January 2018, it is stipulated that information about technical vulnerabilities of information systems being used shall be obtained in a timely fashion. The organization's exposure to such vulnerabilities shall be evaluated and appropriate measures taken, in accordance with the established system and/or equipment classification to address the associated risk.

49. The UNICEF "Procedure on local ICT security operations" expands on how the organization should address the vulnerability management process and outlines directions for tackling the issue. It establishes controls, such as periodic internal vulnerability scans that are conducted by the Cybersecurity Operations Centre. The vulnerability remediation is made based on the severity of the alert and is carried out by the Centre in collaboration with local information technology staff and regional chiefs of ICT. It is also stipulated in the procedure that local information technology offices are responsible for remediating vulnerabilities in their systems.

50. Patch management is established in the same procedure as a key control to ensure that vulnerabilities in corporate systems and application software are removed through the timely application of patches. Key controls include patch distribution, execution and monitoring. Similarly, the Core Infrastructure Unit in Platforms and Service Delivery is responsible for the distribution and execution of patches for all software included in the corporate image. The Cybersecurity Operations Centre monitors software for vulnerabilities, analyses the impact and alerts application and system owners.

51. Lastly, with regard to penetration testing, the purpose of which is to conduct regular security testing so that UNICEF can identify vulnerabilities and weaknesses to address them in its systems and take appropriate action to minimize the risk of data breaches, cyberattacks and other security incidents, the procedure also outlines the need for annual testing of ICT security measures.

52. The Board reviewed the organization's compliance with the requirements for vulnerability management as part of the ICT security measures. First, a low level of compliance with addressing reported vulnerabilities was noted, given that the Qualys vulnerability management, detection and response system shows 403,854 unresolved vulnerability alerts, of which 246,961 were tagged by the system as critical (severity 4) and 3,712 as urgent (severity 5). In addition, inadequate implementation of internal

controls for vulnerability scanning was found. The Cybersecurity Operations Centre did not produce a global scan report, nor did it provide local ICT staff with actionable instructions to remediate high- and medium-severity vulnerabilities. In addition, the Centre stated that, owing to staff shortages, it had performed internal network scans only for country offices required to comply with the Payment Card Industry Data Security Standard.[1]

53. Concerning security patch management, UNICEF managed its security patches and updates using the Windows Server Update Services tool, which Microsoft discontinued in 2020. Given this, and the fact that the organization is migrating to Ivanti, the tool that will replace Windows Server Update Services, UNICEF did not monitor security patches, mitigate risks arising from detected vulnerabilities or release new updates and/or patches. According to the organization, Ivanti is expected to be operational in the second half of 2023.

54. Lastly, in relation to the execution of penetration tests, it was noted that the last penetration test was performed in 2019.

55. The Board deems that the identified deficiencies in security vulnerability management, security patch management and penetration testing execution could jeopardize UNICEF information security. If these issues are not properly managed, they could increase the likelihood of unauthorized access and data breaches resulting in an impact to the organization’s operations, financial position, reputation and, ultimately, business continuity.

56. Addressing the above-mentioned issues and ensuring compliance with established standards and procedures, even during a period of migration, would reduce the likelihood of successful cyberattacks, help to protect sensitive data and contribute to strengthening the UNICEF commitment to information security and, consequently, foster trust among stakeholders in the processes carried out by the organization, thus minimizing potential reputational damage.

57. **The Board recommends that UNICEF strengthen its controls over the vulnerability management process by analysing active vulnerability alerts issued by the security tools and promptly resolving them based on the associated risk.**

58. **The Board recommends that UNICEF involve the local ICT offices in the process of addressing the vulnerabilities identified more actively.**

59. **The Board recommends that UNICEF complete the roll-out of Ivanti and ensure validation of the deployment of operating system patches and security updates on employee workstations.**

60. **The Board recommends that UNICEF carry out the penetration test as soon as possible and then continue to test annually as required by the procedure.**

61. UNICEF accepted the recommendations.

Lack of an inventory of information assets

62. UNICEF has implemented an organizational framework for the identification, classification and establishment of control requirements for UNICEF information assets based on their organizational value in the UNICEF “Standard on information security: asset management” (ICTD/STANDARD/2018/001), effective since

[1] The Payment Card Industry Data Security Standard is a widely accepted set of policies and procedures intended to optimize the security of credit, debit and cash card transactions and protect cardholders against misuse of their personal information.

29 January 2018, and the procedure on data and information classification and system controls reference (Version 1.2, December 2017).

63. In these regulations, it is stated that asset security should apply to all information used by UNICEF and that the organization is responsible for maintaining an inventory of assets. In that regard, it is specified in paragraph 18 of the UNICEF standard on asset management that the inventory shall include information on the owner (group or individual) of each asset and that the owner's responsibilities include participating in assessing the value of the security of the asset to UNICEF, including access restrictions, classifications and applicable access control policies; ensuring that assets are inventoried; and handling the asset in a secure manner when the asset is deleted or destroyed.

64. Concerning asset characterization, it is outlined in the same standard that all assets should be categorized based on four factors: financial impact/risk; legal implications; operational impact to office and/or organization; and goodwill value and/or the impact to the reputation of UNICEF. Moreover, it is stated in the procedure on data and information classification and system controls reference that depending on the classification of these factors, the information should be categorized as public, internal or confidential.

65. It is further stated in the aforementioned procedure that once the information has been classified, the information systems that contain and manage these information assets must be safeguarded, applying minimum controls.

66. The Board observed that UNICEF did not have a record of the information assets and their assigned owners. Furthermore, owing to the absence of an inventory of its information assets, the organization has not been able to ensure accurate categorization of all assets and their defined controls for them.

67. Similarly, it was noted that, although there were records of systems or tools that safeguarded information assets in the "Classi" tool, they could not be considered a catalogue given that the records were created by project managers only when a new project needed to be evaluated. Therefore, this tool did not track the final status of the system once it had been deployed, nor did it provide an overall record of all the organization's systems, as UNICEF made reclassifications of these records only when there were relevant changes in the data handled by the system.

68. The Board is of the opinion that since UNICEF is a decentralized organization where each headquarters, regional or country office may implement new systems, tools or services, it is paramount to know how information is being managed and by whom, as well as that the users are complying with the minimum controls defined by the organization to safeguard such assets.

69. The Board considers that with a proper record of information assets and owners, UNICEF may be able to ensure that asset information is adequately managed, protected and controlled, thereby mitigating potential threats to UNICEF information security, such as unauthorized access, misuse or theft of sensitive information.

70. **The Board recommends that UNICEF conduct a comprehensive inventory of the organization's information assets (systems, tools, reports and documents) and assign an owner, whether a group or individual, responsible for controlling each asset.**

71. **The Board recommends that UNICEF consider the feasibility of managing asset information in a centralized repository that allows controlling and updating the information contained therein.**

72. UNICEF accepted the recommendations.

Failure to complete user deprovisioning

73. UNICEF established the "Standard on information security: access control" to regulate access to its information systems resources and information within the organization. The standard states in its paragraph 21 that accounts should be disabled or removed from all the enterprise systems immediately when users leave UNICEF, when users no longer require access or when a user takes an extended absence. Any deviation requires appropriate authorization from the user's functional unit.

74. Furthermore, the procedure for granting, modifying and revoking user access to ICT resources outlines, among other things, the process to be followed in revoking user access to ICT resources, including a periodic review of access rights and immediate revocation of access in the event of separation from the organization.

75. It is worth mentioning that part of the deprovisioning process in the organization involves an automated control that runs on a daily basis. These system records change the status of human resources records in the Virtual Integrated System of Information-One Enterprise Resource Planning (VISION) and update the corresponding user status in the active directory and in VISION.

76. In February 2023, the Board reviewed the user accounts in the active directory and the user records included in VISION.

77. The analysis revealed that 178 users were active in the active directory despite being listed in VISION human resources records as separated from the organization prior to November 2022.

78. It was also noted that of the 178 separated users:

(a) A total of 27 were active in VISION as well;

(b) A total of 111 had logged into the active directory after their separation;

(c) Six were users with elevated privileges. Three of those still had active directory groups assigned to them and one of them also had an active VISION account;

(d) A total of 99 of the active directory users had accounts with termination dates between 2014 and 2022.

79. It was observed that no manual control had been performed by the Global Shared Service Centre or the ICT Division to identify separated personnel that the automatic review control had failed to detect.

80. Although it was observed that the active VISION accounts did not have assigned roles in the system, the Board deems that the existence of active accounts for separated personnel – and all the more so if there are accounts with elevated privileges in the active directory – jeopardizes the security of the organization's information. The fact that some of these accounts had been active for a long time without proper authorization also denotes a breakdown in the control environment, which could lead to further information security breaches.

81. Conversely, by timely revoking the access of separated personnel, UNICEF can ensure that only authorized personnel have access to sensitive information, thereby preventing unauthorized access to systems and data by individuals who do not have a business need to do so and avoiding compromising the confidentiality, integrity and availability of data and the consequent negative impact on the reputation of the organization.

82. **The Board recommends that the ICT Division, the Division of Human Resources and the Global Shared Service Centre work together to improve the**

management process for active directory and VISION accounts to ensure that access rights are appropriately assigned and maintain the accounts currently used.

83. **The Board recommends that the ICT Division and the Global Shared Service Centre assess the value of conducting periodic manual reviews of the active directory and VISION users to identify cases that the automated process cannot detect.**

84. UNICEF accepted the recommendations.

Low compliance with the mandatory information security awareness course

85. The UNICEF policy on information security (CF/ITSS/POLICY/2014-001), effective since 28 May 2015, is aimed at protecting the organization's information assets against threats that may affect their availability, confidentiality or integrity by adopting and implementing the internationally recognized International Organization for Standardization (ISO) 27001 standards. To achieve that goal, the organization has implemented several control mechanisms, including a mandatory course launched in May 2022 entitled "UNICEF general information security awareness", which provides an overview of concepts and solutions for data protection and cybersecurity best practices at work and at home.

86. In that regard, in paragraph 8 of the UNICEF procedure on learning and development, it is stated that the staff member is responsible for proactively and continuously developing his/her knowledge, competencies and skills by identifying, together with his/her manager, individual developmental needs and suitable learning opportunities and for completing mandatory training programmes on time. These learning opportunities are often agreed at the performance planning stage of the performance management cycle and incorporated into the staff member's individual learning plan.

87. The Board reviewed the compliance level with the general information security awareness mandatory course and observed that as at 21 February 2023, of 21,990 UNICEF employees (staff and non-staff), only 10,380 (47 per cent) had completed the training. Upon consultation with the organization on the progress achieved, UNICEF management informed the Board that it was gradually increasing the target for compliance, with 90 per cent expected to be achieved by the end of 2025.

88. In further analysis, the Board sorted the UNICEF employees into staff and non-staff and verified the following situations:

(a) Staff (16,897 employees):

(i) A total of 8,047 officials (48 per cent) had not completed the mandatory course;

(ii) Of the 1,187 officials who joined UNICEF between October and December 2022, 565 officials (48 per cent) had not completed the mandatory course, even though it was part of the training included in the onboarding process developed by the Division of Human Resources;

(b) Non-staff (5,093 employees): 3,563 officials (70 per cent) had not completed the mandatory course.

89. The Board also considers that the organization would benefit significantly if UNICEF took steps to ensure that all employees completed the technology and information security course. By ensuring that all employees have the necessary knowledge and skills, UNICEF would be better equipped to identify and address any potential risks or threats to its information security. Ultimately, this would help

protect the organization's reputation, maintain stakeholders' trust and ensure business continuity.

90. **The Board recommends that the ICT Division and the Division of Human Resources accelerate the completion of the general information security awareness course by all UNICEF staff and non-staff.**

91. UNICEF accepted the recommendation.

5. Enterprise risk management

Limited definition of governance and other relevant functions in the enterprise risk management structure

92. In 2006, the General Assembly endorsed the adoption of enterprise risk management in the United Nations system through its resolution 61/245 of the same year. In that regard, UNICEF implements a policy on enterprise risk management (POLICY/DFAM/2020/003), effective since 12 November 2020, in which it is stated that UNICEF enterprise risk management is aligned with the principles of the Committee of Sponsoring Organizations of the Treadway Commission enterprise risk management framework (2017), which integrates the relationship among risks, strategy and performance and seeks to optimize that relationship to increase the opportunities to attain planned results. Further, it is aligned with the basic tenets of the ISO 31000 Risk management – Guidelines, which, like the Committee of Sponsoring Organizations of the Treadway Commission, emphasize the embedding of risk management in the strategic planning process.

93. The Joint Inspection Unit, in its 2010 review of enterprise risk management in the United Nations system (JIU/REP/2010/4), introduced a benchmarking framework for the successful implementation of this topic in the United Nations system organizations. In 2020, the original 10 benchmarks from the 2010 Joint Inspection Unit report were examined and compared against updated international standards and frameworks (JIU/REP/2020/5). In benchmark number four, which refers to legislative/governing bodies engaged with enterprise risk management at the appropriate levels, it was concluded that in order to fulfil their oversight and accountability roles and responsibilities and prepare for uncertainties, legislative/governing bodies must be engaged with enterprise risk management to ensure that executive heads are setting the appropriate "tone at the top". They should be aware, at a minimum, of the key strategic risks facing the organization and the strategies for each, as well as the policies and frameworks related to enterprise risk management.

94. The Board reviewed the governance structure, roles and responsibilities for enterprise risk management set out in the UNICEF policy on enterprise risk management and related regulations and noted that while the policy on enterprise risk management recognizes the Executive Board as the governing body in its governance structure, there was no definition of its responsibilities in that regard. Similarly, no other formal document set out the activities, reporting requirements, products, approvals or participation procedures or how the Executive Board should be appropriately involved in risk management exercises.

95. Furthermore, in the UNICEF policy, the Legal Office was recognized as part of the second line of defence (whose purpose is to provide complementary expertise and to support, monitor and challenge the activities of the first line to ensure that risks are properly managed) and the Evaluation Office and the Ethics Office as part of the third line of defence (responsible for providing independent assurance of the effectiveness of risk management activities exercised by the first and second lines, with a view to promoting and enhancing the implementation of enterprise risk management).

However, UNICEF has not defined their roles and responsibilities and what is expected of each of them.

96. The Board is of the opinion that the lack of a clear definition of the roles and responsibilities of the legislative and/or governing bodies in the official documents that make up the regulatory framework may jeopardize the successful implementation of enterprise risk management in UNICEF as well as the oversight of adequate risk management.

97. In addition, the lack of a clear definition of the roles and responsibilities of the above-mentioned offices involved in the enterprise risk management cycle could hamper the ability of relevant staff at different levels to adequately identify and manage risks in a systematic and coordinated manner across the organization.

98. **The Board recommends that UNICEF clearly describe in its policy on enterprise risk management the roles and responsibilities of the Executive Board, the Legal Office, the Evaluation Office and the Ethics Office.**

99. UNICEF accepted the recommendation.

Non-compliance with reporting to the Global Management Team

100. It is stated in paragraph 29 of the UNICEF policy on enterprise risk management that risk reporting is performed at the country, regional and headquarters levels. Risk reports allow effective analysis of changing risk profiles, provide increased visibility for offices within UNICEF and facilitate understanding of organizational performance. Offices report on risks from the risk structure as relevant to their working environment.

101. In this context, it is stated in subparagraph 29.3 that the Comptroller reports on risk to the Global Management Team twice a year. The Comptroller is responsible for the oversight of the entire enterprise risk management function and leads the development, implementation, maintenance and continuous improvement of enterprise risk management processes and tools, as well as communicating the top risks and the status of implementation of risk management strategies. The Global Management Team comprises senior leadership and advises the Executive Director on the strategic management of the organization, including the setting of organizational priorities, the use and allocation of resources and the assessment of organizational performance.

102. Similarly, the “Enterprise risk management strategy: towards mature risk management in UNICEF” (DFAM_STRATEGY_2019_001), in its section 2.1 entitled “Risk management information architecture”, states that the risk management strategy will improve the management of risks at the local level as well as at the global level and that the annual corporate report on risk management, governance and compliance to the Global Management Team will show the risk situation, performance and hot spots region by region and country by country.

103. The Board requested UNICEF to provide the risk reports that were to be issued to the Global Management Team for 2021 and 2022; however, no report was provided in response to that request.

104. In addition, the Board reviewed all the available meeting minutes held by the Senior Management Risk Committee, which is an internal management-level committee bringing together a cross-disciplinary group of representatives responsible for oversight of the effectiveness of the enterprise risk management framework, including ensuring successful implementation of the organization’s approach in that regard. It was noted that in the minutes dated 16 September 2021, it is stated that “the enterprise risk management report is a supervision requirement according to the

UNICEF enterprise risk management policy and best governance practices and there have been no official detailed reports of enterprise risk management for several years and information on risk is provided with the Comptroller's annual statement". Moreover, in the analysis of the last available meeting minutes, of 16 December 2021, the Board noted that the risk reports that were to be issued to the Global Management Team by the Comptroller were still at the draft stage. It should be noted that in 2022, no meetings of the Senior Management Risk Committee were held, indicating that its risk management function was not being performed as expected or required.

105. The Board considers that the absence of this reporting instance deprives the Global Management Team of having a comprehensive and consolidated analysis of the organization's overall risk situation, including relevant conclusions and insights on risk management from the Comptroller's perspective, and limits the Global Management Team's role as an advisory body to the Executive Director on risk-related matters. This could lead to a weakening of the organization's ability to address the risks it faces, limiting the decision-making process in terms of risks and, consequently, the organization's ability to achieve its objectives.

106. **The Board recommends that UNICEF submit risk reports to the Global Management Team in accordance with the applicable enterprise risk management policy.**

107. UNICEF accepted the recommendation.

Absence of risk appetite framework

108. In paragraph 19 of the UNICEF policy on enterprise risk management, it is stated under the sub-topic "Policy elements" that risk appetite is the amount of risk UNICEF is willing to accept in pursuit of its strategic objectives. The determination of risk appetite includes an analysis of risk profiles and risk capacity, as well as both a qualitative and a quantitative risk assessment. The analysis is to also include the development of a comprehensive set of explicit risk appetite statements that constitute the formal articulation of the aggregate levels of risk the organization is willing to accept in pursuit of its mandate. The policy concludes that a risk appetite framework is to be included in a separate UNICEF procedure articulating risk appetite from the strategic and operational perspective with associated metrics of tolerance.

109. Furthermore, in paragraph 25 of the same policy, it is stated that UNICEF risk appetite and tolerance is to be well documented, communicated and continuously monitored.

110. The Board observed that on the UNICEF risk management maturity website, it was stated that in 2021, new enterprise risk management features were expected to be incorporated, such as the updated enterprise risk management policy and procedure and a defined risk appetite statement.

111. In addition, in the analysis of the minutes of the Senior Management Risk Committee meeting held on 16 December 2021, the Board noted that the risk appetite statement was under development throughout 2021. In the same minutes, a meeting was scheduled for the first quarter of 2022 to review the risk appetite statement. However, as at 31 December 2022, that statement still had not been completed.

112. Regarding the function of the Senior Management Risk Committee, as stated above, it was noted that only three meetings were held in 2021 and no meetings were conducted or documented in 2022.

113. The Board considers that the absence of a formally developed and communicated risk appetite statement may limit UNICEF capacity to clearly assess the amount of risk that it is willing to accept in pursuit of its strategic objectives.

114. Furthermore, the Board is of the opinion that the successful implementation of the UNICEF approach to enterprise risk management could be hampered if the Senior Management Risk Committee remained inactive, considering that the Committee's role is paramount in overseeing the effectiveness of the enterprise risk management framework.

115. **The Board recommends that UNICEF conclude the endorsement process of its risk appetite statement and proceed to inform all relevant users.**

116. **The Board recommends that the Senior Management Risk Committee resume its functions and conduct and document its meetings as per its terms of reference.**

117. UNICEF accepted the recommendations.

Limitations of the oversight role of the East Asia and Pacific Regional Office in the enterprise risk management function

118. The UNICEF enterprise risk management policy establishes in its annex 1 the enterprise risk management structure, roles and responsibilities.

119. Concerning the role of the Regional Director – in his/her capacity as head of the regional office – in the implementation of the enterprise risk management process, which considers the support and oversight of country offices' management of risks and controls, it is stated in the policy that their responsibilities are to provide policy support and ensure that strategies and policies are implemented by country offices; enhance the effectiveness of risk management activities and provide operational oversight and ensure coherence at the country and regional levels on data integrity and reporting; and ensure that timely completion of risk assessments and identified risks are managed and escalated, as needed.

120. It is also stated in the enterprise risk management policy that regional offices are responsible for ensuring that country offices correctly apply the risk process, along with ensuring compliance with their strategies and policies. Regional offices are also required to support country offices in the proper identification of risks, their assessment, the determination of controls, treatment, and response whenever the risk assessment exceeds the risk appetite and risks are significant.

121. To support this process, the UNICEF enterprise governance, risk and compliance tool is the designated single source of record for a centralized and integrated collection of all risks identified by the offices and governance data, information and related activities.

122. The Board analysed the implementation of all stages of the risk management process and the compliance of the East Asia and Pacific Regional Office with its operational oversight role.

123. It was noted that the Regional Office had implemented an enterprise risk management support role for the Regional Office and its 14 country offices through a partnership specialist. According to the job description, his/her duties are to "support enterprise risk management exercises with a particular emphasis on ensuring that risks for implementing partnership management are appropriately identified and relevant mitigating measures put in place".

124. In addition, the Board examined the "Integrated Risk Register Report" of the Regional Office and its country offices, which was recorded in the enterprise governance, risk and compliance tool as at 19 October 2022, and noted that:

(a) Of the 200 risks recorded by the 14 country offices and the East Asia and Pacific Regional Office, 20 were recorded without their assessments in the enterprise governance, risk and compliance system;

(b) Of the 180 risks whose assessments were indeed recorded, 162 were identified as significant risks, of which 134 had no response or treatment recorded in the enterprise governance, risk and compliance tool. Thereby, the Regional Office was unable to measure and quantify the corresponding risk management;

(c) Of the above-mentioned 180 risks recorded, 110 were not properly described in the enterprise governance, risk and compliance tool (for example, their description, cause or impact were not registered);

(d) Of the 200 risks recorded and mentioned in subparagraph (a) above, 122 fields did not have a description of the control put in place, nor did they indicate whether there was an "absence of control" thereof.

125. The Board acknowledges the continuous efforts made by the Regional Office to comply with the policy and strategies of the enterprise risk management process. However, in all its records, there was evidence of incompleteness, which jeopardizes the very assessment of risk.

126. Along this line, the Board is of the opinion that the weaknesses identified in the Regional Office's oversight activities may have an impact on an adequate risk management response, jeopardizing the effectiveness of the actions designed to adequately address them in the event that the identified risks materialize.

127. Moreover, an effective risk management would help build know-how among offices with similar environments so that risk response could be addressed by offices collectively. This observation is also in line with the Office of Internal Audit and Investigations report on enterprise risk management issued in August 2022 (2022/10), in particular the chapter on organizational structure and resources related to the role in risk management at the country and regional office levels.

128. **The Board recommends that the East Asia and Pacific Regional Office, in coordination with the Chief Risk Officer, reinforce its enterprise risk management functions at the regional level and ensure that risks are described and responses to them are measurable and quantifiable in the enterprise governance, risk and compliance tool, with the aim of supporting the country offices under its supervision.**

129. The East Asia and Pacific Regional Office accepted the recommendation.

6. Investment management

Outdated investment policy

130. In the UNICEF procedure on the regulatory framework (PROCEDURE/DFAM/2021/006), effective since 1 September 2021, it is stated that policies, procedures, standards and guidelines provide direction, set standards for performance and enable proactive risk management. In large part, these documents help to address known risks. Regulatory framework documents are therefore a crucial element of UNICEF governance, risk and compliance.

131. Similarly, paragraph 13 of the UNICEF policy on treasury and investment management (POLICY/DFAM/2022/003), effective since 23 May 2022, describes the functions of the Financial Advisory Committee as an advisory body to the Comptroller on UNICEF financial activities. The Committee is mandated to "exceptionally approve any deviations from treasury, cash and investment management policy and procedures".

132. The Board reviewed the treasury and investment management procedures in the UNICEF regulatory framework library and noted that supplement 3 to financial and administrative policy 9: treasury and investment management, effective since 1 January 2012, had a mandatory review date of December 2020, which had not yet taken place.

133. Moreover, the Board analysed the front- and back-office procedures described in the above-mentioned supplement 3 and identified differences with the current practice applied by UNICEF. The Board noted that several manual steps defined in the procedures were no longer applied, such as the manual checklist, the manual trade confirmation and the physical payment letter. In that regard, UNICEF stated that the pandemic had affected the operation of certain processes in the investment area and that the organization had responded by implementing automated processes, mainly for the purchase of foreign currency and bonds.

134. The Board is of the view that in order to have an adequate control environment, any changes to a process, as stated in the organization's own policy, must be approved by the Financial Advisory Committee and then formally become part of the UNICEF regulatory framework to provide direction, set standards of performance and enable proactive risk management; otherwise, UNICEF internal controls may reduce their effectiveness by not providing a clear and updated framework in a particularly risky area for any organization such as investment management.

135. **The Board recommends that UNICEF disseminate an updated version of the treasury, cash and investment management procedures in order to align them with the current investment process.**

136. UNICEF accepted the recommendation.

Investment in controversial industries

137. UNICEF has two investment portfolios, one internally managed and the other externally managed.

138. The main objective of the internally managed investment portfolio is to preserve capital, ensure sufficient liquidity to meet operating cash requirements and generate a competitive rate of return in the market.

139. The internal portfolio is regulated by the UNICEF policy on treasury and investment management, which in the most recent update included a paragraph mentioning that UNICEF has an ethical responsibility to invest the funds entrusted to it in a manner that is consistent with its mission statement. UNICEF practises socially responsible investment to achieve that result. A negative screening approach is used to exclude investments in counterparties that meet the exclusionary criteria. Specifically, UNICEF is prohibited from making investments in entities that promote child labour or derive revenue from alcohol, tobacco or any other addictive substances, adult entertainment, gambling and the manufacture of weapons.

140. In turn, the UNICEF external investment portfolio is aimed at covering liabilities regarding after-service health insurance.

141. As such, it is stated in paragraph 26 of the above-mentioned policy that externally managed funds are invested in line with the Financial Advisory Committee approved investment guidelines, which are jointly developed with other United Nations agencies. The after-service health insurance investment committee oversees the activities of the external fund managers who are responsible for this fund. UNICEF has two representatives on this committee.

142. The external portfolio is governed by investment management agreements signed with two external managers. The attachments to the agreements, in particular

attachment II, refer to the guidelines developed jointly with United Nations agencies, which set out the general portfolio restrictions on investments in companies that derive any revenue from the production of tobacco and weapons.

143. The Board noted that the ethical restrictions placed on the investments of the internally managed portfolio were different from those of the externally managed portfolio.

144. Further, the Board analysed the investments made by UNICEF in the external portfolio up to September 2022 and noted that $4.09 million was invested in equities associated with two alcohol-related companies, representing 0.75 per cent of the external investment portfolio and 0.05 per cent of total investments.

145. The Board deems that keeping internal and external portfolios with dissimilar limitations on investments for ethical reasons may result in a misalignment with the organization's ethical responsibility to invest the funds entrusted to it in a manner that is consistent with its mission statement and may also expose the organization to potential reputational damage.

146. The Board is of the opinion that although the external portfolio guidelines are jointly developed with other United Nations agencies, UNICEF could raise this topic in the after-service health insurance investment committee. Similarly, the agreements with external managers could be updated given that they are developed jointly with UNICEF.

147. **The Board recommends that UNICEF seek to establish the same standard of investment restrictions in the external and internal portfolios.**

148. UNICEF did not accept the recommendation, explaining that the United Nations agencies after-service health insurance investment guidelines were developed collectively by the participant agencies and therefore not fully under UNICEF control. Nevertheless, UNICEF informed the Board that in the February 2023 meeting of the after-service health insurance investment committee, an amendment to the after-service health insurance investment guidelines was proposed to align investment restrictions with those of the UNICEF internal policy. The proposal will be considered for a vote at a future meeting of the committee once the evaluation process by committee members has been completed.

149. The Board acknowledges the response provided by the organization; however, the measures reported will need to be evaluated in the next audit period. Therefore, the Board maintains the recommendation.

7. Budget management

Shortfalls in management of payroll funding

150. The UNICEF procedure on management of posts (DFAM/PROCEDURE/2018/002), effective since 18 January 2019, provides an overview of the procedures and accountabilities for managing posts in UNICEF globally, at all levels of authority and management.

151. Pursuant to the procedure statements, post management should ensure the effective and efficient use of UNICEF resources for their intended purposes and results and address the risk associated with inappropriate management and budget planning of post costs. The relevant statements in the procedure are as follows:

(a) The management of post data is centralized and under the responsibility of the Strategic Resource Management Section of the Division of Financial and Administrative Management. Decision-making authority for post changes is mostly decentralized, as defined in the post authority table;

(b) All posts are assigned, among other attributes, to a funding source. The main funding sources are institutional budgets, regular resources, other resources and other resources – emergency;

(c) Only positions that are funded will allow the appointment of new staff or contract extensions;

(d) Prior to the appointment of the candidates to a post, offices create a cost distribution record in VISION for all regular and temporary posts covering the entire duration of the contract or at least the period until the end of the current payroll horizon, normally a calendar year.

152. The activities of UNICEF are funded entirely by voluntary contributions from governments, intergovernmental and private organizations and individuals. These voluntary contributions are assigned to a specific fund, depending on whether they are for specific programmes and projects (earmarked) or for general purposes (unearmarked).

153. Depending on their purpose, these funds are divided into "regular resources" and "other resources", which are further divided into "other regular resources" and "other emergency resources".

154. The Board reviewed the monthly payroll process and found that UNICEF offices had difficulties in allocating a funding source to their staff that could cover the entire duration of the contract, or at least one calendar year.

155. According to the Board's analysis, one of the leading causes of this issue would be related to the decline in regular resources revenues. As shown in table II.4, the UNICEF total voluntary contribution revenues increased by 54 per cent over the past five years (from $6.50 billion in 2018 to $10.02 billion in 2022). This rise was driven by higher donations under other resources (regular and emergency), which increased by 79 per cent; meanwhile, regular resources decreased by 19 per cent over the same period.

Table II.4
Five-year trend in revenue
(Thousands of United States dollars)

	2018	*2019*	*2020*	*2021*	*2022*
Revenue					
Regular resources	1 627 956	1 169 889	1 181 383	1 578 646	1 319 711
Other resources – regular	2 941 001	2 980 924	3 763 183	3 660 255	4 345 159
Other resources – emergency	1 926 293	2 050 081	2 357 738	3 053 833	4 354 706
Total voluntary contributions revenue	**6 495 250**	**6 200 894**	**7 302 304**	**8 292 734**	**10 019 576**

Source: UNICEF financial statements 2018–2022.

156. In addition, during the financial audit visit, the Board reviewed the payroll funding analysis reports for April 2023 from 17 offices, including headquarters, regional and country offices, and found that $8.54 million in payroll wages had not been allocated to any fund.

157. The Board considers that the shortfalls in funding are indicative of inadequate staff budget planning, which can lead to the misallocation of funds and inappropriate use of resources compared with their originally intended purpose.

158. The lack of allocation of funds for the calendar year, or at least for the duration of the employee's contract, has resulted in the payroll team having to contact each office on a monthly basis to allocate a source of funding to cover the employee's salary. Such a practice could potentially result in an incorrect allocation of funds or indicate poor management of the recruitment process.

159. Improved budget monitoring practices and a more strategic approach to fund allocation will contribute to UNICEF offices managing their resources more effectively, monitoring staff funding, improving financial management practices and, consequently, ensuring the organization's long-term sustainability.

160. **The Board recommends that UNICEF revise the existing post management procedure to adequately reflect the reality of the challenges faced by its offices in allocating funds and ensure their timely assignment.**

161. **The Board recommends that UNICEF implement systems to monitor the funding situation of staff members.**

162. UNICEF accepted the recommendations.

8. Charge-back cost distribution

163. The UNICEF Global Shared Service Centre provides services to all UNICEF staff and offices, which are formalized in service-level agreements. The Centre currently has 50 types of service-level agreements. The services provided consist of finance-related transaction processing, master data management, payroll and human resources administration transactions.

164. To calculate the costs charged by the Global Shared Service Centre for its services to UNICEF offices, the Division of Financial and Administrative Management, in collaboration with the Global Shared Service Centre, uses a cost allocation methodology that reflects a proportional allocation of the Global Shared Service Centre costs to the offices.

165. This methodology uses two categories of services where cost allocation is applied:

(a) Payroll processing, human resources administration and customer care;

(b) Finance functions (invoice processing, payment processing, master data management).

166. The methodology uses two cost drivers:

(a) Human resources functions: the Global Shared Service Centre office staff headcount as a function of total UNICEF staff;

(b) Finance functions: number of office-specific transactions as a function of the total number of UNICEF transactions handled by the Global Shared Service Centre. This is then extrapolated to a unit cost per staff member for each office.

167. The charge-back cost distribution calculation uses the unit's staff cost calculated using the above cost drivers, which are to be allocated at the time of the UNICEF monthly payroll process to recover the costs incurred for the Global Shared Service Centre services.

168. The Board reviewed the actual number of staff headcounts for all UNICEF offices and the actual transactions processed by the Global Shared Service Centre in 2022 and compared them with the charge-back cost distribution worksheet provided by the Centre. The following discrepancies were noted:

(a) The number of staff included in the charge-back cost distribution worksheet and the headcount of UNICEF employees provided in the payroll records differ by 4,165 people, as shown in table II.5;

Table II.5
Staff comparison as at 31 December 2022

Total number of staff according to payroll	18 490
Total staff charge-back cost distribution	14 325
Difference	**4 165**

Source: Information provided by the Global Shared Service Centre and the Division of Financial and Administrative Management.

(b) The number of actual transactions processed by the Global Shared Service Centre, as obtained from the performance dashboard platform, and the estimated transactions included in the charge-back cost distribution worksheet differ by 118,821 transactions, as shown in table II.6.

Table II.6
Transactions processed by the Global Shared Service Centre as at 31 December 2022

Global Shared Service Centre performance dashboard	818 157
Charge-back cost distribution	936 978
Difference	**118 821**

Source: Information provided by the Global Shared Service Centre and the performance dashboard platform.

169. It should be noted that the Board was not able to recalculate the data provided by the organization given that the charge-back cost distribution worksheet reported 157 business areas, whereas the payroll books contained 447 business areas.

170. The Board is aware that the calculation of the charge-back cost allocation is based on transaction estimates; however, the methodology used by UNICEF to carry out this calculation should be based on the actual transaction figures originating in all business processes and actual staffing data. This information is available in the various UNICEF performance platforms and its use can contribute to a better calculation of the charge-back cost distribution.

171. **The Board recommends that UNICEF review the Global Shared Service Centre charge-back methodology on a yearly basis to ensure that the rates charged to each office are as fair as possible.**

172. UNICEF accepted the recommendation.

9. Global Shared Service Centre performance

Lack of quality information for ticket processing

173. The Global Shared Service Centre provides its clients, namely, all UNICEF divisions, regional offices, country offices, zone offices, staff and consultants, with any of the services included in the service catalogue.

174. To standardize the relationship with its clients, the Global Shared Service Centre has set up a service-level agreement, whose overall objective is to provide a framework for establishing and monitoring service expectations and to enable close coordination between offices and the Centre for the delivery of timely, efficient and effective services. Each service requested of the Centre is treated as a separate ticket, with specified response times for both standard and emergency transactions.

175. One of the clients' responsibilities is to ensure the integrity and quality of the case presented before submitting the request to the Global Shared Service Centre for processing. If the requirements are not met (e.g. due to submission errors, incorrect request type, application outside the scope of the Centre, possible duplication or ineligible request), the Centre returns or rejects the transaction.

176. The total number of tickets issued in the past 12 months (February 2022 to January 2023) was 301,839. The Board analysed the returned and rejected transactions and noted that the number of returned and rejected tickets was 21,940. Of those, 17,660 (5.9 per cent) had been returned and 4,280 (1.4 per cent) had been rejected.

177. Of the cases returned, 6,821 (39 per cent) were returned owing to missing or inaccurate documentation/information provided by the clients, while 4,222 (24 per cent) were returned owing to insufficient funds, among other reasons. Of the rejected cases, 1,852 (43 per cent) were rejected for duplication and 1,678 (39 per cent) were rejected on behalf of the requestor for situations that should have been identified by the local focal point of each office.

178. While the Board is aware of the high volume of the transactions handled by the Global Shared Service Centre, it is equally true that, in order to provide timely, efficient and effective services, the Centre needs to receive quality and comprehensive information from its clients, which, as mentioned above, is not always the case. This means that it is necessary to review the coordination mechanisms with the clients, as well as carry out a comprehensive evaluation of all the issues involved in the process, in order to identify the causes of the breaches detected.

179. Concerning this, the Board is of the view that the receipt of a significant number of tickets with insufficient and/or inaccurate information should be addressed to avoid having to undertake extensive reviews of tickets to determine whether the requests meet the minimum requirements, which should have been previously validated by each client local focal point.

180. **The Board recommends that the Global Shared Service Centre engage with its clients to analyse the root causes of the high number of returned and rejected cases.**

181. **The Board recommends that, based on the root causes analysis, UNICEF, from an organization-wide perspective, take measures to ensure the integrity and quality of documents sent by the clients to the Global Shared Service Centre.**

182. The Global Shared Service Centre did not accept the recommendations, stating that the cases referred by the audit team were within the acceptable parameters established by management to measure performance. Management also emphasizes that there are already several ongoing initiatives to provide capacity-building support to local focal points, to work with offices to understand the causes of specific return or reject cases and to enable offices to monitor and proactively manage these rates.

183. The Board welcomes the ongoing initiatives taken by the organization to address the observation; however, the scope of the reported actions and their effectiveness in determining the roots of the shortcomings verified require assessment, which will be

carried out in the upcoming audit period. Therefore, the Board maintains the recommendation.

10. Funds held on behalf of third parties

Inactive grants

184. In paragraph 1 of the UNICEF procedure on procurement services, it is stated that UNICEF engages in procurement and provides its expertise on strategic commodities available to its partners through the provision of procurement services. These services support UNICEF objectives by enabling partners to access essential supplies and related services for children and their families. They are also an entry point for UNICEF to provide technical expertise to strengthen national supply chain operations, supporting availability and delivery of supplies for children in the longer term.

185. In paragraph 4 of the procedure, it is stated that the Procurement Services Centre at the Supply Division oversees the implementation of procurement services globally, which includes, among other things, managing procurement services memorandums of understanding and third-party funded agreements and establishing and managing new procurement services agreements, partnerships and projects with countries and development partners.

186. In paragraph 6 of the procedure, it is stated that UNICEF offices are responsible for country-based procurement services, which includes supporting partners that use procurement services; communicating regularly with the Supply Division on procurement services issues; ensuring the inclusion of procurement services in programmatic discussions within the office and with partners; and assisting partners with the utilization of available balances and timely fund transfers, among other things.

187. Paragraph 28 of the procedure establishes the performance of a settle account when an amount is due to the partner, stating that the partner instructs UNICEF whether to refund the amount or reprogramme it towards future procurement services transactions.

188. The Board analysed the ledger accounts related to procurement services requested by third parties and identified inactive grants from 2013 to 2020, which registered $13.83 million in favour of third parties, representing 1 per cent of the amount accumulated until 2022 and 6.8 per cent of the number of grants managed.

189. Of these, the most significant grants (14), amounting to $5.35 million, were analysed together with their memorandum of understanding, statements of accounts (one issued in 2013, two in 2015, three in 2016 and four in 2017 and 2018, respectively) and the most recent communications between the Supply Division and the country offices on the status of the inactive grants.

190. As a result, it was observed that:

(a) A total of 10 grants were awaiting confirmation from the partner for reimbursement or reprogramming after several communications with the country offices between 2021 and September 2022;

(b) Three grants were instructed by the country office to withhold funds until further notice owing to the current situation in the country. The Supply Division and country office communications occurred between September and October 2021;

(c) In one case, the Supply Division was waiting for confirmation of bank details from partners. Communication with the country office took place between September 2021 and September 2022.

191. In addition, the Board noted that six memorandums of understanding from the above-mentioned sample stated that if UNICEF did not receive a response within two years after its request for instructions from the Government on the disposition of a positive balance, and after sending out a written reminder, the balance would be considered as a donation to UNICEF.

