A/76/5/Add.3

United Nations

United Nations Children's Fund

Financial report and audited financial statements

for the year ended 31 December 2020

and

Report of the Board of Auditors

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

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United Nations • New York, 2021

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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[22 July 2021]

Contents

Letters of transmittal

Letter dated 28 May 2021 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 2020. 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*) Henrietta H. **Fore**
Executive Director

Letter dated 22 July 2021 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 2020.

(*Signed*) Jorge **Bermúdez**
Comptroller General of the Republic of Chile
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 2020 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 2020 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. 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 2020, 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 realistic 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*) Jorge **Bermúdez**
Comptroller General of the Republic of Chile
Chair of the Board of Auditors
(Lead Auditor)

(*Signed*) Kay **Scheller**
President of the German Federal Court of Auditors

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

22 July 2021

Chapter II
Long-form report of the Board of Auditors

Summary

The Board of Auditors audited the financial statements and reviewed the operations of the United Nations Children's Fund (UNICEF) for the year ended 31 December 2020. The interim audit was carried out remotely from Santiago, owing to the coronavirus disease (COVID-19) pandemic. The interim audit was performed at United Nations Headquarters from 26 October to 20 November 2020; at the West and Central Africa Regional Office in Senegal and the country office in Nigeria from 11 January to 5 February 2021; and at the Global Shared Service Centre in Budapest and at the Supply Division offices in Copenhagen from 8 February to 12 March 2021. The final audit of financial statements was carried out remotely from Santiago from 5 April to 14 May 2021. The audit was conducted as part of the audit of the financial statements for the year ended 31 December 2020 and was in conformity with article VII of the Financial Regulations and Rules of the United Nations and the annex thereto, as well as the International Standards on Auditing. A summary of the Board's conclusions, key findings and recommendations is presented below.

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 2020 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards. 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 action taken in response to recommendations made in previous years.

Audit opinion

The Board issued an unqualified audit opinion on the financial statements for the period under review, as reflected in chapter I.

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 2020. However, the Board identified scope for improvement in the areas of programme management, voluntary contributions (public), implementing partners, budget management, procurement management, human resources and general controls of information and communications technology.

Key findings

Recording of agreements in VISION

The Board noted grants recorded in VISION after the cash had been received. There were also, among others, cases in which the agreement was signed in 2019 and cash was received in the same year, even though the grant was created in 2020, and a case in which corrections in VISION for a fund allocated to a different country office had taken several months to implement.

Execution of assurance activities

The Board reviewed a sample of 61 implementing partners that reported $82.99 million in expenses for 2020. In the sample, high-risk implementing partners with expenses above $50,000 were considered. The Board noted that 28 of the 61 implementing partners had an average delay of 340 days in executing assurance activities since the expenses were posted. Likewise, for 17 of the 28 cases observed, financial assurance had been postponed until 2021.

Follow-up on findings from assurance activities at the West and Central Africa Regional Office

The Board reviewed the action points module, in particular the action points from the country offices of the West and Central Africa Regional Office. There were 290 high-priority action points, from 2016 to 2020, resulting from the financial assurance module on eTools that had not been fulfilled as at 31 December 2020. In addition, 61 per cent of them, representing 178 action points, were overdue by more than six months.

Forecasting of essential strategic commodities at the Supply Division

The Board performed a revision of the annual forecasting process coordinated by the Supply Division and country and/or regional offices as at 31 December 2020. The forecasting of vaccines for 96 countries, immunization devices for 80 countries, ready-to-use therapeutic food for 81 countries and long-lasting insecticidal nets for 32 countries were analysed, and significant variations were detected between forecasts and deliveries.

Regulatory framework and repository on level 1 emergencies

The Board observed that UNICEF had not developed a dedicated regulatory framework for level 1 emergencies to provide organization-wide guidance on their formal activation and deactivation mechanism. In addition, the Board noted that UNICEF did not have consolidated, up-to-date information concerning current and historical level 1 emergencies.

Main recommendations

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

Recording of agreements in VISION

(a) **Update its policy on revenue recognition with regard to accounting for joint programmes and define the point at which it controls the non-exchange assets related to trust fund or joint programme arrangements;**

(b) **Disclose the agreements for joint programming in which asset recognition criteria have not been met as contingent assets in the financial statements;**

(c) **Develop a solution to track the submission of signed agreements and enhance the monitoring of their timely registration;**

Execution of assurance activities

(d) **Establish a clear time frame for initiating and finalizing the different assurance activities in order to ensure their timely execution, using as a reference when expenses are posted in the system after the funding authorization and certification of expenditure form has been approved;**

(e) **Develop a workplan with the aim of ensuring that the expenses reported by implementing partners are reviewed in a timely manner, and that the required financial assurance is completed no later than the first quarter of the following year after the expenses have been reported to UNICEF;**

Follow-up on findings from assurance activities at the West and Central Africa Regional Office

(f) **Ensure that the West and Central Africa Regional Office identifies the reasons for delays in the closure of overdue action points resulting from the harmonized approach to cash transfer financial assurance activities and takes corrective action, along with the country offices, in order to ensure the closure in 2021 of the 290 high-priority open items identified;**

(g) **Ensure that the West and Central Africa Regional Office takes preventive measures in order to ensure that the high-priority action points that are related to implementing partnership management are closed within a year of their creation;**

(h) **Ensure that the Division of Data, Analytics, Planning and Monitoring, together with regional offices, develop a methodology for the efficient oversight of high-priority findings emerging from the closure of the harmonized approach to cash transfer framework assurance activities and enhance the eTools platform in order to support effective closure of overdue action points by country offices;**

Forecasting of essential strategic commodities forecasting at the Supply Division

(i) **Ensure that the Supply Division strengthens, in coordination with country and regional offices, the forecasting procedure and considers adjusting the forecasts in a timely manner in order to reflect the significant variances that may occur.**

Regulatory framework and repository on Level 1 emergencies

(j) **Ensure that the headquarters office in New York formalizes the new emergency procedures, which must include regulations for level 1 emergencies, in order to strengthen the governance of the emergency system, providing clear orientation on activation steps, criteria for deactivation, responsibilities, accountability and decision-making;**

(k) **Establish a formal repository or list with level 1 emergencies in order to facilitate access to information on those emergencies for all levels at UNICEF.**

Follow-up of previous recommendations

The Board noted that there were 96 outstanding recommendations up to the year ended 31 December 2020, of which 72 (75 per cent) had been fully implemented, 22 (23 per cent) were under implementation and 2 had been overtaken by events. Details on the status of implementation of the previous years' recommendations are provided in the annex to chapter II.

Key facts	
$7.55 billion	Revenue and other gains
$6.40 billion	Expenses
$1.22 billion	Surplus for the year
$13.02 billion	Assets
$4.12 billion	Liabilities
$8.90 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. 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 2020 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. As mentioned, the audit was carried out remotely owing to travel restrictions following the COVID-19 pandemic. The Board adjusted its processes of analysis and utilized alternative audit procedures to obtain reasonable assurance. It is the Board's view that the remote audit was performed as an exception under unique circumstances and should not be viewed as a standard occurrence in future audits.