192. The Board is of the view that keeping funds unallocated or inactive for long periods of time is not in line with the primary objective of procurement services, which is to enable partners to provide and facilitate access to essential supplies and related services for children and their families.

193. The Board acknowledges that the Supply Division has taken some measures to define the destination of the outstanding balances owed to procurement services partners; however, these have not been sufficient to address the situation.

194. Similarly, it has also become clear that the decisions taken by the Supply Division have not necessarily been harmonized with the provisions established in the memorandums of understanding signed with its partners. Therefore, the Board considers that the decision the Supply Division takes with the partner regarding how it will handle the inactive grants must be explicitly stated in the memorandum of understanding that regulates their relationship, with the ultimate purpose of having clarity as to what the organization should do in such an eventuality.

195. UNICEF declared that its standard practice had been to seek active consent from partners before the disposition of inactive balances. Notwithstanding the language in the memorandums of understanding, which would legally entitle the claiming of funds, UNICEF added that it preferred not to apply a mechanical approach but rather to preserve the spirit of partnership. In addition, it was explained that in the overall context of the volume of procurement services trust funds managed by UNICEF, the value of grants related to inactive partners was low.

196. **The Board recommends that UNICEF strengthen its internal controls over inactive funds by developing a transparent approach that includes the terms of communication with its procurement services partners, the timelines and the documentation that supports the considerations for the future use of inactive funds.**

197. UNICEF accepted the recommendation and stated that the organization, through its Supply Division, would develop a documented and transparent approach to managing partners' balances, with a view to achieving the target in 2023.

198. The Board acknowledges the response provided by the organization and will evaluate the measures reported in the next audit period.

11. Procurement management

Incomplete procurement plan in the Philippines country office

199. With regard to contracting for services and planning, it is recommended in the UNICEF Supply Manual that contracting of service needs be identified as part of the regular (e.g. annual) planning process of the office to demonstrate clear linkage with programme and/or internal operational activities. The answer to the basic questions of "what", "why", "when", "where" and "how" should be clearly identified to ensure budget availability, get the right services on time, with the best possible value for money.[2]

200. In addition, the Supply Division issued its "Guidance on supply of goods and services" (GUIDANCE/SD/2022/002), effective since 1 July 2022, in which it is stated in chapter 4 on supply strategy and planning that procurement planning is a process that should identify in detail the procurement approach and timetable for an

[2] See para. 5.1.2, sect.7, ch. 6, concerning "Procurement of supplies, equipment and services".

individual procurement requirement. Procurement plans should then confirm the sourcing and solicitation method and establish milestones and planned durations for key steps in the procurement process.

201. It is also stated in the guidance that the buyer prepares a procurement plan using the standard template. In this template, a new line can be added for each new requirement so that it provides an overview of all current procurement requirements.

202. The plan defines:

(a) The goods or services required and estimated budget;

(b) The proposed solicitation method, potential sources and justification for any waiver of competition (if applicable);

(c) Timescales for the procurement process and for manufacturing, delivery, mobilization or completion;

(d) The proposed type of contractual instrument;

(e) Resources required for procurement and contract management, including technical inputs from the requisitioner.

203. The Board reviewed the Philippines country office's annual procurement plan for goods and services and the supply logistics monitoring report for 2022. It was found that the procurement plan was incomplete with respect to the following items:

(a) Of the 73 goods recorded in the supply plan, there was a lack of information regarding the requisitioners (focal points), the start and end dates of the requisition and the cost and quantity of the goods requisitioned;

(b) Of the 116 services recorded in the supply plan, the information concerning the start dates, the duration of the service and the estimated cost of the amount was not completed;

(c) The 2022 supply and logistics monitoring table developed to supervise the purchase requisitions did not have complete information on the estimated budget, the proposed solicitation method or the timing of the procurement process.

204. The Board is of the view that the lack of essential information could affect the effective planning of the office's supply requirements, as well as jeopardize procurement deadlines. This could, in turn, result in the organization's failure to ensure the best possible value for money in its procurement requirements.

205. **The Board recommends that the Philippines country office review its procurement plan and include as many key milestones as appropriate from the Supply Division guidance on the supply of goods and services.**

206. The Philippines country office accepted the recommendation.

Weaknesses in end-user monitoring of supplies in the Thailand country office

207. In accordance with the Supply Manual,[3] the supply function carried out in each country office is directly linked to the appropriate functions of the Supply Division in facilitating and implementing the supply process. Specifically, the country office supply function includes "T. Arranging pre- and post-delivery inspection as required and evaluating the suitability of supplies at project locations" and "U. Preparing and obtaining acknowledgement of receipt of goods from government and other customers and arranging end-user monitoring of supplies".

[3] Chap. 02: Organization and responsibility, sect. 03: Country offices, 3.0 Country office supply function, para. 3.1.

208. The end-user monitoring of supplies, as defined in a guide elaborated by the Division of Data, Analytics, Planning and Monitoring, is a process of verification to prevent the misuse, underuse or unauthorized transfer of programme supplies. This verification is performed with structured templates that use checks, interviews and observations.

209. In addition, UNICEF issued a programmatic visit guidance note[4] that establishes a minimum requirement reporting format, consistent with the overall UNICEF programme monitoring framework, the definition of a harmonized approach to cash transfers and the objective of programmatic visits.

210. The Board conducted a review of the end-user monitoring of supplies delivered by the Thailand country office to its implementing partners from 1 January to 30 September 2022. The Board observed that the country office delivered 38 types of supplies to its implementing partners, representing approximately $1.9 million in deliveries, and that, according to the information provided by the country office, no end-user monitoring of supplies was carried out.

211. The Board is of the view that the absence of monitoring of supplies delivered to implementing partners for final beneficiaries exposes the organization to possible misuse of such supplies for several reasons, such as fraudulent activities (e.g. theft, sales), losses or deliveries in poor condition or quality, which could affect the organization's reputation.

212. In turn, adequate end-user monitoring provides valuable feedback for accurately assessing the quantity, quality, effectiveness, efficiency and timeliness of the delivery of supplies to beneficiaries, as well as overseeing whether the supplies are being used as expected by the implementing partners for the benefit of the local communities. Similarly, monitoring with homogenous criteria provides the country office with useful comparative information on the results of the delivery process by considering a minimum set of matters to assess. Thus, the organization would be able to track the impact that the delivered supplies is having on the communities, with the aim of improving the supply chain and ensuring timely and sustainable access to high-quality commodities to the final beneficiaries.

213. **The Board recommends that the Thailand country office, in coordination with the East Asia and Pacific Regional Office and UNICEF headquarters, implement a standard procedure for monitoring supplies delivered to final beneficiaries, in line with current organizational initiatives and the supply context of the office.**

214. The Thailand country office accepted the recommendation.

C. Transmissions of information by management

1. Write-off of losses of cash, receivables and property

215. UNICEF reported to the Board that losses in assets of $17.72 million (2021: $7.54 million) had been written off during 2022, including inventory of $15.42 million (2021: $3.49 million), other receivables of $0.08 million (2021: $1.29 million), contribution receivables of $2.19 (2021: $2.42 million) and property and equipment of $0.02 million (2021: $0.34 million).

2. Ex gratia payments

216. UNICEF reported for the year ended 31 December 2022 that the Executive Director had authorized events qualifying for ex gratia payments totalling $380,294.90. The payments were $370,294.90 for the enhancements of residential

[4] Field Results Group, United Nations Children's Fund (UNICEF) New York headquarters, June 2019.

security and emergency preparedness for locally recruited personnel in three UNICEF emergency offices and $10,000 for a survivor of a traffic accident involving a UNICEF vehicle.

3. Cases of fraud and presumptive fraud

217. In accordance with the International Standards on Auditing (ISA 240), the Board plans its audits of the financial statements so that it has a reasonable expectation of identifying material misstatements and irregularities, including those resulting from fraud. Our audit, however, should not be relied upon to identify all misstatements or irregularities. The primary responsibility for preventing and detecting fraud rests with management.

218. During the audit, the Board made enquiries of management regarding its oversight responsibility for assessing the risks of material fraud and the processes in place for identifying and responding to the risks of fraud, including any specific risks that management had identified or that had been brought to their attention. The Board also enquired whether management had any knowledge of any actual, suspected or alleged fraud, and this included enquiries of the Office of Internal Audit and Investigations. The additional terms of reference governing external audits included cases of fraud and presumptive fraud in the list of matters that should be referred to in its report.

219. UNICEF reported 143 cases (2021: 114 cases) of fraud or presumptive fraud closed during the year 2022 by the Office of Internal Audit and Investigations and 249 cases of fraud or presumptive fraud relating to cash-based transfer project cases closed during the year 2022 (2021: 453 cases), which were investigated by an independent organization engaged by UNICEF.

220. For the year ended 31 December 2022, the total loss, gross of recoveries, for cases closed by the Office of Internal Audit and Investigation and cases investigated by an independent organization was $374,304, of which $49,000 was recovered and another $44,000 is in the process of being recovered. The entities and individuals concerned have agreed to a payment plan. Furthermore, the independent organization for project-specific cases in the cash-based transfers project identified $31,879 in fraudulent loss transactions, which has been fully recovered.

D. Acknowledgement

221. The Board expresses its sincere appreciation and gratitude to the management and staff of UNICEF for the assistance and cooperation extended during the conduct of the audit.

(*Signed*) **Hou** Kai
Auditor General of the People's Republic of China
Chair of the Board of Auditors

(*Signed*) Jorge **Bermúdez**
Comptroller General of the Republic of Chile
(Lead Auditor)

(*Signed*) Pierre **Moscovici**
First President of the French Cour des comptes

26 July 2023

Annex

Status of implementation of recommendations up to the year ended 31 December 2021

						Status after verification			
No.	*Audit report year*	*Report reference*	*Recommendation of the Board*	*Management's response*	*Board's assessment*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
1	2019	A/75/5/Add.3, chap. II, para. 72	The Board recommends that UNICEF adopt a mission-mode approach to ensure the successful and expedited implementation of the budget formulation tool.	UNICEF management reiterates its request for closure of this recommendation, considering that the request for a mission-mode approach to the implementation of the budget formulation tool has been overtaken by events. The budget formulation tool project evolved into a budget systems modernization initiative following the identification of performance issues with the tool and the need to review the budget planning process.	Taking into consideration that the budget formulation tool was replaced by Fiori owing to performance issues, the Board verified that the current tool covers the functionalities of the previous platform. Therefore, the recommendation is considered overtaken by events.				X
2	2019	A/75/5/Add.3, chap. II, para. 199	The Board recommends that UNICEF take measures to implement the data warehouse strategy as a priority, especially because this is identified as a critical need to build a long-term, sustainable platform.	Although UNICEF provided information in the previous audit period, it did not provide any additional information in the current audit period to allow an assessment of the status of this recommendation.	Given that UNICEF did not provide any additional information on the implementation process of the recommendation during the current audit period, the recommendation is still under implementation.		X		
3	2019	A/75/5/Add.3, chap. II, para. 204	The Board recommends that UNICEF take steps to get an appropriate level of penetration testing done on the critical applications and networks through which these applications are accessed, which would help to identify the security vulnerabilities and result in urgent action to patch.	UNICEF did not provide additional information allowing an assessment of the status of this recommendation.	Given that a new cybersecurity framework was approved by the ICT Board in July 2022 and the organization has not taken action to address this recommendation, the analysis of this issue was extended in the current audit period and a new audit recommendation was raised regarding				X

No.	Audit report year	Report reference	Recommendation of the Board	Management's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
					penetration testing that was not performed. Therefore, this recommendation is considered overtaken by events.				
4	2019	A/75/5/Add.3, chap. II, para. 230	The Board recommends that UNICEF explore the creation of a mechanism to prevent the creation of multiple payment requests for the same payment under the same grant and take steps to complete the process of data cleaning through necessary action on pending unverified payment requests as a priority.	UNICEF successfully rolled out zHACT 2.0 in August 2022. This latest version of the harmonized approach to cash transfers framework manages functions from the Fiori app and eliminates the creation of requests, as transactions (e.g. for changes of funding source and reprogramming transactions) are executed from the original funding authorization and certificate of expenditure form. With the migration of offices to the new system, the old system is invalid for any further use, which is the reason why a cleaning of those drafts has not been pursued.	After examining the information provided by UNICEF, including training sessions and manuals on the update of the harmonized approach to cash transfers framework manager system to zHACT 2.0, the Board verified that the process of creating requests had been changed to enable transactions to be executed directly from the original funding authorization and certificate of expenditure form through the Fiori app. Therefore, this recommendation is considered implemented.	X			
5	2020	A/76/5/Add.3, chap. II, para. 106	The Board recommends that UNICEF headquarters take measures to strengthen the process of technical closure of financially closed grants and provide training, as required, to offices to develop a better understanding of the information systems and applications.	UNICEF management clarifies that office dashboards will continue to show active, expired and financially closed grants even after grants have been financially closed, as there are still valid processes under way, such as issuing the donor statement, discussing actions with donors for unspent balances, awaiting the final	The Board has analysed the actions taken by UNICEF to improve the process of financial closure of grants and has reviewed the 22 cases of expired grants with negative allotment in the West and Central Africa Regional Office and in the Nigeria country office mentioned in 2022, of which only 1 remains to be closed. Moreover, the	X			

No.	Audit report year	Report reference	Recommendation of the Board	Management's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
				tranche payment and completing final steps before technical closure. Grants in the above cases will continue to be shown in the dashboard until they are completed, at which point grants can be cleared and moved to "closed" status. Lastly, there are ongoing webinars and discussions with the offices on the financial management of the life of the grant, including actions to be taken after the financial closure of the grant.	Board reviewed the execution of training regarding financial closure of grants. In view of the actions taken, the recommendation is considered implemented.				
6	2021	A/77/5/Add.3, chap. II, para. 33	The Board recommends that UNICEF obtain specific authority from the General Assembly in the event of borrowing funds from any source external to the Organization.	After verifying the organization's borrowing activities from external sources, it has been found that no new loans have been requested by the organization. Therefore, this recommendation is considered implemented.	Considering the verifications made in relation to the confirmation that UNICEF has not requested, nor intends to request, new loans from an external source without the express authorization of the General Assembly, this recommendation is considered implemented.	X			
7	2021	A/77/5/Add.3, chap. II, para. 34	The Board recommends that UNICEF comply in a strict manner with current regulations whenever using financing instruments for fundraising that may raise a financial liability.	The Executive Board and management have expressed their commitment to complying in a strict manner with current regulations whenever using financial instruments for fundraising that may raise a financial liability. UNICEF will pursue specific authorization from the General Assembly based on	The Board has confirmed that UNICEF has not requested new loans from an external source without the express authorization of the General Assembly; therefore, this recommendation is considered implemented.	X			

No.	Audit report year	Report reference	Recommendation of the Board	Management's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
				the endorsement of the Executive Board any time that the organization seeks to borrow funds from an external source.					
8	2021	A/77/5/Add.3, chap. II, para. 47	The Board recommends that the Division of Data, Analytics, Planning and Monitoring develop guidance on the action points for follow-up, in order to ensure that the actions taken have been properly completed in eTools.	UNICEF confirms that the review of UNICEF implementing partnerships management procedures, guidance and tools has been finalized and has resulted in the development of the UNICEF programme implementation procedure, which consolidates in one source of reference the former several separated procedures. The document has been published officially in the UNICEF regulatory framework library and has been disseminated by the Deputy Executive Director for Programmes to all staff via a global message.	The Board reviewed the "Procedure on programme implementation: work planning, partnership and risk management" and observed that the gaps in the action points identified in the previous audit had been addressed. Therefore, this recommendation is considered implemented.	X			
9	2021	A/77/5/Add.3, chap. II, para. 48	The Board recommends that the Division of Data, Analytics, Planning and Monitoring, assess whether ineligible expenditures reported in the action point should be impaired through the regional harmonized approach to cash transfers focal point, in line with UNICEF policy.	All expenses identified during the financial year 2021 audit in the Yemen (9 items) and South Sudan (10) country offices have been assessed and treated, in consultation with the relevant headquarters divisions and as per UNICEF policy. For the Yemen country office, the 9 action points identified have been resolved with supporting documentation. None of the cases required	The Board reviewed the audit reports, spot checks and other additional procedures performed by the implementing partner of the selected action points relating to ineligible expenditure, unsupported documentation, inadequately supported documentation, refund, ineligible costs and questioned costs, among other things. It was observed that all the	X			

No.	Audit report year	Report reference	Recommendation of the Board	Management's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
				an impairment, 7 were refunded and 2 received confirmation of the expenditure being eligible. Similarly, for the South Sudan country office, of the 10 action points identified, 5 were assessed as eligible during the 2022 spot check, with further documentation received, 4 were refunded and 1 required an adjustment and not an impairment as activities were implemented but documentation was missing based on annex 2 to the UNICEF procedure on impairment and write-off of direct cash transfers.	submitted expenses were eligible and adequately supported. Therefore, this recommendation is considered implemented.				
10	2021	A/77/5/Add.3, chap. II, para. 49	The Board recommends that UNICEF make sure that the actions taken by the South Sudan and Yemen country offices appropriately address the findings and recommendations resulting from closed assurance activities.	The South Sudan country office has followed up and addressed the findings resulting from the closed action points identified by the Board. During the financial year 2021 audit, the Board highlighted 10 action points, all of which have been fully resolved and finalized.	The Board analysed samples of action points completed in 2021 and 2022 in the South Sudan and Yemen country offices using audit reports, field verifications and other additional procedures performed by the implementing partner. It was verified that the actions taken to address the selected action points were appropriate and properly implemented. Therefore, this recommendation is considered implemented.	X			

						Status after verification			
No.	*Audit report year*	*Report reference*	*Recommendation of the Board*	*Management's response*	*Board's assessment*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
11	2021	A/77/5/Add.3, chap. II, para. 60	The Board recommends that the UNICEF Private Fundraising and Partnerships Division require National Committees and country offices to improve the number of reports submitted in a timely manner, in accordance with the reporting calendars.	The Private Fundraising and Partnerships Division carried out an action plan on timeliness as part of the agenda of the annual finance meeting, the result of which shows that the overall average timeliness of reports from National Committees is already 67 per cent, which exceeds the expectation of at least 50 per cent already achieved throughout 2022. The submission of audited financial statements and certified revenue and expenditure reports, which was the weakest indicator, has already reached 50 per cent, representing significant progress from the 27 per cent in 2021 and sustained improvement from 38 per cent in 2022. Regarding country offices, the progress has been sustained, with the total average timeliness of reports reaching 59 per cent in the first quarter, which reaches and exceeds the expectations set.	The Board acknowledges the actions reported by UNICEF. It has been verified that the Private Fundraising and Partnerships Division has already made progress in improving timelines achieved in 2022 and is applying an action plan that is accelerating progress in the first quarter of 2023, visualizing a greater number of reports submitted by National Committees and country offices. Therefore, this recommendation is considered implemented.	X			
12	2021	A/77/5/Add.3, chap. II, para. 74	The Board recommends that the Private Fundraising and Partnerships Division duly develop and approve private sector plans in coordination with the country offices and in	The Private Fundraising and Partnerships Division confirms that all private sector plans were approved by the Director for Private Fundraising and Partnerships by the end of January 2023 in line with	The Board verified that the plans approved by the Director for Private Fundraising and Partnerships were in line with the procedure on planning private sector fundraising in country	X			

No.	Audit report year	Report reference	Recommendation of the Board	Management's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
			compliance with the applicable timeline.	the procedure on planning private sector fundraising in country offices, and existing timelines were reviewed.	offices. Therefore, this recommendation is considered implemented.				
13	2021	A/77/5/Add.3, chap. II, para. 75	The Board recommends that the Private Fundraising and Partnerships Division elaborate formal documentation for meetings held with regional offices and/or country offices and distribute it among stakeholders.	The Country Office Development and Support Team of the Private Fundraising and Partnerships Division has organized a one-hour global call with regional supporting centres every two months. The Division is formally documenting these meetings and keeping regional supporting centres informed and updated.	The Board reviewed the documentation shared in the Division's SharePoint, which includes the invitations, notes and links that provide evidence of the formal record of the meetings held with the regional and country offices. Therefore, this recommendation is considered implemented.	X			
14	2021	A/77/5/Add.3, chap. II, para. 85	The Board recommends that UNICEF strengthen and describe the monitoring of conflicting roles assigned when segregation is not possible, to ensure that compensating control mechanisms are effective.	As recommended by the Board, UNICEF has strengthened the monitoring of conflicting roles assigned when segregation is not possible and has ensured that the compensating control process is effective. UNICEF confirms that the information, risk and compliance system that monitors the role segregation in the enterprise resource planning system remains effective in managing conflict in segregation of roles. The system is managed by a dedicated team at the Global Shared Service Centre, with additional monitoring by the Comptroller's office as a second line of defence.	The organization's commitment and actions to address the identified deficiencies in segregation of duties and compensating controls are duly recognized. The new measures implemented, such as strengthening monitoring, reviewing conflicting roles and introducing additional controls, have ensured that compensating control mechanisms are effective. In view of the actions taken, the recommendation is considered implemented.	X			

No.	Audit report year	Report reference	Recommendation of the Board	Management's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
				After the Board's recommendation, UNICEF adopted several processes to effectively monitor compensating controls including, in some cases, assigning interim roles to regional offices when it was not possible within the country offices, and implemented various measures to sustain adequate monitoring of segregation of duties and compensating controls.					
15	2021	A/77/5/Add.3, chap. II, para. 93	The Board recommends that UNICEF ensure that comprehensive testing of the information and communications technology business continuity and disaster recovery plan is carried out regularly, including necessary simulation exercises at defined intervals, as the Board previously recommended (see A/77/5/Add.3, chap. II, para. 244).	UNICEF had not provided any information allowing an assessment of the status of this recommendation.	In view of the fact that UNICEF has not provided any information on the implementation process of the recommendation, the recommendation is considered not implemented.			X	
16	2021	A/77/5/Add.3, chap. II, para. 109	The Board recommends that UNICEF headquarters make the necessary arrangements in order to maintain its emergency preparedness plans and minimum preparedness standards up to date and approved.	The Office of Emergency Programmes has fully updated the headquarters preparedness plan in close collaboration with other divisions. The final plan has been uploaded in the emergency preparedness plan platform and approved by the Office of Emergency Programmes management.	In view of the verifications conducted in relation to the emergency preparedness plan platform, it was noted that UNICEF headquarters had kept its emergency preparedness plans and minimum preparedness standards up to date and approved. Therefore, this recommendation is considered implemented.	X			

No.	Audit report year	Report reference	Recommendation of the Board	Management's response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
17	2021	A/77/5/Add.3, chap. II, para. 110	The Board recommends that UNICEF strengthen its emergency preparedness planning process with the lessons learned from COVID-19, in order to anticipate possible hazards.	The Office of Emergency Programmes continues to consolidate and apply coronavirus disease (COVID-19) lessons learned that are relevant to preparedness planning to ensure improved response readiness. These include enhanced geospatial risk analysis and pandemic preparedness initiatives. A short document summarizing the lessons learned from COVID-19 in terms of preparedness has been developed. The document includes the work done with the Public Health Emergencies Section and the recent internal COVID-19 evaluation, which includes a strong recommendation on preparedness.	The Board verified that UNICEF had developed a new supporting document and improved the emergency preparedness planning process in line with the UNICEF strategic plan of action, 2022–2025, including the lessons learned from the COVID-19 pandemic. Therefore, this recommendation is considered implemented.	X			
18	2021	A/77/5/Add.3, chap. II, para. 125	The Board recommends that UNICEF update the minimum preparedness standards for headquarters and the regional offices.	UNICEF did not provide any information allowing an assessment of the status of this recommendation.	In view of the fact that UNICEF has not provided any information on the implementation process of this recommendation, it is considered not implemented.			X	
19	2021	A/77/5/Add.3, chap. II, para. 126	The Board recommends that UNICEF headquarters provide further training to regional offices with the goal of strengthening the oversight and quality control exercised by the regional offices.	Since the beginning of 2022, the Office of Emergency Programmes has strengthened engagement with regional offices through regular and systematized processes, such as the bimonthly horizon scan process, to identify rising risks and strengthen preparedness and quality control, especially for hazards with high	The Board verified and concluded that UNICEF headquarters, in collaboration with regional offices, had conducted training, meetings and learning sessions, complemented by simulation exercises and the development of preparedness plans for	X			

No.	Audit report year	Report reference	Recommendation of the Board	Management's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
				likelihood. These processes are more impactful and allow for the different regional offices to better guide and support their respective portfolio of country offices. Six iteration processes of horizon scanning have been completed, including the most recent one finalized in December 2022. In addition, headquarters has worked in close collaboration with regional offices to support them in organizing training and learning sessions, completed by simulation exercises and the development of preparedness plans for different country offices in the past few months (Armenia, Azerbaijan, Cameroon, Kenya and the Sudan).	different country offices. As a result, the oversight and quality control exercised by the country offices has improved. This recommendation is therefore considered implemented.				
20	2021	A/77/5/Add.3, chap. II, para. 137	The Board recommends that the Middle East and North Africa Regional Office and the Mozambique country office make the necessary arrangements in order to approve and update the documents and steps that comprise the emergency preparedness planning process on the emergency preparedness platform in due time.	UNICEF confirms that the emergency preparedness plan for the Mozambique country office was approved by the country representative on 8 February 2022. The Office will continue to improve the information in the emergency preparedness plan and the planning processes to raise its preparedness score from the current 81 per cent. The Mozambique country office continues to improve the information in the emergency preparedness plan, and the country office's preparedness score has improved to 88 per cent to date.	The Board reviewed the completeness of the information registered by the Mozambique country office in the emergency preparedness plan platform and verified that the office had been in compliance with the required stages of the emergency procedure, which is an 86 per cent office preparedness score in progress plans and an 81 per cent approved office preparedness score. Therefore, this recommendation is considered implemented.	X			

No.	Audit report year	Report reference	Recommendation of the Board	Management's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
21	2021	A/77/5/Add.3, chap. II, para. 145	The Board recommends that the Mozambique country office apply the end-user monitoring review for supplies delivered by implementing partners, in agreement with the Mozambique country office standard operating procedure for end-user monitoring of supplies.	Comprehensive guidance notes to operationalize the standard operating procedures for end-user supply monitoring in Mozambique have been prepared and completed. An eTool for data collection, analysis and reporting has also been developed and assessed, using the Kobo Toolbox. With these two building blocks, the office is ready for monitoring visits and is planning visits in the months of November and December to conduct end-user supply monitoring, with a team of programme, field and supply colleagues.	The Board verified that the Mozambique country office had taken the measures necessary to strengthen the process and review of end-user monitoring. UNICEF developed an operational guide to implement the review of end users in Mozambique and developed an electronic data collection tool that would facilitate the collection and subsequent analysis of the data obtained during the end-user supply monitoring visits. In addition, the organization launched a pilot review plan for the end-user monitoring process, through which it will carry out the control and reviews of various supplies. This recommendation is therefore considered implemented.	X			
22	2021	A/77/5/Add.3, chap. II, para. 146	The Board recommends that the South Sudan country office, in coordination with the Eastern and Southern Africa Regional Office, finalize the end-user supply monitoring process review and adopt a procedure in order to strengthen the end-user monitoring of supplies delivered by implementing partners.	The South Sudan country office revised its standard operating procedure on field monitoring, including end-user monitoring, in May 2022. An orientation and briefing session on the revised standard operating procedure were conducted for all staff concerned in Juba and the field offices on 8 June 2022.	The Board reviewed the information provided by the organization and concluded that the South Sudan country office had completed the review of the end-user monitoring process and put in place an effective process to monitor the end users of supplies provided by UNICEF. In addition, it was verified that UNICEF had developed a detailed workflow that identified	X			

No.	Audit report year	Report reference	Recommendation of the Board	Management's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
					the responsibilities and accountabilities of each participant, which would strengthen the end-user verification. Therefore, this recommendation is considered implemented.				
23	2021	A/77/5/Add.3, chap. II, para. 154	The Board recommends that the South Sudan country office monitor its supply plans and update them in line with the programmatic needs.	The South Sudan country office monitored and updated the 2021 supply planning towards the end of the year, which served in preparing and updating the 2022 supply planning and dry season prepositioning planning for 2021–2022. The country office is maintaining a strong pipeline for all critical commodities with a lag of at least six months.	The Board reviewed the South Sudan country office's supply plan and verified that it had been updated according to the procurement needs of each programmatic division and its estimated budget. Therefore, this observation is considered implemented.	X			
24	2021	A/77/5/Add.3, chap. II, para. 155	The Board recommends that the Programme Section of the South Sudan country office, with the support of the Supply Section, continue to strengthen its monitoring of the procurement process.	UNICEF management clarifies that the differences identified by the Board refer to differences in the estimated target arrival dates. The South Sudan country office, in its strengthening of the monitoring of the procurement process, has established a six-month lag between the target arrival date and the actual use of supplies for programme implementation. In that sense, the delays in respect of target arrival dates refer to supplies to replenish the pipeline that will be delivered two quarters	The Board reviewed the information provided by the organization and observed that the office had implemented different activities, such as extending the supply planning process to critical areas, reviewing the annual supply plan, managing deviations, reviewing critical projects and reporting on the execution of the annual plan. In view of the actions taken, the recommendation is considered implemented.	X			

No.	Audit report year	Report reference	Recommendation of the Board	Management's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
				later. This has taken into consideration the complexities of South Sudan and the multiple factors that cause delays in procurement, including the impact of the COVID-19 pandemic.					
25	2021	A/77/5/Add.3, chap. II, para. 165	The Board recommends that the Supply Division verify that the documentation utilized for the calculation of the current replacement cost is aligned with the methodology to calculate the actual cost that the entity would incur to acquire the asset at the reporting date.	The Supply Division updated the "Methodology and application of lower of cost and current replacement cost for UNICEF-controlled supplies" to clarify the use of discussions with product experts. For the 2022 analysis, product experts were consulted on personal protective equipment owing to product depletion, discontinuation, replacement and pricing volatility. The analysis considered sources such as the material master, valid long-term arrangements and recent solicitations to determine the current replacement cost. Expired long-term agreements were not used as a price basis. The summary of product expert consultations in 2022 includes relevant points that explain the consideration of each source and allow the calculation to be traced if necessary. The documentation used to	The Board verified that UNICEF had used appropriate documentation to calculate the current replacement cost, which is consistent with the methodology used to calculate the actual cost. This recommendation is therefore considered implemented.	X			

No.	Audit report year	Report reference	Recommendation of the Board	Management's response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
				calculate the current replacement cost reflects the updated methodology for determining the actual cost that UNICEF would incur to acquire the asset at the reporting date.					
26	2021	A/77/5/Add.3, chap. II, para. 166	The Board recommends that the Supply Division update its methodology indicating minimum criteria and necessary supporting documentation whenever the calculation of the current replacement cost is determined through discussions with product experts.	The Supply Division has updated the "Methodology and application of lower of cost and current replacement cost for UNICEF-controlled supplies" to clarify the discussions with product experts and define criteria. The methodology now specifies which products can be considered, namely, products identified as being in a discontinuation and/or replacement process, products with high volatility in their pricing and products procured with high customization, which may affect the price. In addition, the methodology now defines how the experts' knowledge can be used in the areas of market costs, products and recently procured or quoted prices. The analysis for the financial year 2022 was carried out in line with the updated methodology.	The Board verified that UNICEF had updated its 2022 "Methodology and application of lower of cost and current replacement cost for UNICEF-controlled supplies", which establishes criteria to be used in calculating the current replacement cost when experts assign a price, in reference to cases of products that are depleted, discontinued, in the process of being replaced and with high price volatility. This recommendation is therefore considered implemented.	X			

No.	*Audit report year*	*Report reference*	*Recommendation of the Board*	*Management's response*	*Board's assessment*	*Status after verification*			
						Implemented	*Under implementation*	*Not implemented*	*Overtaken by events*
27	2021	A/77/5/Add.3, chap. II, para. 177	The Board recommends that the Global Shared Service Centre resolve the pending third-party reconciliation requests in accordance with the UNICEF policy.	The Global Shared Service Centre resolved the pending third-party reconciliation requests in accordance with the UNICEF procedure on write-off and impairment of staff balances, indicating that the Comptroller has delegated authority to the Director of the Centre to write off staff receivables recorded after a separation case has been submitted for processing by the Centre for up to a value of $500. In addition, the Centre reviewed and ensured that all pending items, up to 31 December 2022, had been resolved/written off on 28 February 2023. Furthermore, the standard operating procedures have been strengthened and the Centre will ensure that three follow-up letters are sent in a timely manner to the separated staff members to try and recover all outstanding amounts. Moreover, in accordance with the split in accountability for outstanding personal advances and recovery amounts, the Centre will advise the office to take appropriate actions for write-off in coordination with the Division of Financial and Administrative Management.	The Board acknowledges the actions reported by the Global Shared Service Centre to address this recommendation. In particular, it was verified that the Centre had taken the steps necessary to close all outstanding items with a value of less than $500. Therefore, this recommendation is considered implemented.	X			

No.	Audit report year	Report reference	Recommendation of the Board	Management's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
28	2021	A/77/5/Add.3, chap. II, para. 178	The Board recommends that the Global Shared Service Centre identify the underlying reasons for overpayments by country offices and explore solutions to reduce them and raise the awareness of those UNICEF offices with regard to the management of personal advances and recoveries accountabilities to avoid financial losses.	UNICEF management confirms that the Global Shared Service Centre has identified the underlying reasons for overpayments and accordingly has implemented the required system controls to ensure restricted access to updates to human resources records for separated staff after their last working day, thus minimizing the financial implications for the organization. In addition, further awareness about the management of personal advances and recoveries has been raised through webinars, global communication and the definition of accountabilities with offices.	The Board verified the actions reported by the Global Shared Service Centre to identify the root causes of overpayments by country offices and was able to confirm that the Centre had promoted awareness of personal advances and recovery by hosting webinars, encouraging global communication and defining accountabilities with offices. This recommendation is therefore considered implemented.	X			
	Total					**23**	**1**	**2**	**2**
	Percentage					**82**	**4**	**7**	**7**

Chapter III
Certification of the financial statements

Letter dated 31 March 2023 from the Comptroller of the United Nations Children's Fund addressed to the Chair of the Board of Auditors

Pursuant to financial regulation 113.5, I certify that, to the best of my knowledge, information and belief, all material transactions have been properly charged in the accounting records and are properly reflected in these financial statements.

I acknowledge that:

The management is responsible for the integrity and objectivity of the financial information included in these financial statements;

The financial statements have been prepared in accordance with the International Public-Sector Accounting Standards and include certain amounts that are based on management's best estimates and judgments;

Accounting procedures and related systems of internal control provide reasonable assurance that assets are safeguarded, that the books and records properly reflect all transactions and that, overall, policies and procedures are implemented with an appropriate segregation of duties.

UNICEF internal auditors continually review the accounting and control systems. The management provided the United Nations Board of Auditors and UNICEF internal auditors with full and free access to all accounting and financial records.

The recommendations of the United Nations Board of Auditors and UNICEF internal auditors are reviewed by the management. Control procedures have been revised or are in the process of being revised, as appropriate, in response to those recommendations.

(*Signed*) Thomas **Asare**
Comptroller
UNICEF

Statement of internal controls, 2022

Scope of responsibility

1. The Executive Director of United Nations Children's Fund (UNICEF), in accordance with regulation 2.3 of the UNICEF Financial Regulations and Rules, has overall responsibility for financial and operations management of the organization consistent with the applicable resolutions and decisions of the governing bodies. The Comptroller of UNICEF has delegated authority in accordance with rule 102.3 of the UNICEF Financial Regulations and Rules in administering the rules on behalf of the Executive Director, and rule 113.3 in maintaining a sound system of internal control that supports the achievement of UNICEF objectives and ensures effective and efficient use of resources and the safeguarding of its assets. The heads of offices have the responsibility for ensuring that the office's internal control procedures mitigate the risk exposures of their office and that controls are adequately documented, and activities sufficiently evidenced.

Purpose of the system of internal control

2. Internal control is a process, effected by the governing bodies of UNICEF, the Executive Director, the Comptroller, heads of offices, and other personnel, designed to provide reasonable assurance of the organization's ability to achieve its objectives with respect to operations, reporting, compliance and exercise of economy. As such, it sets out to provide reasonable assurance over the following:

(a) Reliability of controls over financial reporting – transactions authorized and properly recorded in compliance with the UNICEF Financial Regulations and Rules and International Public Sector Accounting Standards (IPSAS) and material errors are either prevented or detected in a timely manner;

(b) Effectiveness and efficiency of processes, the safeguarding of assets and the exercise of economy in the spending of financial resources;

(c) Compliance with the UNICEF regulatory framework and any other applicable regulations and rules.

3. The UNICEF statement of internal control is a public accountability document that describes the effectiveness of internal controls and considers any relevant events up to the date of certification of the 2022 financial statements of UNICEF.

UNICEF operating environment

4. UNICEF operates in more than 190 countries and territories (including in complex emergencies) to save children's lives, defend their rights and help them to realize their full potential, from early childhood through adolescence. Effective internal controls help to accomplish these goals, and optimize the resources entrusted to the organization.

5. In 2022, UNICEF continued its work to alleviate the impacts of the coronavirus disease (COVID-19) pandemic on operations and programme. Management used innovative approaches and leveraged technology to integrate applications and simplify processes to respond to hybrid working conditions.

6. During the reviewed period, there was a significant deterioration in the humanitarian situation in some countries. This was primarily owing to increased armed conflicts, natural disasters and famine, which greatly affected access to basic services like health care, hygiene products and education.

Risk management and internal control framework

7. The approach of UNICEF to strong risk management is based on its commitment to an appropriate tone from the highest level, which aims to maintain a governance structure that demonstrates the importance of responsible risk management by all staff for the fulfilment of the UNICEF mandate and the Executive Board's accountability to the General Assembly. Enterprise risk management guides the organization in making intelligent and risk-informed decisions.

8. UNICEF appointed its first Chief Risk Officer, tasked with the responsibility of further strengthening the risk management function within UNICEF, including by embedding risk management into strategy-setting, decision-making and governance structures. The Chief Risk Officer will also enhance risk management at the country and regional office level and reorient the Senior Management Risk Committee in fulfilling its role and responsibilities.

9. UNICEF also conducts an annual risk assessment (and in some contexts a more frequent assessment) that involves identifying, analysing and evaluating potential risks that could affect an organization's operations or objectives. This assessment is an essential way of ensuring that the organization is prepared for potential threats and takes advantage of opportunities.

10. The UNICEF internal control framework is aligned and benchmarked against the Committee of Sponsoring Organizations of the Treadway Commission internal control integrated framework and its five components and 17 principles. The scope of the UNICEF internal control framework includes control environment, risk assessment, control activities, information and communication and monitoring activities. These components of internal control are inherent in the different areas of UNICEF programmes and operations and are addressed through the various regulations, rules, policies, procedures and guidelines.

11. UNICEF has management committees that play an essential role in supporting the Executive Director by providing advice, guidance and oversight. These committees are typically composed of senior staff who have a deep understanding of the organization's goals, operations and challenges. The primary function of management committees is to assist the Executive Director in making strategic decisions. They provide the Executive Director with feedback and insights that help to shape the organization's direction, priorities and initiatives. The committee members may bring different perspectives, experiences and expertise, which can enrich the discussion and lead to better decision-making. Such committees include the statutory management committees, such as the Property Survey Board, the Financial Advisory Committee, the Programme Budget Review, the Information Communication Technology Investment Committee, the Crisis Management Team and recruitment monitoring bodies, which ensure transparency and consistency and provide decision-making support to ensure the effectiveness of internal controls.

12. Each UNICEF office has an established mechanism and contracts review committee to ensure that the execution of contracts and that individuals with procurement and contracts management authority comply with the organization's policies, procedures and rules.

13. UNICEF has a robust anti-fraud strategy that helps to operationalize the UNICEF policy prohibiting and combating fraud and corruption. The strategy clearly outlines the mechanisms UNICEF has for detection, prevention, deterrence and response to fraud.

Review of effectiveness of the system of internal control

14. The review of the effectiveness of the UNICEF system of internal control is based on the following factors:

(a) Heads of offices in UNICEF review the effectiveness of internal controls and provide assurance on the efficacy of the internal controls in the areas under their responsibility by conducting an internal control self-assessment utilizing a self-assessment questionnaire and key performance indicators. They also submit an annual "letter of attestation" confirming the adequacy of internal controls in place. The offices retain supporting documentation and document the actions taken or planned for areas that are not fully compliant;

(b) The Office of Internal Audit and Investigations 2022 assurance opinion, which concluded that the framework of governance, risk management and control was generally adequate and effective. No material deficiencies were discovered on the basis of the work carried out;

(c) Recommendations by the Joint Inspection Unit and the Board of Auditors that offer objective information on compliance and the effectiveness of selected areas of importance to the internal control framework;

(d) UNICEF applications of the harmonized approach to cash transfers, an inter-agency framework used by United Nations agencies in transferring cash to implementing partners and ensures the effective use of financial resources for the implementation of programme activities. The framework has mechanisms to manage the risks of delivering results for children and ensuring that funds are used for the intended purpose. In 2022, UNICEF rolled out eZHACT 2.0 to provide end-to-end management of transactions using the harmonized approach;

(e) Additional oversight activities carried out by the Independent Audit Advisory Committee, the Advisory Committee on Administrative and Budgetary Questions and the Joint Inspection Unit support with identified areas for potential improvement and advice on how to address weaknesses with regard to risk management and internal control;

(f) A UNICEF financial reporting framework establishing policies and procedures that: (i) pertain to the maintenance of records that are reasonably detailed and accurately and fairly reflect the transactions and dispositions of its assets; (ii) provide reasonable assurance that transactions are recorded, as necessary, to permit the preparation of financial statements in accordance with IPSAS; and (iii) provide reasonable assurance regarding the prevention or timely detection of unauthorized activities that could have a material effect on the financial statements.

Significant internal control issues

15. Following the 2022 assessment, UNICEF determined that there are no significant deficiencies in its internal control that require disclosure. However, it identified specific areas that necessitate continued attention and monitoring owing to their significance to our operations. These relate broadly to:

(a) **Cybersecurity**. Cybersecurity is of paramount importance because the potential consequences of a weak cybersecurity posture go far beyond the mere disruption of information and communications technology (ICT) infrastructure and systems. The impact of a cyberattack could extend to the theft of sensitive data, resulting in financial losses and reputational damage. UNICEF has implemented strategies and actions to reduce such vulnerabilities and has taken a proactive cybersecurity posture to prevent such attacks from occurring;

(b) **Monitoring and oversight of implementing partners**. UNICEF works with a wide range of implementing partners, including government institutions, non-governmental organizations (NGOs), civil society organizations and community-based organizations, to reach children and families in need. To ensure the successful delivery of agreed activities and deliverables, UNICEF has strengthened its monitoring and oversight of implementing partners. This ensures the effective use of financial resources channelled through its partners. It has also provided programme managers with better tools for selecting, managing, and monitoring implementing partners.

Statement

16. Internal controls, no matter how well designed, have inherent limitations, including the possibility of premeditated circumvention. Therefore, UNICEF can provide only reasonable but not absolute assurance. The effectiveness of internal controls may vary over time owing to changes in conditions beyond the control of operating units within UNICEF.

17. UNICEF remains committed to the continuous improvement in the system of internal control so as to address control issues in a timely manner, including recommendations from internal and external audit reports.

18. On the basis of the above, we conclude that, to the best of our knowledge and information, UNICEF has an effective system of internal control and that there were no material weaknesses that would affect the reliability of the organization’s financial statements during the year ended 31 December 2022 and up to the date of final certification of the 2022 financial statements, nor are there significant weaknesses arising that would need to be raised in the present statement for the period covered.

(*Signed*) Thomas **Asare**
Comptroller
UNICEF

(*Signed*) Catherine **Russell**
Executive Director
UNICEF

Chapter IV
Financial overview

Financial statement discussion and analysis

Introduction

1. The United Nations Children’s Fund (UNICEF) was established by the General Assembly in 1946 to help Governments and other partners to overcome the obstacles that poverty, violence, disease, and discrimination place in the path to realizing children’s rights. UNICEF mobilizes political will and material resources to help countries, in particular developing countries, to ensure a “first call for children” and build the capacity of countries to form appropriate policies and deliver services for children and their families.

2. This financial statement discussion and analysis should be read in conjunction with the UNICEF audited financial statements for 2022, but they do not form part of the statements. The present financial statements were prepared for the calendar year 2022 in accordance with the UNICEF Financial Regulations and Rules and IPSAS, included in chapter V of the present document. The discussion and analysis are intended to provide readers of the financial results with a more holistic understanding of the meaning of the numbers and inform stakeholders about how financial resources are being managed.

3. The annual report of the Executive Director covers the programmatic operations, strategies and results of UNICEF. The present chapter includes a few programmatic highlights for the context of the financial results, but focuses mainly on UNICEF financial operations, strategies, and results.

Overview of operations and the operating environment

4. UNICEF is mandated by the General Assembly, through the Economic and Social Council and the Executive Board, to advocate for the protection of children’s rights, to help to meet their basic needs, and to expand their opportunities to reach their full potential. In everything that it does, the most disadvantaged children and the countries in greatest need have priority. UNICEF works in the world’s most challenging places to reach the most disadvantaged children and adolescents and to protect the rights of every child everywhere. Across more than 190 countries and territories, UNICEF helps children to survive, thrive, and fulfil their potential, from early childhood through adolescence.

5. The activities of UNICEF are funded in full through voluntary contributions from Governments, intragovernmental and private organizations and individuals. The majority of these contributions are earmarked for specific programmes and projects. At the same time, unearmarked resources are granted to UNICEF to allocate according to an Executive Board-approved formula that favours countries where children are in greatest need.

6. UNICEF has a new strategic plan for 2022–2025 that charts a course towards inclusive recovery from the impact of the COVID-19 pandemic, attainment of the Sustainable Development Goals and the realization of a society in which every child is included and has agency, opportunity and their rights fulfilled. As the first of two sequential plans in a strategic approach to the attainment of the Sustainable Development Goals by 2030, the strategic plan focuses on systemic changes that are critical to addressing the underlying causes of children’s mortality, poverty, vulnerability, gender inequality and exclusion in all settings.

7. The year 2022 began with an estimated 274 million people in need of humanitarian assistance and protection. Throughout the year, these needs grew considerably. This was largely owing to the war in Ukraine, as well as rising food insecurity and threats of famine brought about by the war and by climate-related and socioeconomic factors.

8. Globally, more children than ever before have been exposed to historic flooding and drought; the impacts of proliferating conflicts; the lingering impacts of the COVID-19 pandemic; and political instability that is slowing down the economic recovery from the pandemic. Catastrophic floods in Pakistan, historic drought in the Sahel and the Horn of Africa and blistering heat waves across parts of Europe, the Middle East and North America have further compounded the severity of existing crises and unleashed new ones. More than 400 million children live in areas under conflict, and an estimated 1 billion children – nearly half of the world's children – live in countries at extreme vulnerability to the impacts of climate change.

9. UNICEF has continued to reach children at greatest risk and in greatest need, from Afghanistan to Somalia, from Ukraine to Yemen, and will continue to provide a principled, timely, predictable and efficient humanitarian response together with its partners. UNICEF works on strengthening the resilience of communities and health infrastructure to withstand climate hazards, with the aim of better linking the humanitarian response to longer-term community resilience and climate adaptation.

Ukraine refugee crisis

10. The situation in Ukraine remains highly complex given the multi-layered nature of the emergency and the areas of ongoing active hostilities. It is estimated that 17.6 million people inside Ukraine, including 3.2 million children and 1.6 million internally displaced people, will require humanitarian support in 2023, including health assistance for more than 14 million people (2.8 million children) and water, sanitation and hygiene support for 11 million people. An estimated 9.3 million people will need food and livelihood assistance.

11. During 2022, in respect of the Ukraine refugee crisis, UNICEF raised from its emergency appeal $1.25 billion of revenue, which included multi-year contributions[1] of $709 million.

12. UNICEF continued its support to conflict-affected families in Ukraine and surrounding countries by launching a humanitarian cash transfer programme in March 2022 in collaboration with the Ministry of Social Policy. Humanitarian cash transfers reached nearly 225,000 households, covering close to 1,060,000 individuals, including 660,000 children. During the year, the cash assistance response for Ukraine refugees amounted to $354.68 million. UNICEF further supported children and women by providing access to essential life-saving primary health and maternal health services. UNICEF supported 1,451,665 children in gaining access to formal and non-formal education, including early learning and access to psychosocial support.

13. Indirectly, the war in Ukraine has resulted in global food price hikes and increasing barriers to obtaining essential goods and services, which have put additional strain on the global food and nutrition crisis. Globally, there are currently 193 million people in 42 countries living in severely food-insecure contexts. UNICEF is committed to leading an urgent, integrated and multisectoral response to famine

[1] Multi-year contributions are contributions covering programmatic activities for a period of two or more years.

prevention and continues to include global food and nutrition as one of its strategic priorities.

2023 Banking crisis

14. In March 2023, after the UNICEF financial year-end, Silvergate Bank, Silicon Valley Bank and Signature Bank, all of the United States of America, failed within a span of four days. UNICEF did not have any exposure to those banks, as it is the policy of the organization to invest in high-quality counterparties that have an average portfolio rating of "AA-" and that are larger and more diversified than the banks in question. All of the counterparts in which UNICEF holds cash and investments are approved by the Financial Advisory Committee. The fund will continue to monitor closely the financial sector and credit default spread anomalies in those counterparties in which the organization invests.

Anti-money laundering and countering the financing of terrorism policy

15. In 2022, UNICEF issued the anti-money laundering and countering the financing of terrorism policy, and commenced the relevant implementation support and monitoring of compliance. The policy outlines the principles and minimum standards of internal anti-money laundering and countering the financing of terrorism controls that should be adhered to in order (a) to prevent abuse of UNICEF resources through money laundering or the financing of terrorism; (b) to mitigate reputational, regulatory, legal and financial loss risks; (c) to guard against relationships or transactions that may facilitate money laundering or the financing of terrorism; and (d) to exercise due diligence when dealing with counterparties or persons working on behalf of or connected to counterparties. The policy affirms the continued commitment and approach of UNICEF to combating money laundering and countering the financing of terrorism in its operations and partnerships with counterparties.

Innovative financing

16. In the UNICEF strategic plan for 2022–2025, the criticality is noted of strategies to leverage financing and influence for children by increasing collaboration with international financial institutions, including the World Bank Group, the International Monetary Fund and regional development banks. These partnerships support the "partnership and engagement" change strategy of the strategic plan, as well as the "accelerated resource mobilization" enabler, to meet the shared priorities and targets of the goal areas.

Engagements with international financial institutions

17. UNICEF provided an update to the Executive Board at its annual session of 2022 on the utilization of the $50 million of funds received from the World Bank bond. The purpose for UNICEF of receiving financing under this financial instrument is to sustain the investment of UNICEF in private sector fundraising activities. The cumulative donations to UNICEF from the private sector pledge donors in the target emerging-market countries had exceeded $50 million by the year ended 31 December 2021, triggering the full repayment obligation by UNICEF, as required by the financing agreement with the World Bank upon maturity. UNICEF also engaged an external service provider to conduct the preliminary assessment of the implementation of the World Bank instrument, the results of which will be submitted by management to the Executive Board at its annual session of 2023. In 2022, UNICEF completed payments related to the World Bank bond totalling $0.95 million (2021: $0.90 million).

18. In 2022, UNICEF continued to implement the large-scale emergency cash transfer programme to provide life-saving assistance to vulnerable families in programme countries in Yemen, funded by the World Bank partnership. This engagement has paved the way for many other partnerships, such as the Yemen Emergency Human Capital Project with the World Health Organization and the Restoring Education and Learning project with the World Food Programme.

19. The World Bank supported other programmatic implementation and technical assistance engagements with UNICEF. These included the Shock-responsive Safety Net for Human Capital Project in Somalia, an education technical assistance programme in Serbia and global efforts in response to the learning crisis that has been made worse by the COVID-19 pandemic, working with several Governments.

20. With financing provided by the Inter-American Development Bank to the Government of Haiti, UNICEF supported the Government in response to the ongoing humanitarian crisis, which was further exacerbated by the COVID-19 pandemic, the earthquake in August 2021 and the cholera outbreak in October 2022.

Vaccine Independence Initiative

21. The Executive Board approved the establishment of the Vaccine Independence Initiative to provide guarantee arrangements that enable procurement services transactions for essential health supplies. The UNICEF Financial Regulations and Rules require that funds be received upfront before commitments are made to procure supplies, to ensure that UNICEF programmatic funds are not used or at risk as a result of the provision of such services. However, where it is not possible for funds to be received upfront, but where the provision of the services furthers the mandate of UNICEF, guarantee contracts by third parties may be used in lieu of and until the receipt of funds at the time of placement of the purchase orders. Under these guarantee arrangements, the guarantor makes the payment of funds to UNICEF if the partner fails to fulfil their obligations. The total value of the guarantee contracts was $150.48 million as at 31 December 2022 (2021: $200 million) with outstanding commitments entered into supported by the guarantees of $76.28 million as of the year end.

Objectives and strategies

22. The strategic plan for 2022–2025 builds on the midterm review of the strategic plan for 2018–2021 and the evaluation of the strategic plan for 2018–2021. The strategic plan incorporates key findings from the formative evaluation of UNICEF work to link humanitarian and development programming, the evaluation of the UNICEF Gender Action Plans and other evaluations and reviews. It incorporates the concerns and expectations of more than 200,000 children and young people around the world, drawn from an unprecedented process of wide-ranging consultation, including through U-Report and Voices of Youth.

23. Building on the strategic plan for 2018–2021, UNICEF will continue to work towards achieving long-term results in five interconnected goal areas linked to children's rights under the Convention on the Rights of the Child (see the results framework architecture in figure II). This will help to ensure that, in all contexts, including humanitarian crises and fragile settings, every child, including adolescents, (1) survives and thrives with access to nutritious diets, quality primary health care, nurturing practices and essential supplies; (2) learns and acquires skills for the future; (3) is protected from violence, exploitation, abuse, neglect and harmful practices; (4) has access to safe and equitable water, sanitation and hygiene services and supplies, and lives in a safe and sustainable climate and environment; and (5) has access to inclusive social protection and lives free from poverty.

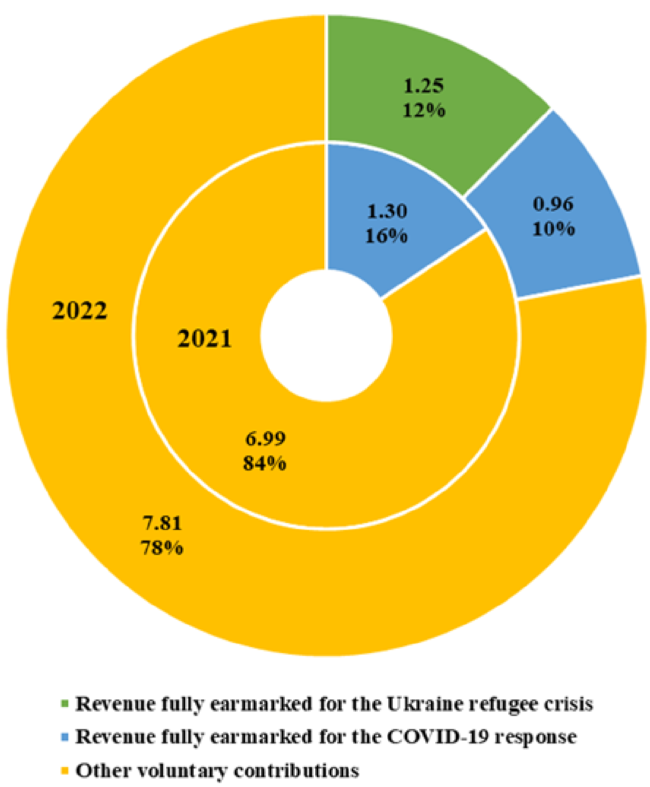
24. Partnerships are at the heart of everything UNICEF does, allowing the organization to expand its reach and influence, and to leverage resources to advance its universal mandate for children. In the context of global crisis and recession, declining official development assistance and constrained fiscal space to fund social services for children, the outcome-oriented strategic plan sees brokering partnerships and leveraging finance for children from a range of public and private sector partners as critical to narrowing the projected gaps on progress towards achievement of the Sustainable Development Goals. UNICEF will continue its long-standing practice of building capacity, leveraging resources and influencing policies and programmes through partnerships with national and local governments, other United Nations entities, businesses, civil society, and children and young people.

Financial performance

Revenue

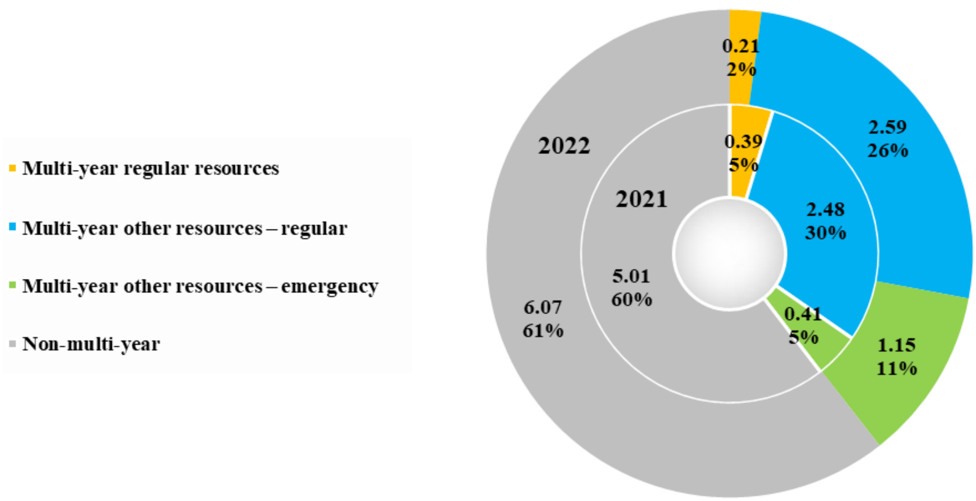
25. As the programmatic response of UNICEF to the COVID-19 pandemic continued alongside other activities to support those most vulnerable, UNICEF saw growth in donations mainly from funding earmarked for the Ukraine refugee response and to support the organization's activities in Afghanistan. Voluntary contributions increased to a record high of $10.02 billion (2021: $8.29 billion), including $1.25 billion of voluntary contributions fully earmarked for the Ukraine refugee response, $0.96 billion raised for the COVID-19 pandemic response (2021: $1.30 billion) and $0.74 billion donated for the Afghanistan crisis (2021: $0.42 billion).

Figure IV.I
Breakdown of voluntary contributions revenue
(Billions of United States dollars)



26. UNICEF revenue includes multi-year voluntary contributions related to agreements covering a period of more than two years, which recorded an increase of $0.68 billion, or 21 per cent, to $3.96 billion in 2022. Multi-year funding allows for certainty in planning for development activities and is reflected as part of UNICEF reserves until spent and through the increase in net surplus for the year. Accordingly, the net surplus for 2022 was 23 per cent higher compared with 2021 (by $0.35 billion).

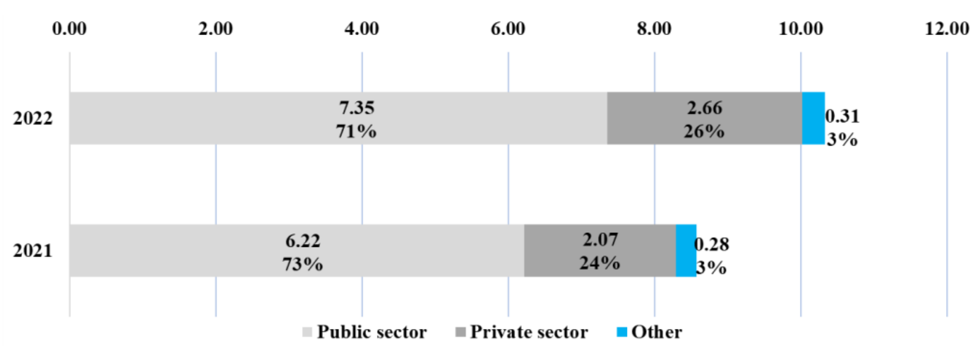
Figure IV.II
Multi-year and non-multi-year voluntary contribution revenue
(Billions of United States dollars)



Note: Multi-year regular resources includes regular programme and regular resources – other.

27. The most significant donors to the total voluntary contribution revenue were the United States, with of a total of $1.84 billion, Germany ($1.10 billion), the United States Fund for UNICEF ($0.70 billion) and the World Bank ($0.68 billion).

Figure IV.III
Revenue by source
(Billions of United States dollars)



Note: Public sector includes Government, intergovernmental organizations and inter-organizational arrangements. Other includes licensing fees, procurement services fees, investment and other revenue.

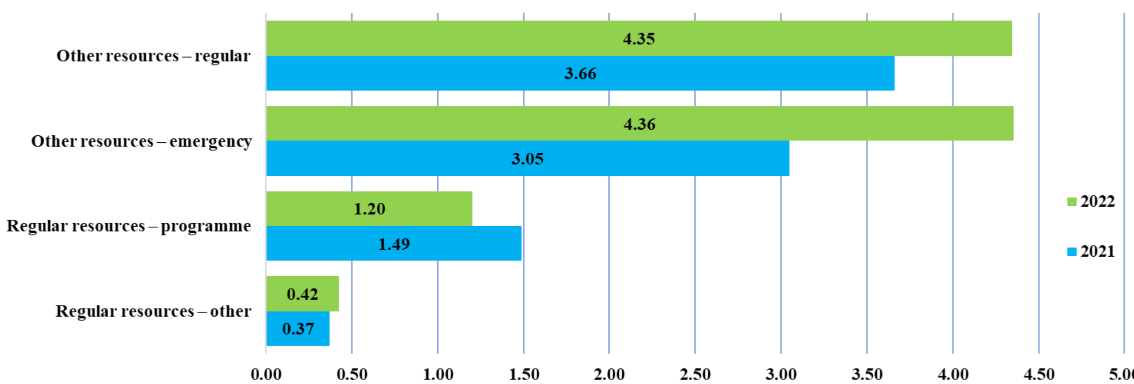
28. Public sector entities continued to be the largest donors, recording $7.35 billion in revenue in 2022, an increase of $1.14 billion, or 18 per cent (2021: $6.22 billion), and representing 71 per cent (2021: 73 per cent) of the total revenues.

29. Revenue from the private sector accounted for 26 per cent of the total (2021: 24 per cent). This was an increase of $0.59 billion, or 28 per cent, relative to the prior year. Private sector revenue includes funds raised by National Committees, the 33 independent non-governmental organizations that promote children's rights in industrialized countries and raise funds for UNICEF programmes worldwide.

30. Also included in private sector revenue were $768.77 million in donations fully earmarked for the Ukraine refugee response, received mainly through national committees. This increase was offset in part by the lower private fundraising in 2022 related to the COVID-19 pandemic recovery response of $74.84 million (2021: $376.39 million). Overall, the United States Fund for UNICEF had the most significant increase in donations in the private sector, with a $219.29 million increase to $703.05 million, followed by the German Committee for UNICEF, which recorded a $75.64 million increase to $226.36 million.

31. Other revenue, consisting of licencing fees, procurement services fees, investments and miscellaneous revenues, consistently represented 3 per cent of the total revenue and increased by 12 per cent ($32.63 million) to $309.48 million. Although procurement services revenue decreased in 2022 by $30.78 million, this was offset by higher investment revenue, which increased by $59.26 million to $114.84 million owing to higher interest rates on investments owned.

Figure IV.IV
Total revenue by segment
(Billions of United States dollars)



Note: Regular resources, other includes non-programme, investment revenue, trust funds, fundraising retentions and contributions to management costs.

32. Revenue from other resources – regular increased by $0.68 billion reaching $4.35 billion in 2022. The increase was mainly driven by donations towards social protection and nutrition in Yemen of $114.41 million; health and education emergency response in Afghanistan of $169.00 million and health services in South Sudan of $88.03 million financed by the World Bank. In addition, higher contributions were received in 2022 for sustaining essential services delivery projects in Afghanistan from the Asian Development Bank of $180.00 million. These increases were offset in part by relatively lower contributions from the European Commission during 2022 of $261.72 million, mainly due to there having been $355.89 million in multi-year revenue recognized in 2021.

33. Revenue from other resources – emergency recorded the largest absolute increase of $1.30 billion, or 43 per cent, to $4.36 billion (2021: $3.05 billion). This was mainly driven by the Ukraine refugee response. The funding received under other

resources – emergency also included $709.04 million in multi-year contributions earmarked for refugee response activities.

34. Total voluntary contributions also included thematic funding of $1.23 billion, representing a $0.47 billion increase from 2021. Thematic funding gives UNICEF the flexibility of use within the specified thematic area – for example, education; nutrition; water, sanitation and hygiene; and health activities – on the basis of where the needs are most significant and the greatest impact can be made.

35. Revenue from regular resources – voluntary contributions was lower than in 2021 by $283.97 million, or 19 per cent. The decrease mainly related to the contributions from Sweden and Belgium, which declined by $298.35 million and $72.89 million, respectively, owing to the recognition of multi-year agreements in 2021 of $270.50 million and $68.79 million. The reduction was slightly offset by increases of $46.42 million and $36.36 million from Switzerland and Australia, respectively, for multi-year agreements for the period 2022–2024, and by a $34.13 million single-year contribution from the Kingdom of the Netherlands.

36. Other revenue of $309.48 million related mainly to investment revenue, which increased by $59.26 million to $114.84 million; procurement services fees of $100.76 million; and other miscellaneous revenues.

Table IV.1

Five-year trend in revenue

(Thousands of United States dollars)

	2018	*2019*	*2020*	*2021*	*2022*
Revenue					
Regular resources – programme	1 561 315	1 106 310	1 107 394	1 488 502	1 204 532
Regular resources – non-programme	66 641	63 579	73 989	90 144	115 179
Other resources – regular	2 941 001	2 980 924	3 763 183	3 660 255	4 345 159
Other resources – emergency	1 926 293	2 050 081	2 357 738	3 053 833	4 354 706
Total voluntary contributions revenue	**6 495 250**	**6 200 894**	**7 302 304**	**8 292 734**	**10 019 576**
Other revenue	79 846	85 223	153 913	221 269	194 641
Investment revenue	100 662	126 154	92 134	55 583	114 838
Total revenue	**6 675 758**	**6 412 271**	**7 548 351**	**8 569 586**	**10 329 055**

37. Over the past five years, total UNICEF revenue has grown by 55 per cent ($3.65 billion) from $6.68 billion in 2018 compared with $10.33 billion in 2022, with the sharpest increases recorded in 2021 and 2022. In both years, the increase in overall voluntary contributions was driven by higher donations under other resources – emergency. In 2021, funding under that category increased by 30 per cent and related to the COVID-19 response. During 2022, funding under other resources – emergency increased further by 43 per cent and related mainly to the Ukraine refugee response.

38. Other resources – regular has accounted for the largest portion of the total revenue over the past five years until 2022. The increase in other resources – regular in 2021 was mainly driven by contributions from Germany and the European Commission for activities targeted towards education, resilience, nutrition and water, sanitation and hygiene programmes in Afghanistan and Lebanon, and included help to improve health outcomes for the population of Zimbabwe. During 2022, the

increase was driven mainly by contributions from the World Bank and the Asian Development Bank, as described in paragraph 32.

39. Regular resources as a percentage of revenue from total voluntary contributions decreased significantly over the past five years, from 24 per cent in 2018 to 12 per cent in 2022. Regular resources are the highest quality of funding that are essential to the functioning of UNICEF and are critical for sustaining the impact of its projects.

40. During the past five years, multi-year contributions under regular resources have fluctuated and reached the highest points in that period when the new strategic plans were introduced in 2018 and in 2021. In 2021, relatively higher contributions towards the strategic plan for the period 2022–2025 were received from Sweden and Belgium. Table IV.2 below lists the highest contributions for multi-year regular resources from public sources.

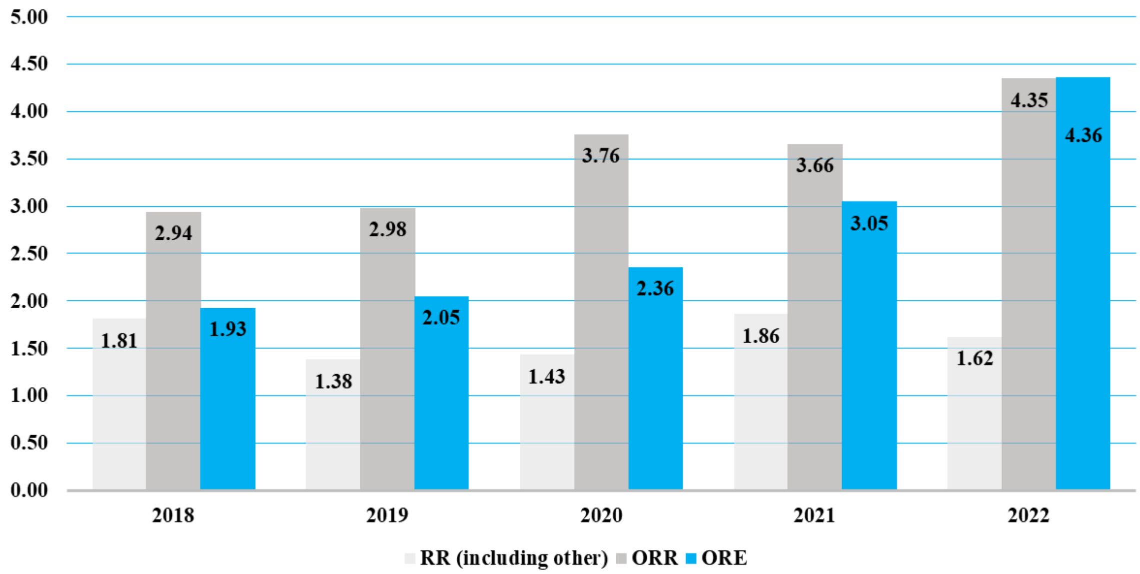
Table IV.2
Revenue from multi-year regular resources
(Millions of United States dollars)

	2018	*2019*	*2020*	*2021*	*2022*
Switzerland	60.67	0.03	0.10	21.47	67.89
Australia	(3.01)	(0.51)	15.14	14.99	51.35
Denmark	–	–	20.55	(0.85)	17.17
New Zealand	–	12.14	0.15	0.03	11.38
United Kingdom of Great Britain and Northern Ireland	121.82	17.82	14.26	–	–
Sweden	294.35	0.40	0.69	265.87	(32.48)
Belgium	(1.11)	(0.84)	1.18	68.79	(4.10)
Luxembourg	–	–	3.28	18.29	0.86
Kingdom of the Netherlands	–	110.33	3.25	(1.80)	–
Canada	47.81	1.17	(0.47)	0.13	–
Qatar	8.00	–	–	–	8.00
Total revenue from multi-year regular resources	**528.53**	**140.54**	**58.13**	**386.92**	**120.05**

Note: Revenue is recognized, for the most part, in the year in which the agreement is signed and amounts in other years (including negative amounts) represent revaluation due to exchange rate fluctuations on receivables recognized as cash collected over the full funding period.

41. Revenue from regular resources – non-programme has increased over the years. In 2021, such contributions were relatively higher from Argentina and Malaysia, while in 2022 the majority of such financing was received from China and India to finance the expansion of local activities.

Figure IV.V
Five-year trend in revenue, by segment
(Billions of United States dollars)



Note: RR includes investment revenue, trust funds, fundraising retentions, and contributions to management costs.
Abbreviations: ORE, other resources – emergency; ORR, other resources – regular; RR, regular resources.

Foreign exchange

42. Consistent with prior years, approximately half of the organization's voluntary contributions continued to be denominated in currencies other than the United States dollar, resulting in currency valuations and foreign exchange fluctuations affecting the amount of revenue recorded. In 2022, losses of $129.09 million (2021: losses of $72.61 million) recorded were driven primarily by changes in the United States dollar against the euro, with losses of $50.52 million (2021: losses of $56.77 million) and the Swedish krona, with losses of $48.78 million (2021: losses of $9.47 million).

43. In line with the UNICEF financial regulations and rules, such foreign exchange gains and losses are reflected against donor contribution and as part of revenue recognized. The detail of foreign exchange gains by segment is presented in the table below:

Table IV.3
Foreign exchange (losses)/gains on voluntary contributions
(Thousands of United States dollars)

	2022	*2021*
Regular resources – (programme and non-programme)	(43 493)	(9 299)
Other resources – regular	(69 750)	(51 251)
Other resources – emergency	(15 850)	(12 060)
Total foreign exchange losses on voluntary contributions	**(129 093)**	**(72 610)**

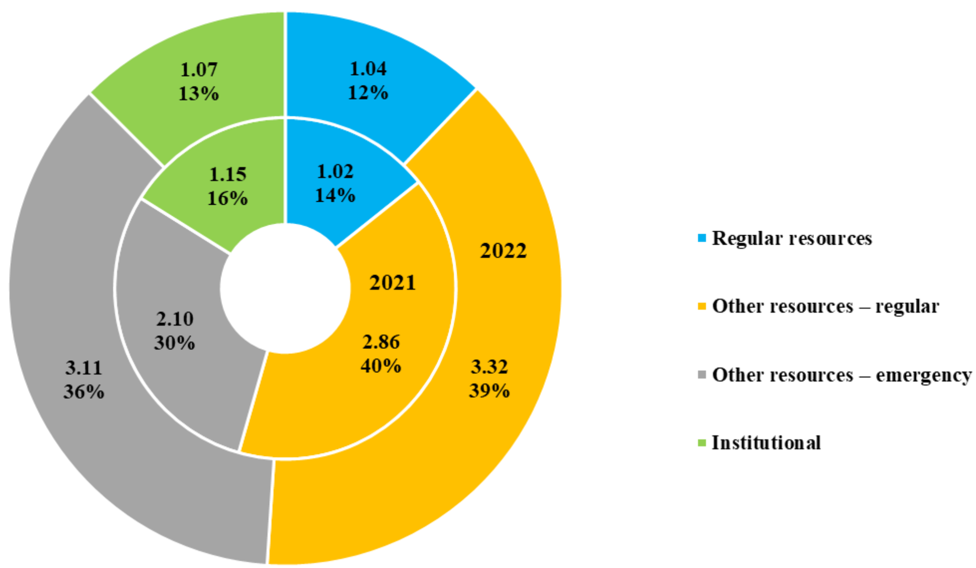
44. UNICEF actively manages foreign currency risk through external investments, natural hedges, and forward contracts with open positions of $110.83 million (2021: $231.62 million) at year end. This is included with other current liabilities alongside

forward contracts relating to externally managed funds. Foreign exchange management activities yielded foreign exchange gains of $66.68 million (2021: $13.33 million gains). These are included under net gains of $67.08 million (2021: $73.27 million) in the financial statements as they do not relate directly to specific contributions revenue agreements.

Expenses

45. The organization's total expenses for 2022 increased by 20 per cent ($1.40 billion) to $8.54 billion as compared with the prior year, with $7.47 billion of the total relating to programmatic activities. Although the expenses under other resources – emergency recorded the principal increase in 2022, Other resources – regular programme expenses were the largest, as the implementation of funding received in current and prior periods increased, as noted in figure IV.VI below:

Figure IV.VI
Expenses by segment
(Billions of United States dollars)



Note: Regular resources includes regular resources for programme and trust funds. Regular resources – other is included under the institutional fund.

46. The organization's expenses in each category were comparable year on year, with cash assistance to implementing partners and beneficiaries comprising the largest expense category of $3.38 billion (2021: $2.50 billion), or 40 per cent (2021: 35 per cent) of total expenses incurred; transfers of programme supplies of $1.56 billion (2021: $1.29 billion), or 18 per cent of total expenses; and employee salaries and entitlements of $1.79 billion (2021: $1.72 billion). Employee salaries and entitlements relate to UNICEF employees in all of the organization's areas of operations but relate primarily to staff directly involved in programme implementation.

47. Total cash-based assistance to implementing partners and beneficiaries increased by $882.76 million, or 35 per cent in 2022. This consisted of an 18 per cent increase ($379.81 million) in transfers to implementing partners, and a 130 per cent increase ($410.42 million) in cash transfers directly to beneficiaries. The increase was mainly driven, first, by a $338.86 million change in the implementation modality in Afghanistan to direct cash assistance as a means to tackle the deteriorating economic circumstances; and, second, by higher direct cash transfers in Ukraine and its

neighbouring countries that constituted $354.68 million in 2022, in order to tackle the impact of the ongoing war. Cash assistance to Ukraine and Afghanistan included cash-based transfers to the beneficiaries in the amounts of $292.84 million and $80.01 million, respectively. Cash-based transfers to the beneficiaries also increased in Lebanon to alleviate the effects of the continuing economic crisis, totalling $66.59 million for the period, compared with $23.84 million for the same period in the prior year.

48. Implementation of programmes in Somalia, Nigeria and Ethiopia drove the transfer of direct cash transfers to implementing partners, recording increases of $30.51 million, $30.41 million and $27.94 million, respectively. In Somalia, the cash transfers to implementing partners were for health and nutrition, and related to illnesses, vaccination for children against measles, providing nutrition counselling and treatment, and the distribution of hygiene kits to families. In Nigeria, the cash transfers related predominantly to health and to water, sanitation and hygiene, supporting those children at increased risk of waterborne diseases, drowning and malnutrition owing to the most severe flooding in the past decade. In Ethiopia, the cash transfers were made to support the drought-affected population in the southern part of the country and to alleviate the effects of the fighting in the Tigray region.

49. The transfer of programme supplies increased by 21 per cent ($266.41 million) to $1.56 billion (2021: $1.29 billion). The growth was most notable in Afghanistan and in Ukraine and neighbouring countries, which recorded increases of $64.69 million and $80.99 million, respectively.

50. Programme-related expert services increased by $129.37 million, or 28 per cent, from $454.43 million to $583.79 million. The highest changes were noted for Bangladesh, where programme-related expert services increased by $12.45 million owing mainly to support for Rohingya refugees and hosting community resilience in Cox's Bazar, as well as COVID-19-related response and health and education programme activities. COVID-19 pandemic response activities were also the main contributor to increases in programme-related expert services in the different countries, as part of the activities focusing on health and strengthening community resilience. Such expenses included fees paid to third parties for professional and consultancy services related to programmatic activities, technical support in specific programme areas, and other programmatic services.

51. The investment funds for the development of private sector fundraising increased by $17.12 million, or 15 per cent, compared with the prior year, driven mainly by expenses incurred in emerging market countries to expand the base for raising core funding for UNICEF.

52. Occupancy and related costs have been reclassified in the financial statements from other expenses to a separate line in the statement of performance for the first time, in order to improve the presentation of the expenses incurred by UNICEF. This expense category increased by $53.57 million (13 per cent) compared with 2021, from $428.46 million to $482.03 million, owing mainly to higher security, other professional fees and leasing expenses incurred related to the overall increase in the operational scope of UNICEF.

Figure IV.VII
Total expenses by goal area – 2022
(Billions of United States dollars)

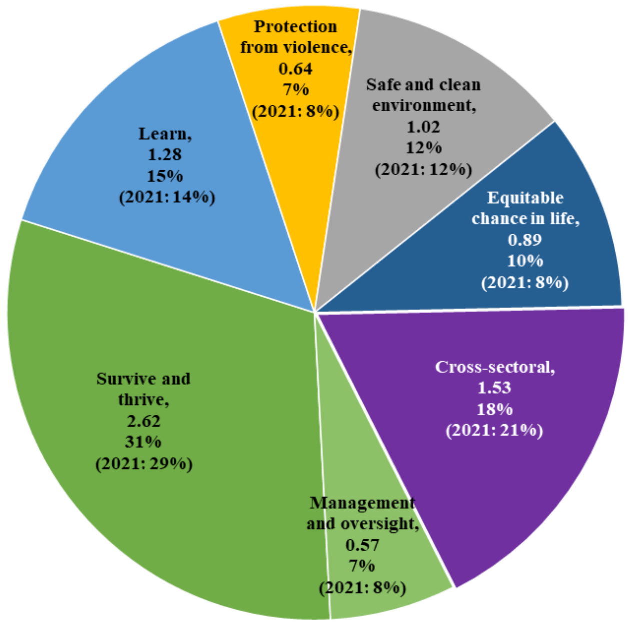


Table IV.4
Five-year trend for expenses
(Thousands of United States dollars)

	2018	*2019*	*2020*	*2021*	*2022*
Expenses					
Cash assistance	2 263 176	2 351 947	2 264 525	2 495 501	3 378 264
Transfer of programme supplies	986 908	981 634	1 145 741	1 293 167	1 559 581
Employee benefits	1 416 290	1 519 506	1 657 747	1 716 192	1 792 064
Programme-related expert services	431 201	472 859	421 904	454 427	583 793
Occupancy and related costs	378 916	400 311	395 761	428 464	482 033
Investment funds for development of private sector fundraising	107 147	117 288	96 344	113 463	130 584
Depreciation and amortization	21 914	23 890	25 076	24 260	22 246
Other expenses	364 205	394 188	398 735	610 457	592 654
Total expenses	**5 969 757**	**6 261 623**	**6 405 833**	**7 135 931**	**8 541 219**

53. Total expenses significantly increased by 43 per cent ($2.57 billion) from the period 2018–2022 as a result of programmatic implementation in response to humanitarian activities and emergencies experienced throughout the past 5 years. Most recently, the addition of the COVID-19 pandemic in 2020 and 2021 and the refugee crisis in Ukraine in 2022 required additional responses from UNICEF. The average annual increase in total expenses was 5 per cent in 2019 and 2 per cent in 2020, with further increases of 11 per cent in 2021 and 20 per cent in 2022, reflecting the increased scope of operations of UNICEF and the utilization of the record high contributions during 2022.