5. 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 this Board's report. The Board presents below the main findings and conclusions arising from the audit.

B. Findings and recommendations

1. Follow-up of previous recommendations

6. The Board noted that there were 96 outstanding recommendations up to the year ended 31 December 2019, of which 72 (75 per cent) had been fully implemented, 22 (23 per cent) were under implementation and 3 (2 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 2019*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*	*Recommendations pending as at 31 December 2020*
A/69/5/Add.3, chap. II (2013)	17	1	1	–	–	–	–
A/71/5/Add.3, chap. II (2015)	22	2	2	–	–	–	–
A/72/5/Add.3, chap. II (2016)	36	5	4	1	–	–	1
A/73/5/Add.3, chap. II (2017)	36	7	6	1	–	–	1
A/74/5/Add.3, chap. II (2018)	48	26	21	5	–	–	5
A/75/5/Add.3, chap. II (2019)	48	55	38	15	–	2	15
Total	**207**	**96**	**72**	**22**	**–**	**2**	**22**

7. The Board considers that implementing 72 recommendations in an audit period reflects a solid commitment from UNICEF to improve its management. However, there remain a few long-standing recommendations that are being implemented. In this regard, the Board expects UNICEF to further expedite its efforts on this matter, especially regarding the recommendation dating from 2016, which remains under implementation and refers to the formulation of risk tolerance and risk appetite at appropriate operational levels. In addition, the Board expects further efforts on the recommendation dating from 2017 with regard to the compatibility and customization process of VISION with travel certifications.

2. Financial overview

8. The coronavirus disease (COVID-19) pandemic affected UNICEF in different ways, such as the need to adjust the implementation of its Strategic Plan, 2018–2021, the achievement of the Sustainable Development Goals, adjustments to internal processes, programme and project management modifications, and financial impacts.

9. With regard to programme management, existing funds were used to respond to the pandemic and programmes at the country level were adapted. The temporary closure of services had an impact on important programmes that deal with health, nutrition, education, child protection, water and sanitation. Such impacts are being evaluated.

10. With respect to financial impacts, a significant increase in voluntary contributions received during 2020 was observed, resulting in a net surplus for the year 2020 of $1.22 billion (2019: $0.19 billion). The surplus relates in large part to other resources earmarked for the pandemic response.

11. Revenue for 2020 was $7.55 billion, an increase of $1.14 billion compared with 2019 (2019: $6.41 billion). A total of $1.10 billion of the increase was attributable mainly to a high number of contributions to programmatic activities supporting the pandemic response. Expenses for 2020 were $6.40 billion (2019: $6.26 billion). The increase in expenses was attributable mainly to an increase in the transfer of programme supplies ($164.11 million) and an increase in employee benefits ($138.24 million).

12. The ratio of total assets to total liabilities was 3.16, which is lower than the ratio of 3.25 in 2019 and indicates strong solvency. The current ratio was 4.19, which showed high liquidity and indicates that UNICEF was in a comfortable position with regard to its short-term commitments at the end of 2020. Although all ratios have shown a decrease compared with the previous year, UNICEF remains in a very comfortable and solvent position. The financial ratios of UNICEF over the past four years are set out in table II.2.

Table II.2
Financial ratios

Description of ratio	*2020*	*2019*	*2018*	*2017*
Total assets: total liabilities[a]				
Assets: liabilities	3.16	3.25	3.46	2.96
Current ratio[b]				
Current assets: current liabilities	4.19	4.51	5.45	4.58
Quick ratio[c]				
(Cash + short-term investments + accounts receivable): current liabilities	3.10	3.43	4.29	3.55
Cash ratio[d]				
(Cash + short-term investments): current liabilities	1.84	2.20	2.90	2.56

Source: UNICEF financial statements.

[a] A high ratio is a good indicator of solvency.

[b] A high ratio indicates an entity's ability to pay off its short-term 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 by measuring the amount of cash, cash equivalents or invested funds in current assets to cover current liabilities.

13. In 2020, an increase of 16.51 per cent was noticed in total assets compared with 2019. As at 31 December 2020, UNICEF had total assets of $13.02 billion (2019: $11.17 billion), consisting mainly of investments of $5.79 billion (2019: $4.73 billion), contributions receivable of $3.69 billion (2019: $3.33 billion) and inventory of $0.76 billion (2019: $0.38 billion). The total liabilities of UNICEF also saw an increase of 19.67 per cent and stood at $4.12 billion as at 31 December 2020 (2019: $3.44 billion). The amount of $1.89 billion of total liabilities (45.84 per cent) was represented by employee benefits (2019: $1.63 billion). Long-term employee benefits liabilities were $1.71 billion (2019: $1.50 billion), representing 97.34 per cent of the total non-current liabilities of $1.76 billion as at 31 December 2020.

3. Voluntary contributions

Recording of agreements in VISION

14. It is indicated in paragraph 31 of IPSAS 23: Revenue from non-exchange transactions (taxes and transfers) that an inflow of resources from a non-exchange transaction, other than in-kind services, which meets the definition of an asset shall be recognized as an asset when: (a) it is probable that the future economic benefits will flow to the organization; and (b) the fair value can be measured reliably.

15. In that regard, UNICEF established in paragraph 16 of its IPSAS policy position on non-exchange revenue recognition, effective from 1 January 2018, that “UNICEF controls a non-exchange asset at the earlier of receipt of documented enforceable right to the future delivery of an asset, or upon delivery of the asset (such as a cash receipt)”.

16. With regard to the grant creation process, it is stated in the UNICEF instruction on the grant creation process for public sector contributions, dated 22 February 2019, that “all expected public-sector contributions with a signed agreement between UNICEF and the donor or the receipt of a pledge letter acknowledging the contribution must be recorded by UNICEF”. In order to do so, the Public Partnerships Division of UNICEF must request a new grant creation, given that the Division is responsible for the negotiation of new grants, the management of existing grants and interfacing with donors (even though it is not mentioned in the instruction that country offices are also part of the process and negotiate and sign agreements). The Division must submit a grants management service request to the UNICEF Global Shared Service Centre, which is responsible for grants creation and grant amendment updates in VISION for all Division donors.

17. Moreover, in the UNICEF instruction on the grants management service description, consulted by the Board in March 2021, “grant creation and grant amendment are two key processes in the revenue recognition cycle of UNICEF. Recording grants and keeping grant details up to date in VISION enables assigning budgets to country offices and programmes”.

18. The Board performed a review of the UNICEF grant creation process and compared the date of signature of all new agreements for the public sector from 1 January to 31 December 2020 with the corresponding requests for approval date for grant creation made to the Global Shared Service Centre. The period between the signature and the request for grant creation for 1,531 new agreements was as shown in table II.3.

Table II.3
Number of days between agreement signature and grant creation request

Number of days	*Number of agreements*
Fewer than 30	1 244
30 to 59	136
60 to 89	77
90 to 119	42
120 to 259	31
More than 260	1
Total	**1 531**

Source: Board analysis of information provided by UNICEF.