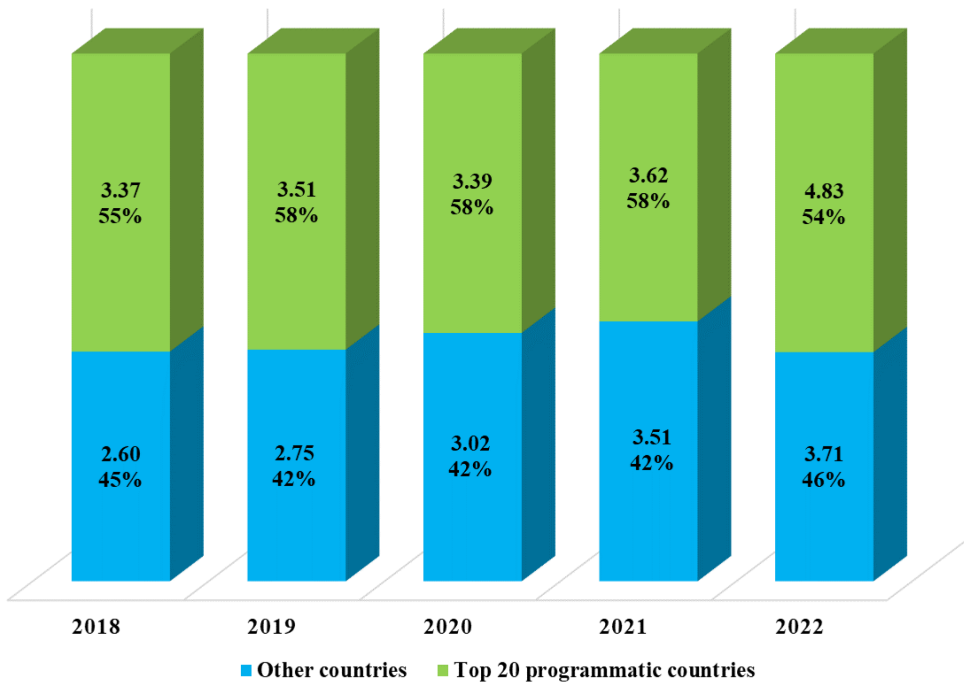
54. The transfer of cash assistance increased the most over the five-year period recording the most significant increase of 35 per cent ($882.76 million) in 2022, driven primarily by humanitarian response transfer activities in Ukraine and Afghanistan. A large increase of 10 per cent ($230.98 million) was also recorded in 2021 owing to humanitarian response activities, driven by the significant amount of cash transfers to beneficiaries in Yemen and transfers to implementing partners in Mozambique and Zimbabwe. However, a net decrease of 4 per cent ($87.42 million) in 2020 was recorded, driven by the successful winding down of programmes in some countries, such as Nigeria, which was certified as poliovirus-free in August of 2020.

55. The transfer of programme supplies recorded a slight decrease of 1 per cent from 2018 to 2019, followed by significant increases of 17 per cent ($164.11 million) and 13 per cent ($147.43 million) in 2020 and 2021, respectively, driven by COVID-19 pandemic response activities globally and emergency response programmes such as the response to health and nutrition. In 2022, the transfer of programme supplies increased by a further 21 per cent ($266.41 million), with growth mainly driven by programmes related to the Ukraine refugee response and programmes in Afghanistan. In addition, UNICEF continued to construct public sanitation facilities, drinking and wastewater networks and infrastructure, and schools and classrooms; to implement safe school programmes; and to construct regional warehouses (hubs) and vaccine cold chain stores, as well as health-care facilities and shelters.

56. The annual increase in employee benefits was lower each year than the increases in other programmatic expenses. The average increase for employee benefits equalled 7 per cent and 9 per cent in 2019 and 2020, respectively, and decreased by 6 per cent from 2021 to 2022.

57. Other expenses recorded an overall increase of 63 per cent ($228.45 million) over the past five years. The cost of consultants increased from $49.41 million in 2018 to $164.01 million in 2022, owing mainly to the higher scope of programmatic activities. In addition, the increase in other expenses from 2018 to 2022 was driven by higher procurement services and costs of goods. The procurement services cost of goods increased significantly by $67.47 million (associated revenue is included under other revenue) over the five-year period in line with COVID-19 response activities.

Figure IV.VIII
Total expenses for the 20 largest programme countries
(Billions of United States dollars)



58. The largest 20 programmatic countries have accounted for between 56 and 57 per cent of total annual expenses over the past five years. From 2018 to 2021, the majority of expenses were incurred in Yemen (average expenses of $539.85 million); and the scaled-up response in countries surrounding the Syrian Arab Republic, such as Türkiye and Lebanon, recorded average expenses of $168.08 million and $307.26 million, respectively. In addition, large programmes, such as for polio eradication in Nigeria and Pakistan, also contributed towards the significant expenses, recording five-year average expenses of $259.04 million and $173.76 million, respectively, despite those programmes winding down in 2020. During 2022, overall expenses increased in Afghanistan from $174.68 million to $648.67 million to tackle the deteriorating economic circumstances, and in Ukraine from $29.91 million to $486.10 in response to the refugee crisis.

UNICEF surplus and net assets

59. Overall, UNICEF recorded a surplus of $1.86 billion in 2022 (2021: $1.51 billion), adding to the organization's net assets (reserves). The surplus represents guaranteed funding available for programmatic activities in future years in line with donor agreements. As described in paragraph 26, the increase in surplus of 23 per cent is in line with increased multi-year revenue recognized in 2022. Higher multi-year contributions revenue was driven mainly by private fundraising through national committees towards the Ukraine refugee response, funds that were retained to finance the future programmatic activities in Ukraine and its neighbouring countries.

Revolving funds

60. UNICEF maintains revolving funds that are approved by the Executive Board to be set aside from regular resources for specific purposes, to be used by the country

offices on a temporary basis. The funds are then replenished by the country offices in accordance with the procedures specific to each fund. UNICEF operated working capital and capital asset funds, and during 2022 capitalized a new revolving fund – the Dynamo Fund – to provide a targeted and sustainable investment mechanism for UNICEF country and regional offices to drive private sector fundraising growth. This new revolving fund provides additional and more predictable sources of investment for fundraising growth in country and regional markets. In total, $20.00 million was allocated to the Dynamo Fund during 2022.

Financial position

61. As at the end of 2022, the total assets of UNICEF were $18.98 billion (2021: $19.03 billion) as shown in the table below.

Table IV.5
Statement of financial position: assets
(Thousands of United States dollars)

			Variance	
	2022	*2021*	*United States dollars*	*Percentage*
Assets				
Cash and cash equivalents	1 008 802	604 378	404 424	67
Receivables (current and non-current)	4 858 034	4 011 097	846 937	21
Advances of cash assistance	1 047 874	829 119	218 755	26
Inventories	684 272	586 574	97 698	17
Investments (current and non-current)	8 958 688	9 281 138	(322 450)	(3)
Other assets (current and non-current)	232 911	289 699	(56 788)	(20)
Procurement services related assets	1 956 041	3 190 769	(1 234 728)	(39)
Property, equipment and intangible assets	233 993	238 911	(4 918)	(2)
Total assets	**18 980 615**	**19 031 685**	**(51 070)**	–

Cash and investments

62. A significant portion of the assets that UNICEF manages in support of its institutional and programmatic activities comprises cash and investments of $9.97 billion (2021: $9.89 billion). Most of the cash and investment assets are low-risk investments in fixed income instruments, such as bonds, certificates of deposit and term deposits.

63. UNICEF has a responsibility to ensure that its funds are invested in a way that supports short-term liquidity to meet institutional and programmatic needs and promotes the long-term sustainability of the organization's operations to support the implementation of the strategic plan. Accordingly, the investment philosophy and strategies assure the preservation of capital by minimizing exposure to undue risk of loss or impairment while maintaining a reasonable expectation of fair return or appreciation.

64. UNICEF manages its investment portfolio risk using various short- and long-term financial instruments. The short-term investment strategy is designed to focus on safety and liquidity while capturing reasonable rates of return, by investing in highly rated financial assets in cash and cash equivalents, short-term investments, and emerging markets. The longer-term strategy is based on investing primarily in traded bonds.

Available cash

65. The UNICEF Financial Regulations and Rules indicate that, to ensure liquidity, the Comptroller should maintain cash balances at the levels approved by the Executive Board. UNICEF holds reserves for long-term employee liabilities, such as after-service health insurance, the working capital fund, and other Board-approved reserves, which stood at $1.15 billion (2021: $1.04 billion) at year end.

66. The cash available for regular resources, after taking into account payables and other commitments as well as cash reserves, was $479.98 million. The available cash was $2.77 billion for other resources – regular, after considering commitments, and $531.99 million for other resources – emergency.

Procurement services – related assets

67. Procurement services – related assets represent the funds received from procurement partners in advance, as discussed in paragraph 93, and are drawn down when disbursements to suppliers have been made. These assets recorded a significant decrease of 39 per cent ($1.23 billion) to $1.96 billion (2021: $3.19 billion), owing mainly to Gavi, the Vaccine Alliance, as COVID-19 vaccines were procured and distributed for the COVID-19 Vaccine Global Access (COVAX) Facility utilizing these funds.

Receivables and other assets

68. The funding partners of UNICEF provide multi-year agreements that are essential for forward planning and demonstrate the long-term commitment by donors to achieve results for children. Contribution receivables increased by 21 per cent to $4.86 billion in 2022 (2021: $4.01 billion). These balances mainly comprise multi-year contributions for programmatic activities in 2022 and subsequent years of 52 per cent of the total contributions receivable, which decreased from the prior year (2021: 60 per cent).

69. Other assets of $232.91 million (2021: $289.70 million) pertained mainly to value-added tax receivables that comprised $98.15 million (2021: $80.15 million) mostly from expected growth in purchase transactions over the year, in line with the expansion of programmatic activities in many countries. While most government reimbursement schemes are based on quarterly submission cycles, delays in processing are typical and lead to the accumulation of receivables. Other assets also include down payments to vendors, in particular for procurement services purchases, that are comparable with the prior year.

Cash advances

70. Cash advances to implementing partners for which implementation reports had not been received at year-end increased by $0.22 billion to $1.05 billion in 2022 (2021: $0.83 billion), consistent with the overall increase in cash transfers. There are no significant old outstanding cash advances either individually or in total. Balances over nine months decreased further in composition and account for 1 per cent, consistent with the prior year.

Inventories

71. UNICEF holds inventory for programmatic purposes, to distribute to beneficiaries and implementing partners. The total UNICEF inventory held world-wide increased by $97.70 million to $684.27 million, driven mainly by increase in goods in transit inventories and pre-positioned inventories.

72. UNICEF tracks goods in-transit both from suppliers and from UNICEF controlled warehouses to implementing partners separately, as this additional information provides relevant insight into the location of UNICEF controlled commodities. Of the total inventory, $219.42 million (2021: $116.81 million) was in transit from the suppliers to UNICEF-controlled locations, and $44.50 million (2021: $57.22 million) to implementing partners and between UNICEF warehouses and plants.

73. Supplies worth $80.14 million (2021: $39.60 million) were held as "pre-positioned" in readiness for a sudden onset of an emergency.

74. Included as part of the inventory at year end were costs of incomplete programme construction for new facilities that had not yet been handed over to Governments and communities. This included an increase of $8.46 million to $41.76 million, driven mainly by the construction of water supply, hygiene and sanitation systems and schools and childhood development centres.

Liabilities

75. Liabilities are defined as present obligations arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits or service potential. UNICEF had total liabilities of $6.62 billion (2021: $8.70 billion) at year-end, largely relating to funds held on behalf of third parties of $3.35 billion (2021: $4.95 billion) and after-service employee benefits of $1.64 billion (2021: $2.02 billion). Liabilities are detailed in table IV.6 and paragraphs that follow below.

Table IV.6
Statement of financial position: liabilities
(Thousands of United States dollars)

			Variance	
	2022	*2021*	*United States dollars*	*Percentage*
Liabilities				
Accounts payable	1 028 525	1 013 471	15 054	1
Funds held on behalf of third parties	3 347 601	4 954 123	(1 606 522)	(32)
After-service health insurance and other employee benefits (current and non-current)	1 641 507	2 022 401	(380 894)	(19)
Other liabilities and provisions (current and non-current)	601 555	713 841	(112 286)	(16)
Total liabilities	**6 619 188**	**8 703 836**	**(2 084 648)**	**(24)**

Funds held on behalf of third parties

76. Total liabilities in UNICEF financial statements at the end of the year include $3.35 billion (2021: $4.95 billion), representing funds held on behalf of third parties, primarily Governments and organizations that requested UNICEF to procure supplies for activities that benefit children and complement UNICEF programmes.

Accounts payable and other liabilities

77. Accounts payable and accrued liabilities stayed fairly stable compared with the prior year. Other liabilities decreased by $112.29 million to $601.56 million, owing

mainly to no open forward exchange contracts in loss in internally managed investment at year end (2021: $120.36 million).

78. Other liabilities also include contract liabilities that are recorded where UNICEF has committed to procure minimum order quantities for vaccines under firm long-term agreements. Such liabilities stayed stable and amounted to $240.97 million.

79. Also included within other liabilities is a $50.00 million forward flow arrangement with the World Bank representing a five-year agreement with 1.909 per cent effective interest rate to be paid semi-annually. There are no call provisions, conversion privileges, restrictions or assets pledged as security for the arrangement, and the balance is not due for repayment until March 2026. The purpose of the arrangement is to support investment into fundraising activities in 26 emerging market countries to expand the base for raising core funding for UNICEF. Since the forward flow arrangement's inception, $432.16 million (2021: $177.28 million) of cumulative unearmarked contributions were recognized as revenue relating to donations from private individuals from those 26 countries.

After-service health insurance and other long-term employee benefits

80. UNICEF provides its staff with after-service health insurance benefits and other employee benefits. A valuation carried out by an external firm for the 2022 year end estimated employee benefit liabilities at $1.45 billion (2021: $1.83 billion), and this has been recognized as a liability in full in the financial statement of UNICEF (see note 17, Employee benefits liabilities).

81. A decrease of 21 per cent related to after-service health insurance and other employee benefits was driven by the increase in the discount rate used for the estimation. The financial gains from using a higher discount rate were $487.83 million, recorded directly in net assets. No new funds were invested into the external after-service health insurance portfolio in 2022.

82. UNICEF has $1.09 billion (2021: $1.01 billion) in its after-service health insurance, separation, and other reserves for meeting these obligations and continues to set aside funds to meet these liabilities as they fall due. Total funding as a percentage of long-term employee benefits liabilities increased to a record 75 per cent (55 per cent in 2021) owing to a decrease in the employee benefits liabilities from $1.83 billion in 2021 to $1.45 billion as at 31 December 2022, the result of a change in financial assumptions, specifically a higher discount rate.

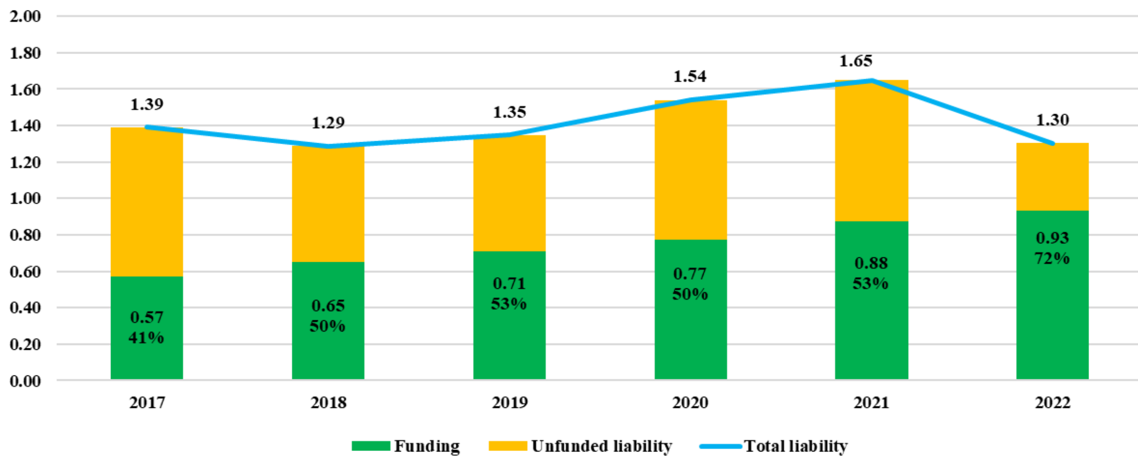
83. Estimated benefit payments net of participant contributions for the after-service health insurance for the next 9 to 10 years has been estimated as follows:

Table IV.7
After-service health insurance

	2023	*2024*	*2025*	*2026*	*2027 to 2031*	*Total*
After-service health insurance	22 309	24 799	27 311	29 985	194 250	298 654
Total	**22 309**	**24 799**	**27 311**	**29 985**	**194 250**	**298 654**

84. After-service health insurance funding improved in 2022, at 72 per cent, compared with 53 per cent in 2021, owing mostly to actuarial gains recorded of $487.83 million, resulting in a reduction in liability. Benefit payments net of participant contributions are estimated to be $298.65 million in total for the next nine years. In the light of this, the current funding rate is comfortably sufficient to sustain the organization's expected benefit payments for the long term.

Figure IV.IX
After-service health insurance funding
(Billions of United States dollars)



85. External investment managers manage a portion of the after-service health insurance funds set aside in the related insurance reserve, with the objective of earning returns that contribute to the long-term funding of the after-service health insurance liability.

86. At the end of the year, the total value of the investments managed by the external fund managers was $673.20 million (2021: $784.97 million). The decrease in the investments at year end was driven primarily by the fair value decreases in the equity instruments of $79.00 million and in fixed income instruments of $21.21 million at year end.

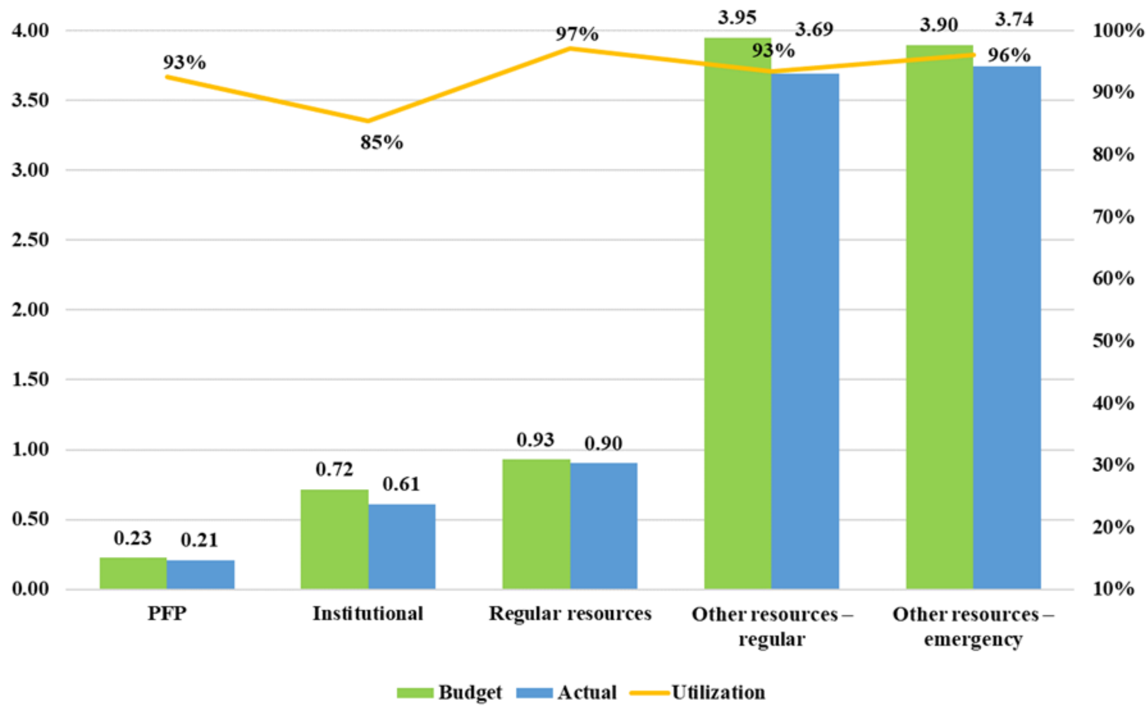
Budgetary performance

87. The statement of comparison of budget to actual allocated amounts spent for the year ended 31 December 2022 (statement V) compares UNICEF budgets, which are approved by the Executive Board, to the actual amounts incurred against them. Unlike the other financial statements, which are prepared under the IPSAS full-accrual basis, statement V is prepared and presented on a modified cash basis. Note 4 to the financial statements contains the definitions of the various budget classifications.

Changes from the original to the final budget

88. The UNICEF budgets for the various programmes are approved by its Executive Board, subject to the availability of funding. The original budget comprises the approved amounts for both regular resources and other resources initially allocated for the current year. The final budget represents the contributions received against the Board-approved ceiling and planned for the calendar year.

Figure IV.X
Budget to actual performance
(Billions of United States dollars)



Abbreviations: PFP, private fundraising and partnerships.

Actual budget expenditures

89. The total budget utilized in 2022 was $9.16 billion, or 95 per cent of the final budget, the implementation rate higher by 1 per cent compared with the prior year. Despite the challenges relating to the slow recovery from the COVID-19 pandemic and the impact from major natural disasters, the implementation of UNICEF programmes in 2022 was high, ranging from 93 per cent for other resources – regular, to 96 per cent for other resources – emergency, and to 97 per cent for regular resources.

90. Regular resources also include the Emergency Programme Fund, which provides a mechanism for the Executive Director to activate the UNICEF response to emergencies in advance of receiving contributions from funding partners, up to a maximum of $75 million at any given time. The amount utilized in 2022 was $44.56 million.

91. The variance in the institutional budget of $104.81 million was driven by multi-year capital projects that were aligned with the strategic plan and scheduled.

Procurement services

92. UNICEF procurement services is a crucial programmatic and development platform that serves as a strategic tool for Governments and other partners to effectively meet essential supply needs. The platform leverages the immense scale and expertise of the organization’s procurement operations to bridge gaps in national supply systems until they can fully function independently. The ultimate goal of UNICEF is to achieve a world where every child has sustainable access to essential vaccines and supplies that are vital to their growth and development. This requires

working closely with countries to help them build their own domestic resources and strengthen their national systems to deliver better outcomes for children.

93. UNICEF undertakes these procurement service activities for Governments, NGOs, United Nations agencies and other international organizations and foundations, acting as an agent on behalf of the partner entities. As a result, the activities are not reflected as UNICEF revenue, except for handling fees earned (see note 21, Other revenue). Funds are received from or made available by procuring partners in advance to cover UNICEF commitments to suppliers.

94. In the year 2022, numerous children and their families across the globe encountered several crises. These included wars, disease outbreaks, natural calamities and other emergencies, resulting in a staggering 339 million individuals requiring urgent life-saving assistance. This figure represents a 25 per cent increase from the previous year, placing an enormous burden on the global humanitarian supply chains. The situation underscores the urgent need for better forecasting and resilience in procurement and logistics networks, to ensure that essential supplies reach children and families in a timely manner. Throughout the year, UNICEF collaborated with a diverse range of partners to address the pressing needs of children in emergencies, while also making strides in improving supply systems for the future.

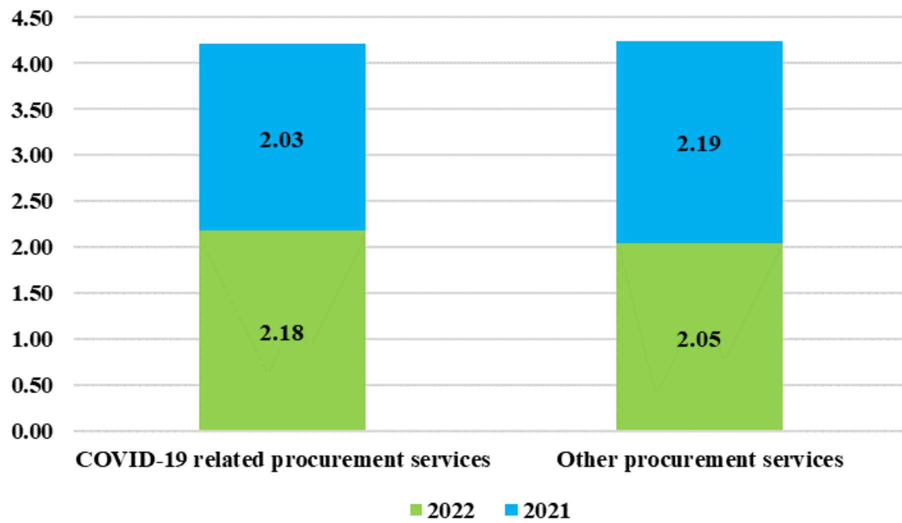
95. Disbursements under procurement services recorded a total of $4.23 billion (2021: $4.22 billion), including $2.18 billion for COVID-19-related procurement services (2021: $2.03 billion). As these transactions are agency-related, they are not considered a part of the organization’s own programme delivery and are therefore not included as UNICEF expenses in the financial statements.

96. For COVID-19-related procurement services, UNICEF continued to conduct procurement activities by establishing long-term agreements with manufacturers and by managing the procurement and logistics for COVAX participating countries. In addition, UNICEF is also responsible for overseeing the COVAX vaccine portfolio by co-convening with Gavi, maintaining updated information from manufacturers on the projected and actual supply quantities to inform the allocation mechanism, and monitoring the drawdown of the COVAX advance purchase commitments.

97. The remaining procurement services related largely to routine immunization programmes, including procurement of respective medical kits and pharmaceutical suppliers.

98. As at 31 December 2022, UNICEF held funds on behalf of its partners in the amount of $3.12 billion (2021: $4.72 billion) to cover the commitments to suppliers. For Gavi-related procurement activities, UNICEF received the drawing rights from special escrow accounts, which were recorded as procurement services-related assets of $1.96 billion (2021: $3.19 billion).

Figure IV.XI
2022 trust fund disbursements related to procurement services
(Billions of United States dollars)



99. The standard procurement services handling fees earned by UNICEF was $63.58 million. In addition, the role of UNICEF as procurement agent and coordinator for the COVAX arrangements generated in 2022 $37.18 million in Gavi handling fees (2021: $31.79 million).

Risk management

100. The UNICEF enterprise risk management framework is a structured approach to identifying, assessing, and managing risks within the organization. The framework is designed to help UNICEF take advantage of emerging opportunities to achieve its objectives while minimizing the negative impact of risks. Below are some key risk areas and mitigation actions taken.

101. **Fraud, waste and misuse of resources**. UNICEF works with implementing partners, vendors and third parties to deliver its programmes. However, there is a risk of fraudulent reporting or use of funds, supplies or other assets by these parties. To mitigate this risk, UNICEF has established strong financial controls, including regular audits and reviews of implementing partners' financial and operational performance.

102. **Misconduct, wrongful and negligent behaviour towards others**. UNICEF is committed to ensuring the safety and well-being of children and other vulnerable groups it serves. This risk area includes safeguarding against sexual exploitation and abuse, and sexual harassment. UNICEF has zero tolerance for such behaviours and has put in place policies, procedures and training programmes to prevent and respond to any incidents of misconduct.

103. **Cybersecurity**. UNICEF relies heavily on ICT to deliver its programmes and services. However, there is a risk of cyberattack and other threats to digital fundraising by malicious actors. To mitigate this risk, UNICEF has implemented robust security measures, including firewalls, encryption and regular system updates and patches.

104. **Declining regular resources (core funding)**. The work of UNICEF is funded by voluntary contributions from Governments, individuals and other organizations. However, there is a risk of decline in flexible (unearmarked) resources that can affect the organization's ability to deliver on its mandate without becoming a project-based

organization. To mitigate this risk, UNICEF has diversified its funding sources and developed the innovative finance for children strategy as a global initiative aimed at leveraging innovative financing solutions to address the critical issues children and young people around the world face. The strategy also seeks to unlock new sources of capital, attract private sector investment and support the development of sustainable financing models that can deliver measurable results for children.

105. **Organizational resilience and preparedness regarding volatile context and natural hazards**. UNICEF operates in contexts that are often volatile and unpredictable, including amid armed conflicts, geopolitical tensions and natural hazards, such as cyclones, floods and earthquakes. To mitigate this risk, UNICEF has developed robust emergency preparedness and response plans, including contingency supplies and pre-positioned stocks, as well as training and simulation exercises for staff and partners. Our emergency response team provides immediate and effective assistance to affected populations.

Sustainability and diversity

106. UNICEF has aligned its 2030 carbon reduction target with the United Nations reduction target of 45 per cent (from the 2010 baseline) and has been climate neutral since 2016 by measuring, reducing and offsetting unavoidable emissions. As part of its strategic plan for 2022–2025, UNICEF is committed to reducing greenhouse gas emissions by 33.75 per cent by 2025 and to sourcing 40 per cent of its electricity from renewable energy by 2025. UNICEF has dedicated resources to advance sustainability in its operations and programming and has included carbon reduction targets as a core performance outcome indicator, to track the proportion of greenhouse gases that offices globally are cutting back to reduce the organization's overall carbon footprint. The organization is transforming its operations by reducing greenhouse gas emissions from air travel, vehicle fleets and facilities, and through reductions in water consumption and waste generation.

107. The organization is on track to achieving the carbon emission target. In 2022, the total volume of emissions decreased by 19 per cent (14,495 tons of CO_2) compared with the 2010 baseline, and decreased by 17 per cent (12,116 tons of CO_2) compared with 2019 greenhouse gas emissions. In total, 26 per cent renewable energy use has been reached through the use of renewable energies in office facilities.

108. UNICEF also implemented sustainable building standards (EDGE) for two new constructions, including the Mozambique country office, which received an EDGE advanced preliminary certification for exemplary 54 per cent energy savings. It also piloted the installation of smart energy metres in 26 offices to enhance energy management and digitalize the process of collecting energy data and reporting the organization's carbon footprint into its environmental management tool. More smart energy metres will be installed in another 50 UNICEF offices by the end of 2023.

109. On renewable energy, UNICEF plans to solarize 10 facilities each year until 2030. To do so, it has developed a financing model for solar leasing that will support at-scale solarization of UNICEF offices and reduce facility carbon emissions by 45 per cent by 2030. Emissions from mobile sources (vehicles) have decreased, driven by sustainable fleet management and by switching to hybrid and zero-emission electric vehicles.

110. UNICEF offices are committed to improving water conservation and waste management. To achieve this, the organization consistently explores ways to increase water efficiency, for example, by implementing initiatives like rainwater harvesting and wastewater treatment to promote water recycling. In addition, the organization has adopted waste reduction practices, including using reusable water bottles and avoiding the use of plastics, as part of its workplace policy. UNICEF is proud to report

that 51 per cent of its offices currently utilize water-efficient fixtures, a significant increase from 40 per cent in 2020 and 37 per cent in 2019. To further reduce waste, UNICEF has optimized its operations by encouraging paperless practices, adopting sustainable procurement methods and reducing materials sent to landfills. As a result of these efforts, 25 per cent of the waste generated in 2022 was recycled.

111. Sustainable procurement is being implemented to integrate requirements, specifications and criteria that are compatible with and in favour of the protection of the environment and social progress, and that support economic development, namely, by seeking resource efficiency, improving the quality of products and services, and ultimately optimizing costs.

112. In an effort to increase environmental responsibility, UNICEF launched the "pledge to act sustainably" and incorporated it into the global directory to encourage staff to commit to sustainable practices. This initiative has been successful in promoting a more environmentally conscious workplace culture.

113. Building on that progress, in 2022, UNICEF officially added environmental sustainability as one of its core values, emphasizing the organization's commitment to protecting the planet and promoting sustainable development. This development highlights the dedication of UNICEF to creating a more sustainable future for children and communities around the world.

114. On diversity, equity and inclusion, UNICEF is committed to a becoming a model of an inclusive, diverse workplace by 2030 through enhanced leadership, capacity, motivation, resource mobilization and accountability, to align with disability inclusion commitments. Progress has been made towards more accessible and supportive workplaces.

115. The organization's disability inclusion policy and strategy establishes clear benchmarks towards more leadership roles for persons with disabilities, as well as the recruitment, retention and satisfaction of staff with disabilities, investments in staff capacity, and the elimination of ablism and bias within the organizational culture. A key component of making UNICEF more disability inclusive is ensuring that persons with disabilities have access, on an equal basis as others, to the physical environment, transportation, information and communications, including information and communications technologies and systems, hospitality and other facilities and services. UNICEF has developed an accessibility toolkit to strengthen its work to ensure accessible workplaces for all, which resulted in 69 per cent of workplaces at UNICEF headquarters and in regional and country offices meeting inclusive and accessible workplace standards, up from 52 per cent in 2020.

Forward-looking statements disclosure

116. The financial discussion and analysis include forward-looking statements and information about the organization's outlook, direction, operations and future financial results that are subject to risks, uncertainties and assumptions.

Outlook for 2022 and beyond

117. In 2022, UNICEF took steps in this direction by beginning implementation of an outcome-focused strategic plan, calibrated not towards what UNICEF can do itself today, but towards what it will take – partnerships, resources, policies and legislation, and social, economic, behavioural and cultural changes – to make a difference for children in all contexts over the remainder of the decade.

118. Through the new country programme procedures and guidance issued in 2022, country offices are receiving more support in prioritizing relevant elements of the strategic plan in their contexts, including in middle- and high-income countries, while

a joined-up approach to data, research, evaluation, and knowledge management will build technical capacity. UNICEF will address the gap between the financial resources available for strategic plan implementation and actual global needs, strengthen its United Nations partnerships, and accelerate its strategy to mobilize the flexible resources required to be the mandate-driven organization that the world's children need.

119. UNICEF will define and enact a systematic approach for anticipatory action and responses to global shocks, engaging in horizon-scanning risk assessments with partners. To clarify the focus of its climate action, beyond disasters and preparedness, the organization will finalize the development of an Action Plan on Sustainability and Climate – recognizing that climate change affects not only children's development trajectories, but also the ways that UNICEF can deliver.

120. Programmatic priorities will focus efforts on areas in which the organization is best positioned to work with its partners to make an impact on multiple deprivations and reach the world's most disadvantaged, discriminated-against children, wherever they may live. To address inequalities, UNICEF will strengthen front-line service delivery systems rooted in communities, including social protection to reach children who have remained out of reach – and will redouble its efforts to ensure that these essential social services can adapt in the face of climate and environmental hazards.

121. Community-based primary health care and nutrition will be key entry points, and girls and children with disabilities will be a focus in all contexts. Across all sectors, the Adolescent Girls Agenda will increase the focus on girls' education, skills acquisition, digital access, protection, health, and nutrition, and on sustaining high-level political commitment to eradicate harmful practices including female genital mutilation and child marriage.

Chapter V

Financial statements for the year ended 31 December 2022

United Nations Children's Fund

I. Statement of financial position as at 31 December

(Thousands of United States dollars)

	Note	*2022*	*2021*
Current assets			
Cash and cash equivalents	6	1 008 802	604 378
Contributions receivable	7	3 719 003	2 857 283
Advances of cash assistance	8	1 047 874	829 119
Inventories	9	684 272	586 574
Investments	10	5 223 008	5 881 570
Procurement services related assets	11	1 956 041	3 190 769
Other assets	12	229 820	285 308
Total current assets		**13 868 820**	**14 235 001**
Non-current assets			
Contributions receivable	7	1 139 031	1 153 814
Investments	10	3 735 680	3 399 568
Property and equipment	13	233 993	238 911
Other assets	12	3 091	4 391
Total non-current assets		**5 111 795**	**4 796 684**
Total assets		**18 980 615**	**19 031 685**
Current liabilities			
Accounts payable and accrued liabilities	14	1 028 525	1 013 471
Funds held on behalf of third parties	15	3 347 601	4 954 123
Other liabilities	16	405 728	505 740
Employee benefits liabilities	17	187 015	191 487
Provisions	18	48 098	34 468
Total current liabilities		**5 016 967**	**6 699 289**
Non-current liabilities			
Other liabilities	16	147 729	173 633
Employee benefits liabilities	17	1 454 492	1 830 914
Total non-current liabilities		**1 602 221**	**2 004 547**
Total liabilities		**6 619 188**	**8 703 836**
Accumulated surpluses	19	11 032 556	9 324 074
Reserves	19	1 328 871	1 003 775
Net assets		**12 361 427**	**10 327 849**

The accompanying notes are an integral part of the financial statements.

United Nations Children's Fund

II. Statement of financial performance for the year ended 31 December

(Thousands of United States dollars)

	Note	*2022*	*2021*
Revenue			
Voluntary contributions	20	10 019 576	8 292 734
Other revenue	21	194 641	221 269
Investment revenue	22	114 838	55 583
Total revenue		**10 329 055**	**8 569 586**
Expenses			
Cash assistance	23	3 378 264	2 495 501
Transfer of programme supplies	23	1 559 581	1 293 167
Employee benefits	24	1 792 064	1 716 192
Programme-related expert services	25	583 793	454 427
Occupancy and related costs	26	482 033	428 464
Investment funds for development of private sector fundraising		130 584	113 463
Depreciation and amortization		22 246	24 260
Other expenses	27	592 654	610 457
Total expenses		**8 541 219**	**7 135 931**
Gains, net	28	67 079	73 272
Net surplus		**1 854 915**	**1 506 927**

The accompanying notes are an integral part of the financial statements.

United Nations Children's Fund

III. Statement of changes in net assets for the year ended 31 December

(Thousands of United States dollars)

	Note	*2022*	*2021*
Net assets as at 1 January	19	10 327 849	8 899 780
Actuarial gains/ (losses) recognized directly in net assets	19	487 831	(10 967)
Changes in fair value of available-for-sale financial assets	19	(309 168)	(67 891)
Net surplus for the period	19	1 854 915	1 506 927
Net assets as at 31 December	**19**	**12 361 427**	**10 327 849**

The accompanying notes are an integral part of the financial statements.