19. Of those 1,531 agreements, the Board analysed 74 that had a period of more than 90 days between the signature of the agreement and the grant creation request and observed the following:

(a) In 45 cases, the transactions were recorded in VISION after the cash had been received. All 45 grant agreements were related to joint programmes or multi-donor trust funds;

(b) In 1 case, cash had been received before the agreement signature and was recorded in VISION 104 days later;

(c) In 1 case, there was no agreement, proposal or official receipt uploaded in VISION;

(d) A total of 4 cases lacked the official receipt document that must be issued to inform counterparts of reception of the money;

(e) In 3 cases, an email was sent by the Global Shared Service Centre requesting the agreements when the money was received; however, it was not possible to allocate it to any grant;

(f) Although 4 grants presented reception of the money and agreements in 2019, they were recorded in 2020;

(g) In 1 case, the fund was destined for a country office; however, it was assigned to another one. The accounting correction by UNICEF took several months following detection of the case, even after the end of the agreement;

(h) In 1 case, the agreement was signed on 13 September 2019, the project duration was from 1 April to 31 December 2019, and the money was received on 13 November 2019. However, the fund could not be utilized because it was not recorded in VISION owing to delays in the settlement of an issue related to cost recovery. (The agreement detailed a 7 per cent rate of cost recovery, even though the allowable rate is 8 per cent.) Once the authorization of the 7 per cent rate was received on 18 June 2020, the extension was signed on 13 July, taking 10 months for UNICEF to settle the issue;

(i) In 1 case, the agreement was signed on 5 September 2019 and the money was received on 24 April 2020. Up until that date, UNICEF did not have the documentation in the system. An email was sent on 19 May 2020 in which it was pointed out that, although related information had been requested from the country office, no response was received as at that date;

(j) The Board noted that, in 10 cases, the official receipt documents presented delays in their issuance, ranging from 30 to 250 days.

20. The Board considers that recording agreements in VISION after the cash is received could result in, among others, the following risks:

(a) Tracking of accounts receivable could be inaccurate;

(b) Disclosure of contingent assets could be missing if the indicative amount allocated to UNICEF in the joint programme project document is not recorded in VISION;

(c) Revenue recognition could be recorded in different periods.

21. Moreover, as mentioned above, emails were sent to follow up on cases in which cash was received, although the grant had not been created in VISION. In this regard, the Board considers that completeness of the grant data in the system is key to allocating cash promptly.

22. In addition, the Board considers that, even though project commencement is dependent on the receipt of cash, it does not exclude the recording of the agreement in VISION.

23. The Board is of the view that incorporating a tool that allows for visibility of future agreements as soon as they are signed could improve the entire process. In addition, it may serve as a valuable performance tool for management, given that delays in submissions would result in prompt notifications by the system; negotiations subject to delays could be addressed by the Public Partnerships Division in a timely manner; non-signed negotiations could be reviewed in order to avoid further cases; cost-recovery rates could be reviewed beforehand; and, most important, the risk of agreements not being recorded during the correct period would be mitigated.

24. With regard to missing documentation in VISION to support grant creation, such as agreements and official receipts, the Board considers it important to ensure the availability of the information because this can be used by different parties in UNICEF and enhances transparency.

25. **The Board recommends that UNICEF update its policy on revenue recognition with regard to accounting for joint programmes and define the point at which it controls the non-exchange assets related to trust fund or joint programme arrangements.**

26. **The Board also recommends that UNICEF disclose the agreements for joint programming in which asset recognition criteria have not been met as contingent assets in the financial statements.**

27. **The Board further recommends that UNICEF develop a solution to track the submission of signed agreements and enhance the monitoring of their timely registration.**

28. UNICEF accepted the recommendations.

4. Implementing partners

Execution of assurance activities

29. It is defined in annex A of the procedure on the harmonized approach to cash transfers to implementing partners, dated 1 August 2018, that assurance activities are "a component of programme monitoring undertaken to obtain assurance that cash is utilized and results achieved as planned and/or reported by the implementing partner".

30. The harmonized approach to cash transfer assurance activities considers both programmatic and financial assurance activities. With regard to the latter, these include spot checks and scheduled and special audits:

(a) Spot checks are a review of financial records to obtain reasonable assurance that amounts reported by the implementing partner on the funding authorization and certification of expenditure form are accurate. At least one spot check is required for all implementing partners reporting more than $50,000 expenditure in a year from funds provided by UNICEF;

(b) A scheduled audit is a systematic and independent examination of data, statements, records, operations and performance of an implementing partner in order to determine whether the funds transferred to implementing partners were used for the appropriate purpose and in accordance with the workplan;

(c) A special audit is an audit performed "when significant issues and concerns are identified during programme implementation and these cannot be adequately addressed by scheduled assurance activities or in consultation with the implementing partner".

31. As stated in paragraph 27 of the procedure on the harmonized approach to cash transfers to implementing partners, the status of such implementation is monitored on a quarterly basis as part of programme management mechanisms (i.e., the country management team and an annual management review) and reported as required by the regional office or headquarters.

32. In that regard, in March 2020, the Division of Data, Analytics, Planning and Monitoring issued a guidance note aimed at providing "suggested approaches and considerations on implementing partnership management to country and regional offices related to the unique challenges during the COVID-19 pandemic, including country movement restrictions, that impact upon programme delivery".

33. Subsequently, in the updated version of the guidance note, in October 2020, the following actions were incorporated:

(a) Adding the reduction in the key performance indicator adjustment of the harmonized approach to cash transfers financial assurance from 90 to 65 per cent for 2020;

(b) Updating the prioritization criteria for executing assurance activities;

(c) Adding flexibility on conducting remote financial assurance activities for all implementing partners based on the decision of the Deputy Representative, Operations.

34. Taking the above into consideration, UNICEF informed the Board that a plan for assurance activities had been formulated, with a due date of 31 March 2021 for completion of the scheduled audits. In addition, the Division of Data, Analytics, Planning and Monitoring had extended the deadline for the execution of that plan until 30 April of the same year.

35. In order to verify compliance with the plan for assurance activities, the Board reviewed a sample of 61 implementing partners that had reported $82.99 million in expenses from 2020. In the sample, high-risk implementing partners with expenses above $50,000 were considered.

36. In the analysis, the supporting documentation concerning each spot check and the reports from scheduled and special audits recorded in the financial assurance module of eTools (an online platform to manage UNICEF processes related to implementing partners) up to 13 May 2021 were reviewed.

37. It was noted that 28 of the 61 implementing partners had an average delay of 340 days in the execution of assurance activities since the expense was posted at the date of the review. In 17 of the 28 cases, financial assurance had been postponed for 2021.

38. It should be noted that the case with the longest delay corresponded to a high-risk implementing partner that had reported expenses of $82,891 in January 2020 and, at the date of the Board's examination, still had not submitted its audit report.

39. The Board deems that the non-fulfilment of the above-mentioned assurance activities could result in inadequate control of the use of the cash transferred by UNICEF to implementing partners. If so, cash assistance may be used for other purposes than the ones approved by UNICEF or reported by the implementing partner.

40. Therefore, and taking into consideration that implementing partners have a key role in UNICEF programmes implementation, it is essential that effective monitoring of assurance activities be conducted in a timely manner.

41. The Board is aware of the COVID-19 pandemic constraints on the fulfilment of assurance activities, especially concerning the restrictions on movement in field

offices. However, UNICEF must ensure that the expenses made by the implementing partners are reported with proper evidence and in a timely manner. For that matter, a close monitoring of assurance activities execution is mandatory.

42. **The Board recommends that UNICEF establish a clear time frame for initiating and finalizing the different assurance activities in order to ensure their timely execution, using as a reference when expenses are posted in the system after the funding authorization and certification of expenditure form has been approved.**

43. **The Board also recommends that UNICEF develop a workplan with the aim of ensuring that the expenses reported by implementing partners are reviewed in a timely manner, and that the required financial assurance is completed no later than the first quarter of the following year after the expenses have been reported to UNICEF.**

44. UNICEF accepted the recommendations.

Follow-up on findings from assurance activities at the West and Central Africa Regional Office

45. In accordance with the 2015 UNICEF policy on the harmonized approach to cash transfers to implementing partners, cash transfers are “monetary payments to implementing partners or third parties acting on behalf of partners” representing “a large part of UNICEF spending” and are “a key programme implementation modality to achieve results for children”.

46. It is stated in the same policy that “monitoring the reach and effect of UNICEF assistance provided through partners is fundamental to sound programming. The assessment and assurance activities within the revised harmonized approach to cash transfers framework are key components of effective programme monitoring”.

47. As stated above, assurance activities are therefore a key monitoring tool created with the aim of asserting the proper use of funds and achievement of results by implementing partners through, among others, spot checks, programmatic visits and audits.

48. Once those assurance activities are carried out, country offices may have findings and recommendations, including high-priority ones, and establish follow-up action to address them. Such action may be documented in the eTools action points feature.

49. The action points feature is a feature in eTools by which UNICEF staff can view and manage follow-up action points created in eTools by their relevant office, as well as:

(a) Have access to a central repository for capturing, modifying and tracking negative action points generated by eTools modules, such as:

(i) Travel to the field;

(ii) Financial assurance;

(iii) Procedures for prevention of sexual exploitation and abuse;

(iv) Third-party monitoring;

(b) Manage the end-to-end action point processes for UNICEF staff, including the creation, modification and tracking of action points for a specific staff member or a country office;

(c) Have access to individual, country, regional and global analysis for management and strategic decision-making.

50. The action points feature is available in all eTools modules and to all staff. The action points include a brief description, an assignee and the section in which he or she belongs, office location and due date. When the action point is being created, it can be listed, at the discretion of the user, as a high priority, and, in the case of action points from the financial assurance module, it may also be listed in 15 additional standard categories such as spot checks, invoice and receipt of the reimbursement for ineligible expenditure, and capacity-building and/or discussion.

51. The West and Central Africa Regional Office reported that the only global system tool used to monitor and manage the pending action points related to implementing partnership management was the action points feature. There was no other global module or system in place containing an additional database for the same purpose, although country offices may manage follow-up action outside of the system (i.e., through meetings and relevant committees).

52. With regard to enforceability, it should be noted that the action points feature is not mandatory. However, the UNICEF procedure on the harmonized approach to the cash transfer framework to implementing partners, dated 1 August 2018, establishes that the country offices must determine the appropriate follow-up action to take regarding negative results from assurance activities and monitor the outstanding follow-up action from high-priority recommendations. In turn, in paragraph 31 of the procedure, it is stated that the Regional Office must ensure that corrective and preventive measures are taken for the country offices that have not met minimum assurance requirements and/or have not taken appropriate management action on findings from assurance activities.

53. The Board reviewed the action points feature, in particular the action points from the country offices of the West and Central Africa Regional Office. There were 290 high-priority action points of those country offices, from 2016 to 2020, generated by the financial assurance module in eTools that had not been fulfilled as at 31 December 2020. In addition, 61 per cent of them, representing 178 action points, had been overdue for more than six months. With regard to the "section" column of the action points module, the following overdue action points were found: 51 in health and nutrition programme; 50 in coordination; 45 in water, sanitation and hygiene; 35 in child protection; and 23 in child survival (programme sections may vary depending on the country). With respect to the "category" column of the action points module related to financial assurance, 92 overdue action points had been categorized as "Other"; 79 as "Capacity building/Discussion with partner"; 60 as "Schedule a follow-up spot check"; 26 as "Escalate to Chief of Operations, Dep Rep, or Rep"; and 22 as "Invoice and receive reimbursement of ineligible expenditure".

54. The Board considers that not performing preventive and corrective measures for the fulfilment of the action points may lead implementing partners to commit inefficiencies and/or inaccuracies when executing the UNICEF mandate or using funds entrusted by the entity. In the event that UNICEF strategy considers programmes implementation through implementing partners to be a key programme implementation modality, and these represent a large part of UNICEF expenditure, the proper management of those partners' operation is essential.

55. It is in the mandate of the West and Central Africa Regional Office to monitor the action points and seek preventive and corrective measures when the country offices are not taking appropriate actions, regardless of the tool to be used for this purpose. To have more than 250 negative action points expired in 2016 is a clear indication that corrective measures are not being applied.

56. Furthermore, the action points feature was the only global system tool used to assist in the management of pending action points related to implementing partners.

57. **The Board recommends that the West and Central Africa Regional Office identify the reasons for delays in the closure of overdue action points resulting from the harmonized approach to cash transfer financial assurance activities and take corrective action, along with the country offices, in order to ensure the closure in 2021 of the 290 high-priority open items identified.**

58. **In addition, the Board also recommends that the West and Central Africa Regional Office take preventive measures in order to ensure that the high-priority action points that are related to implementing partnership management are closed within a year of their creation.**

59. **The Board further recommends that the Division of Data, Analytics, Planning and Monitoring, together with regional offices, develop a methodology for the efficient oversight of high-priority findings emerging from the closure of the harmonized approach to cash transfer framework assurance activities and enhance the eTools platform in order to support the effective closure of overdue action points by country offices.**

60. UNICEF accepted the recommendations.

Cash transfers to beneficiaries

61. The 2018 humanitarian cash transfers programmatic guidance of UNICEF defines the humanitarian cash transfer from the Division of Financial and Administrative Management as the provision of assistance in the form of money (either physical currency and/or cash or e-cash) to beneficiaries (individuals, households or communities) as part of humanitarian response.

62. The Division of Financial and Administrative Management is in the process of drawing up a regulatory procedure in the cash transfer programmes related to financial management. In the meantime, notes for the record have been approved by the Comptroller to provide the accounting basis in this area.

63. It is established in section 11.2 ("Accounting entry process") of the draft of the financial management standard operating procedure, in the 20 December 2019 version, that the country office should use two specific general ledger codes for cash transfer programme entries when cash is delivered directly by UNICEF or through a financial service provider. One of them is code 7700410, corresponding to records of cash to be transferred directly to beneficiaries by UNICEF.