United Nations Children’s Fund

IV. Statement of cash flows for the year ended 31 December

(Thousands of United States dollars)

	Note	*2022*	*2021*
Cash flows from operating activities			
Net surplus	19	1 854 915	1 506 927
Adjustments to reconcile surplus to net cash flows			
Depreciation and amortization		22 246	24 260
Net gain on sale or disposal of property, equipment	28.A	(1 533)	(1 259)
Unrealized loss on foreign exchange		101 560	98 073
Impairment and write-downs (net of reversals)	27.C	(1 843)	153 255
Write-offs	27.C	17 720	7 544
Investment revenue presented as investing activities	22	(114 838)	(55 583)
Contributions in kind – net	20.A	(104 858)	(112 359)
Actuarial gain/(loss) on employee benefits liabilities	17	487 831	(10 967)
Unrealized loss through net assets	19	(309 168)	(67 891)
Other adjustments		14 912	(179 958)
Changes in assets			
(Increase)/decrease in inventories	9	(97 698)	171 351
Increase in contributions receivable	7	(846 937)	(324 548)
Decrease/(increase) in other assets	12	55 511	(81 777)
Increase in advances of cash assistance	8	(218 755)	(38 142)
Decrease/(increase) in procurement services related assets	11	1 234 728	(2 371 264)
Changes in liabilities			
Increase in accounts payable and accrued liabilities	14	15 054	697 024
(Decrease)/increase in funds held on behalf of third parties	15	(1 606 522)	3 530 279
(Decrease)/increase in employee benefits liabilities	17	(380 894)	134 088
Increase in provisions	18	13 630	1 133
(Decrease)/increase in other liabilities	16	(125 916)	221 652
Net cash generated from operating activities		**9 145**	**3 301 838**
Cash flows from/(used in) investing activities			
Purchases of investments		(13 281 397)	(10 620 748)
Maturities and sale of investments		13 603 847	7 129 854
Interest revenue	22	109 826	51 096
Dividend revenue	22	5 012	4 487
Purchases of property and equipment	13	(16 740)	(13 789)
Proceeds on sale of property and equipment	13	2 222	7 933
Net cash from/(used in) investing activities		**422 770**	**(3 441 167)**
Proceeds from forward flow arrangement	16	–	50 000
Payment of finance lease liabilities	16	(6 728)	(6 728)
Net cash generated (used in)/from financing activities		**(6 728)**	**43 272**

United Nations Children's Fund

IV. Statement of cash flows for the year ended 31 December (continued)

(Thousands of United States dollars)

	Note	*2022*	*2021*
Effect of exchange rate changes on cash and cash equivalents		(20 763)	(9 822)
Net increase/(decrease) in cash and cash equivalents		**404 424**	**(105 879)**
Cash and cash equivalents			
Beginning of year	6	604 378	710 257
End of year	6	1 008 802	604 378

The accompanying notes are an integral part of the financial statements.

United Nations Children's Fund

V. Statement of comparison of budget to actual amounts for the year ended 31 December

(Thousands of United States dollars)

	Note	*Original budget*	*Final budget*	*Actual on comparable basis*	*Difference between final budget and actual*
Regular resources					
Country programmes	5	771 420	809 733	793 617	16 116
Global and regional programmes	5	56 000	75 682	64 788	10 894
Emergency programme fund		**75 000**	**44 558**	**44 558**	**–**
Total regular resources		**902 420**	**929 973**	**902 963**	**27 010**
Other resources – regular					
Country programmes		3 165 102	3 706 196	3 493 420	212 776
Global and regional programmes		347 938	240 984	196 211	44 773
Total other resources – regular		**3 513 040**	**3 947 180**	**3 689 631**	**257 549**
Total country programmes		**3 936 522**	**4 515 929**	**4 287 037**	**228 892**
Total global and regional programmes		**403 938**	**316 666**	**260 999**	**55 667**
Other resources – emergency	**5**	**1 843 000**	**3 895 549**	**3 744 559**	**150 990**
Total programmatic		**6 258 460**	**8 772 702**	**8 337 153**	**435 549**
Institutional budget					
Development effectiveness		182 151	233 287	199 299	33 988
Management		410 984	412 361	362 665	49 696
Special purpose: capital investments		28 750	35 950	20 102	15 848
United Nations development coordination		9 929	11 228	10 868	360
Independent Oversight and Assurance Activities		21 351	24 160	19 244	4 916
Total institutional budget		**653 165**	**716 986**	**612 178**	**104 808**
Private fundraising and partnerships		**217 600**	**226 572**	**209 616**	**16 956**
Grand total		**7 129 225**	**9 716 260**	**9 158 947**	**557 313**

The accompanying notes are an integral part of the financial statements.

United Nations Children's Fund
Notes to the 2022 financial statements

Note 1
Reporting entity

1. The United Nations Children's Fund (UNICEF) was established by the General Assembly in its resolution 57 (I), which mandated UNICEF to advocate for the protection of children's rights, to help meet their basic needs and to expand their opportunities to reach their full potential. The governing body of UNICEF is the Executive Board, which provides intergovernmental support and oversight to the organization in accordance with the overall policy guidance of the General Assembly and the Economic and Social Council.

2. The financial statements include only the operations of UNICEF. UNICEF has no subsidiaries or interests in associates or jointly controlled entities.

3. UNICEF is headquartered in New York and maintains a presence in 190 countries, territories and areas, including at other headquarters offices in Belgium, Denmark, Hungary, Italy, Japan, Kenya, the Republic of Korea, Spain, Sweden, Switzerland and Türkiye, as well as regional offices in Jordan, Kenya, Nepal, Panama, Senegal, Switzerland and Thailand.

Note 2
Statement of approval of the Executive Director

1. The financial statements were certified by the Comptroller on 31 March 2023 as required by the UNICEF Financial Regulations and Rules and transmitted for issue by the Executive Director on 29 May 2023.

Note 3
Basis of preparation

A. Basis of measurement

1. The financial statements have been prepared on a full-accrual method of accounting under the International Public Sector Accounting Standards (IPSAS). The accounting policies have been applied consistently throughout the reporting period. UNICEF applies the historical cost principle, except for the following material items, in its statement of financial position:

(a) Assets acquired through non-exchange transactions that are initially measured at fair value;

(b) Financial instruments that are measured at fair value through surplus or deficit and available-for-sale financial assets measured at fair value through reserves;

(c) Employee benefits: defined-benefit plan liabilities that are appraised using an actuarial valuation method.

2. These financial statements are expressed in thousands of United States dollars unless otherwise indicated.

B. Foreign currency translation

Functional and presentation currency

3. Items included in the financial statements are measured using the currency of the primary economic environment in which an entity operates ("the functional currency"). The functional and presentation currency of UNICEF is the United States dollar.

Transactions and balances

4. Foreign currency transactions are translated into United States dollars at the prevailing United Nations operational rate of exchange at the time of the transaction. The United Nations rates approximate market rates. Monetary assets and liabilities denominated in foreign currencies are revalued at the exchange rate in effect at the reporting date. Non-monetary items in foreign currencies that are measured at historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising upon revaluation are recognized in the statement of financial performance and included under gains and losses.

C. Use of significant estimates and critical judgments

5. The preparation of financial statements in accordance with IPSAS requires UNICEF management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Since uncertainty is inherent in the use of estimates and assumptions, actual results may differ significantly from management estimates.

6. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future period affected. The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below:

(a) Note 17, Employee benefits liabilities: UNICEF participates in a defined-benefit pension plan and other benefit plans. IPSAS requires that management measure the defined-benefit obligations and annual costs under such plans, using assumptions that are long-term in nature and reflect the organization's best judgment and estimates. UNICEF reviews key assumptions on an annual basis with its independent actuaries using relevant experience, in conjunction with market-related data. The key assumptions include the rate of compensation increase, the discount rate and the longevity of plan members. The management assumption with the greatest potential impact on the organization's defined-benefit obligation is the discount rate. The discount rate is determined by reference to the yield of a portfolio of high-quality fixed-income instruments (rated AA or higher), which has the same duration as the plan's defined-benefit obligation; UNICEF uses harmonized approach with other United Nations agencies for discount rate estimation.

(b) Note 18, Provisions: specific donors where past experience indicates that the donor contribution has previously been reduced at the grant expiration date, UNICEF calculates a "write-down provision" for the receivable outstanding as at the end of the reporting period.

(c) Note 33, Contingencies: legal proceedings covering a wide range of matters are or may be pending or threatened in various jurisdictions against UNICEF. Provisions are recorded for pending matters when it is determined that an unfavourable outcome is probable, and the amount of loss can be reasonably estimated. Owing to the inherently uncertain nature of the matters, the ultimate outcome or actual cost of settlement may materially vary from estimates.

(d) Note 9, Inventories: UNICEF procures supplies to implement its programmes. In order to report the inventories at the lower of cost or replacement value, UNICEF uses a number of assumptions to estimate the replacement cost of such supplies. Most of these essential and strategic supplies are procured under long-term agreements. UNICEF maintains a broad supplier base for most of its supplies and enters into such agreements with several suppliers for the same material. The pricing of the supplies from these agreements is mostly used to estimate the replacement cost, considering the relevance of the agreements to the assessed inventory item. UNICEF also considers the aging of the inventories and demand fluctuations for its supplies in stock.

7. Information on critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements and which could have a significant risk of resulting in a material adjustment are described below:

(a) UNICEF analysed the arrangements in which it is engaged on behalf of a third party, including procurement, administrative or custodial arrangements, to determine whether they comprise agency arrangements. UNICEF is acting as an agent when it: (i) is not primarily responsible for the procurement process; (ii) is not exposed to significant inventory risk; (iii) has no significant discretion in establishing prices; and (iv) has no significant exposure to a partner's credit risk. In such arrangements, UNICEF does not recognize the procured inventory in the statement of financial position and only recognizes the procurement-related fees in other revenue generated for its role as the agent.

(b) UNICEF reclassified the presentation of the line items in its financial statements in order to better reflect the relevance and materiality of those accounts to the users of the financial statements. As a result, UNICEF also reclassified the affected line items in its comparative financial statements, as follows:

(i) The current and non-current portions of other receivables, of $113.41 million and $1.34 million, respectively, were classified in the other assets line in the statement of position;

(ii) Intangible assets of $1.43 million were reclassified as an item in the other assets non-current line in the statement of position;

(iii) The current and non-current portions of contributions received in advance, of $11.08 million and $2.61 million, respectively, were reclassified as items in the other liabilities line in the statement of position;

(iv) The finance cost of $2.71 million was reclassified as an item in the other expenses line in the statement of financial performance;

(v) Occupancy and related costs of $428.46 million were reclassified as a separate line item from other expenses in the statement of financial performance;

(vi) The increase in other receivables, of $24.82 million, and the decrease in contributions received in advance, of $1.19 million, were also reclassified as other assets and other liability movements in the statement of cash flows. Movements for intangible assets, of $56.00 million, was also included in changes for other assets in the statement of cash flows.

(c) There were no material changes in 2022 to the basis of estimates and judgments applied.

D. Standards issued but not yet effective

8. The IPSAS Board issued IPSAS 41: Financial instruments, in 2020. UNICEF will adopt the new standard as required, effective 1 January 2023. IPSAS 41 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. UNICEF is in the process of performing an impact assessment of first two aspects of IPSAS 41 since revisions to hedge accounting will not be applicable for the organization. IPSAS 41

is expected to have an impact on the classification and measurement of certain financial assets. The new standard will also affect the impairment calculation method for financial assets by introducing a forward-looking estimation model for expected credit losses.

9. In March 2023, the IPSAS Board approved IPSAS 47: Revenue, which is a single standard to account for revenue transactions in the public sector. IPSAS 47 replaces the existing three revenue standards (IPSAS 9, 11 and 23) and presents accounting models that will improve financial reporting and support effective public sector financial management. IPSAS 47 will be effective for periods beginning on or after 1 January 2026. UNICEF expects that this standard will have an impact on the recognition of voluntary contributions and is working on the assessment.

10. In March 2023 the IPSAS Board approved IPSAS 48: Transfer expenses, which provides guidance on a major area of expenditure for Governments and other public sector entities. IPSAS 48 fills a gap that had previously led to ambiguity and inconsistency in public sector accounting policies. IPSAS 48 will be effective for periods beginning on or after 1 January 2026. UNICEF expects that this standard will have an impact on the recognition of programme expenses and will start the assessment from 2023.

11. The IPSAS Board approved IPSAS 43: Leases, in December 2021 with an effective date of 1 January 2025. IPSAS 43 supersedes IPSAS 13: Leases, and introduces the right-of-use model for lessees, improves the transparency of lease accounting in the public sector and aligns with International Financial Reporting Standard 16: Leases. Assessments of its impact on the UNICEF financial statements and its implementation are ongoing.

12. The IPSAS Board approved Exposure draft 84: Concessionary leases and right-of-use assets in-kind (amendments to IPSAS 43 and IPSAS 23). Exposure draft 84 was published in January 2023 for comments. On the accounting of concessionary leases, for lessees, the Board agreed to measure the right-of-use asset at fair value on initial recognition. UNICEF will review the exposure draft and assess the impact on its concessionary property leases and right to such properties.

13. The IPSAS Board issued IPSAS 44: Non-current assets held for sale and discontinued operations, with an effective date of 1 January 2025. IPSAS 44 includes additional public sector requirements, in particular the disclosure of the fair value of assets held for sale that are measured at their carrying amounts, when the carrying amount is materially lower than their fair value. IPSAS 44 is not expected to have an impact on UNICEF financial statements. Formal assessment will be completed by the mandatory adoption date.

14. In March 2023, the IPSAS Board approved IPSAS 46: Measurement, which brings measurement guidance together under a single standard. It introduces a public sector-specific current value measurement basis for assets held for their operational capacity and provides additional generic guidance on fair value. This completes the initial phase of the measurement project; the Board will now consider the broader impact of this new guidance across IPSAS in the ongoing measurement and application phase project. IPSAS 46 will be effective for periods beginning on or after 1 January 2025. Formal assessment will be completed by the mandatory adoption date.

15. In 2022, the IPSAS Board finalized IPSAS 45, a new standard on property, plant and equipment that will be issued in 2023. IPSAS 45 will replace IPSAS 17, Property, plant and equipment, will add public sector guidance on heritage and infrastructure assets and will be aligned with the new measurement principles in the new IPSAS 46: Measurement. IPSAS 46 clarifies the concept of deemed cost, including its

applicability to property, plant and equipment held for operational capacity; in it, the replacement cost measurement basis is replaced with the current operational value, a public sector measurement basis.

Note 4
Significant accounting policies

Financial assets

1. UNICEF classifies financial assets into the following categories: financial assets at fair value through surplus or deficit; loans and receivables; and available-for-sale financial assets. The designation depends on the purpose for which the financial assets are acquired and is determined at initial recognition. UNICEF engages external investment managers to manage the after-service health insurance funds set aside in the after-service health insurance reserve, with the objective of earning returns that will contribute to the long-term funding of the after-service health insurance liability (see note 10, Investments). Financial assets in the externally managed portfolio follow the same accounting treatment as the internally managed financial instruments.

2. UNICEF does not classify any financial assets as held-to-maturity.

Major financial asset type	*Classification*
Cash and cash equivalents (with original maturities of 3 months or less)	Loans and receivables
Term deposits (with original maturities greater than 3 months)	Loans and receivables
Contribution receivables	Loans and receivables
Other receivables	Loans and receivables
Procurement services related assets	Loans and receivables
Promissory notes	Loans and receivables
Certificates of deposit	Available-for-sale
Traded bonds	Available-for-sale
Equities	Available-for-sale
Foreign currency options	Held for trading (fair value through surplus or deficit)
Forward exchange and spot contracts	Held for trading (fair value through surplus or deficit)

3. UNICEF initially recognizes loans and receivables on the date that they originated. All other financial assets are recognized initially on the trade date, which is the date UNICEF becomes a party to the contractual provisions of the instrument. All financial assets are initially measured at fair value.

Financial assets at fair value through surplus or deficit

4. A financial asset is classified at fair value through surplus or deficit if it is designated as such upon initial recognition or is classified as held for trading (including forward exchange contracts in gain). Financial assets at fair value through

surplus or deficit are measured at fair value on each reporting date, and changes therein are recognized as surplus or deficit in each period.

5. Furthermore, UNICEF holds foreign exchange forward contracts (free-standing derivatives) which are valued with reference to the prevailing United Nations operational rate of exchange. UNICEF uses derivatives only to manage foreign exchange risk. UNICEF further expanded its strategy to hedge against currency volatility through investment in foreign exchange options. These derivatives (forward contracts and foreign exchange options) are contracted only with creditworthy counterparties pre-approved by the UNICEF Financial Advisory Committee, which renders advice to the Comptroller on matters of investments of funds not needed for immediate requirements of UNICEF.

6. UNICEF does not apply hedge accounting to its derivative instruments. If they are not closed out, derivatives with a positive fair value are reported as derivative instruments within other current assets while derivatives with a negative fair value are reported as derivative instruments within other current liabilities in the statement of financial position. Gains and losses from changes in the fair value of derivatives are recognized in net gains and losses in the statement of financial performance. All financial assets at fair value through surplus or deficit are classified as current assets (see note 29, Financial instruments).

Loans and receivables

7. Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment loss.

8. Loans and receivables are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period. Such loans and receivables are classified as non-current assets.

9. Unused transfers of cash assistance due from implementing partners represent the organization's claims to the unused cash assistance funds remaining with implementing partners after the completion or termination of a project. They are recorded as "other receivables" and are recovered from implementing partners.

10. UNICEF provides interest-free advances to staff for up to 12 months for specified purposes, in accordance with the Staff Regulations and Rules of the United Nations. The advances have an initial maturity of less than 12 months, and the carrying amount approximates fair value.

Available-for-sale financial assets

11. Available-for-sale financial assets are non-derivative financial assets composed of traded bonds (both internally and externally managed), certificates of deposit and externally managed equities and investment funds. They are initially recorded at fair value and subsequently are reported at fair value, with any resultant fair value gains or losses recognized directly in net assets except for impairment losses, foreign currency exchange differences and interest calculated using the effective-interest method. When an available-for-sale financial asset is derecognized, the gain or loss accumulated in net assets is reclassified as surplus or deficit.

12. Interest on available-for-sale fixed income investments and dividends on available-for-sale equity investments are recognized in the statement of financial performance during the period earned and when the right to receive the dividend payments is established, respectively.

13. Available-for-sale financial assets are included in non-current investments unless an investment matures or management intends to dispose of it within 12 months of the end of the reporting period (see note 10, Investments).

Impairment of financial assets – assets carried at amortized cost

14. At the end of each reporting period, UNICEF assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. UNICEF considers impairment of financial assets at a specific asset level.

15. A financial asset or a group of financial assets is impaired and impairment loss is incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. No collective impairment is made.

16. The amount of the loss is measured as the difference between the carrying amount of the asset and the estimated recoverable amount. The carrying amount of the asset is reduced and the amount of the loss is recognized in the statement of financial performance and reflected in an allowance account in the statement of financial position.

17. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (e.g., receipt of funds), the reversal of the previously recognized impairment loss is recognized in the statement of financial performance.

18. UNICEF contributions receivable relate to contractual amounts agreed to be paid by donors such as Governments, intergovernmental organizations (e.g., the European Union) and other United Nations agencies. Therefore, impairments of contributions receivable are rare and are considered on a case-by-case basis.

Impairment of financial assets – assets classified as available-for-sale

19. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from accumulated surplus (deficit) and recognized in the statement of financial performance.

Advances of cash assistance to implementing partners

20. Advances of cash assistance represent transfers of cash assistance where implementing partners have not yet met performance obligations as specified by UNICEF. UNICEF monitors the utilization of cash assistance by implementing partners and liquidates advances and recognizes expenses only when those funds have been used by implementing partners as specified by UNICEF. UNICEF reviews reports on expenditures submitted by implementing partners, at least quarterly, to ascertain completeness and appropriateness of expenditures and certification, and consistency with workplan as required by the Harmonized Approach to Cash Transfers Framework.

21. Reporting by implementing partners of the utilization of cash assistance is due within six months. The failure by an implementing partner to report on the utilization of cash assistance within nine months, or breach of performance obligation, triggers an inquiry by UNICEF. As required, those amounts, as well as any unused funds, are

reclassified from advances of cash assistance to other receivables (unused transfers of cash assistance due from implementing partners). The impairment of receivables is disclosed in note 12, Other assets.

Prepayments

22. Prepayments are issued where agreements with UNICEF and the supplier or service provider requires payment up front. Prepayments are recorded as a current asset until goods and/or services associated with the prepayments are delivered, at which point the expense is recognized and the prepayment is reduced by a corresponding amount.

Inventory

23. Inventory held for programme distribution, such as programme supplies, are stated at the lower of cost or current replacement cost. Cost is determined using a weighted average cost formula.

24. The cost of inventory includes costs incurred in acquiring the inventory and other costs incurred in bringing them to their existing location and condition (for example, freight costs). For inventory acquired through a non-exchange transaction (for example, contributions in kind), the fair value as at the date of acquisition is deemed to be its cost.

25. UNICEF regularly reviews inventory quantities on hand, inventory valuation and the estimated use of its inventory. If the review indicates estimated or actual losses arising from excess or obsolete inventory or a decline in the value of the inventory, the inventory is reduced to a new cost basis, where material, through a write-down in the statement of financial performance. Reductions are determined by assessing replacement costs.

Cryptocurrencies

26. Cryptocurrencies are classified as inventory and valued at the lower of cost and net realizable value using the weighted average cost formula. Management reviews cryptocurrencies on hand, the valuation and the estimated use. If the review indicates estimated or actual losses arising from excess balances or obsolescence or a decline in the value of the cryptocurrencies, these are reduced to a new cost basis. Reductions are determined by assessing net realizable value.

Property and equipment

27. Property and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses. This includes costs that are directly attributable to the acquisition of assets and the initial estimate of dismantling and site restoration costs. Where an asset is received as contribution in kind, the fair value as at the date of acquisition is deemed to be its cost.

28. Individual items of movable property and equipment other than buildings are capitalized when their expected original acquisition price is equal to or greater than the threshold of $5,000. Improvements to buildings are capitalized when the total spent on the improvement or construction is equal to or greater than the threshold of $100,000.

29. Property and equipment include right-to-use arrangements that meet the criteria for recognition. An equivalent liability is established if the arrangement has conditions attached to it. The liability is released to revenue at the same time as the value of the asset is consumed through depreciation or impairment.

30. Subsequent costs are included in an asset's carrying amount or recognized as a separate asset only when it is probable that future economic benefits associated with the item will flow to UNICEF and the cost of the item can be measured reliably. Repairs and maintenance, which do not qualify for capitalization, are charged to surplus or deficit in the period during which they are incurred.

31. Land is not depreciated. Depreciation on other items of property and equipment is calculated using the straight-line method over the estimated useful lives. When parts of an item of property and equipment have different useful lives and are significant, they are accounted for as separate items (major components) of property and equipment.

32. Estimated useful lives are as follows:

Property and equipment class	*Useful life*
Permanent buildings	50 years
Temporary and portable buildings	10–25 years
Leasehold building and land improvements	Shorter of the lease term or useful life of the asset
Infrastructure, information technology and communications equipment	10 years
Office information technology and computer equipment	3 years
Transportation equipment	8 years
Furniture and fixtures	10 years
Other equipment	5 years

33. The gain or loss arising from the disposal of an item of property or equipment is the difference between the sale proceeds and the carrying amount of the asset and is recognized in other revenue or expenses within surplus or deficit.

34. UNICEF capitalizes costs to upgrade, expand or improve an existing own or leasehold property, or construct a new physical property that is intended to be used by UNICEF. Construction in progress is stated at cost and not depreciated until the works have been completed, eligible costs have been fully accumulated and the new asset is ready for use.

Assets held for sale

35. UNICEF applies judgment to determine whether an asset is available for immediate sale in its present condition and whether its sale is highly probable and therefore should be classified as held for sale at the balance sheet date. Conditions that support a highly probable sale include the following: (a) an appropriate level of management is committed to a plan to sell the asset or disposal group; (b) an activity to locate a buyer and complete the plan has been initiated; (c) the asset has been actively marketed for sale at a price that is reasonable in relation to its current fair value; and (d) the sale of the asset is expected to qualify for recognition as a completed sale within one year from the date of classification as held for sale. Assets are infrequently designated as held for sale and relate mainly to inherited assets.

36. Assets classified as held for sale are valued at the lower of either the carrying amount or the fair value less costs to sell. Impairment losses on initial classification

as held for sale and gains or losses on subsequent remeasurements are included in the statement of financial performance. No depreciation is charged on assets held for sale.

Impairment of non-cash generating assets

37. Property and equipment and intangible assets are reviewed for impairment at each reporting date. Certain events or changes in circumstances may indicate that the recoverability of the carrying amount of such assets should be assessed, including any significant decrease in market value. An impairment loss is recognized in other expenses within the statement of financial performance when the carrying amount of an asset exceeds its recoverable service amount. The recoverable service amount of an asset is the higher of the asset's fair value, less costs to sell, and its value in use. In assessing value in use, UNICEF uses a variety of methodologies, depending on the availability of data and the nature of impairment, including a depreciated replacement cost approach, a restoration cost approach and a service units approach.

38. Impairment losses recognized in prior periods are assessed at each reporting date for any indication that the impairment value has decreased or no longer exists. An impairment deficit from previous years is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have existed, net of depreciation or amortization, if no impairment deficit had been recognized (see note 13, Property and equipment).

Financial liabilities

39. Other financial liabilities are initially recognized at fair value, less transaction costs, and subsequently measured at amortized cost using the effective interest method.

Major financial liability type	*Classification*
Accounts payable	Other financial liabilities
Finance leases and other liabilities	Other financial liabilities
Forward flow arrangement	Other financial liabilities
Forward exchange contracts in loss	Held for trading (fair value through surplus or deficit)

40. Accounts payable and accruals arising from the purchase of goods and services are recognized when supplies are delivered, or services consumed. Liabilities are stated at the invoice amounts, less the payment discounts if eligible at the reporting date. Where invoices are not available at the reporting date, the liability is estimated and recorded. Financial liabilities measured at amortized cost, due within 12 months of the date of the statement of financial position, are classified as current liabilities. All other liabilities are classified as non-current liabilities.

41. Forward exchange contracts in a loss position are classified as held for trading. Financial liabilities held for trading are initially recorded at fair value, with any subsequent realized and unrealized gains or losses recognized in the statement of financial performance. Transaction costs are expensed as they are incurred. At year end, the balance of forward exchange contracts in loss is closed out. If they are not closed out, derivatives with a negative fair value are reported as derivative instruments within other current liabilities in the statement of financial position.

42. Forward flow arrangements are recognized at fair value upon initial recognition. The fair value is established by the amount settled at the agreement settlement date.

Subsequent to initial recognition, they are measured at the amortized cost using the effective interest rate method.

Funds held on behalf of third parties

43. Funds held on behalf of third parties represent liabilities in respect of assets held by or for UNICEF under agency agreements. UNICEF manages three types of fund activities: procurement services, hosted funds and non-hosted funds. UNICEF hosted funds are those where UNICEF provides management services as an agent; and non-hosted funds are those where UNICEF acts as funds custodian and administrator.

44. A liability is reported for any other assets held by or for UNICEF on behalf of third parties. The liability is reduced once cash is disbursed to a supplier or otherwise, in accordance with the terms of the arrangement.

45. A liability is not reported for goods held on behalf of a third party under supported deliveries arrangements where UNICEF provides logistical services (see note 15, Funds held on behalf of third parties).

Employee benefits

46. UNICEF recognizes the following categories of employee benefits:

(a) Short-term employee benefits;

(b) Post-employment benefits;

(c) Other long-term employee benefits;

(d) Termination benefits.

Short-term employee benefits

47. Short-term employee benefits are those that are due to be settled wholly within 12 months after the end of the period in which the staff member renders the services. These benefits include wages and salaries, compensated absences (such as paid sick leave and annual leave) and other benefits, including medical care and housing subsidies. An expense is recognized when a staff member provides services in exchange for employee benefits. A liability is reported for any entitlement that has not been settled as at the reporting date and represents the amount expected to be paid to settle the liability. Owing to the short-term nature of such entitlements, the liability is not discounted for the time value of money.

Post-employment benefits

48. Post-employment benefits are those payable after completion of or separation from employment, excluding termination payments.

Post-employment benefits – defined-contribution plan

49. UNICEF is a participating organization in the United Nations Joint Staff Pension Fund, which was established by the General Assembly to provide retirement, death, disability and related benefits to employees. The Pension Fund is a funded, multi-employer defined benefit plan. As specified in article 3(b) of the Regulations of the Pension Fund, membership in the Fund shall be open to the specialized agencies and to any other international, intergovernmental organization which participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.

50. The Pension Fund exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating

in the Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual organizations participating in the Fund. UNICEF, in line with the other participating organizations in the Pension Fund, is not in a position to identify its proportionate share of the defined-benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Therefore, UNICEF has treated this plan as if it were a defined-contribution plan in line with the requirements of IPSAS 39: Employee benefits. The organization's contributions to the plan during the financial period are recognized as expenses in the statement of financial performance.

Post-employment benefits – defined-benefit plans

51. The defined-benefit plans of UNICEF include after-service health insurance and certain end-of-service entitlements. After-service health insurance is part of the scheme of social security for staff established by the Secretary-General in accordance with staff regulation 6.2. The organization's obligation in respect of defined-benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods.

52. The plan exposes UNICEF to actuarial risks associated with changes in key actuarial assumptions, including discount rate, medical trend rate, life expectancy and length of service. Those risks also include uncertainty in mortality tables without reliable death registration data. There is also a risk that the liability may not be sufficient to meet the obligations. For this, the funding reserve and external funding mechanisms have been put in place.

53. The obligation is discounted to determine its present value and stated at the end of the reporting period, less the fair value of plan assets, together with adjustments for unrecognized past-service costs. The calculation is performed annually by a qualified independent actuary using the projected-unit credit method. The benefits expense for these plans principally represents the increase in the actuarial present value of the obligation for pension benefits based on employee service during the year and the interest on this obligation in respect of employee service in previous years, net of the expected return on plan assets.

54. The discount rate is the yield at the reporting date on high-quality credit-rated corporate bonds that have maturity dates approximating the terms of the payment obligations.

55. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized directly to actuarial gains and losses reserve in net assets during the period in which they arise (see note 19, Net assets). All other changes in the liability for such obligations are recognized in surplus or deficit in the period during which they arise.

Other long-term employee benefits

56. Other long-term employee benefits obligations are those that do not fall due wholly within 12 months after the end of the period in which employees provide the related service. These benefits comprise home leave and compensation for death and injury attributable to the performance of duties. These obligations are valued periodically using a qualified actuary.

57. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized directly to actuarial gains and losses reserve in net assets during the period in which they arise (see note 19, Net assets). All other changes in the liability for these obligations are recognized in surplus or deficit during the period in which they arise.

Termination benefits

58. Termination benefits are recognized as an expense only when UNICEF is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate the employment of a staff member before the normal retirement date or to provide termination benefits as a result of an offer made in order to reduce redundancy. Termination benefits, if settled wholly within 12 months, are reported at the amount expected to be paid; otherwise, they are reported at present value of the estimated future cash outflows.

Leases

59. UNICEF leases certain property and equipment. Leases of property and equipment where UNICEF substantially assumes all the risks and rewards of ownership are classified as finance leases. Initial recognition of a finance lease results in an asset and liability being recognized at the lower of the fair value of the leased property and the present value of the minimum lease payments.

60. Subsequent to initial recognition, leased assets are depreciated over the shorter of the lease term and their useful lives in accordance with the accounting policies for property and equipment.

61. Each finance lease payment is allocated between the finance lease liability and finance charges. The interest portion of the finance lease obligations is recognized as an expense under finance costs in the statement of financial performance over the term of the lease in order to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The corresponding rental obligations, net of finance charges, are included in other liabilities (see note 16, Other liabilities).

62. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments under operating leases (net of incentives received from the lessor, if any) are recognized on a straight-line basis under other expenses in the statement of financial performance over the period of the lease (see note 26, Occupancy and related costs).

Provisions

63. A provision is recognized if, as a result of a past event, UNICEF has a present legal or constructive obligation that can be estimated reliably and if it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Where the provision is expected to be settled beyond the next 12 months, the increase in the provision due to the passage of time is recognized as interest expense. When an outflow is dependent upon a future event that is not certain to occur, or cannot be reliably estimated, a disclosure regarding the contingent liability is made in the notes to the financial statements.

64. A provision for the return of unused funds to donors is reported for unused balances where the donor agreement requires unused funds to be returned and where it is probable that funds will be returned as opposed to being reprogrammed. A provision for returns of unused funds is reported only if there are funds to be returned after the receivable has been fully written down. The effects of changes resulting from revisions to the timing or the amount of the original estimate of the provision are reflected on a prospective basis. The expense arising from reporting a provision (or reducing any receivable) for unused funds is presented in the statement of financial performance as a reduction of revenue from voluntary contributions.

65. Other provisions include an estimate of a provision for the write-down of contribution receivables. The write-down provision is computed where the donor has not disbursed all the cash to UNICEF, and it is expected that, on the basis of past experience, donors may reduce the initial agreement value in the future (see note 18, Provisions).

Revenue recognition

Voluntary contributions

66. Voluntary contributions are non-exchange transactions, which means that resources (such as cash, items of property and equipment, inventory or enforceable rights to such) are received by UNICEF with no or nominal consideration provided directly in return to the donor. The resources are to be applied towards advancing the mission of UNICEF.

67. Voluntary contributions are received from governments, intergovernmental agencies, National Committees for UNICEF, other United Nations organizations, other non-governmental organizations (NGOs) and individuals.

68. Voluntary contributions may be subject to terms in a binding agreement imposed upon the use of the resource (termed earmarked funds or other resources) or may be free of specific terms allowing UNICEF to direct such resources according to its mandate (termed unearmarked funds or regular resources).

69. With regard to contributions, UNICEF recognizes revenue in full, including for unconditional multi-year voluntary contributions at the time the agreement is signed. Subject to the review processes in place to identify voluntary contributions with conditionality, these earmarked contributions that have stipulations and restrictions rather than conditions as prescribed by IPSAS 23 are recognized at the time of signing of the contribution agreement.

70. Contributions received in advance of a specified period consist of cash contributions which were received before the formal conclusion of the contribution agreement and are to be used by UNICEF in future periods specified by donors.

71. Revenue from voluntary contributions is shown net of:

(a) Returns of unused funds to donors, transfer of unused funds to regular resources, transfer of unused funds to other resources and write-downs of receivables that are no longer enforceable by UNICEF following the expiry or termination of contribution agreements;

(b) Provisions for the return of unused funds to donors and provisions for write-down;

(c) Realized and unrealized gains and losses on foreign exchange as UNICEF does not assume the risk of foreign exchange on contribution revenue consistent with its financial regulations and rules (see note 20, Revenue from voluntary contributions).

Pledges

72. Pledges of donations to UNICEF are received at an annual pledging conference. UNICEF does not recognize pledges as assets or revenue until they are enforceable at the earlier of written confirmation of the pledge or receipt of funds. Once enforceable, the asset and related revenue are recognized consistent with the revenue recognition policy for voluntary contributions referred to above. Until that time, the pledges are disclosed as contingent assets in note 33, Contingencies.

Contributions in kind

73. The voluntary contributions in cryptocurrencies are treated as contributions in kind and valued at fair value on the date of receipt. The expenses in cryptocurrencies are recognized by nature of expenses as incurred.

74. UNICEF receives contributions of right-to-use office space and other facilities from Member States. These right-to-use contributions are measured at the fair value of the operating lease payments that would have been paid by UNICEF in a commercial lease arrangement. The in-kind revenue is recorded in the statement of financial performance as part of voluntary contributions; the corresponding expense is recorded based on nature as part of rent or other premises-related expenses (see note 26, Occupancy and related costs).

75. Contributions in-kind received or receivable of goods, such as programme supplies for distribution to partners, cryptocurrencies received from National Committees or equipment for use by UNICEF, are initially measured at their fair value at the date of receipt. Fair values of non-monetary assets are determined by reference to observable market values or by independent appraisal. UNICEF recognizes goods in kind as assets when the goods are received or, in rare circumstances, at the timing of signing of a binding agreement.

76. UNICEF does not recognize contributions of services in kind as revenue, with the exception of contributions of transportation of supplies. Many of these services cannot be measured reliably, and many are considered specialized professional skills or crafts that would otherwise be purchased by the organization.

Revenue from exchange transactions

77. Exchange transactions are transactions in which UNICEF sells goods or provides services. Revenue comprises the fair value of considerations received or receivable for the sale of goods and services. Revenue is shown net of returns and discounts.

78. Revenue is recognized when it can be reliably measured, when the inflow of future economic benefits is probable and when specific criteria have been met for each of the types of activities described below:

(a) Revenue from the transfer of pre-positioned supplies at cost to fulfil a procurement services contract with a third party is recorded when goods are delivered to the freight forwarder;

(b) Revenue from commissions and fees for procurement, administrative, custodial and other services rendered to Governments, United Nations organizations and other partners is recognized when the right to receive payment is established;

(c) Investment revenue is recognized on a time-proportion basis, using the effective interest rate method with regard to the respective financial asset;

(d) Licensing income is recognized when it is probable that the economic benefits or service potential associated with the transaction will flow to UNICEF, and the amount of revenue can be measured reliably (see note 20, Revenue from voluntary contributions, and note 21, Other revenue).

Recognition of expenses

79. Expenses are recognized in the statement of financial performance in the period to which they relate.

Cash assistance and transfer of programme supplies

80. In fulfilling its mandate, UNICEF transfers cash and programme supplies to Governments, NGOs and other third parties ("implementing partners"). In the case of transferred supplies, an expense is recorded when the control of goods is transferred to an implementing partner. Transfers of cash assistance are initially reported as an advance on the statement of financial position where there are performance obligations imposed on the implementing partner and are expensed when UNICEF is satisfied that those performance obligations are met. An accrual against advances is recorded at year-end for expenses incurred by implementing partners reported to but not processed by UNICEF (see note 8, Advances of cash assistance, and note 23, Cash assistance and transfer of programme supplies).

Commitments

81. Commitments are future expenses and liabilities to be incurred on contracts outstanding at the reporting date for which UNICEF has little, if any, discretion to avoid in the ordinary course of operations, including:

(a) Capital commitments: represents the aggregate amount of capital expenditures contracted for but not recognized as paid or provided for at the period-end;

(b) Contracts for the supply of goods or services that UNICEF is expecting to be delivered in the ordinary course of operations;

(c) Cash transfers to implementing partners;

(d) Other non-cancellable commitments.

Contingencies

Contingent assets

82. A contingent asset is a possible asset that is not wholly within the control of the organization. Contingent assets are reviewed to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an asset is no longer contingent and the asset's value can be measured reliably, the asset is recognized during the period in which the change occurs (see note 33, Contingencies).

Contingent liabilities

83. A contingent liability is disclosed unless the possibility that it will be realized is remote. If it becomes probable that a contingent liability will be realized, a provision is recorded during the period in which the change of probability occurs (see note 33, Contingencies).

Segment reporting

84. Operating segments are reported in a manner consistent with internal reporting on strategic decision-making on resource allocation and assessment of financial performance provided to the Executive Director of UNICEF. For UNICEF, the relevant segments are labelled institutional, regular resources – programme; regular resources – non-programme; other resources – regular; other resources – emergency; trust funds.

85. The operating segments represent fund types and enable the Executive Director to ensure that UNICEF accounts for financial resources in compliance with its financial regulations and rules (see note 37, Segment information).

Joint operations

86. UNICEF is a 50 per cent partner in Giga, a global activity established to connect every school to the Internet and every young person to information, opportunity and choice. Giga is not a separate legal entity but a joint activity co-led by UNICEF and the International Telecommunication Union through a memorandum of understanding. Giga currently has no physical place of operation and is classified as a joint operation since it is not set up through a separate vehicle in line with IPSAS 37, Joint arrangements.

87. UNICEF recognizes in its financial statements its own assets and liabilities resulting from the arrangement in line with the terms of the memorandum of understanding. UNICEF also recognizes revenue from its fundraising activities and expenses generated from Giga activities.

88. UNICEF retains sole and full programmatic, financial and reporting responsibility for all contributions received directly by UNICEF for UNICEF programmatic activities in support of Giga projects.

Budget

89. UNICEF budgets, which are approved by the Executive Board, permit expenditures to be incurred. UNICEF has classified its budgets as: (a) country programme budgets; (b) emergency appeal budgets; (c) global and regional programme budget; (d) Emergency Programme Fund; (e) institutional budget; and (f) private fundraising and partnerships budget.

90. Programme budgets include activities such as programme formulation, implementation, monitoring and evaluation, and programme and technical policy advisory services, which are funded from country/regional/global programmes or other programming arrangements as direct costs. Examples include supplies and equipment, subcontracts, cash assistance, programme and technical advisers, monitoring and evaluation advisers, related direct support staff and operational costs.

91. The private fundraising and partnerships budget consists of the annual level of estimated financial resources required for the best achievement of its objectives. The budget is provided from regular and other resources.

92. The institutional budget is also broken down by cost classification, which comprises the following categories as disclosed in statement V:

(a) Development effectiveness. This comprises the costs of activities of a policy-advisory, technical and implementation nature that are needed for the achievement of the objectives of programmes and projects in the focus areas of the organization. These inputs are essential to the delivery of development results, and are not included in specific programme components or projects in country, regional or global programme documents;

(b) Management. This comprises activities and associated costs whose primary function is the promotion of the identity, direction and well-being of an organization. These include executive direction, representation, external relations and partnerships, corporate communications, legal, corporate evaluation, information technology, finance, administration, security and human resources;

(c) Special purpose. This covers activities and associated costs of a cross-cutting nature that (i) are mandated by the General Assembly (that is, not within the direct management control of the organizations); (ii) involve material capital investments; or (iii) do not represent a cost related to the management activities of the organization;

(d) United Nations development coordination. This comprises activities and associated costs supporting the coordination of development activities of the United Nations system.