64. The Division of Financial and Administrative Management performs year-end oversight activities concerning the use of general ledgers. In this regard, the country offices examine all their material expense transactions as part of the year-end closure process.

65. In 2020, $222.61 million was recorded by UNICEF as cash transfers directly to beneficiaries. The Board reviewed the transactions recorded by the Nigeria country office ($7.98 million) and observed that the Office had included in the same general ledger account three different transactions: direct implementation by UNICEF; cash transfer to beneficiaries through a financial service provider; and cash transfer to beneficiaries through an implementing partner.

66. The Board is of the view that whether the Nigeria country office included cash transfers to beneficiaries through implementing partners or directly by UNICEF in the general ledger account created for cash transfers to beneficiaries through a financial service provider, it would not follow what is outlined in the draft standard operating procedure. Likewise, the fact that the regulation remains in draft form adds

uncertainty to the applicability of the accounting standards or policies that the entity should use.

67. Considering that accounting transactions must record the condition or events that they are intended to represent, the Division of Financial and Administrative Management should clarify the criteria that it is implementing to record any figures as cash transfers to beneficiaries.

68. **The Board recommends that UNICEF finalize regulatory procedures for cash transfers directly to beneficiaries, taking into consideration the three modalities of cash transfer delivery that UNICEF uses, that is, cash transfers through a financial service provider or an implementing partner, or direct implementation, to ensure that clear instructions are in place for accurate financial reporting of cash transfer programmes.**

69. UNICEF accepted the recommendation.

5. Procurement management

Forecasting of essential strategic commodities at the Supply Division

70. The UNICEF immunization road map for the period 2018–2030 sets out the "organization's priorities on immunization through 2030, with detailed focus on the period of the UNICEF Strategic Plan, 2018–2021". The road map also "complements UNICEF Strategy for Health, 2016–2030, clearly articulating organizational priorities on immunization and explaining how these priorities contribute to overarching strategic goals on health and health systems strengthening".

71. The Supply Division plays a key role in the fulfilment of the organization's priorities on immunization through the management of strategic commodities.

72. In this regard, it is stated in paragraph 2.1 of section 1 of chapter 3 of the UNICEF supply manual that "early Supply Planning, undertaken in a collaborative manner with relevant stakeholders (Programme and Supply functions at Country Office level, including Government Counterparts and Civil Society Organizations Partners, including Procurement Services partners, with support from Regional Offices and/or Headquarters level when required) has proven to be one of the most important leverage points to successful supply operations".

73. In paragraph 2.2, it is stated that, "to achieve effective and timely programme implementation, the Country Office should incorporate the planning and review of supply components in key stages of programme design, budgeting and implementation as well as monitoring and evaluation. The active and early involvement of supply and logistics staff is an integral part of programme planning processes".

74. In paragraph 2.5, it is established that, "for some essential strategic commodities there is a formalized annual forecasting process coordinated by the Supply Division. Vaccines, Immunization Devices, Cold chain products, Mosquito Nets and Insecticides require global forecasts and allocations in collaboration with relevant Supply Division Centres. The forecasts received from countries form the basis of the supply agreements established with suppliers".

75. In addition, it is stated that:

(a) These activities are carried out annually, covering a five-year period. Country offices are required to provide their input in the forecast templates, in conjunction with partners in country, and submit the forecast to the Supply Division where the forecast is reviewed;

(b) For the vaccines and devices, the Supply Division makes a final comparison between availability and timing from manufacturers and country forecasts and issues provisional plans to country offices indicating the planned delivery schedule, timing and amount of funds required, the source of the vaccines and devices, and cold chain weight and volume requirement information.

76. The Supply Division´s balanced performance scorecard (percentage of forecast accuracy for strategic supply categories (vaccines) for which forecasting is in place) sets an indicator – indicator 16 – for forecast accuracy to industry with a target of 80 per cent for vaccines, immunization devices, ready-to-use therapeutic food and long-lasting insecticidal nets.

77. The Board performed a revision of the annual forecasting process coordinated by the Supply Division and country and/or regional offices as at 31 December 2020. The forecasting of the vaccines for 96 countries, immunization devices for 80 countries, ready-to-use therapeutic food for 81 countries and long-lasting insecticidal nets for 32 countries was analysed, and significant variations between forecasts and actual deliveries were detected. The details were as follows:

(a) Vaccines:

(i) Three countries were not forecasted and supplied with 1.5 million doses;

(ii) Three countries did not submit a country forecast but were included in the Supply Division forecast with 2.9 million doses;

(iii) In 45 countries, there was a variance greater than 20 per cent between the quantity forecasted and the actual deliveries;

(b) Immunization devices:

(i) Four countries were not forecasted but received 3.2 million units;

(ii) Six countries had forecasts for 20.6 million units and did not receive any of them;

(iii) In 40 countries, there was a variance greater than 20 per cent between the quantity forecasted and the actual deliveries (upper or lower than the percentage forecasted);

(c) Ready-to-use therapeutic food:

(i) Three countries did not have forecasts but had procurement of 781 cartons;

(ii) Twelve countries did not receive any units but submitted a forecast of 10,001 cartons;

(iii) In 50 countries, there was a variance of greater than 20 per cent between the cartons forecasted and the actual deliveries;

(d) Mosquito nets:

(i) Nine countries did not have forecasts and received 229,264 units;

(ii) Two countries forecasted 17,200 units but did not receive any of them;

(iii) Fourteen countries had a variance upper or lower than the 20 per cent forecasted;

78. After consultation with the Supply Division, it was explained that several challenges had had an impact on forecast accuracy. Data quality was a major issue, given that that the Division must rely heavily on the country offices and input of the relevant Government's counterpart, and the accuracy of the forecast would be determined by the quality of the input received from the downstream supply chain. It

was also explained that there were unforeseen challenges that also affected heavily forecast accuracy, such as the availability and timing of funding, volatility of the funding portfolio, country office particularities, disease outbreaks or disasters, changes in programme strategy, delays in new product introductions, and lack of stock.

79. The Board considers that the demonstrated variances between forecasts and actual deliveries of essential strategic commodities, in particular when supplying less than the quantities forecasted, may result in shortcomings in achieving annual immunization coverage goals – established in the UNICEF immunization road map – and the nutrition goals for the entire organization.

80. The Board acknowledges that there are several challenges that could occur and have an impact on actual deliveries. However, considering the experience of the organization, these challenges should be reflected in a timely manner and in a comprehensive way, meaning that, when determining the needs for supplies, the possible impacts of those variables should be considered in order to avoid significant inaccuracies.

81. In the Board's view, provided that the Supply Division, when reviewing the country offices forecasts, includes the new variables at an early stage, it could contribute to ensuring sufficient and uninterrupted supplies to meet the demand from every country and, at the same time, fulfil UNICEF strategic goals on nutrition and health.

82. **The Board recommends that the UNICEF Supply Division strengthen, in coordination with country and regional offices, the forecasting procedure and consider adjusting the forecasts in a timely manner in order to reflect the significant variances that may occur.**

83. UNICEF accepted the recommendation.

6. Programme management

Regulatory framework and repository on level 1 emergencies

84. In accordance with the UNICEF programme policy and procedure guidance, UNICEF has three emergency level responses. Level 1 involves a crisis for which there is sufficient capacity at the country office level to manage it. Level 2 refers to a larger scale of emergency that is beyond the capacity of the country office and requires leadership and technical support from the regional office. Level 3 alludes to a significantly large-scale humanitarian situation that is beyond the existing capacity (number of staff, technical skills, funding and supplies) of the country office and requires organization-wide mobilization of resources with the involvement of headquarters.

85. With regard to the level 2 and 3 emergencies, UNICEF has developed a regulatory framework aimed at providing guidance on matters such as activation steps, criteria for deactivation, responsibilities, accountability and decision-making. In addition, UNICEF established a repository of current and past emergencies, which can be accessed through its intranet. By contrast, neither a regulatory framework nor a repository was created for level 1 emergencies.

86. With respect to the lack of a regulatory framework, during the audit it was observed that level 1 emergencies did not have a formal activation mechanism and that there was no time limit for the implementation of emergency responses. In other words, there was no formal deactivation system.

87. The Board deems that not having a procedure for level 1 emergencies could affect the timeliness and effectiveness of the response and the decision-making of

country offices, given that there would be no immediate steps to follow and that time could be spent on action that delay the response process of those offices. In addition, a state of emergency could be unnecessarily extended and be based on reasons other than the four criteria (scale, urgency, complexity and capacity) established in the activation procedures for level 2 and 3 emergencies. Moreover, a state of emergency could be discontinued without taking any further measures or providing additional support in a timely and effective manner post-deactivation, as required. Having procedures for each level of emergency would provide clarity in the steps to follow and the responsibilities at each level of the organization, thereby ensuring efficiency and effectiveness.

88. With reference to lists of emergencies, at the time of the audit, UNICEF did not have consolidated, up-to-date information concerning level 1 emergencies that included the information on what the organization was facing and where those emergencies were occurring. In addition, UNICEF did not have historical information on the level 1 emergency responses attended to.

89. The New York headquarters of UNICEF indicated that there were 21 country offices in the West and Central Africa Regional Office implementing emergency responses within the framework of humanitarian action for children, 14 through a stand-alone humanitarian action for children and 7 as part of regional humanitarian action for children. Of those 14, 4 were for level 2 countries, while the remainder were for level 1 countries.

90. During the audit, the humanitarian action for children of country offices of the West and Central Africa Regional Office was reviewed on the platform www.unicef.org/appeals, and the following issues were noted:

(a) Of 23 of those countries, 14 had ongoing humanitarian action for children on the platform;

(b) Of the 17 countries reported by the Regional Office as having level 1 emergencies, although 7 were included in the ongoing humanitarian action for children on the platform, they did not specify their emergency level;

(c) In relation to the humanitarian action for children in 2020, 10 of those 17 countries had appeals to mobilize resources.

91. In short, and in the view of these circumstances, it was not feasible to determine the level of emergency that a country was facing through humanitarian action for children.

92. The Board considers that there is room for improvement in the use of information associated with the level 1 emergencies, owing to the absence of a list or repository containing those emergencies. On condition that the information is handled only at one level of the organization but not visible to the others, it may affect the information at the disposal of decision-makers and, consequently, the decisions that those could take when confronting an emergency. It is important that UNICEF maintain a repository or list in order to be able to have an overview of its responses in similar situations whenever a level 1 emergency occurs, with access to valuable information of the lessons learned, in order to improve its reactions and make evidence-based decisions. In addition, with historical information, UNICEF would be able to perform various analyses, such as likelihood of occurrence, response time, duration of emergencies and the number of level 1 emergencies that evolved into level 2 or 3 ones.

93. **The Board recommends that UNICEF headquarters formalize new emergency procedures, which must include regulations for level 1 emergencies, in order to strengthen the governance of the emergency system, providing clear**

orientation on activation steps, criteria for deactivation, responsibilities, accountability and decision-making.

94. **The Board also recommends that UNICEF establish a formal repository or list with level 1 emergencies in order to facilitate access to information on those emergencies for all levels at UNICEF.**

95. UNICEF accepted the recommendations.

7. Budget management

Expired negative grants

96. In paragraph 2 of supplement 1 (Recording and managing voluntary cash contributions) of policy 3 (Revenue management) of the UNICEF financial and administrative policy, it is stated that “a grant is created with all pertinent data in the Grants Management once an agreement has been signed, a pledge has been received and acknowledged, or documentation has been received and approved for cash deposits, taking into account a general arrangement, framework agreement or umbrella agreement with a specific donor. A grant captures the life-cycle of a contribution, from inception to closing”.

97. In paragraph 4, it is stated that “grants are created by different divisions in UNICEF for different purposes. The Division of Financial and Administrative Management creates grants for regular resources budget allocations, including allocations from the Emergency Programme Fund, regular resources set-aside, regular resources for unfunded other resources and Central Emergency Response Fund loans”.

98. With regard to grant review, it is stated in paragraph 13, “UNICEF offices spending against unfunded other resources grants must monitor its implementation to ensure that grants are fully spent within the specified duration and in accordance with the terms and conditions specified in the grant agreement”. Further still, it is added that, “an implementing office should use the information generated in the VISION reports to review the status of a grant at any time during the life of the grant”.

99. In addition, concerning grant closure, it is indicated in paragraph 17 that, “after the expiry date of a contribution, a final certified statement of account is prepared by the Accounts Section/Division of Financial and Administrative Management within six months of financial closure. Financial closure is 12 months after grant expiry.”

100. Lastly, in paragraph 56 of supplement 5 (Management of budget allotments) of policy 2 (Budget), it is stated that “the Budget Section of the Division of Financial and Administrative Management will roll forward to the next year the budget allotment balances related to outstanding commitments (irrespective of whether the grant has expired or not), and the uncommitted budget allotment balance of all active grants”.

101. When analysing the UNICEF budget and its associated grants, the Board downloaded information regarding the status of the grants as at 28 January 2021 from the insight office dashboard for the West and Central Africa Regional Office and the Nigeria country office. The information downloaded included active grants, expired grants and financially closed grants.

102. Seven cases of expired grants (other resources-regular and other resources-emergencies fund types) with a negative allotment were detected in the West and Central Africa Regional Office, representing $68,123. The expiry date of those grants was between December 2016 and February 2021.

103. In the Nigeria country office, 16 expired grants with a negative allotment were detected with an amount of $799,982. Their expiry date was between December 2015 and February 2020 and were classified as other resources-regular, other resources-emergencies and regular resources.

104. The Board considers that, in the course of monitoring grants and their utilization by the implementing offices, regardless of whether the existing tools and resulting data are well understood by users, there is a risk that the data can be misinterpreted and/or that staff may be unable to adequately explain the resulting figures and/or numbers.