(e) Independent oversight and assurance. This comprises activities whose primary function is the oversight and audit carried out at the headquarters, regional and country office levels.

93. An original budget as defined by IPSAS is "the initial approved budget for the budget period". Multi-year budgets need to be broken into annual allocations in order to identify the original budget for each year.

94. The Executive Board approved the use of the Emergency Programme Fund to pre-finance urgent humanitarian actions when contributions have not yet been made by donors but are expected to be raised through emergency appeals. The Emergency Programme Fund approval from the Executive Board gives UNICEF the authority to allot up to $75 million for emergencies.

95. For UNICEF, within the context of statement V, the original annual budget is the amount originally approved or, if multi-year budget, allocated to the financial year. The other resources – emergency original budget is based on the planned financial estimates of expected resources available for the following year.

96. The final budget is defined as:

(a) The original budget as defined above;

(b) All subsequent changes to the budget approved by the Executive Board or in accordance with a delegated authority from the Board.

97. The other resources – emergency final budget represents the budgets issued on the basis of donor emergency contributions, and any residual budgets that have been carried forward from prior years.

98. While the organization's financial statements are prepared under the IPSAS full-accrual basis, UNICEF budgets are prepared and managed on a modified cash basis. The most significant differences are as follows:

(a) Revenue: the actual budget does not include revenue. The difference pertaining to revenue is shown under "presentation differences" in the reconciliation between budget actuals and net cash flows;

(b) Expenses: budget actuals are recorded on a modified cash basis in contrast with expenses in the financial statements that are prepared under the IPSAS full-accrual basis. The difference is presented under "basis differences" under the category "operating" in the reconciliation between budget actuals and net cash flows;

(c) Assets: advances of cash assistance, inventory and property and equipment appear as actuals in the budget. However, these items appear on the statement of financial position of the financial statements and not under expenses. The difference that arises between actuals and expenses as a result of this is presented under "basis differences" under the category "operating" in the reconciliation between budget actuals and net cash flows;

(d) Funds held on behalf of third parties: the budget does not include funds held on behalf of third parties, and this is presented under "entity differences" in the reconciliation between budget actuals and net cash flows;

(e) Investing and financing activities: purchases, maturities and sales of investments, interest received, purchases of property and equipment and intangibles, proceeds from the sale of property and equipment and payment of finance lease liabilities are not included in the budget. These are presented under "basis differences" under the categories "investing" and "financing" in the reconciliation between budget actuals and net cash flows.

Note 5
Comparison to budget

1. Actual on comparable basis from statement V presented in the table below are reconciled with the amounts presented in the statement of cash flows.

(Thousands of United States dollars)

	Operating	*Investing*	*Financing*	*Exchange rate changes*	*2022*	*2021*
Total actual amount on comparable basis as presented in the budget and actual comparative statement	(9 158 947)	–	–	–	(9 158 947)	(7 222 264)
Basis differences	445 559	422 770	(6 728)	–	861 601	(4 973 658)
Exchange rate changes on cash and cash equivalents	–	–	–	(20 763)	(20 763)	(9 822)
Entity differences	(1 606 522)	–	–	–	(1 606 522)	3 530 279
Presentation differences	10 329 055	–	–	–	10 329 055	8 569 586
Net cash flows from the statement of cash flows	**9 145**	**422 770**	**(6 728)**	**(20 763)**	**404 424**	**(105 879)**

Changes from original to final budget

2. Statement V documents the different budgets of UNICEF, comparing the original and final budgets to the actual amounts incurred against them. Both budgets and actuals are calculated on the same modified cash basis (cash and budgetary commitments).

3. Since UNICEF is voluntarily funded, the budgets approved by the Executive Board for programmes are subject to availability of funding. The original budget comprises the amounts for both regular resources and other resources originally allocated for the current year. The final budget represents the actual contributions received against the Executive Board-approved ceiling and planned for the calendar year.

4. In 2022, the total final programmatic budget of $8.77 billion was higher by $2.51 billion than the total original budget of $6.26 billion, owing largely to a $2.05 billion increase in other resources – emergency. The original budget for other resources – emergency represents a planned financial estimate, as included in the four-year strategic plan. The final budget is updated each year to reflect the humanitarian emergency appeals issued during the year. During 2022, the final budget for other resources – emergency increased to $3.90 billion, owing mainly to the $806.43 million emergency appeal for the Ukraine humanitarian response.

5. The Executive Board approved the use of the Emergency Programme Fund with a ceiling of $75.00 million to pre-finance urgent humanitarian actions when contributions have not yet been made by donors but are expected to be raised through emergency appeals. The use of the Fund is subject to availability of funding. The final budget of $44.56 million for the Fund represents resource requirements for humanitarian actions for which contributions had not yet been raised.

Comparison of budget to actual on a comparable basis

6. UNICEF continued to deliver, and achieved high utilization of, budgeted expenditures. Total programmatic budgets were implemented at a rate of 95 per cent, compared with 94 per cent in 2021.

7. Regular resources – actual comprised 97 per cent of the final budget. Implementation of the other resources – regular and other resources – emergency were 93 per cent and 96 per cent, respectively. However, spending under the institutional budget was 85 per cent of the final budget.

8. The other resources budgets are determined by donor contributions to country programmes and humanitarian action. They are received throughout the year, including in the last three months of the financial year. These contributions are added to the final budget when agreements are entered into. These programmes are implemented in the final quarter of the year and in future years; hence, variances occur. The total amount of additional final budgets relating to other resources – regular in the last three months of the year was $800.79 million, with a variance of $63.49 million where implementation will occur in future years. The variance for this budget category with actual expenditures was also affected by challenges faced as a result of a major natural disaster and the slow recovery from the COVID-19 pandemic.

9. The variance in the institutional budget was a result of lower-than-actual expenditures across the management and the development effectiveness classification categories, as compared with standard costs.

Note 6
Cash and cash equivalents

(Thousands of United States dollars)

	2022	*2021*
Cash at bank and on hand – convertible	219 797	315 224
Cash at bank and on hand – non-convertible	135 228	88 617
Cash at bank in money market demand accounts	176 638	200 537
Term deposits and other (90 days or less)	477 139	–
Total cash and cash equivalents	**1 008 802**	**604 378**

1. Convertible cash in the bank and on hand are those currencies that are allowed to be freely exchanged to other currencies without licence or authorization. Non-convertible cash at bank and on hand are those currencies that cannot be freely exchanged into other currencies without permission from the central bank of the host country.

2. Included within the UNICEF cash balances is $28.04 million (2021: $19.57 million) of cash managed by the external investment manager for the after-service health insurance investment portfolio.

Note 7
Contributions receivable

(Thousands of United States dollars)

	Governments and inter-governmental agencies	*Inter-organizational arrangements*	*National committees*	*Country office private sector fundraising*	*2022*	*2021*
Current receivables						
Regular resources	141 611	90	189 109	2 437	333 247	300 733
Other resources	2 811 724	308 484	207 630	57 918	3 385 756	2 556 550
Total current contributions receivable	**2 953 335**	**308 574**	**396 739**	**60 355**	**3 719 003**	**2 857 283**
Non-current receivables						
Regular resources	203 595	–	38	248	203 881	249 695
Other resources	834 512	5 257	54 066	41 315	935 150	904 119
Total non-current contributions receivable	**1 038 107**	**5 257**	**54 104**	**41 563**	**1 139 031**	**1 153 814**
Total contributions receivable	**3 991 442**	**313 831**	**450 843**	**101 918**	**4 858 034**	**4 011 097**

1. Ageing of receivables as well as the organization's exposure to credit and currency risks related to those receivables is disclosed in note 30, Financial risk management.

Note 8
Advances of cash assistance

(Thousands of United States dollars)

	2022	*2021*
Advances of cash assistance by region		
East Asia and Pacific	59 951	54 187
Europe and Central Asia	149 317	48 024
Eastern and Southern Africa	263 629	214 785
Latin America and the Caribbean	67 343	54 997
Middle East and North Africa	155 870	139 723
South Asia	178 726	114 162
Western and Central Africa	220 789	204 811
Transfers to United Nations agencies and other organizations at Headquarters	27 777	16 134
Adjustment	(75 528)	(17 704)
Total advances of cash assistance by region	**1 047 874**	**829 119**

1. Advances of cash assistance relate to payments made to implementing partners in advance of implementing activities under the harmonized approach to cash transfers framework.

2. The adjustment included in the above table represents an accrual for where implementing partners have incurred valid expenses as at 31 December 2022 and reports had been received but not processed by UNICEF at the reporting date.

Note 9
Inventories

(Thousands of United States dollars)

	2022	*2021*
Programme supplies held in UNICEF-controlled warehouses	378 309	377 827
Programme supplies in transit	263 920	174 024
Programme construction in progress	41 756	33 293
Cryptocurrencies	287	1 430
Total inventories	**684 272**	**586 574**

1. Cryptocurrencies are stated at the lower of cost or current replacement cost using the weighted average cost formula (note 4, paragraph 27).

2. The fair value of the cryptocurrencies held in inventory was $0.18 million (2021: $3.70 million) compared with the book value reflected in the table above. The fair value of cryptocurrencies held approximated the carrying amount at the date of the approval of these financial statements. The cryptocurrencies held are largely ether, with a minimal quantity of bitcoin. Risks related to the volatility of cryptocurrencies are discussed in note 30, Financial risk management.

Note 10
Investments

(Thousands of United States dollars)

	2022	*2021*
Current investments		
Term deposits (greater than 90 days)	1 969 754	3 348 834
Traded bonds	1 518 469	868 058
Certificates of deposit	1 285 011	1 015 118
Equities	338 942	417 940
Forward exchange contracts in gain	110 832	231 620
Total current investments	**5 223 008**	**5 881 570**
Non-current investments		
Traded bonds	3 487 839	3 244 746
Certificates of deposit	147 729	124 822
Term deposits	100 112	30 000
Total non-current investments	**3 735 680**	**3 399 568**
Total investments	**8 958 688**	**9 281 138**

1. UNICEF invests some of its funds held in reserves for after-service health insurance liabilities with external fund managers. The $673.20 million (2021: $784.97 million) in externally managed funds comprises $223.43 million (2021: $244.63 million) in bonds, $338.94 million (2021: $417.94 million) in equities and $110.83 million (2021: $122.40 million) in forward exchange contracts in gain related to these externally managed funds. There are no internally managed forward contracts in 2022 (2021: $109.22 million) presented within the current other liabilities. The forward exchange contracts in loss are presented separately under other liabilities in note 16 and at year end comprised $117.76 million (2021: $229.26 million). Therefore, the net position of forward exchange contracts is a net loss of $6.93 million (2021: net gain of $2.35 million).

2. Investments managed by the external fund managers referred to in paragraph 1 are broken down into current investments of $550.65 million (2021: $657.22 million) and non-current investments of $122.55 million ($127.75 million).

Note 11
Procurement services-related assets

(Thousands of United States dollars)

	2022	*2021*
Procurement services-related assets	1 956 041	3 190 769
Total procurement services-related assets	**1 956 041**	**3 190 769**

1. Procurement services-related assets include funds for procurement services for which UNICEF has sole drawing rights, based on the terms of the agreements. A corresponding liability is included in note 15, Funds held on behalf of third parties, and note 16, Other liabilities, until UNICEF has fulfilled its obligations as an agent of the partner.

Note 12
Other assets

(Thousands of United States dollars)

	2022	*2021*
Current other assets		
Value-added and other tax receivables	98 154	80 153
Prepaid expenses and other assets	87 715	147 102
Receivables from other United Nations agencies	42 805	34 735
Education grant advances to staff members	22 162	24 799
Unused transfers of cash assistance due from implementing partners	9 618	14 927
Receivables from staff members	5 350	10 753
Other current assets	5 557	5 033
Impairment	(41 541)	(32 194)
Total current other assets	**229 820**	**285 308**

	2022	*2021*
Non-current other assets		
Intangible assets	149	1 431
Other receivables	1 376	1 343
Other non-current assets	1 566	1 617
Total non-current other assets	**3 091**	**4 391**
Total other assets	**232 911**	**289 699**

1. The prepaid expenses and other assets of $87.72 million (2021: $147.10 million) represent mainly prepayments and advances to vendors for procurement services-related transactions.

2. The exposure of UNICEF to credit and currency risks related to other receivables included within other assets is disclosed in note 30, Financial risk management.

Note 13
Property and equipment

(Thousands of United States dollars)

	Land	*Buildings*	*Leasehold improvements*	*Furniture, fixtures and equipment*	*Infrastructure, information technology and communications equipment*	*Office information technology and computer equipment*	*Transportation equipment*	*Total*
Cost								
Balance as at 1 January 2022	81 097	141 749	40 071	22 445	20 403	10 384	113 642	429 791
Additions	–	2 707	–	1 615	279	460	11 679	16 740
Disposals	–	(442)	–	(674)	(629)	(541)	(5 987)	(8 273)
Balance as at 31 December 2022	**81 097**	**144 014**	**40 071**	**23 386**	**20 053**	**10 303**	**119 334**	**438 258**
Accumulated depreciation and impairment								
Balance as at 1 January 2022	–	48 194	18 556	18 521	15 978	9 905	79 726	190 880
Depreciation[a]	–	4 833	4 011	1 605	925	384	9 211	20 969
Change in impairment	–	89	(44)	(72)	(6)	–	266	233
Disposals	–	(144)	–	(661)	(593)	(541)	(5 878)	(7 817)
Balance as at 31 December 2022	**–**	**52 972**	**22 523**	**19 393**	**16 304**	**9 748**	**83 325**	**204 265**
Carrying value as at 31 December 2022	**81 097**	**91 042**	**17 548**	**3 993**	**3 749**	**555**	**36 009**	**233 993**

[a] Depreciation of property and equipment has been presented in the statement of financial performance together with the amortiz ation of intangible assets of $1.278 million.

(Thousands of United States dollars)

	Land	*Buildings*	*Leasehold improvements*	*Furniture, fixtures and equipment*	*Infrastructure, information technology and communications equipment*	*Office information technology and computer equipment*	*Transportation equipment*	*Total*
Cost								
Balance as at 1 January 2021	81 097	139 757	37 386	25 665	34 772	16 543	113 659	448 879
Additions	–	2 772	2 803	1 516	452	407	5 839	13 789
Disposals	–	(780)	(118)	(4 736)	(14 821)	(6 566)	(5 856)	(32 877)
Balance as at 31 December 2021	**81 097**	**141 749**	**40 071**	**22 445**	**20 403**	**10 384**	**113 642**	**429 791**
Accumulated depreciation and impairment								
Balance as at 1 January 2021	–	43 133	14 525	20 417	25 807	15 093	75 190	194 165
Depreciation[a]		–	5 668	4 173	1 847	1 136	695	9 394
Change in impairment	–	(31)	(99)	16	(55)	6	454	291
Disposals	–	(576)	(43)	(3 759)	(10 910)	(5 889)	(5 312)	(26 489)
Balance as at 31 December 2021	**–**	**48 194**	**18 556**	**18 521**	**15 978**	**9 905**	**79 726**	**190 880**
Carrying value as at 31 December 2021	**81 097**	**93 555**	**21 515**	**3 924**	**4 425**	**479**	**33 916**	**238 911**

[a] Depreciation of property and equipment has been presented in the statement of financial performance together with the amortization of intangible assets of $1.349 million.

1. UNICEF does not currently hold any donated property or items of equipment that are subject to conditions.

2. UNICEF leases a building, the adjacent plaza and the land underlying both, collectively referred to as the Three United Nations Plaza complex, from the United Nations Development Corporation, a public benefit corporation of the State of New York. The lease agreement, which commenced in 1984 (with amendments thereto in 1994 and 2009) and expires in 2026, is classified as a finance lease. UNICEF will receive title to the Three United Nations Plaza complex upon the expiration of the lease agreement if it fulfils the conditions of continuous and uninterrupted occupancy of the building and maintenance of its worldwide headquarters in New York City until 2026.

3. The Three United Nations Plaza complex is recorded on the statement of financial position at its estimated fair value as at the date of the adoption of IPSAS. The annual lease payments of $6.73 million (2021: $6.73 million), exclusive of operating expense escalations, are allocated between the finance charges and the repayment of the finance lease obligation to achieve a constant rate of interest on the remaining balance of the obligation. While the building and plaza are depreciated over their remaining useful lives, the underlying land is not depreciated. Finance charges on the Three United Nations Plaza complex are recorded within finance costs, while depreciation expense on the building and plaza are recorded within depreciation and amortization expense in the statement of financial performance.

4. The carrying value of property and equipment recognized under finance leases is as follows:

(Thousands of United States dollars)

	2022	*2021*
Land	80 000	80 000
Buildings	62 326	64 095
Total	**142 326**	**144 095**

5. UNICEF has approximately 700 operating lease agreements for land, office, warehouse and residential space. The majority of lease agreements are under commercial terms. In 2022, approximately 180 agreements were for office and warehouse space provided to UNICEF by host Governments on a free-of-charge basis, for which fair value of annual rent was estimated and recognized as an expense of $28.02 million (2021: $23.30 million) as well as in-kind contributions revenue (see note 20, Revenue from voluntary contributions). Rent for all operating leases is reported within rental and leasing expense (see note 26, Occupancy and related costs).

Note 14
Accounts payable and accrued liabilities

(Thousands of United States dollars)

	2022	*2021*
Accounts payable	182 051	225 622
Accrued liabilities	846 474	787 849
Total accounts payable and accrued liabilities	**1 028 525**	**1 013 471**

1. Accrued liabilities, where supplier invoices were received after the year end, include $697.42 million (2021: $701.33 million) related to procurement services on behalf of Gavi, the Vaccine Alliance, and other partners (see note 15, Funds held on behalf of third parties).

2. The exposure of UNICEF to currency and liquidity risk related to trade and other payables is disclosed in note 30, Financial risk management.

Note 15
Funds held on behalf of third parties

(Thousands of United States dollars)

	Balance as at 1 January 2022	*Funds received*	*Funds disbursed*	*Movement in accruals*	*Balance as at 31 December 2022*
Procurement services					
Governments	1 383 721	1 816 158	(2 052 930)	–	1 146 949
Inter-organizational arrangements	109 250	195 563	(172 718)	–	132 095
Non-governmental organizations	3 228 869	606 472	(1 999 363)	–	1 835 978
National Committees	5	4	(4)	–	5
Total procurement services	**4 721 845**	**2 618 197**	**(4 225 015)**	**–**	**3 115 027**
Other arrangements					
UNICEF-hosted funds	216 865	180 303	(230 541)	–	166 627
No-fault compensation trust fund	–	9 280	(720)	–	8 560
Others	51 475	219 667	(189 842)	–	81 300
Total other arrangements	**268 340**	**409 250**	**(421 103)**	**–**	**256 487**
Accruals	(36 062)	–	–	12 149	(23 913)
Total funds held on behalf of third parties	**4 954 123**	**3 027 447**	**(4 646 118)**	**12 149**	**3 347 601**

Procurement services

1. UNICEF procurement services is a strategic programmatic and development platform that enables Governments and other partners to leverage the Fund's procurement scale and expertise in order to meet essential supply needs until national public or private supply systems can fully perform that role, thereby working towards every child having sustainable access to supplies and services that help them thrive. UNICEF works with countries to support increased reliance on their own domestic resources and strengthened national systems to deliver a better future for children.

2. UNICEF undertakes these procurement service activities for Governments, NGOs, United Nations agencies and other international organizations and foundations, acting as an agent on behalf of the partner entities. As a result, the activities are not reflected as UNICEF revenue except for handling fees earned (see note 21, Other revenue). Funds are received from or made available by procuring partners in advance to cover UNICEF commitments to suppliers. These funds are presented in the table above, with a fund disbursement of $4.23 billion (2021: $4.22 billion) representing the value of the supplies and services provided to the procurement services partners.

Other arrangements

3. **Hosted funds**. UNICEF provides services to a number of small, related party, funds whose activities are aligned with the UNICEF mandate. Such services include providing financial management and acting as a secretariat for the funds. UNICEF held $166.63 million (2021: $216.87 million) in trust on behalf of the hosted funds (see note 34, Related parties for more information on the individual funds).

4. **No-fault compensation trust fund**. The no-fault compensation trust fund relates to UNICEF procurement services for COVID-19 vaccines where the procurement is not possible through other established procurement services programmes such as COVAX. The fund was set up to satisfy a supplier requirement for COVID-19 vaccines to provide claim-based no-fault compensation coverage and is funded through a charge added to the vaccines procured on behalf of partners. There have been no claims to date and only administrative charges have been incurred. UNICEF liability for any claims is limited to the funds available in the trust fund.

5. **Under others**. Under others are liabilities held by or for UNICEF under agency agreements such as joint programmes for which UNICEF is an administrative agent and custodian arrangements such as the Vaccine Independence Initiative revolving fund. In 2022, UNICEF entered into a pilot $10 million revolving trust fund bridge financing facility to support its National Committee investments in the Committees' fundraising mechanism to generate further revenues for UNICEF. The "Bridge Fund Special Account" receives funds from a National Committee to hold and disburse, on behalf of the National Committee, to other National Committees for investment in their fundraising activities. A total of $1.5 million was received and disbursed to National Committees in 2022.

Note 16
Other liabilities

A. Other liabilities

(Thousands of United States dollars)

	2022	*2021*
Current other liabilities		
Unearned revenue	67 685	80 811
Forward exchange contracts in loss	117 761	229 264
Finance lease liabilities	5 570	5 234
Firm contracts and other liabilities	197 956	179 352
Contributions received in advance	16 756	11 079
Total current other liabilities	**405 728**	**505 740**
Non-current other liabilities		
Finance lease liabilities	15 539	21 109
Firm contracts and other liabilities	129 921	149 913
Contributions received in advance	2 269	2 611
Total non-current other liabilities	**147 729**	**173 633**
Total other liabilities	**553 457**	**679 373**

1. The unearned revenue of $67.69 million (2021: $80.81 million) represents the organization's handling fees received in advance for the provision of procurement services and trust fund activities.

2. Forward exchange contracts in loss at year end of $117.76 million (2021: $229.26 million) include $117.76 million (2021: $120.36 million) in externally managed after-service health insurance investments and nil in internally managed investments (2021: internally managed investments of $108.90 million). Forward exchange contracts in gain are presented separately under note 10, Investments, and at year end comprised $110.83 million (2021: $231.62 million).

3. **Firm contracts and other liabilities**. Included in other liabilities are agreements where UNICEF has committed to procuring minimum order quantities for vaccines under firm long-term agreements of $161.04 million (2021: $135.65 million), which are due within 12 months and included under current other liabilities. The long-term portion of $79.92 million (2021: $99.91 million) is included as non-current other liabilities.

4. The remaining part of non-current other liabilities is $50.00 million (2021: $50.00 million) in proceeds from a World Bank forward flow arrangement entered into by UNICEF, representing a five-year loan agreement with a maturity date of 4 March 2026. A 1.909 per cent effective interest rate is applicable, to be paid semi-annually. There are no call provisions, conversion privileges, restrictions or assets pledged as security for the loan.

B. Reconciliation between the total undiscounted future minimum lease payments with present value and future finance charges

(Thousands of United States dollars)

	2022	*2021*
Undiscounted minimum lease payments		
Not later than one year	6 728	6 728
Later than one year and not later than five years	16 822	23 550
Total undiscounted minimum lease payments	**23 550**	**30 278**
Present value of minimum lease payments		
Not later than one year	5 570	5 234
Later than one year and not later than five years	15 539	21 109
Total present value of minimum lease payments	**21 109**	**26 343**
Future finance charges	**2 441**	**3 935**

Note 17
Employee benefits liabilities

(Thousands of United States dollars)

	2022	*2021*
Current employee benefits liabilities		
Home leave	15 169	11 253
Annual leave	167 181	175 630
Workers' compensation	859	898
Other end-of-service entitlements	909	907
Other employee benefits	2 897	2 799
Total current employee benefits liabilities	**187 015**	**191 487**
Non-current employee benefits liabilities		
Home leave	1 951	3 541
Workers' compensation	12 730	18 100
Other end-of-service entitlements	135 378	160 727
After-service health insurance[a]	1 304 433	1 648 546
Total non-current employee benefits liabilities	**1 454 492**	**1 830 914**
Total employee benefits liabilities	**1 641 507**	**2 022 401**

[a] After-service health insurance in this table includes liability for the after-service health insurance component of the Medical Insurance Plan.

A. Defined-benefit plans

1. UNICEF offers to its employees and former employees an after-service health insurance plan that provides worldwide coverage for the health-related expenses of eligible former staff members and their dependants. Related liability represents the present value of the share of UNICEF medical insurance costs for retirees and post-retirement benefits accrued to date by active staff. It comprises three main arrangements: United States-based insurance plans, Switzerland-based insurance plans and the Medical Insurance Plan.

2. The Medical Insurance Plan is a health and dental insurance scheme operated by UNICEF for the benefit of its locally recruited active staff members (both in the General Service and the National Professional Officer categories). The after-service health insurance component of the Medical Insurance Plan is for former locally recruited staff members (and their eligible family members) serving or residing at designated duty stations away from headquarters locations as well as certain staff in the UNICEF Global Shared Services Centre.

3. The after-service health insurance Medical Insurance Plan is presented with the after-service health insurance liability in the first table to this note. For further transparency, the Medical Insurance Plan portion of the liability is presented separately from the after-service health insurance liability in the tables below.

4. Other end-of-service entitlements comprise repatriation expenses, which include grant, travel and shipping costs.

5. The death benefit is a post-employment defined-benefit plan. The obligation to provide this entitlement is generated when eligible employees report for service. The

payment is made upon the death of an employee who leaves behind a surviving spouse or a dependent child.

6. Defined-benefit plans are appraised using an actuarial valuation method; additional details on the valuation of the plans are provided below. The movement in the present value of the defined-benefit obligation for each of the defined-benefit plans, as provided in the table below, is included in the year-end employee benefit liability.

Table A.1
Movement in the value of the defined-benefit obligation
(Thousands of United States dollars)

Defined-benefit obligation	*After-service health insurance*	*End-of-service entitlements*	*Medical Insurance Plan*	*Death benefit*	*Workers' compensation*	*2022 total*	*2021 total*
Balance as at 1 January	968 319	155 480	680 227	5 247	18 998	1 828 271	1 706 793
Current service cost/(adjustment)	42 440	14 429	38 328	164	(303)	95 058	91 785
Interest cost on benefit obligation	28 732	4 036	20 244	129	37	53 178	48 627
Actuarial (gains)/losses on benefit obligation	(259 656)	(28 631)	(194 471)	(823)	(4 250)	(487 831)	10 967
Benefits paid (net of participant contributions)	(13 957)	(14 184)	(5 773)	(469)	(893)	(35 276)	(29 901)
Balance as at 31 December	**765 878**	**131 130**	**538 555**	**4 248**	**13 589**	**1 453 400**	**1 828 271**

Table A.2
Defined-benefit obligation: active and retired staff
(Thousands of United States dollars)

UNICEF contributions	*After-service health insurance*[a]	*End-of-service entitlements*	*Death benefit*	*Workers' compensation*	*2022 total*	*2021 total*
Current retirees	491 344	–	–	–	491 344	620 962
Active employees – fully eligible	299 010	56 973	2 246	13 589	371 818	467 215
Active employees – not yet eligible	514 079	74 157	2 002	–	590 238	740 094
Balance as at 31 December	**1 304 433**	**131 130**	**4 248**	**13 589**	**1 453 400**	**1 828 271**

[a] After-service health insurance in this table includes liability for the Medical Insurance Plan.

Table A.3
Contributions from the United Nations Children's Fund for each of the contributory defined-benefit plans
(Thousands of United States dollars)

UNICEF contributions	*After-service health insurance*	*End-of-service and death benefit*	*Medical insurance plan*	*Total*
2022 actual contributions	43 686	41 464	29 107	114 257
2021 actual contributions	41 981	39 639	27 415	109 035

Table A.4
Contributions from plan participants for each of the contributory defined-benefit plans
(Thousands of United States dollars)

Participant contributions	*After-service health insurance*	*End-of-service and death benefit*	*Medical Insurance Plan*	*Total*
2022 actual contributions	n/a	n/a	6 916	6 916
2021 actual contributions	n/a	n/a	9 783	9 783

7. The value of the defined-benefit obligation equals the defined-benefit liability that is recognized in the statement of financial position since any assets set aside by UNICEF to fund those benefits do not qualify as plan assets under IPSAS 39: Employee benefits, because such assets are not held in a trust that is legally separate from the reporting entity, which exists solely to pay or fund employee benefits. UNICEF earmarks funds to reserves for each of the defined-benefit plans below (see table A.7 for details).

Table A.5
Defined-benefit plan costs as recognized in the statement of financial performance
(Thousands of United States dollars)

	After-service health insurance	*End-of-service*	*Medical Insurance Plan*	*Death benefit*	*Workers' compensation*	*2022*	*2021*
Current service cost/(adjustment)	42 440	14 429	38 328	164	(303)	95 058	91 785
Interest cost on benefit obligation	28 732	4 036	20 244	129	37	53 178	48 627
Total expense included in surplus	**71 172**	**18 465**	**58 572**	**293**	**(266)**	**148 236**	**140 412**

Table A.6
Actuarial (gains)/losses recognized directly in net assets
(Thousands of United States dollars)

Actuarial (gains)/losses on benefit obligation	*After-service health insurance*	*End-of-service*	*Medical Insurance Plan*	*Death benefit*	*Workers' compensation*	*2022*	*2021*
Due to changes in financial assumptions	(259 656)	(28 631)	(194 471)	(823)	(4 637)	(488 218)	(30 572)
Due to changes in demographic assumptions	–	–	–	–	–	–	6 332
Due to experience adjustments	–	–	–	–	387	387	35 207
Total current period	**(259 656)**	**(28 631)**	**(194 471)**	**(823)**	**(4 250)**	**(487 831)**	**10 967**

8. In 2022, net actuarial gains of $487.83 million recognized in equity increased compared with net actuarial losses of $10.97 million in 2021. Actuarial gains from changes in financial assumptions reflect the increases in the discount rates for all the actuarially valuated employee benefits.

9. The Task Force on Accounting Standards authorized the use of mortality tables in the same manner as the 2017 United Nations Joint Staff Pension Fund tables but weighted by headcount rather than by annuity size. It was agreed that headcount-

weighted tables may be a suitable refinement in the estimate for use in after-service health insurance, given that the benefits are more closely aligned with a per capita formula. The most recent formal review of the Pension Fund demographic and experience assumptions was conducted in 2021. At that time, the improvement period for the longevity improvement scales was reset to 20 years, with the effect of mortality improvement up to 2041; this was extended by the actuary to 2042 for the 2022 actuarial valuation. The base mortality tables are expected to be used until at least 2027, when the next full mortality study is expected to be undertaken by the Pension Fund.

10. There have been no changes to assumptions for withdrawal rates or disability rates. The probability of retiring remains at 100 per cent from 65 years old and above to reflect the United Nations mandatory age of separation at 65 years old.

11. UNICEF funds its liabilities for the defined-benefit plans, including after-service health insurance, that it offers to its employees through the use of reserves. Reserves, like other savings plans, are mechanisms for earmarking funds for future expenses of a designated nature. The unfunded amount of the after-service health insurance reserve and reserves for other defined-benefit plans fluctuate based on actuarial gains and losses, as the liability is highly sensitive to the key actuarial assumptions, namely, discount rate, medical trend rate, life expectancy and length of service.

12. The funding deficit for the aggregate of the defined-benefit plans and other liabilities is presented in table A.7, and the details of the reserve are included in note 19, Net assets. The table includes liabilities and earmarked funds for actuarially determined defined-benefit plans (for example, after-service health insurance, end-of-service entitlements, Medical Insurance Plan and death benefits) and for other liabilities.

Table A.7
Funding of liabilities
(Thousands of United States dollars)

	2022	*2021*
Actuarial liabilities recognized in the statement of financial position	1 453 400	1 828 271
Other liabilities and provisions recognized in the statement of financial position	168 133	176 582
Funding	(1 085 199)	(1 014 651)
Funding deficit	**(536 334)**	**(990 202)**

13. Effective 2016, UNICEF moved some of the after-service health insurance funds it had held to an external fund manager in conjunction with other United Nations agencies (see note 10, Investments).

B. Actuarial valuation

14. The financial health of the defined-benefit plans is measured by actuarial valuations.

15. UNICEF carries out a full actuarial valuation on a biennial basis, with the most recent full valuation carried out as at 31 December 2021. The valuation as at 31 December 2022 was carried out on a roll-forward basis and, therefore, no updates were made to the census data. The next formal full valuation is expected to take place as at 31 December 2023. Owing to the small population of staff under review, workers' compensation data are submitted and results updated annually.

16. Another factor affecting the actuarial valuation is the contributions made by plan participants. Those contributions, identified in table A.1 as "(net of participant contributions)", are deducted from the obligation to determine the residual obligation borne by UNICEF. Retirees and active staff members participate in the same health-care plans. Their collective contributions are offset against the total cost of providing health care in accordance with the cost-sharing ratios approved by the General Assembly.

Actuarial assumptions

17. The two key assumptions used by the actuary to determine defined-benefit liabilities are the discount rate and, for the after-service health insurance, the health-care cost-trend rate. These assumptions must be based on the same underlying inflation assumption.

18. **Inflation rate**. The inflation rate is an economic indicator that measures the rate of increase of a price index. Under IPSAS 39: Employee benefits, assumptions such as the discount rate and the health-care cost trend should be based on the same underlying inflation assumption. An inflation assumption rate of 2.50 per cent was used for the 31 December 2022 valuation (2021: 2.50 per cent). This inflation assumption rate is used as a proxy for the long-term inflation expectations over the next 20 years, which is consistent with the expected duration of the obligations.

19. **Discount rate**. The discount rate should reflect the time value of money and the estimated timing of future benefit payments. In accordance with IPSAS 39: Employee benefits, the discount rate used to determine the defined-benefit obligations should be based on market rates for high-quality corporate bonds that match the currency and estimated term of the obligations. The United Nations has used the yield curves issued by Aon Hewitt for the United States (USD), the Eurozone (EUR) and Switzerland (CHF) for determining the discount rate for the actuarially valued defined-benefit plans.

20. Based on the analysis for 2022, the single weighted discount rate is 4.91 per cent as at 31 December 2022 (2021: 2.97 per cent), and a discount rate, rounding to the nearest 25 basis points, would equal 5.00 per cent (2021: 3.00 per cent).

21. **Rate of compensation increase**. The rate of compensation increase used for defined-benefit obligations represents a long-term assumption and includes components for inflation, productivity increases and merit and promotion adjustments.

22. **Future mortality assumptions**. Assumptions regarding future mortality are based on actuarial advice in accordance with published statistics in the form of mortality tables.

23. **After-service health insurance participation and election assumption**. It is assumed that 95 per cent of future retirees who are expected to meet the eligibility requirements for after-service health insurance benefits will participate in the plan in retirement and that 75 per cent of future male retirees and 75 per cent of future female retirees will be married at the time of retirement and will elect to cover their spouse under the same medical arrangement that they have elected. The medical claims cost assumption was calculated based on actual claims and enrolment experience for calendar years 2016, 2017 and 2018 provided by the various third-party administrators.

24. The workers' compensation valuation procedures have not included consideration for direct or indirect impacts relating to the COVID-19 pandemic. At this time, there are many issues arising from COVID-19 that could impact claims incurred by the United Nations on or before 31 December 2022:

(a) Potential for delayed medical treatments that would, in turn, have an impact on the severity of benefit payments;

(b) Potential health complications emanating from the virus that may impact future benefit payments;

(c) Potential future impacts on the discount rate that have not been considered in the Aon Hewitt yield curve;

(d) Potential impacts to mortality that would not be included in the 2017 United States lives table or the 2019 World Health Organization country mortality tables.

25. While not exhaustive, these provide some examples of potential impacts of COVID-19 on workers' compensation benefits as of the 2022 year end. The full impacts of COVID-19 will not be known for years to come and, therefore, the selection of key assumptions in the analysis is unusually difficult in this unprecedented environment. The estimation of benefits and the United Nations obligation are therefore subject to increased uncertainty.

26. The impact of inflation in the current economic environment leads to additional uncertainty, notably around whether the current rate of inflation is transitory or if there is a potential for a persistently high inflation period. The estimates relied upon for the cost-of-living adjustments and discount rates are influenced by inflation expectations. The effects of inflation on the estimates have not been modelled, but the sensitivity tests on cost-of-living adjustments and discount rates provide some insight on potential impacts related to changes in inflation.

Table B.1
Principal actuarial assumptions

	2022 (percentage)	*2021 (percentage)*
Discount rate		
Rate at 1 January	2.97	2.89
Rate at 31 December	4.91	2.97
Rate of inflation	2.50	2.50
Expected rate of medical cost increase		
Medical inside the United States[a,b]	6.50	5.03
2031 and onwards medical inside the United States[c]	3.85	3.95
United States dental[b]	6.50	4.53
2031 and onwards United States dental[c]	3.85	3.95
United States non-Medicare	6.50	5.17
2031 and onwards United States non-Medicare	3.85	3.95
Non-United States – Switzerland	4.25	3.44
2028 and onwards non-United States – Switzerland	2.55	2.25
Non-United States – Eurozone	5.20	3.75
2033 and onwards non-United States – Eurozone	4.15	3.75
Expected rate of salary increases (declining from age 20 to age 65)	**9.07–3.97**	**9.07–3.97**

[a] United States Medicare (United States non-Medicare is slightly higher).
[b] Rates for the following respective year.
[c] For 2022, rate extended to 2031 (2021: rate extended to 2031).

Table B.2
Current rates of death underlying the values of United Nations Children's Fund liabilities

	2022		2021	
Rate of death: pre-retirement	*At age 20*	*At age 65*	*At age 20*	*At age 65*
Male	0.00062	0.00495	0.00062	0.00495
Female	0.00034	0.00263	0.00034	0.00263
Rate of death: post-retirement	*At age 20*	*At age 70*	*At age 20*	*At age 70*
Male	0.00062	0.01113	0.00062	0.01113
Female	0.00035	0.00570	0.00035	0.00570

Table B.3
Average rates of retirement for Professional staff with 30 or more years of service

	2022		2021	
Rate of retirement	*At age 55*	*At age 62*	*At age 55*	*At age 62*
Male	0.16	0.73	0.16	0.73
Female	0.20	0.78	0.20	0.78

Table B.4
Potential impact of changes in key assumptions used in measuring defined-benefit obligations and benefit costs
(Thousands of United States dollars)

	After-service health insurance		*End-of-service*	*Medical Insurance Plan*		*Death benefit*	*Workers' compensation*
Sensitivity of assumptions (impact on)	*Obligation*	*Expense*	*Obligation*	*Obligation*	*Expense*	*Obligation*	*Obligation*
Discount rate							
Impact of: 0.5 per cent increase	(67 204)	–	(5 238)	(47 257)	–	(143)	(580)
Impact of: 0.5 per cent decrease	74 037	–	5 482	52 062	–	149	716
Health-care cost trend rates							
Impact of: 0.5 per cent increase	83 601	5 492	–	63 704	4 903	–	–
Impact of: 0.5 per cent decrease	(72 604)	(4 593)	–	(54 979)	(4 095)	–	–
Cost-of-living adjustment							
Impact of: 1 per cent increase	–	–	–	–	–	–	1 527
Impact of: 1 per cent decrease	–	–	–	–	–	–	(1 272)

Sensitivity analysis

27. The table above outlines the potential impact of changes in certain key assumptions used in measuring defined-benefit obligations and benefit costs. The sensitivity analysis contained in the table is hypothetical and should be used with caution. If the assumptions about the discount rate, the health-care cost and cost-of-living adjustment trends described above were to change, this would have an impact on the measurement of the obligation and expense, as shown in the table above. The health-care cost trend rate assumption was designed to reflect the current short-term expectations of the after-service health insurance plan cost increases and economic

environment. It has been updated for the 31 December 2022 valuations, with Aon Hewitt long-term assumptions for the different currencies provided by the United Nations.