105. The Board is of the opinion that the Division of Financial and Administrative Management (responsible for effecting the financial closure flag and the technical closure of grants in VISION), in coordination with the West and Central Africa Regional Office and the Nigeria country office (as implementing offices in charge of grants monitoring), should: (a) improve the understanding of data as presented in the various information systems and application; and (b) enhance the process of the review of the status financially closed grants to ensure that it was done in a timely manner and that adjustments were made in that regard, if applicable.

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.**

107. UNICEF agreed with the recommendation.

Institutional budget

108. It is indicated in paragraph 3 of policy 2 (Budget) of the UNICEF financial and administrative policy that "institutional Budgets are the resource requirements to support the achievements of the organizational targets" and are classified as post costs and non-post costs.

109. Post costs, also referred to as employee benefits, relate to temporary and fixed-term posts.

110. With regard to fixed-term posts, the concept of "standard cost" is used for determining the resource requirements. In accordance with paragraph 5 of the aforementioned policy, standard cost "is an estimation of the annual total cost of a post. It covers salary and other directly related (or 'common') staff costs in accordance with the allowances and entitlements described in the United Nations Staff Regulations and Rules", and is calculated for each duty station, pay scale group (international Professional, National Professional and General Service by level of post) and year of the budget cycle. The methodology for the calculation is formulated by the Budget Section of the Division of Financial and Administrative Management, taking into account the most recent salary scale, post adjustment, common staff costs, increment and inflation.

111. In accordance with paragraph 20, non-post costs cover all expenses that are not related directly to staff but are essential for the administrative functioning of an office, such as consulting, professional and expert services, travel, repairs and maintenance, and other operating expenses.

112. It is stated, in that regard, in paragraph 22 that "non-post costs must be linked to the specific results that these contribute to and should be funded from the appropriate programme or institutional budget. Non-post costs that cannot easily be linked to a specific result may be reflected against the result associated with the office function responsible for supporting and managing those costs".

113. The Supply Division had a total budget allocation of $130.4 million for 2020 and $100 million for 2019. The Board compared budget allocations for both years against actual/committed of the institutional budget (for post and non-posts) for 2020 and 2019 and noticed an underutilization of that budget equivalent to a net variance of 10.5 per cent ($1.6 million) for 2020 and 8.9 per cent ($1.3 million) for 2019.

114. After consultation with the Supply Division concerning the underutilization, it was explained by management that it was necessary to separate figures for post and non-post costs.

115. With regard to post costs, the Supply Division explained that the unutilized institutional budget in 2020 was 8 per cent (6 per cent for 2019). In addition, it was mentioned that control of that budget was maintained centrally by the Division of Financial and Administrative Management and was based on actual costs of salaries, vacancy rates and related matters. At the beginning of the year, they added, the Supply Division receives a post allocation based on expected 100 per cent post occupancy and calculated at standard staff costs.

116. However, the Supply Division indicated that there were elements that comprised the variance in post costs. In its view, the difference could be explained by three main categories: vacancy rates, foreign exchange rates and standard costs. With respect to the latter, it was explained that standard costs “are used as a budgeting tool to ensure that the amount received by a Division/Office is at least sufficient to cover all staff costs if all posts are encumbered”.

117. With regard to non-post costs, the Supply Division indicated that the unutilized institutional budget in 2020 was 19 per cent (15 per cent for 2019) and “includes $649,000 for an Innovative Financing project which was impacted by COVID-19 pandemic and requested to roll forward to 2021”. It added that, although the request had not been approved, the balance should be adjusted in computing the utilization rate for 2020 in order to demonstrate that the overall institutional budget utilization was 94 per cent, with non-post utilization of 99.8 per cent.

118. The Supply Division added that the main component of the variances identified in the Division’s budget related to the budget for posts, which is centrally managed, calculated on the basis of standard costs and with variances linked primarily to differences in entitlements of incumbents and vacancies during the period. In its view, any potential recommendation on the institutional budget post component should be carried out following an organization-wide analysis, given the primary impact of centralized variances.

119. The Board considers that, even though the Supply Division explained the main causes of the underutilization, the institutional budget variances of the past two years could mean that UNICEF was not using a proper methodology for its estimation, which could result in the inefficient use of the organization’s resources.

120. The Board is of the view that improving the budgetary planning, using a more accurate methodology for the estimation of post and non-post costs, would enable the effective and efficient use of the available resources of the Supply Division.

121. It should be noted that the budget is a financial instrument and a management tool used to search for operational efficiencies, allowing for the identification of financial needs and in a specific period. In order for the budget to adequately reflect the management of the entity, it is important that any adjustments be made in a timely manner.

122. **The Board recommends that the UNICEF Supply Division, in coordination with the Division of Financial and Administrative Management, evaluate successive budget formulations to improve the methodology for the estimation of**

post and non-post costs and take the action necessary to make them as accurate as possible, with a view to achieving efficiencies in the budget management process.

123. UNICEF disagreed with the recommendation. With respect to post costs, UNICEF reiterated that variances between budget allocation and actual/committed for the institutional budget, while visible locally, were managed globally. In that regard, it explained that "UNICEF determines the standard cost for each position, according to the level and duty station, and then applies the standard cost to all positions across UNICEF", adding that "variances are to be expected and can be significant at the level of individual divisions/offices, and largely net off at the global level". On the subject of non-post costs, UNICEF restated that some planned activities for 2020 would not have been carried out owing to the COVID-19 pandemic and were therefore rolled forward to 2021. Taking the above into consideration, UNICEF emphasized that the "utilization rate of the non-post component of the Institutional Budget was 99.8 per cent".

124. While taking into consideration the UNICEF explanation with reference to the organization of post and non-post costs operations, the Board reaffirms the need to improve the methodology for its budgetary estimation. With regard to the cost determination for posts, UNICEF needs to incorporate in a more accurate way the budgetary execution performed at the local level in order to avoid the significant variances mentioned above. With respect to non-post costs, while the Board understands that the outbreak of the COVID-19 pandemic could affect the achievement of the entity's planned activities, the underutilization had already been noticed in 2019, before the pandemic. Therefore, this recommendation points out to the need for an improvement in methodology.

8. Human resources management

Management of personnel files

125. It is stated in the UNICEF procedure on personnel files that "the organization maintains a personnel file for each staff member that documents his or her professional relationship with UNICEF".

126. In accordance with paragraphs 6 and 7 of the procedure, these files are created and maintained by the Global Shared Service Centre and/or the Division of Human Resources, and each personnel file shall contain an official status file, which holds "all official records relevant to the staff member's employment history and career with the Organization, including official documents related to appointment, reassignment, entitlements and benefits, performance, trainings and disciplinary measures".

127. With regard to the content of the personnel files, it is indicated in paragraph 9 that "the Global Shared Service Centre human resources administration is responsible for further defining the content and structure of the personnel file, in accordance with the provisions of this procedure". The procedure includes a non-exhaustive list of documents.

128. The Global Shared Service Centre established internal guidance regulating the electronic official status file, outlining the steps to follow for its processing. The annex to the procedure presents the different documents to be recorded. In this regard, three levels of categories of the electronic official status file are indicated. The first one contains essential documentation that must be included in the personnel files and is divided into seven subcategories: personal background and career; personnel status; medical and pension; salary and allowances; leave and travel; training; and separations.