28. The above sensitivity analyses are based on a change in one assumption while holding all other assumptions constant. In practice, this is unlikely to occur as changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined-benefit obligation to significant assumptions, the same method has been applied as when calculating the pension liability recognized in the statement of financial position.

Plan duration and projected benefit payment

29. The average duration of after-service health insurance (including the Medical Insurance Plan), end-of-service entitlements, death benefit and workers' compensation is, respectively, 19 years, 9 years, 7 years and 19 years.

Table B.5
Estimated benefit payments net of participant contributions for the next 9 to 10 years
(Thousands of United States dollars)

	2023	*2024*	*2025*	*2026*	*2027 to 2031 (2027 to 2032 for workers' compensation)*[a]	*Total*
After-service health insurance[b]	22 309	24 799	27 311	29 985	194 250	298 654
End-of-service entitlements	11 953	10 523	10 022	9 882	45 505	87 885
Death benefit	437	417	404	392	1 765	3 415
Workers' compensation	864	865	865	863	5 048	8 505
Total	**35 563**	**36 604**	**38 602**	**41 122**	**246 568**	**398 459**

[a] Estimated benefit payments net of participant contributions are for the next 9 years, 2023 to 2031, as per data from the actuary, for all after-service entitlements and for the next 10 years, 2023 to 2032, for workers' compensation.
[b] After-service health insurance in this table includes liability for the Medical Insurance Plan.

C. Multi-employer pension plans

30. UNICEF recognizes the following categories of employee benefits:

(a) Short-term employee benefits due to be settled within 12 months after the end of the accounting period in which employees render the related service;

(b) Post-employment benefits;

(c) Other long-term employee benefits;

(d) Termination benefits.

31. UNICEF is a member organization participating in the United Nations Joint Staff Pension Fund, which was established by the General Assembly to provide retirement, death, disability and related benefits to employees. The Fund is a funded, multi-employer defined-benefit plan. As specified in article 3 (b) of the Regulations of the Pension Fund, membership in the Fund shall be open to the specialized agencies and to any other international, intergovernmental organization that participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.

32. The Fund exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual organizations participating in the Fund. UNICEF and the Fund, in line with the other participating organizations in the Fund, are not in a position to identify the proportionate share of UNICEF of the defined-benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Therefore, UNICEF has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 39, Employee benefits. The contributions of UNICEF to the Fund during the financial period are recognized as expenses in the statement of financial performance.

33. The Regulations of the Pension Fund state that the Pension Board shall have an actuarial valuation made of the Fund at least once every three years by the consulting actuary. The practice of the Pension Board has been to carry out an actuarial valuation every two years using the open group aggregate method. The primary purpose of the actuarial valuation is to determine whether the current and estimated future assets of the Fund will be sufficient to meet its liabilities.

34. The financial obligation of UNICEF to the Fund consists of its mandated contribution, at the rate established by the General Assembly (currently at 7.9 per cent for participants and 15.8 per cent for member organizations) together with any share of any actuarial deficiency payments under article 26 of the Regulations of the Pension Fund. Such deficiency payments are only payable if and when the Assembly has invoked the provision of article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Fund as at the valuation date. Each member organization shall contribute to this deficiency an amount proportionate to the total contributions which each paid during the three years preceding the valuation date.

35. The most recent actuarial valuation for the Fund was completed as at 31 December 2021, and a roll-forward of the participation data as from 31 December 2021 to 31 December 2022 was used by the Fund for its 2022 financial statements.

36. The actuarial valuation as at 31 December 2021 resulted in a funded ratio of actuarial assets to actuarial liabilities of 117.0 per cent (107.1 per cent in the 2019 valuation). The funded ratio was 158.2 per cent (144.4 per cent in the 2019 valuation) when the current system of pension adjustments was not taken into account.

37. After assessing the actuarial sufficiency of the Fund, the consulting actuary concluded that there was no requirement, as at 31 December 2021, for deficiency payments under article 26 of the Regulations of the Fund as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the plan. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as of the valuation date. At the time of reporting, the General Assembly had not invoked the provision of article 26.

38. Should Article 26 be invoked owing to an actuarial deficiency, either during the ongoing operation or owing to the termination of the Fund, deficiency payments required from each member organization would be based upon the proportion of that member organization's contributions to the total contributions paid to the Fund during the three years preceding the valuation date. Total contributions paid to the Fund during the preceding three years (2019, 2020 and 2021) amounted to $8.51 billion, of which 11.10 per cent was contributed by UNICEF.

39. During 2022, contributions paid to the Fund amounted to $352.37 million (2021: $333.61 million). Expected contributions due in 2023 are approximately $374.85 million.

40. Membership in the Fund may be terminated by decision of the General Assembly, upon the affirmative recommendation of the Pension Board. A proportionate share of the total assets of the Fund at the date of termination shall be paid to the former member organization for the exclusive benefit of its staff who were participants in the Fund at that date, pursuant to an arrangement mutually agreed between the organization and the Fund. The amount is determined by the Pension Board based on an actuarial valuation of the assets and liabilities of the Fund on the date of termination; no part of the assets that are in excess of the liabilities are included in the amount.

41. The Board of Auditors carries out an annual audit of the Fund and reports to the Pension Board and to the General Assembly on the audit every year. The Fund publishes quarterly reports on its investments, and these can be viewed by visiting the Fund at www.unjspf.org.

Table C.1
Contributions to the United Nations Joint Staff Pension Fund
(Thousands of United States dollars)

	2022	*2021*
UNICEF contributions	233 735	221 211
Participants' contributions	118 632	112 403
Total contributions	**352 367**	**333 614**

Note 18
Provisions

(Thousands of United States dollars)

	Returns of unused funds	*Write-down*	*Total*
Balance as at 1 January 2022	25 078	9 390	34 468
Increase in provision	10 734	6 932	17 666
Utilization or release of provision	(3 811)	(225)	(4 036)
Balance as at 31 December 2022	**32 001**	**16 097**	**48 098**

1. A provision is reported for unused funds to be returned to donors, as determined for all projects where the related grants have a return clause, and in which the contribution agreements require the return of unused funds. UNICEF expects to settle the liability within 12 months from the reporting date for those that have financially expired.

2. A "write-down provision" is recorded for specific donors where past experience indicates that the donor contribution has previously been reduced at the grant expiration date.

Note 19
Net assets

(Thousands of United States dollars)

		IPSAS reserves		Employment entitlement funding reserves			Revolving funds and other reserves			
	Accumulated surpluses	*Actuarial gains/ (losses)*	*Investment revaluation*	*After-service health insurance fund*	*Separation fund*	*Medical Insurance Plan fund*	*Revolving funds*	*Other reserves*	*Total reserves and funds*	*Total net assets*
Balance as at 1 January 2021	**7 989 655**	**(115 230)**	**123 953**	**633 757**	**123 683**	**140 190**	**1 657**	**2 115**	**910 125**	**8 899 780**
Surplus	1 446 322	–	–	60 605	–	–	–	–	60 605	1 506 927
Actuarial losses	–	(10 967)	–	–	–	–	–	–	(10 967)	(10 967)
Changes in fair value of available-for-sale financial assets	–	–	(67 891)	–	–	–	–	–	(67 891)	(67 891)
Utilization of reserve	55 650	–	–	(12 210)	(24 522)	(15 887)	(3 031)	–	(55 650)	–
Transfers to/(from) the fund	(167 553)	–	–	41 981	39 639	27 415	27 000	31 518	167 553	–
Balance as at 31 December 2021	**9 324 074**	**(126 197)**	**56 062**	**724 133**	**138 800**	**151 718**	**25 626**	**33 633**	**1 003 775**	**10 327 849**
Surplus	1 838 134	–	–	–	–	16 781	–	–	16 781	1 854 915
Actuarial gains	–	487 831	–	–	–	–	–	–	487 831	487 831
Changes in fair value of available-for-sale financial assets	–	–	(309 168)	–	–	–	–	–	(309 168)	(309 168)
Utilization of reserve	69 591	–	–	(12 485)	(29 425)	(18 580)	(9 101)	–	(69 591)	–
Transfers to/(from) the fund	(199 243)	–	–	43 686	41 464	29 107	46 443	38 543	199 243	–
Balance as at 31 December 2022	**11 032 556**	**361 634**	**(253 106)**	**755 334**	**150 839**	**179 026**	**62 968**	**72 176**	**1 328 871**	**12 361 427**

Net assets consist of "accumulated surpluses" and "reserves". Reserves consist of "IPSAS reserves" and "other reserves". Each of these types of reserves is explained further below.

1. Net assets represent the value of UNICEF assets, less its outstanding liabilities at the reporting date. UNICEF net assets comprise accumulated surpluses and reserves.

2. Accumulated surpluses represent the accumulated surpluses and deficits from UNICEF operations over the years. IPSAS reserves represent financial reporting reserves presented in accordance with IPSAS requirements.

3. Employment entitlement funding reserves comprise the following funds that were approved by the Executive Board.

4. *Reserve for after-service health insurance.* The reserve is used to fund the after-service health insurance liability included in employee benefits liabilities and recorded on the statement of financial position.

5. *Reserve for separation fund.* The fund is used to cover separation and termination liabilities. It comprises the net accumulation of total contributions from the funding source of current eligible staff members less payments made to staff members upon separation.

6. *Reserve for Medical Insurance Plan.* The Medical Insurance Plan is a health and dental insurance scheme operated by UNICEF for the benefit of its locally recruited active staff members (in both the General Service and National Professional Officer categories) and former locally recruited staff members (and their eligible family members) serving or residing at designated duty stations away from headquarters locations. Staff members and the organization share in the cost of the premiums. This reserve is used for the payment of all approved claims filed under the Medical Insurance Plan and is funded through monthly transfers by UNICEF and contributions by plan participants.

7. Revolving funds are funds that have been approved by the Executive Board to be set aside from the regular resources for specific purposes for country offices to use temporarily. The offices replenish the revolving funds in accordance with procedures specific to each fund. These funds remain part of the regular resources-related net assets and can be used as part of regular resources if the need arises. The revolving funds are as follows:

(a) *Working Capital Fund.* The purpose of the fund is to address the funding gaps for UNICEF country cooperation programmes while fundraising pipelines mature and to allow programmatic activities to commence without loss of implementation time. This is funded from a portion of treasury earnings. The fund had a balance of $41.59 million (2021: $24.09 million);

(b) *Capital Assets Fund.* The fund has approved transfers from regular resources to facilitate the renovation and future purchases of capital assets such as office buildings and staff housing in the field. As at 31 December 2022, the fund had a balance of $1.38 million (2021: $1.54 million);

(c) *Dynamo fund.* The fund was established as a revolving fund to provide sustainable financial capacity for investment in private sector fundraising. The fund provides an additional and more predictable source of investment for fundraising growth in country and regional markets. In 2022, $20 million was transferred to the fund to be used for country offices' fundraising activities as an initial allocation, as approved by the Executive Board.

8. Other reserves consist of two Board-approved procurement and insurance reserves as well as funds that relate to procurement services-related trust fund activities that are not available for use by UNICEF. A reserve for procurement services of $2 million was set up to absorb possible future shortfalls. An insurance

reserve of $0.12 million was established to absorb losses of UNICEF programme supplies and equipment not covered by commercial insurance.

Note 20
Revenue from voluntary contributions

A. Voluntary contributions

(Thousands of United States dollars)

	2022	*2021*
Public sector contributions		
Governments and intergovernmental agencies	6 233 072	5 467 243
Inter-organizational arrangements	1 156 910	762 632
Total public sector contributions	**7 389 982**	**6 229 875**
Private sector contributions		
National Committees	2 231 680	1 756 179
Country office private sector fundraising	433 930	321 061
Total private sector contributions	**2 665 610**	**2 077 240**
Total voluntary contributions	**10 055 592**	**8 307 115**
Refunds, provision for returns to donors of unused contributions and write-downs	(36 016)	(14 381)
Total voluntary contributions (net)	**10 019 576**	**8 292 734**

1. The voluntary contributions comprised $3.96 billion (2021: $3.28 billion) in multi-year contributions where programme implementation is expected over a period of more than two years.

National Committees

2. Included within the private sector fundraising are the contributions from the National Committees, which comprised $2.23 billion (2021: $1.76 billion). Total contributions received by the National Committees during the year, excluding proceeds from licensing cards and products, were $2.70 billion (2021: $2.10 billion). Of that amount, $466.26 million (2021: $448.58 million) was retained by the National Committees to cover the costs of fundraising, advocacy and management and administration activities or as reserves (see note 34, Related parties, for additional information on the relationship between UNICEF and the National Committees).

Country office private sector fundraising

3. Included within in-country private sector fundraising are voluntary cash contributions from individuals.

4. UNICEF is investing in fundraising activities in 26 emerging market countries to expand the base for raising core funding for the organization. Proceeds from the forward flow arrangement with the World Bank have been invested in fundraising activities. Since the inception of that arrangement, $432.16 million (2021: $177.28 million) in cumulative unearmarked contributions have been recognized as revenue relating to donations from private individuals from the 26 countries.

In-kind contributions

5. Total contributions also include in-kind contributions of $104.86 million (2021: $112.36 million), such as goods and right-to-use assets received. Major types of goods received include ready-to-use therapeutic food, Lego boxes, vitamins, resilience supplies, soap and transportation of supplies to support the COVID-19 response. In-kind contributions also include right-to-use property, such as office and warehouse space provided by host Governments free of charge, valued at $28.02 million (2021: $23.30 million), with the corresponding expense included within "rental and leasing" in note 26, Occupancy and related costs.

6. UNICEF also accepts contributions in the cryptocurrencies bitcoin and ether with the intention of funding the programmatic implementation activities of the UNICEF innovation fund team. No such contributions in cryptocurrencies were received in 2022 (2021: $1.51 million). Related expenses are included in note 23, Cash assistance and transfer of programme supplies.

7. In-kind services are also provided free by other parties to UNICEF offices in fulfilling the organization's mandate. Services in-kind received by UNICEF during 2022 include mainly volunteer services.

B. Classification of voluntary contributions

(Thousands of United States dollars)

	2022	*2021*
Unearmarked voluntary contributions		
Regular resources – programme	1 248 025	1 497 886
Foreign exchange losses	(43 493)	(9 384)
Total regular resources – programme (net)	**1 204 532**	**1 488 502**
Regular resources – non-programme	115 171	90 059
Foreign exchange gains	7	85
Total regular resources – non-programme (net)	**115 178**	**90 144**
Total regular resources (net)	**1 319 711**	**1 578 646**
Earmarked voluntary contributions		
Other resources – regular	4 414 909	3 711 506
Foreign exchange losses	(69 749)	(51 251)
Total other resources – regular (net)	**4 345 160**	**3 660 255**
Other resources – emergency	4 370 564	3 065 893
Foreign exchange losses	(15 858)	(12 060)
Total other resources – emergency (net)	**4 354 706**	**3 053 833**
Total other resources (net)	**8 699 865**	**6 714 088**
Total voluntary contributions (net)	**10 019 576**	**8 292 734**

Note 21
Other revenue

(Thousands of United States dollars)

	2022	*2021*
Procurement services handling fees	100 756	88 795
Warehouse goods transfers revenue (see note 27)	58 189	100 936
Miscellaneous revenue	30 809	29 329
Licensing revenue	4 887	2 209
Total other revenue	**194 641**	**221 269**

1. UNICEF undertakes procurement services for Governments, NGOs, United Nations agencies and other international organizations and foundations. UNICEF recognized revenue of $100.76 million (2021: $88.80 million) related to the provision of these services.

2. The warehouse goods transfers revenue of $58.19 million (2021: $100.94 million) is related to reimbursement of direct sales of goods to third parties. The corresponding expense related to such arrangements is included in note 27, Other expenses.

3. Through the licensing of the UNICEF brand, UNICEF generates additional funds for programmes of cooperation in developing countries. Proceeds from licensing are accrued on the basis of revenue and expenditure reports received at year end. In 2022, total licensing revenue was $4.89 million (2021: $2.21 million).

Note 22
Investment revenue

(Thousands of United States dollars)

	2022	*2021*
Internally managed investment revenue	103 445	46 273
After-service health insurance investment revenue	11 393	9 310
Total investment revenue	**114 838**	**55 583**

1. UNICEF generated $114.84 million (2021: $55.58 million) in investment revenue from term deposits and money market demand deposits, certificates of deposits, fixed-income securities, equities and bank accounts.

Note 23
Cash assistance and transfer of programme supplies

(Thousands of United States dollars)

	2022	2021
Cash assistance		
Transfer of cash to implementing partners	2 451 361	2 071 547
Transfer of cash to beneficiaries directly by UNICEF	725 114	314 693
Co-funding activities	124 178	80 053
Jointly financed activities	35 470	26 810
Subtotal	**3 336 123**	**2 493 103**
Movement in accrual	42 141	2 398
Total cash assistance	**3 378 264**	**2 495 501**
Programme supplies		
Transfer of programme supplies	1 559 581	1 293 167
Total transfer of programme supplies	**1 559 581**	**1 293 167**
Total cash assistance and transfer of programme supplies	**4 937 845**	**3 788 668**

1. Movement in accrual represents adjusted expenses at year end to account for implementing partners that have incurred valid expenses where the reports have been submitted by the reporting date but for which UNICEF has not yet processed the reports.

2. The regional split of expenses relating to cash assistance and transfer of programme supplies is reflected in note 37, Segment information.

Note 24
Employee benefits

(Thousands of United States dollars)

	2022	2021
Salaries and wages	1 071 781	1 021 171
Contribution to the United Nations Joint Staff Pension Fund	233 735	221 211
After-service health insurance expenses	70 868	66 842
Other post-employment employee benefits	13 751	16 961
Other long-term employee benefits	18 518	32 216
Other personnel expenses	383 411	357 791
Total employee benefits	**1 792 064**	**1 716 192**

Note 25
Programme-related expert services

(Thousands of United States dollars)

	2022	*2021*
Programme-related expert services	583 793	454 427
Total programme-related expert services	**583 793**	**454 427**

1. This category of expense comprises expert services for programmatic activities such as performing research studies, surveys, evaluations, assessments, technical support in specific programme areas, and other programmatic services, conducted by third-party providers in implementation of UNICEF programmes.

Note 26
Occupancy and related costs

(Thousands of United States dollars)

	2022	*2021*
Supplies and consumables	76 908	67 345
Rent and utilities	135 066	116 336
United Nations common services	30 732	38 741
Repairs and maintenance	48 479	41 696
Information, communications and technology	71 508	64 000
Professional fees	114 629	93 715
Insurance	4 711	6 631
Total occupancy and related costs	**482 033**	**428 464**

Note 27
Other expenses

A. Non-employee compensation

(Thousands of United States dollars)

	2022	*2021*
Individual and corporate consultants	141 470	107 505
United Nations volunteers and interns	22 542	18 688
Total non-employee compensation	**164 012**	**126 193**

B. Warehouse and related overhead costs

(Thousands of United States dollars)

	2022	*2021*
Procurement services cost of goods (note 21)	58 502	100 936
Other warehouse and logistical services	60 273	40 617
Total warehouse and related overhead costs	**118 775**	**141 553**

C. General expenses

(Thousands of United States dollars)

	2022	*2021*
Impairment and write-downs (net of reversals)	(1 843)	153 255
Write-offs	17 720	7 544
Travel	145 158	70 957
Advertising, promotion and media services	58 087	50 436
Distribution expenses	30 885	28 446
Miscellaneous expenses	57 411	29 365
Total general expenses	**307 418**	**340 003**

D. Finance costs

(Thousands of United States dollars)

	2022	*2021*
Finance lease obligations	1 494	1 810
Finance cost on forward flow arrangements	955	898
Total finance costs	**2 449**	**2 708**
Total other expenses	**592 654**	**610 457**

1. Included within impairment and write-downs for 2021 was the write-down of personal protective equipment purchased for the COVID-19 pandemic response. The write-down was made in 2021 for such items to reflect the value of these inventories at the lower of cost and replacement cost. The personal protective equipment inventory continues to be used in programmatic implementation and the majority of these inventories were utilized in programmatic activities during 2022.

Note 28
Net gains and losses

A. Net gains and losses

(Thousands of United States dollars)

	2022	*2021*
Net foreign exchange gains	66 683	13 329
Net fair value (losses)/gains on investments	(1 137)	58 684
Net gains on sale of property and equipment	1 533	1 259
Total net gains	**67 079**	**73 272**

B. Net foreign exchange gains and losses

(Thousands of United States dollars)

	Unrealized	*Realized*	*2022*	*2021*
Gains	1 443	124 676	126 119	38 921
Losses	(45 728)	(13 708)	(59 436)	(25 592)
Total net (losses)/gains	**(44 285)**	**110 968**	**66 683**	**13 329**

1. In addition to the above, a realized foreign exchange loss of $60.34 million (2021: gain of $18.42 million) and an unrealized loss of $68.75 million (2021: $91.04 million), related primarily to other resources receivables, are included within voluntary contributions in note 20, Revenue from voluntary contributions, in accordance with the UNICEF Financial Regulations and Rules.

Note 29
Financial instruments

1. UNICEF has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk and market risk. The present note contains information about the organization’s exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk and its management of capital. Further quantitative disclosures are included throughout the financial statements.

Accounting classifications and fair values

2. The following tables detail the value of financial assets and financial liabilities by class of instrument and by category, as defined in the accounting policies.

A. Financial assets as at 31 December

(Thousands of United States dollars)

Financial assets	Loans and receivables	Fair value through surplus or deficit: Available-for-sale	Fair value through surplus or deficit: Held for trading	Total carrying value	Total fair value: 2022	Total fair value: 2021
Cash and cash equivalents	1 008 802	–	–	1 008 802	1 008 802	604 378
Term deposits	2 069 866	–	–	2 069 866	2 069 866	3 378 834
Traded bonds	–	5 006 308	–	5 006 308	5 006 308	4 112 804
Equities	–	338 942	–	338 942	338 942	417 940
Certificates of deposit	–	1 432 740	–	1 432 740	1 432 740	1 139 940
Forward exchange contracts in gain	–	–	110 832	110 832	110 832	231 620
Contributions receivable	4 858 034	–	–	4 858 034	4 858 034	4 011 097
Other receivables	121 320	–	–	121 320	121 320	114 750
Total financial assets	**8 058 022**	**6 777 990**	**110 832**	**14 946 844**	**14 946 844**	**14 011 363**

3. The carrying value of financial assets is considered to be a reasonable approximation of fair value.

B. Financial liabilities as at 31 December

(Thousands of United States dollars)

Financial liabilities	Other financial liabilities (amortized cost)	Other financial liabilities	Total carrying value	Total fair value: 2022	Total fair value: 2021
Accounts payable and accrued liabilities	1 028 525	–	1 028 525	1 028 525	1 013 471
Funds held on behalf of third parties	3 347 601	–	3 347 601	3 347 601	4 954 123
Contributions received in advance	19 024	–	19 024	19 024	13 690
Finance lease liabilities	21 109	–	21 109	21 109	26 343
Other liabilities	395 562	117 761	513 323	513 323	639 340
Total financial liabilities	**4 811 821**	**117 761**	**4 929 582**	**4 929 582**	**6 646 967**

4. With the exception of finance leases, the forward flow arrangement and firm long-term agreements (see note 16, Other liabilities), most liabilities are short term and are expected to be settled within the next 12 months. Any other non-current liabilities are reported at amortized cost in the statement of financial position, and it is assumed that the carrying amounts approximate the fair values of the financial instruments.

Valuation method

5. The fair value hierarchy represents the categorization of market pricing to indicate the relative ease with which the value of investments held by UNICEF can be realized.

6. The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

(a) Level 1. Average quoted prices from two separate sources (unadjusted) in active markets for identical assets or liabilities;

(b) Level 2. Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as price) or indirectly (derived from prices);

(c) Level 3. Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

7. The majority of the organization's financial instruments have quoted prices in active markets and are classified as level 1. Derivative instruments that are "over-the-counter" are classified as level 2 because their fair value is observable either directly as a price or indirectly after being derived from prices. The instruments shown under the level 2 fair value measurement category consist of forward contracts for foreign currency hedges, forward exchange spot contracts, the derivative contracts and fixed-income instruments in the externally managed portfolio.

C. Financial instruments by valuation method

(Thousands of United States dollars)

	Level 1	*Level 2*	*Level 3*	*2022*	*2021*
Assets					
Financial instruments at fair value through surplus or deficit	–	110 832	–	110 832	231 620
Available-for-sale financial assets	6 651 638	126 352	–	6 777 990	5 670 684
Liabilities					
Financial instruments at fair value through surplus or deficit	–	(117 761)	–	(117 76)	(229 264)
Forward flow arrangement	–	–	(50 309)	(50 309)	(50 309)
Total	**6 651 638**	**119 423**	**(50 309)**	**6 720 752**	**5 622 731**

Note 30
Financial risk management

Exposure to credit risk

1. Credit risk is the risk of financial loss to UNICEF if a donor, customer or other counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally from cash and cash equivalents, investments, receivables from contributions and other receivables.

2. UNICEF holds bank accounts in more than 148 countries. This exposes the organization to significant default risk. To mitigate this risk, UNICEF has established a risk-assessment process that is to be completed before bank accounts may be opened at any bank where UNICEF has not had a prior business relationship. In addition, if there are no alternatives to dealing with a specified bank that has a higher risk, UNICEF may impose internal guidelines such as minimizing the balances on its bank accounts.

3. With regard to financial instruments, UNICEF mitigates its exposure to credit risk by imposing certain restrictions, including, but not limited to, a minimum credit rating

of the underlying financial instrument or institution. The Treasury and Investment Management Policy includes conservative minimum credit criteria for all issuers, with maturity and counterparty limits by credit rating. The UNICEF Financial Advisory Committee approves each new counterparty before any investments may be made. In order to minimize counterparty risk, UNICEF enters into transactions with counterparties that are of investment grade as classified by the major rating agencies and pre-approved by the Committee. Credit default swaps ratings are also used to monitor counterparty risk. Non-rated or lower-rated banks may also be included on the counterparty relationship list with exceptional approval by the Committee.

4. UNICEF utilizes the credit ratings for three leading credit rating agencies, Moody's, S&P Global Ratings and Fitch, to categorize and monitor credit risk on its financial instruments. Investments managed by UNICEF were in high-quality financial instruments as shown in the table below.

5. The externally managed investments are governed by the after-service health insurance investment guidelines, which ensure that funds are invested in instruments and counterparties of investment grade.

6. UNICEF exposure to credit risk from receivables from contributions and other receivables is influenced mainly by the type of donor. Receivables from Governments, intergovernmental agencies and other United Nations organizations generally have a very low default risk. UNICEF has established an allowance for impairment that represents its estimate of incurred losses in respect of receivables from contributions and other receivables, based on specific identification of receivables that might be impaired.

7. The carrying value of all financial instruments represents the organization's maximum exposure to credit risk.

A. Concentration of credit exposure by credit rating

(Thousands of United States dollars)

Credit rating	*AAA*	*AA*	*A*	*B*	*Below B*	*2022*	*2021*
Cash and cash equivalents							
Cash at bank and on hand	–	37 793	257 990	4 473	54 769	355 025	403 841
Term deposits and other	1 770	200 231	451 776	–	–	653 777	200 537
Subtotal	**1 770**	**238 024**	**709 766**	**4 473**	**54 769**	**1 008 802**	**604 378**
Investments							
Term deposits	–	1 193 676	876 190	–	–	2 069 866	3 378 834
Traded bonds	2 691 733	495 770	1 756 982	58 466	3 357	5 006 308	4 112 804
Equities	–	–	–	–	338 942	338 942	417 940
Certificates of deposit	–	1 008 257	424 483	–	–	1 432 740	1 139 940
Forward exchange contracts	–	–	–	–	110 832	110 832	231 620
Subtotal	**2 691 733**	**2 697 703**	**3 057 655**	**58 466**	**453 131**	**8 958 688**	**9 281 138**
Total	**2 693 503**	**2 935 727**	**3 767 421**	**62 939**	**507 900**	**9 967 490**	**9 885 516**

8. The below B category includes non-rated and instruments below the credit rating of B. This also includes non-rated funds such as cash and cash equivalents held in various operating accounts in country offices. For externally managed investments, non-rated investment includes cash, exchange-traded funds and government bonds

whose risk profile and rating are that of the issuing country. Ratings are based on credit ratings by Moody's, as follows:

Moody's credit ratings		*UNICEF credit ratings*
Aaa	Obligations rated Aaa are judged to be of the highest quality, with minimal credit risk.	AAA
Aa1; Aa2; Aa3	Obligations rated Aa are judged to be of high quality and are subject to very low credit risk.	AA
A+; A1; A2; A3	Obligations rated A are considered upper-medium grade and are subject to low credit risk.	A
Baa1; Baa2; Baa3	Obligations rated Baa are subject to moderate credit risk. They are considered medium-grade and as such may possess certain speculative characteristics.	B

B. Ageing of receivables

(Thousands of United States dollars)

	Current and non-current	*Overdue*	*Foreign exchange gains/(losses)*	*2022*	*2021*
Contributions receivable	4 726 109	195 354	(63 429)	4 858 034	4 011 097
Other receivables	140 244	–	(18 924)	121 320	114 750
Total	**4 866 353**	**195 354**	**(82 353)**	**4 979 354**	**4 125 847**

9. UNICEF believes that all receivables are collectible based on historic payment behaviour and analysis of the outstanding balances.

C. Movements in allowance for impairment in respect of loans and receivables during 2022

(Thousands of United States dollars)

	Impairment as at 1 January 2022	*Impairment losses recognized*	*Impairment losses reversed*	*Impairment as at 31 December 2022*
Contributions receivable	6 708	5 174	(5 313)	6 569
Other receivables	32 194	34 659	(25 312)	41 541
Total	**38 902**	**39 833**	**(30 625)**	**48 110**

Exposure to liquidity risk

10. Liquidity risk is the risk that UNICEF will encounter difficulty in meeting its obligations associated with its accounts payables, other liabilities and promised transfers of cash to programmes.

11. Management is certain that UNICEF can meet its obligations, as system controls ensure that purchase orders are not raised unless budget is available. Management maintains liquidity by continually monitoring actual and forecasted cash flows from operations and anticipated investing and financing activities and by holding cash and liquid investments, some of which have secondary financial markets.

12. It should be noted that in addition to the financing activities through finance lease arrangements, in 2021, UNICEF entered into a forward flow financing arrangement with the World Bank, which is due in five years. Fundraising revenue is collected from private sector fundraising for the interest and final loan repayment. These are monitored continuously, and regular reporting is done in a timely manner to ensure compliance. The agreement does not contain a breach of covenant clause and any unpaid amounts shall be cancelled in full immediately following the maturity date.

13. Cash for programmatic activities and to meet employee benefit obligations is invested in a range of financial instruments, including money market demand accounts, structured deposits, certificates of deposits, time deposits and fixed-income securities, which seek to ensure the security and liquidity of investments while optimizing yield. In all cases, investments are permitted only in high-credit-quality institutions and issues, with diversification of investment supported by maintaining counterparty credit limits.

D. Contractual maturities of financial liabilities

(Thousands of United States dollars)

	Due				*Overdue*					
	0–3 months	*3–6 months*	*6–12 months*	*More than 1 year*	*0–3 months*	*3–6 months*	*6–12 months*	*More than 1 year*	*2022 total carrying value*	*2021 total carrying value*
Accounts payable	47 407	–	–	–	130 926	1 430	1 464	824	182 051	225 622
Accrued liabilities	–	–	–	–	–	–	–	–	846 474	787 849
Other payables	–	–	–	50 000	–	–	–	–	50 000	50 000
Total	**47 407**	**–**	**–**	**50 000**	**130 926**	**1 430**	**1 464**	**824**	**1 078 525**	**1 063 471**

The maturities for accrued liabilities are not included as they are not known.

14. It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Exposure to market risk

15. Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. Market risk comprises three types of risk: foreign exchange risk, interest rate risk and other price risk. UNICEF is exposed to potential negative impacts on the value of financial instruments resulting from adverse movements in interest and foreign exchange rates. Through its policies and procedures, UNICEF ensures that market risks are identified, measured, managed and regularly reported to management and the Financial Advisory Committee.

16. Treasury activities comprise the following four portfolios: (a) cash and cash equivalents portfolio; (b) short-term investments portfolio; (c) long-term investments portfolio; and (d) emerging markets portfolio.

17. Risk in the emerging markets portfolio is mitigated by way of a limit of $30 million in functional emerging market currencies and by transacting only with partners preapproved by the Financial Advisory Committee. In addition, UNICEF transacts in emerging markets only investments for currencies where it has large spending needs, thereby reducing foreign exchange risk.

Currency risk

18. Currency risk (or foreign exchange risk) arises with regard to financial instruments that are denominated in a foreign currency. UNICEF is exposed to currency risk on revenues, expenses, assets and liabilities that are denominated in a currency other than the United States dollar. The currencies in which these transactions are primarily denominated are as follows:

(a) Regarding voluntary contributions: the euro, Norwegian krone, Swedish krona, Canadian dollar, pound sterling, Australian dollar, New Zealand dollar, Swiss franc, Danish krone and Japanese yen;

(b) Regarding expenses: all currencies used across all operating UNICEF countries, including the Ukrainian hryvnia, Nigerian naira, Afghan afghani, Lebanese pound, Turkish lira, Indian rupee, Pakistani rupee and Ethiopian birr, among many others;

(c) Regarding assets and liabilities: all currencies used across all operating UNICEF countries, including the euro, pound sterling, Swiss franc, Swedish krona, Norwegian krone and Japanese yen, among many others.

19. UNICEF has not implemented hedge accounting, although it applies "natural hedges" by holding foreign currencies in order to cover forecasted foreign currency cash outflows in revenue-side currencies, in addition to entering into foreign exchange forward contracts on revenue-side currencies. UNICEF uses derivative financial instruments to hedge some of its risk exposures or minimize deviations from benchmark allocations as set out in the agreement with the Investment Fund Managers. UNICEF has further expanded its strategy to hedge against currency volatility through investment in foreign exchange options.

20. The following table provides an appropriate context with a summary of UNICEF foreign currency positions in financial instruments.

E. Financial instrument currency position in the statement of financial position

(Thousands of United States dollars)

	United States dollar	*Euro*	*Swedish krona*	*Canadian dollar*	*Pound sterling*	*Danish krone*	*Swiss franc*	*Other*	*2022*	*2021*
Cash and cash equivalents	763 414	13 235	–	2 751	5 061	4 342	6 584	213 415	1 008 802	604 378
Term deposits	2 069 866	–	–	–	–	–	–	–	2 069 866	3 378 834
Traded bonds	4 933 790	49 498	–	7 823	12 931	–	–	2 266	5 006 308	4 112 804
Equities	245 474	34 542	4 318	1 647	21 186	2 489	3 470	25 816	338 942	417 940
Certificates of deposit	1 432 740	–	–	–	–	–	–	–	1 432 740	1 139 940
Contributions receivable	3 082 351	809 112	292 835	199 477	119 123	76 880	72 917	205 339	4 858 034	4 011 097
Other receivables[a]	173 013	946	109	211	60	163	4	57 646	232 152	346 370
Total financial assets	**12 700 648**	**907 333**	**297 262**	**211 909**	**158 361**	**83 874**	**82 975**	**504 482**	**14 946 844**	**14 011 363**
Accounts payable	(970 731)	(11 887)	(19)	(1)	(1 026)	(906)	(736)	(43 219)	(1 028 525)	(1 013 471)
Funds held on behalf of third parties	(3 342 673)	(4 434)	–	(80)	(56)	(23)	(32)	(303)	(3 347 601)	(4 954 123)
Other liabilities	(430 495)	(118 429)	–	–	(659)	–	–	(3 874)	(553 457)	(679 373)
Total financial liabilities	**(4 743 899)**	**(134 750)**	**(19)**	**(81)**	**(1 741)**	**(929)**	**(768)**	**(47 396)**	**(4 929 583)**	**(6 646 967)**
Net exposure	**7 956 749**	**772 583**	**297 243**	**211 828**	**156 620**	**82 945**	**82 207**	**457 086**	**10 017 261**	**7 364 396**

[a] Includes forward exchange contracts in gain.

Interest rate risk

21. Interest rate risk is the risk that the value of a financial instrument will fluctuate owing to changes in market interest rates. As at the reporting date, the organization's financial assets subject to fixed interest rates included all term deposits and investments. There were no financial assets subject to variable interest rates.

F. Fixed rate instruments

(Thousands of United States dollars)

	2022	*2021*
Fixed rate instruments	9 324 995	9 049 518
Other financial instruments	5 621 849	4 961 845
Total financial assets	**14 946 844**	**14 011 363**

Sensitivity analysis: foreign currency

22. The following table shows the sensitivity of net assets and surplus/deficits to the strengthening and weakening of key currencies used by UNICEF. This analysis is based on foreign currency exchange rate variances that UNICEF considered to be reasonably possible as at the reporting date. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecasted contributions and expenditures.

G. Financial instrument currency position in the statement of financial position

(Thousands of United States dollars)

	Surplus/(deficit)	
As at 31 December 2022	*Strengthening of United States dollar by 10 per cent*	*Weakening of United States dollar by 10 per cent*
Euro	(77 258)	77 258
Swedish krona	(29 724)	29 724
Canadian dollar	(21 183)	21 183
Pound sterling	(15 662)	15 662
Danish krone	(8 295)	8 295
Swiss franc	(8 221)	8 221
Total	**(160 343)**	**160 343**

23. The information presented above is calculated by reference to carrying amounts of assets and liabilities as at 31 December 2022 only.

Derivatives

24. UNICEF uses forward exchange contracts to manage risks related to foreign currencies. The organization's reasons for holding these derivatives include reducing and efficiently managing the economic impact of foreign currency exposures as effectively as possible.

25. Losses arising from changes in the fair values of forward exchange contracts amounted to $9.28 million (2021 gains: $2.86 million).

26. UNICEF invests in traded bonds and certificates of deposit, which are classified as available-for-sale financial instruments. Bonds and certificates of deposit have a call-option feature agreed to with the issuer at the time of purchase. This call-option feature gives the issuer the right to call on pre-agreed dates throughout the life of the investment. Given that the investments are callable at par value (their stated or face value), there is no risk of loss to the principal. Bonds held by external investment managers at the end of 2022 that included a call-option feature amounted to $25.74 million (2021: $26.33 million). Bonds managed internally at the end of 2022 amounting to $4.78 billion (2021: $3.87 billion) were classified as available-for-sale. Those that included a call-option feature were $1.79 billion (2021: $1.27 billion). Certificates of deposit managed internally at the end of 2022 that included a call-option feature amounted to $9.29 million (2021: $10.06 million).

Sensitivity analysis: interest rates

27. The following table presents the sensitivity of net assets and surplus/deficit to a change in interest rates in the range of minus 30 basis points and plus 100 basis points, given outstanding positions as at 31 December 2022. Only the fair value of the bond portfolio is subject to fair value changes as a result of changes in interest rates, as all bonds are classified as available-for-sale financial instruments. Changes in fair value for available-for-sale financial instruments are recorded directly in net assets.

H. Sensitivity of net assets and surplus/deficit to changes in interest rates

(Thousands of United States dollars)

	Impact		
	Net assets	*Surplus/(deficit)*	*Percentage*
Portfolio value	6 439 048	–	–
Plus 100 basis points	6 344 745	(94 304)	1.46
Minus 30 basis points	6 467 567	28 519	0.44

Other price risk

28. Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or by factors affecting all similar financial instruments traded in the market.

29. Information on factors affecting the fair value measurement of UNICEF investments can be found at the beginning of this note.

I. Cryptocurrency fund

Management of risks related to the cryptocurrency fund

30. UNICEF established a prototype fund that accepts donations and makes disbursements exclusively denominated in cryptocurrencies, in order to finance early stage, open-source technology benefiting children and young people. Cryptocurrencies and blockchain technology can help organizations such as UNICEF to benefit from additional funding sources and enhance the transparency of operations. UNICEF manages the risks that come with the establishment of the cryptocurrency fund, including volatility risks, reputational risks, cybersecurity risks (such as hacking, loss of information and malicious activity) and regulatory risks.

Volatility risk

31. The cryptocurrency funds are likely to have volatile assets, whose value can change significantly over short time periods. UNICEF manages the risk by minimizing and containing the impact of volatility. UNICEF has implemented systems and processes to actively shorten the time between the receipt and disbursement of funds. This ensures that the assets are transferred within a limited time period so as not to be affected by price volatility that comes with holding the assets. UNICEF does not hold the fund assets for speculative purposes.

Reputational risk

32. Cryptocurrencies are not yet a common means of performing transactions. In addition, the general public may associate cryptocurrency funds with illegal activities, and certain jurisdictions have made the use of cryptocurrency funds illegal. UNICEF has had long experience of fundraising in the private sector and from individual donors and therefore has robust "know your customer" procedures, which will be applied to the process of accepting cryptocurrency donations from reputable organizations and individuals. UNICEF has actively sought to explain to its stakeholders the cryptocurrency fund to create further understanding of its application and potential to contribute to results for children across the world.

Regulatory risk

33. The introduction of the cryptocurrency fund brings regulatory compliance risk related to full compliance with the UNICEF Financial Regulations and Rules and with the other basis of reporting that has been adopted by the organization. To manage the regulatory risk, UNICEF established the cryptocurrency fund following its Regulations and Rules and sought technical accounting advice on the best basis of reporting the fund. The due diligence work conducted for the establishment of the fund ensured that the regulatory compliance requirements were met and hence reduced the regulatory risk surrounding the use of the fund. In addition, the basis of receiving and disbursing funds was narrowly defined to ensure that the fund is used for the specific purpose defined, in compliance with the regulatory framework of UNICEF.

Cybersecurity risks

34. UNICEF has to store and manage the cryptocurrencies. Cryptocurrencies cannot be stored and maintained through a regular banking environment and therefore are subject to security risks related to information that is stored on technology platforms. UNICEF has used its current strong accounting framework that regulates authorized signatories to manage the cryptocurrency wallets. In addition to the multi-signatory framework, UNICEF has established a multi-signature wallet and incorporates physical and access controls to the wallets and related private keys to manage the security risks around the cryptocurrency fund.

Note 31
Capital management

1. UNICEF defines the capital it manages as the aggregate of its net assets, which comprises accumulated surpluses and reserve balances. This definition of capital is used by management and may not be comparable to measures presented by other United Nations organizations. UNICEF does not have any long-term borrowings outside of its finance lease liabilities and the forward flow arrangement with the World Bank to either bridge its cash requirements or leverage its cash position. Various reserves are established by management in order to provide funding of future expenses (see note 19, Net assets).

2. The objectives of UNICEF in managing capital are to:

(a) Safeguard its ability to continue as a going concern;

(b) Fulfil its mission and objectives as established by its strategic plan;

(c) Ensure sufficient liquidity to meet its operating cash requirements;

(d) Preserve capital;

(e) Generate a competitive market rate of return on its investments.

3. It should be noted that risk and liquidity management are emphasized over absolute rate of return for the investment portfolio.

4. A four-year medium-term strategic plan and integrated budget are proposed by the Executive Director and submitted to and approved by the Executive Board. The plan and the budget outline a recommended apportionment and utilization of existing and anticipated resources of UNICEF over the plan period, determining affordability while maintaining fund balance to ensure liquidity. The plan also includes a financial plan. The financial plan provides detailed financial projections of:

(a) Estimated future financial resources for each year of the plan period;

(b) Estimated yearly levels of costs;

(c) Working capital levels required for the liquidity of UNICEF.

Other resources: regular and emergency

5. For other resources: regular and emergency, the objective is to ensure programme implementation while remaining within the available fund balance. Management to that end is carried out on an individual programme budget basis. The cash component of these resources is commingled with other institutional resources and managed as a portfolio (the opening and closing balances for net assets is disclosed in note 19, Net assets).

6. The ability of UNICEF to obtain additional capital is subject to:

(a) Its ability to raise financial resources and generate revenue;

(b) Market conditions;

(c) The provisions of its Financial Regulations and Rules, and investment guidelines.

Restriction

7. UNICEF is subject to an Executive Board-imposed liquidity requirement. The requirement does not constitute an external restriction. The UNICEF Financial Regulations and Rules indicate that, in order to ensure liquidity, the Comptroller should maintain cash balances at the levels approved by the Executive Board. In 1987, the Executive Board established the minimum year-end cash balance of regular resources as 10 per cent of projected regular resources income for the following year (decision 1987/14). There have been no changes in the way UNICEF manages its capital in 2022.

Note 32
Commitments

1. The following tables present the open purchase orders for which UNICEF had not received the related services or goods as at 31 December 2022. In most cases, UNICEF has the right to cancel these open purchase orders prior to the date of delivery.

(Thousands of United States dollars)

	2022	*2021*
Commitments for purchase of property and equipment		
Buildings	28	272
Transportation equipment	10 656	5 962
Furniture, fixtures and equipment	794	794
Communications and information technology equipment	207	645
Total capital commitments	**11 685**	**7 673**
Operating commitments		
Contracts for purchase of supplies and other goods	944 860	776 985
Contracts for purchase of services	956 358	920 652
Commitments to transfer cash to implementing partners	146 124	119 497
Commitments to transfer supplies to implementing partners	667 449	1 380 400
Total operating commitments	**2 714 791**	**3 197 534**
Total commitments	**2 726 476**	**3 205 207**

2. UNICEF operating lease agreements include cancellation clauses with 30-day notice periods. As a result, there is no disclosure of operating lease commitments in the table above.

Long-term agreements

3. UNICEF also has various long-term agreements with suppliers. The table below identifies the total remaining contract value on long-term agreements that remained open as at 31 December 2022.

(Thousands of United States dollars)

	2022	*2021*
Long-term agreements for goods	6 055 878	4 543 120
Long-term agreements for services	466 534	404 492
Total long-term agreements	**6 522 412**	**4 947 612**

Note 33
Contingencies

Contingent assets

1. During the year, UNICEF concluded contribution agreements where the total contribution value did not meet the definition of an asset. Those amounts are disclosed in these notes as contingencies until the asset recognition criteria are met or cash is received from the donor. The total amount of these contingent assets was $792.96 million as at 31 December 2022 (2021: $758.18 million).

Contingent liabilities

2. UNICEF has an irrevocable standby letter of credit of $3 million that is held as a security deposit by the landlord for the leased premises in New York. The letter of

credit is not collateralized with any UNICEF investments. UNICEF does not expect this letter of credit to be used by the third party.

3. UNICEF is subject to a variety of claims and suits that arise from time to time in the ordinary course of its operations. These claims are segregated in the following two main categories: third-party claims and human resources claims.

4. UNICEF received a claim for damage to rented premises in 2021. UNICEF has retained outside counsel to represent the organization in the arbitral proceedings. No provision has been recognized in these financial statements because it is not possible at the present time to assess the likelihood of success of that claim.

Note 34
Related parties

National Committees

1. National Committees, which constitute a unique category of UNICEF partners, were established for the purposes of advancing children's rights and well-being globally through resource mobilization, advocacy and other activities. Working as partners of UNICEF in their respective countries, National Committees are independent NGOs registered under the laws of their respective countries as charities, trusts, foundations or associations. National Committees are required by their statutes to have governing boards that have control over the resources that they raise. The relationship between the National Committees and UNICEF, as well as their use of its name and logo, are regulated by the recognition and cooperation agreements signed between UNICEF and each National Committee. National Committees are currently established in 33 countries.

2. As stipulated in the cooperation agreements, National Committees provide UNICEF with annual certified revenue and expenditure reports. These reports indicate the total contributions received by the National Committee, the amount withheld to cover the costs of National Committee activities or as reserves, and the net due to UNICEF.

A. Voluntary contribution revenue and receivables from National Committees

(Thousands of United States dollars)

	2022		*2021*	
	Revenue	*Receivables*	*Revenue*	*Receivables*
Voluntary cash contributions	2 214 105	439 849	1 733 644	469 135
Voluntary in-kind contributions	17 575	10 994	22 535	10 589
Total	**2 231 680**	**450 843**	**1 756 179**	**479 724**

3. Of the total voluntary cash contributions recorded as revenue in 2022, $680.33 million was from regular resources (2021: $715.18 million), $1.02 billion was from other resources – emergency (2021: $469.73 million) and $516.19 million was from other resources – regular (2021: $548.73 million). The voluntary in-kind contributions of $17.58 million (2021: $22.54 million) are composed of $13.95 million (2021: $17.58 million) in other resources – emergency and $3.63 million (2021: $4.96 million) in other resources – regular.

4. According to the revenue and expenditure reports submitted by the National Committees, total contributions received by the National Committees in 2022, excluding proceeds from licensing activities, were $2.70 billion (2021: $2.10 billion).

Of that amount, $466.26 million (2021: $448.58 million) was retained by the National Committees to cover the costs of their fundraising, advocacy and management and administration activities or as reserves. As a result, a total amount of $2.24 billion (2021: $1.65 billion) in net cash contributions was either transferred or due to be transferred to UNICEF from the National Committees.

5. In addition to the revenue and expenditure reports, National Committees prepare annual financial statements that are audited by independent certified auditors and are publicly available on the websites of the National Committees. These financial statements provide additional detail on the financial performance and financial position of the National Committees.

6. In accordance with the terms of the respective cooperation agreement with UNICEF, National Committees may establish reserves in order to comply with national laws and statutes as well as for other purposes. In the event of the liquidation of a National Committee, net assets, including reserves, would be transferred to UNICEF, subject to the provisions of the cooperation agreement, if legally permitted, or otherwise in accordance with national law and the statute of the Committee. The National Committees reported to UNICEF through their revenue and expenditure reports that the retained reserves as at 31 December 2022, based on their local accounting standards, stood at $259.32 million (2021: $252.50 million).

B. Supported deliveries

7. During the reporting period, UNICEF handled supported deliveries on behalf of third parties of $156.41 million (2021: $0.09 million). The deliveries were not reflected in the financial accounts of UNICEF, although they were handled through the administrative structures of the organization.

C. Key management personnel

8. The leadership structure of UNICEF is stratified into two main tiers:

(a) Executive: collectively, this tier of leadership consists of the first two levels within the hierarchy, an Under-Secretary-General (Executive Director) and four Assistant Secretaries-General (Deputy Executive Directors);

(b) Management: collectively, this tier of leadership consists of the third level within the hierarchy, the "head of office" of the global headquarters divisions and the regional offices;

(c) Close family members of key management personnel are presumed to be their spouses, domestic partners, children, grandchildren, brothers, sisters, parents, grandparents, or in-laws and relatives living in a common household as key management personnel, unless personal circumstances (e.g., estrangement) prevent the key management personnel from having influence over the close family member.

Remuneration paid to key management personnel

(Thousands of United States dollars)

	Number of individuals	*Salary and post adjustment*	*Other entitlements*	*2022*	*2021*
Key management personnel	33	7 606	3 782	11 388	10 087
Close family members	2	306	88	394	457
Total	**35**	**7 912**	**3 870**	**11 782**	**10 544**

9. The remuneration paid to key management personnel includes salary, post adjustment and other entitlements, such as assignment grants, the employer contribution to health insurance and the pension fund, dependency allowances, education grants, hardship, mobility and non-removal allowances, real estate agency reimbursements and representation allowances.

10. Key management personnel are also eligible for post-employment employee benefits such as after-service health insurance, end-of-service benefits and payment of unused annual leave. Actuarially valuated long-term and post-employment benefits obligations related to after-service health insurance, the repatriation grant and the death benefit, specific to key management personnel, comprised $7.99 million (2021: $10.00 million).

11. Contributions by UNICEF for key management personnel to the United Nations Joint Staff Pension Fund, a defined contribution plan, were $1.41 million (2021: $1.37 million).

12. Loans are referred to as "salary advances" at UNICEF. Salary advances are available to all UNICEF staff, including key management personnel, for specific purposes. At 31 December 2022, salary advances were nil (2021: $0.02 million).

13. There were no loans or advances granted to key management personnel that were not available to other categories of staff in accordance with the Staff Regulations and Rules of the United Nations.

D. United Nations programmes, funds and specialized agencies

14. UNICEF and other United Nations organizations work for and towards the enhancement of the efforts of the United Nations to achieve a better world for all. UNICEF is engaged extensively in the inter-agency financial and operating mechanisms of the United Nations, such as joint funding arrangements (multi-donor trust funds and joint programmes) and common services arrangements. Within joint funding mechanisms, United Nations organizations work together on activities to achieve a set of objectives. Each participating organization assumes its share of responsibilities related to planning, implementing, monitoring and evaluating activities.

E. Other related parties

Global Partnership for Education

15. The Global Partnership for Education, previously the Education for All – Fast Track Initiative, is a global programme partnership involving bilateral donors, regional and international agencies, including UNICEF, development banks and civil society organizations on the one hand, and low- and lower middle-income countries on the other. Its overall aim is to strengthen international efforts to ensure inclusive, equitable quality education for all by 2030. UNICEF plays a significant role within the Global Partnership for Education at both the global and country levels and is currently the coordinating agency for the local education group in 76 countries/ regions and the grant agent in 16 countries. UNICEF serves on the Board of Global Partnership for Education and has influenced the Partnership to support inclusion of countries in fragile contexts. Funds provided by the Global Partnership for Education, which are recorded in voluntary contributions in support of global and country-specific programmes, amount to $80.84 million (2021: $152.41 million).

Global Fund to Fight AIDS, Tuberculosis and Malaria

16. The Global Fund to Fight AIDS, Tuberculosis and Malaria was established in 2002 as a public-private partnership with the goal of raising, managing and disbursing additional resources to prevent and treat HIV and AIDS, tuberculosis and malaria. In

addition to the Global Fund's disease-specific funding, the Global Fund provides resources for the strengthening of health systems. Since the Global Fund's inception in 2002, UNICEF has been an active partner at the global and country levels. The funds provided by the Global Fund to Fight AIDS, Tuberculosis and Malaria, which are recorded in voluntary contributions in support of global and country-specific programmes, amount to $24.29 million (2021: $84.43 million).

Gavi, the Vaccine Alliance

17. Gavi, the Vaccine Alliance was launched in 2000 as a public-private global health partnership committed to increasing access to immunization in low-income countries. UNICEF holds 1 permanent seat, out of 28, on its Board of Directors and can also appoint 1 alternate Board member. UNICEF plays an important role in the provision of vaccines and immunization supplies for countries through the UNICEF Supply Division and provides technical assistance to Governments in the preparation of applications to the Alliance and the implementation of Alliance-supported programmes. A handling fee for the management of these procurement services is included within note 21, Other revenue.

18. As also disclosed in note 11, Procurement services-related assets, UNICEF holds funds of $1.96 billion (2021: $3.19 billion), which represent amounts deposited into an irrevocable escrow account for which UNICEF has security of interest and sole drawing rights based on the terms of the agreements. A corresponding liability is recorded in note 15, Funds held on behalf of third parties, and in note 16, Other liabilities, until UNICEF has fulfilled its obligations as agent of the partner.

19. UNICEF receives donations from Gavi, the Vaccine Alliance, for its own programmatic activities, which are recorded in voluntary contributions in support of global and country-specific programmes and amount to $358.44 million (2021: $313.53 million).

People that Deliver

20. People that Deliver is a global coalition established to strengthen the capacity of the health supply chain, including management of the Strategic Training Executive Programme (STEP 2.0) offered by Gavi, the Vaccine Alliance, the Global Fund to Fight AIDS, Tuberculosis and Malaria and the United States Agency for International Development (USAID) to increase supply chain efficiency and improve health outcomes for many countries struggling to access medicines and other health commodities. People that Deliver is governed by its coalition members, who represent Governments, international donors, multilateral agencies, NGOs, academic institutions, professional associations and private companies. UNICEF hosts the coalition's secretariat at the UNICEF Supply Division in Copenhagen and is also a coalition member.

Education Cannot Wait

21. Education Cannot Wait was established during the World Humanitarian Summit in 2016 by international humanitarian and development aid actors, along with public and private donors, to help reposition education as a priority on the humanitarian agenda, usher in a more collaborative approach among actors on the ground and foster additional funding to ensure that every crisis-affected child and young person is in school and learning. UNICEF holds 1 seat, out of 30, in the Education Cannot Wait high-level steering group. Funds provided by Education Cannot Wait, which are recorded in voluntary contributions in support of global and country-specific programmes, amount to $72.15 million (2021: $34.28 million).

Global Partnership to End Violence against Children

22. The Global Partnership to End Violence against Children was established in 2016 to provide financial support to programmes to achieve a world in which every child grows up free from violence. UNICEF holds 1 seat, out of 23, on the Board of Directors of the Global Partnership. Funds provided by the Global Partnership, which are recorded in voluntary contributions in support of global and country-specific programmes, amount to $7.03 million (2021: $2.65 million).

Sanitation and Water for All

23. Sanitation and Water for All is a multi-stakeholder partnership of Governments and their partners, whose mission is to eliminate inequalities in realizing the human rights to water and sanitation. The partnership focuses on the hardest-to-reach and most vulnerable individuals, communities, countries and regions. The Global Leadership Council is the high-level group of appointed Sanitation and Water for All leaders who advocate for and mobilize wider political commitment to the guiding principles and aims of the partnership. UNICEF has 1 seat, out of 6, on the Global Leadership Council and holds 2 seats, out of 30, on the Sanitation and Water for All steering committee.

Education Outcomes Fund

24. The Education Outcomes Fund was established to provide results-based financing in education, with the aim of improving the effectiveness of spending and transforming the lives of 10 million children and young people. UNICEF holds 1 seat, out of 13, in the Education Outcomes Fund high-level steering group.

Global Muslim Philanthropy Fund for Children

25. The Global Muslim Philanthropy Fund for Children is a joint initiative established by UNICEF and the Islamic Development Bank Group. It is a unique platform that caters to all forms of Islamic philanthropy, including *zakat* and *sadaqah*. The fund is specifically designed to harness the true potential of Islamic giving by financing life-saving humanitarian aid and responding to the child-related Sustainable Development Goals in the 57 member countries of the Organization of Islamic Cooperation. The Islamic Development Bank, UNICEF, the Abdul Aziz Al Ghurair Refugee Education Fund from the United Arab Emirates and the King Salman Humanitarian Aid and Relief Centre from Saudi Arabia have a seat on the Governing Council of the Fund.

Revenue realized from other related parties as at 31 December

(Thousands of United States dollars)

	2022	*2021*
Global Partnership for Education	80 836	152 411
Global Fund to Fight AIDS, Tuberculosis and Malaria	24 285	84 431
Gavi, the Vaccine Alliance	358 441	313 534
Education Cannot Wait	72 149	34 279
Global Partnership to End Violence against Children	7 028	2 652
Total	**542 739**	**587 307**

Note 35
Joint operations

1. UNICEF is a 50 per cent partner in Giga, a global activity established to connect every school to the Internet and every young person to information, opportunity and choice. Giga is not a separate legal entity but a joint activity co-led by UNICEF and the International Telecommunication Union through a memorandum of understanding.

Note 36
Events after the reporting date

1. Millions of children are in need of urgent humanitarian aid after two devastating earthquakes and numerous aftershocks hit South-East Türkiye and the Syrian Arab Republic on 6 February 2023. UNICEF is mobilizing resources and responses in a number of programmatic areas in both countries.

2. On 7 March 2023, UNICEF entered into a new insurance contract to insure cyclone risk in eight countries, namely, Bangladesh, Comoros, Fiji, Haiti, Madagascar, Mozambique, Solomon Islands and Vanuatu, in the event of a trigger event and damage incurred by the country, UNICEF will receive a predetermined payment of up to a maximum of $99.61 million to use for its programmatic response. The insurance premium has been funded by the donations specifically earmarked for that purpose.

3. In March 2023, Silvergate Bank, Silicon Valley Bank and Signature Bank failed within a span of four days. UNICEF did not have direct exposure to those United States banks, as it is the policy of the organization to invest in high-quality counterparties that have an AA- average portfolio rating and are larger and more diversified. UNICEF will continue to closely monitor the financial sector and credit default spread anomalies in the counterparties that it invests in.

Note 37
Segment information

1. A segment is a distinguishable activity or group of activities for which it is appropriate to report financial information separately. At UNICEF, segment information is based on the principal activities and sources of financing of the organization. For UNICEF, the relevant segments are labelled "Institutional", "Regular resources – programme", "Regular resources – non-programme", "Other resources – regular", "Other resources – emergency" and "Trust funds".

2. The segment report contains additional information on revenue and expenses incurred on an IPSAS accrual basis. UNICEF budgets are prepared and managed on a modified cash basis and expenditures incurred against approved budgets are presented in statement V on the same modified cash basis.

Institutional and regular resources segments

Revenue

3. Revenue included in these segments is defined as regular resources in the UNICEF Financial Regulations and Rules. Regular resources include unrestricted contributions, licensing income, management type contributions, allocations to the Working Capital Fund and proceeds from other revenue-producing activities and miscellaneous revenue.

4. The regular resources – programme segment includes voluntary contributions (non-exchange revenue) and the retention for private sector fundraising. Contributions towards management initiatives such as greening and accessibility and contributions towards UNICEF local costs, contributions towards the repayment of

the forward flow arrangements with the World Bank, and the cost of private sector fundraising are presented under regular resources – non-programme.

5. The institutional segment includes internal inter-segment cost recovery and direct attribution, such as warehouse overhead and centrally managed costs. Also included is investment revenue, licensing income, exchange revenue, such as interest, and proceeds from sales.

Activities

6. The institutional segment includes UNICEF headquarters and central support functions. Headquarters and central functions provide business support in a number of areas, including communications, finance and accounting, treasury services, management of after-service health insurance, human resources, information technology, legal services, travel, asset management and security, and donor-related activities. The central functions also process transactions, manage data and provide other services.

7. The major categories of expenses within the institutional segment include salaries and other employee benefits, occupancy and related costs, depreciation of assets and expenses related to the after-service health insurance, and investment funds for the development of private sector fundraising activities.

8. The institutional segment includes assets and liabilities that are linked to the overall UNICEF mandate and are not easily allocated to other segments. The main categories of assets included in this segment are cash, investments and centrally managed land and buildings. Also included is the inventory maintained in the central warehouses. The main liability is for after-service health insurance.

9. The regular resources – programme segment includes activities described in programme documents. These activities are funded from the country programmes and the advocacy, programme development and intercountry programme.

10. The majority of categories of expense within this segment include the utilization of cash assistance transferred to implementing partners, programme supplies delivered to implementing partners, programme-related expert services, employee benefits and local country office rental costs.

11. Major categories of assets are regular resources contributions receivable, inventories and advances of cash assistance, which are funded from the country programmes and the advocacy, programme development and intercountry programme.

12. The regular resources – non-programme segment includes country office fundraising activities and UNICEF management costs, such as the Junior Professional Officers working in headquarters divisions and funded from the headquarters initiatives, greening and accessibility activities and local costs of UNICEF offices that are not programme-related.

13. The combined net assets of the institutional and regular resources segments represent the total regular resources fund balance. This is presented combined, as the regular resources fund is managed as one pool from which allocations are made to institutional and programmatic activities based on affordability. Unused funds from the institutional segment are returned to regular resources.

Other resources – regular and other resources – emergency segments

Revenue

14. The other resources – regular segment includes funds contributed to UNICEF by Governments, intergovernmental organizations, NGOs and the United Nations

system for specific purposes within the programmes approved by the UNICEF Executive Board.

15. The other resources – emergency segment includes humanitarian emergency contributions and contributions from development agencies received for specific humanitarian programmatic activity.

Activities

16. These segments include activities described in programme documents. The majority of categories of expense within these two segments include the utilization of cash assistance transferred to implementing partners, programme supplies delivered to implementing partners, programme-related expert services and employee benefits. In addition, these segments are charged a cost recovery fee, which is eliminated in the "inter-segment" column in the report on the segment.

17. Major categories of assets are earmarked contributions receivable, advances of cash assistance to implementing partners and inventories of programme supplies held for distribution, which are funded from the country programmes and the advocacy, programme development and intercountry programme.

18. The fund balance is recorded at the level of individual donor agreements within the accounting records of UNICEF and represents unused funds to be used in a future period for programme implementation activities. At the conclusion of the activities, unspent balances are either returned to the donor or reprogrammed, as permitted under the donor agreement.

Trust fund segment

19. The trust fund segment includes activities defined by the Financial Regulations and Rules as special accounts. The fund balance is maintained separately and is accounted for as funds held on behalf of third parties. Procurement services represent the primary component of activities within the trust fund segment. In addition to special accounts, the trust fund segment includes UNICEF-hosted funds where UNICEF is providing management services as an agent and assets of the funds are held in trust.

20. For each trust fund, a determination is made as to whether UNICEF has control over the activity as determined by the organization's accounting policy. Where control is established, the accounting policy for exchange revenue and recording of expense is applied. Otherwise, they are accounted for as agency arrangements, and all cash inflows and outflows are netted together in a liability account. The fee charged by UNICEF to manage the activities is recorded as other revenue within the trust fund segment.

21. This segment also contains other smaller grants managed in similar fashion to trust funds, such as guesthouses managed for UNICEF staff members and contractors in volatile locations where commercial alternatives are not available. Revenue from these guest houses is used solely for maintenance and upkeep of the mentioned guests houses.

A. Segment information on assets and liabilities by fund type

(Thousands of United States dollars)

	Regular resources			*Other resources*			
	Institutional	*Non-programme*	*Programme*	*Regular programme*	*Emergency programme*	*Trust funds*	*2022*
Segment assets							
Current segment assets							
Cash and cash equivalents[a]	1 008 802	–	–	–	–	–	1 008 802
Inter-segment activity[b]	(8 159 875)	64 557	–	4 007 467	1 527 393	2 560 458	–
Contributions receivable	–	2 281	330 966	1 887 013	1 498 743	–	3 719 003
Advances of cash assistance	–	–	82 740	538 115	427 019	–	1 047 874
Inventories	–	–	141 990	269 255	273 027		684 272
Investments	5 223 008	–	–	–	–	–	5 223 008
Procurement services-related assets	–	–	–	–	–	1 956 041	1 956 041
Other assets	13 950	2 123	78 275	43 806	43 655	48 011	229 820
Total current segment assets	**(1 914 115)**	**68 961**	**633 971**	**6 745 656**	**3 769 837**	**4 564 510**	**13 868 820**
Non-current segment assets							
Contributions receivable	–	286	203 595	803 468	131 682	–	1 139 031
Investments	3 735 680	–	–	–	–	–	3 735 680
Property and equipment	181 132	2 682	30 384	6 962	12 452	381	233 993
Other assets	2 938	–	108	27	18	–	3 091
Total non-current segment assets	**3 919 750**	**2 968**	**234 087**	**810 457**	**144 152**	**381**	**5 111 795**
Total segment assets, 2022	**2 005 635**	**71 929**	**868 058**	**7 556 113**	**3 913 989**	**4 564 891**	**18 980 615**
Total segment assets, 2021	**2 417 752**	**29 966**	**771 280**	**6 782 364**	**2 904 190**	**6 126 133**	**19 031 685**

[a] For both risk management and efficiency reasons, all cash and investments are held and managed centrally and are therefore included within the institutional segment.
[b] The inter-segment activity represents the cash held centrally as explained under (a) at the end of the year relating to other segments reflected in the correct segments.

A. Segment information on assets and liabilities by fund type (continued)

(Thousands of United States dollars)

	Regular resources			*Other resources*			
	Institutional	*Non-programme*	*Programme*	*Regular programme*	*Emergency programme*	*Trust funds*	*2022*
Segment liabilities							
Current segment liabilities							
Accounts payable and accrued liabilities	73 547	2 806	18 672	87 681	97 232	748 587	1 028 525
Funds held on behalf of third parties	–	–	–	–	–	3 347 601	3 347 601
Other liabilities	133 056	342	720	10 128	5 574	255 908	405 728
Employee benefits	187 015	–	–	–	–	–	187 015
Provisions	–	–	–	26 094	22 004	–	48 098
Total current segment liabilities	**393 618**	**3 148**	**19 392**	**123 903**	**124 810**	**4 352 096**	**5 016 967**
Non-current segment liabilities							
Other liabilities	65 539	2 269	–	–	–	79 921	147 729
Employee benefits	1 454 492	–	–	–	–	–	1 454 492
Total non-current segment liabilities	**1 520 031**	**2 269**	**–**	**–**	**–**	**79 921**	**1 602 221**
Total segment liabilities, 2022	**1 913 649**	**5 417**	**19 392**	**123 903**	**124 810**	**4 432 017**	**6 619 188**
Total segment liabilities, 2021	**2 442 298**	**5 009**	**14 161**	**82 350**	**59 337**	**6 100 681**	**8 703 836**

A. Segment information on assets and liabilities by fund type (continued)

(Thousands of United States dollars)

		Other resources			
	Total regular resources	*Regular programme*	*Emergency programme*	*Trust funds*	*2022*
Net assets, 1 January 2022	**757 530**	**6 700 014**	**2 844 853**	**25 452**	**10 327 849**
Surplus for the year	139 020	732 196	944 326	39 373	1 854 915
Actuarial gains recognized directly in the reserves	487 831	–	–	–	487 831
Changes in fair value of available-for-sale financial assets	(309 168)	–	–	–	(309 168)
Changes in segment presentation – reserve transfer[c]	(68 049)	–	–	68 049	–
Net assets, 31 December 2022	**1 007 164**	**7 432 210**	**3 789 179**	**132 874**	**12 361 427**
Net assets, 31 December 2021	**757 530**	**6 700 014**	**2 844 853**	**25 452**	**10 327 849**

[c] The reserve transfer was processed to reflect historical trust fund activities under regular resources. The presentation for the trust fund segment was amended from 2022 onwards to include all trust fund-related balances that were earlier accumulated under the regular resources net asset segment.

B. Segment information on revenue and expenses by fund type

(Thousands of United States dollars)

	Regular resources			Other resources				
	Institutional	*Non-programme*	*Programme*	*Regular programme*	*Emergency programme*	*Trust funds*	*Eliminations/ inter-segment transactions*	*2022*
Segment revenue								
Voluntary contributions	–	115 178	1 204 532	4 345 160	4 354 706	–	–	10 019 576
Other revenue	11 524	–	–	659	830	181 628	–	194 641
Investment revenue	114 838	–	–	–	–	–	–	114 838
Internal cost recovery	472 233	–	–	–	–	–	(472 233)	–
Procurement services cost recovery	8 060	–	–	–	–	–	(8 060)	–
Internal direct attribution	178 948	–	–	–	–	–	(178 948)	–
Total segment revenue, 2022	**785 603**	**115 178**	**1 204 532**	**4 345 819**	**4 355 536**	**181 628**	**(659 241)**	**10 329 055**
Total segment revenue, 2021	**594 804**	**90 144**	**1 488 502**	**3 661 168**	**3 054 239**	**206 886**	**(526 157)**	**8 569 586**
Segment expenses								
Cash assistance	–	–	240 736	1 549 129	1 588 399	–	–	3 378 264
Transfer of programme supplies	–	–	98 456	698 330	762 795	–	–	1 559 581
Employee benefits	657 468	19 928	334 913	422 998	310 347	46 410	–	1 792 064
Programme-related expert services	–	–	67 896	358 806	157 091	–	–	583 793
Occupancy and related costs	131 869	33 099	78 216	104 684	117 206	16 959	–	482 033
Investment funds for development of private sector fundraising	103 198	27 386	–	–	–	–	–	130 584
Depreciation and amortization	10 244	350	6 969	1 500	3 084	99	–	22 246
Other expenses	78 731	12 834	128 411	478 150	475 066	78 703	(659 241)	592 654
Total segment expenses, 2022	**981 510**	**93 597**	**955 597**	**3 613 597**	**3 413 988**	**142 171**	**(659 241)**	**8 541 219**
Total segment expenses, 2021	**1 068 625**	**84 172**	**904 942**	**3 131 173**	**2 296 218**	**176 958**	**(526 157)**	**7 135 931**
Gains and (losses), net 2022	63 716	(26)	721	(26)	2 778	(84)	–	67 079
Gains and (losses), net 2021	72 580	(87)	787	166	(197)	23	–	73 272
Net surplus/(deficit), 2022	**(132 191)**	**21 555**	**249 656**	**732 196**	**944 326**	**39 373**	**–**	**1 854 915**
Net surplus/(deficit), 2021	**(401 241)**	**5 885**	**584 347**	**530 161**	**757 824**	**29 951**	**–**	**1 506 927**

C. Segment information on expenses by region

(Thousands of United States dollars)

	Regular resources			Other resources				
	Institutional	*Non-programme*	*Programme*	*Regular programme*	*Emergency programme*	*Trust funds*	*Eliminations/ inter-segment transactions*	*2022*
Cash assistance								
East Asia and the Pacific	–	–	11 653	79 396	44 712	–	–	135 761
Europe and Central Asia	–	–	10 332	65 784	453 584	–	–	529 700
Eastern and Southern Africa	–	–	61 504	370 008	192 516	–	–	624 028
Headquarters	–	–	11 696	8 220	8 209	–	–	28 125
Latin America and the Caribbean	–	–	7 820	51 944	89 583	–	–	149 347
Middle East and North Africa	–	–	22 436	423 033	324 063	–	–	769 532
South Asia	–	–	33 354	233 795	292 573	–	–	559 722
Western and Central Africa	–	–	81 941	316 949	183 159	–	–	582 049
Total cash assistance	**–**	**–**	**240 736**	**1 549 129**	**1 588 399**	**–**	**–**	**3 378 264**
Transfer of programme supplies								
East Asia and the Pacific	–	–	5 118	50 557	40 220	–	–	95 895
Europe and Central Asia	–	–	892	35 047	99 030	–	–	134 969
Eastern and Southern Africa	–	–	21 874	162 539	143 996	–	–	328 409
Headquarters	–	–	16 798	12 005	4 092	–	–	32 895
Latin America and the Caribbean	–	–	3 681	7 116	43 953	–	–	54 750
Middle East and North Africa	–	–	5 579	188 449	158 905	–	–	352 933
South Asia	–	–	12 093	93 792	132 056	–	–	237 941
Western and Central Africa	–	–	32 421	148 825	140 543	–	–	321 789
Total transfer of programme supplies	**–**	**–**	**98 456**	**698 330**	**762 795**	**–**	**–**	**1 559 581**

C. Segment information on expenses by region (continued)

(Thousands of United States dollars)

	Regular resources			*Other resources*				
	Institutional	*Non-programme*	*Programme*	*Regular programme*	*Emergency programme*	*Trust funds*	*Eliminations/ inter-segment transactions*	*2022*
Employee benefits								
East Asia and the Pacific	29 705	6 181	26 570	45 885	15 738	–	–	124 079
Europe and Central Asia	29 116	880	11 418	18 492	23 946	–	–	83 852
Eastern and Southern Africa	49 156	–	81 768	85 100	50 147	73	–	266 244
Headquarters	411 548	584	30 219	56 094	24 899	46 113	–	569 457
Latin America and the Caribbean	35 904	10 616	13 784	21 260	25 730	32	–	107 326
Middle East and North Africa	34 753	–	18 894	76 850	77 860	–	–	208 357
South Asia	22 095	1 644	53 624	43 102	41 876	–	–	162 341
Western and Central Africa	45 191	23	98 636	76 215	50 151	192	–	270 408
Total employee benefits	**657 468**	**19 928**	**334 913**	**422 998**	**310 347**	**46 410**	**–**	**1 792 064**
Programme-related expert services								
East Asia and the Pacific	–	–	3 915	17 103	10 094	–	–	31 112
Europe and Central Asia	–	–	2 030	16 900	5 619	–	–	24 549
Eastern and Southern Africa	–	–	13 066	85 027	26 848	–	–	124 941
Headquarters	–	–	4 243	22 683	9 164	–	–	36 090
Latin America and the Caribbean	–	–	5 688	16 186	13 924	–	–	35 798
Middle East and North Africa	–	–	4 874	49 805	36 934	–	–	91 613
South Asia	–	–	16 382	93 390	28 814	–	–	138 586
Western and Central Africa	–	–	17 698	57 712	25 694	–	–	101 104
Total programme-related expert services	**–**	**–**	**67 896**	**358 806**	**157 091**	**–**	**–**	**583 793**

C. Segment information on expenses by region (continued)

(Thousands of United States dollars)

	Regular resources			Other resources				
	Institutional	*Non-programme*	*Programme*	*Regular programme*	*Emergency programme*	*Trust funds*	*Eliminations/ inter-segment transactions*	*2022*
Occupancy and related costs								
East Asia and the Pacific	3 193	2 002	4 396	9 405	4 918	93	–	24 007
Europe and Central Asia	5 340	1 744	2 122	72	18 976	257	–	28 511
Eastern and Southern Africa	8 587	2 366	18 610	25 886	25 714	4 651	–	85 814
Headquarters	90 192	12 966	648	4 293	2 675	5 527	–	116 301
Latin America and the Caribbean	6 512	5 569	3 073	5 294	8 288	475	–	29 211
Middle East and North Africa	3 594	1 519	5 134	23 484	23 699	3 869	–	61 299
South Asia	5 941	445	11 874	19 598	18 238	1 250	–	57 346
Western and Central Africa	8 510	6 488	32 359	16 652	14 698	837	–	79 544
Total occupancy and related costs	**131 869**	**33 099**	**78 216**	**104 684**	**117 206**	**16 959**	**–**	**482 033**
Investment funds for development of private sector fundraising								
East Asia and the Pacific	–	14 967	–	–	–	–	–	14 967
Europe and Central Asia	–	785	–	–	–	–	–	785
Headquarters	103 198	1 104	–	–	–	–	–	104 302
Latin America and the Caribbean	–	8 574	–	–	–	–	–	8 574
South Asia	–	1 956	–	–	–	–	–	1 956
Total investment funds for development of private sector fundraising	**103 198**	**27 386**	**–**	**–**	**–**	**–**	**–**	**130 584**

C. Segment information on expenses by region (continued)

(Thousands of United States dollars)

	Regular resources			Other resources				
	Institutional	*Non-programme*	*Programme*	*Regular programme*	*Emergency programme*	*Trust funds*	*Eliminations/ inter-segment transactions*	*2022*
Depreciation and amortization								
East Asia and the Pacific	865	7	438	243	13	–	–	1 566
Europe and Central Asia	324	2	105	11	207	–	–	649
Eastern and Southern Africa	918	–	1 921	343	663	16	–	3 861
Headquarters	4 523	341	400	6	5	51	–	5 326
Latin America and the Caribbean	588	–	201	34	211	–	–	1 034
Middle East and North Africa	914	–	604	242	1 244	10	–	3 014
South Asia	946	–	1 031	295	282	–	–	2 554
Western and Central Africa	1 166	–	2 269	326	459	22	–	4 242
Total depreciation and amortization	**10 244**	**350**	**6 969**	**1 500**	**3 084**	**99**	**–**	**22 246**
Other expenses								
East Asia and the Pacific	2 222	2 992	7 896	34 213	19 099	–	–	66 422
Europe and Central Asia	3 194	492	5 773	26 217	72 457	64	–	108 197
Eastern and Southern Africa	3 040	50	17 735	90 172	63 574	(31)	–	174 540
Headquarters	59 514	3 687	53 417	98 988	101 238	78 354	(659 241)	(264 043)
Latin America and the Caribbean	4 130	5 114	7 147	29 367	31 542	19	–	77 319
Middle East and North Africa	2 014	123	5 063	80 294	80 559	104	–	168 157
South Asia	1 695	361	9 491	51 208	60 671	102	–	123 528
Western and Central Africa	2 922	15	21 889	67 691	45 926	91	–	138 534
Total other expenses	**78 731**	**12 834**	**128 411**	**478 150**	**475 066**	**78 703**	**(659 241)**	**592 654**

C. Segment information on expenses by region (continued)

(Thousands of United States dollars)

	Regular resources			Other resources				
	Institutional	*Non-programme*	*Programme*	*Regular programme*	*Emergency programme*	*Trust funds*	*Eliminations/ inter-segment transactions*	*2022*
Segment expenses by region								
East Asia and the Pacific	35 985	26 149	59 986	236 802	134 794	93	–	493 809
Europe and Central Asia	37 974	3 903	32 672	162 523	673 819	321	–	911 212
Eastern and Southern Africa	61 701	2 416	216 478	819 075	503 458	4 709	–	1 607 837
Headquarters	668 975	18 682	117 421	202 289	150 282	130 045	(659 241)	628 453
Latin America and the Caribbean	47 134	29 873	41 394	131 201	213 231	526	–	463 359
Middle East and North Africa	41 275	1 642	62 584	842 157	703 264	3 983	–	1 654 905
South Asia	30 677	4 406	137 849	535 180	574 510	1 352	–	1 283 974
Western and Central Africa	57 789	6 526	287 213	684 370	460 630	1 142	–	1 497 670
Total segment expenses by region	**981 510**	**93 597**	**955 597**	**3 613 597**	**3 413 988**	**142 171**	**(659 241)**	**8 541 219**

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