129. In order to review the completeness and consistency of the management of personnel files, the Board took a sample of 35 staff members from the 2020 payroll list. The following shortcomings were detected:

(a) Under the personal background and career section, the letters of appointment that covered the audited period were not found in the digital files of 19 cases; in 14, the personnel history profiles were not uploaded; and in 17 the career summaries were not included;

(b) Regarding the personnel status and training section, in 21 cases the oaths of office were not registered in the system, and in 26 the diplomas of the staff members were not uploaded.

130. With the aim of reviewing the signing process for the letters of appointment and oath of office of the staff appointed during 2020, the Board sampled 30 cases. It was detected that none of the documents had been uploaded into the electronic official status file.

131. The Board considers that the absence of documentation in the electronic official status file and the maintenance of multiple record systems may hamper access to the personnel files to check the assignment requirements, the job competencies and experience required, and the fulfilment of the contracting requirements.

132. The Board considers that there is room for improvement in personnel file management, in particular on clarifying the content and source of information of the documents that must be included in the electronic official status file. In this regard, it is important that UNICEF maintain, at least, the first category of documentation in the electronic official status file, in order to be able to demonstrate that the entity has, for every staff member, the essential files. In addition, the inclusion in the electronic official status file of documentation generated through other systems would facilitate the prompt availability of data for control and audit purposes.

133. **The Board recommends that the UNICEF Global Shared Service Centre, in coordination with the Division of Human Resources, review the feasibility of including the essential documentation of personnel files to be maintained in the electronic official status file, in line with the recent automation and simplification of processes in human resources.**

134. **The Board also recommends that the UNICEF Global Shared Service Centre, in coordination with the Division of Human Resources, evaluate, complete and update the policy regulating the content and source of information of the documentation that must be included into the electronic official status file.**

135. UNICEF agreed with the recommendations.

Compliance with mandatory courses

136. In paragraph 18 of the 2018 UNICEF anti-fraud strategy, it is established that communication and training are major components of it the strategy, as is the development of an anti-fraud culture.

137. It is indicated in paragraph 18.3 that all staff members must complete the mandatory course on ethics and integrity as prescribed and complete the mandatory course on anti-fraud awareness annually. Staff members in high-risk positions or functions may be required, as directed by the Comptroller, to complete the course more often, including as a requirement on the assumption of duty.

138. Furthermore, in paragraph 18.4, it is stated that ethics and integrity training, carried out annually and for new hires on the assumption of duty, includes modules on fraud prevention and detection with examples of unethical and/or fraudulent

conduct, information on the obligation to report misconduct and fraud, the organization's protection against retaliation (whistle-blower) policy, and other prevention and detection measures.

139. The Board reviewed Supply Division staff compliance with mandatory courses as at 4 March 2021 and noted that 23 staff members had not completed the ethics and integrity course and that 79 of them had not completed the anti-fraud awareness course, all since they had begun to work for UNICEF.

140. The ethics and integrity course had been completed by 95 per cent of Supply Division staff, and 83 per cent of them had completed the anti-fraud awareness course. On the other hand, it was noticed that key members of the Division had never undertaken either of those two mandatory courses.

141. The Board considers that UNICEF staff who do not complete mandatory courses could result in an increase in the number of personnel with insufficient knowledge to be aware of the relevance of combatting fraud and corruption. Owing to its mandate, UNICEF, as stated in its anti-fraud strategy, "often operates in fragile contexts with limited safeguards and weak implementation of policy and rule of law and faces higher risks to fraud". The strategy to be implemented therefore "is particularly important to address the high risk of fraud in certain programme contexts using a more strategic and comprehensive approach".

142. In the view of the Board, the above-mentioned courses are an important tool to prevent misconduct or corruption. It therefore appears that the Supply Division should ensure that the mandatory courses are completed by all staff members in a timely manner.

143. In this regard, the Supply Division can play a significant role in preventing and detecting fraud and ensuring that all staff members are aware and committed to maintaining the highest level of ethics and integrity.

144. **The Board recommends that the UNICEF Supply Division undertake the efforts necessary to ensure that all staff members complete the mandatory courses on ethics and integrity and on anti-fraud awareness in a timely manner.**

145. UNICEF agreed with the recommendation.

9. Property and equipment

Processing of disposed assets

146. In accordance with paragraph 19 of UNICEF policy on property and equipment, "assets and attractive items are disposed of through transfer, donation, sale, exchange, scrapping or write-off".

147. The disposed assets are reviewed by the Property Survey Board, in line with rule 112.39 of the UNICEF financial regulations and rules. In this regard, it is stated in paragraph 22 of the above-mentioned policy that "the Comptroller delegates to Head of Office the authority to approve disposal of equipment and attractive items after the Property Survey Board recommendation, where the asset is being sold for a profit (of any amount), or the loss on disposal (based on carrying value as of date of submission to the Property Survey Board) is no more than $5,000".

148. As of the date of submission to the Property Survey Board, the Comptroller's approval is required when the loss on disposal is $5,000 or above.

149. In paragraph 5 of the December 2019 version of the Global Shared Service Centre's standard operating procedure (Asset accounting module, level 2 process (AA2) on asset disposal), the step-by-step asset disposal process is established, along with the appropriate documentation for each asset: sold, stolen and/or lost and

donated. In this regard, it is indicated in the standard operating procedure that it is necessary to "compile and scan hard copies of all mandatory documentation depending on the type of disposal and verify the completeness of the documentation".

150. The Board reviewed eight disposed assets during 2020 in order to examine the processes carried out by the Global Shared Service Centre. In that regard, the mandatory documentation, including motives, approvals and destinations, was submitted by the Centre and extracted from VISION.

151. The cases reviewed included three stolen assets, four sales and one donation. The following situations were noted:

(a) In two cases of stolen assets, the note for record and the police report were not found;

(b) In three sale cases, the act of transfer of asset to buyer or buyer's receipt was missing.

152. The Board sampled 23 disposed assets processed by the Division of Financial and Administrative Management, including 4 donations, 5 sales, 11 write-offs for improvements of leased assets and 3 for scrapping. The following was observed:

(a) In three donations, the act of transfer of asset to partner (or recipient) was not found;

(b) In the five sales, no act of transfer of asset to buyer or buyer's receipt was found;

(c) Two of the disposals did not have supporting documents in VISION.

153. The Global Shared Service Centre and the Division of Financial and Administrative Management, after enquiry, sent the missing information directly to the Board. After the Board's review, it was noted that the information existed but was not uploaded to VISION.

154. The Board considers that the lack of evidence on compliance with the regulatory framework for the disposal of assets may result in fixed assets management and accounting being exposed to risks of misuse and loss of assets.

155. The Board is of the view that having complete records of mandatory documents for the disposal of assets signifies that the entity has carried out properly supported disposals and maintains effective controls in this regard.

156. With reference to the nature of the asset disposal operation, the Board considers that not having a proper delimitation of the Global Shared Service Centre and the Division of Financial and Administrative Management functions in the disposal of assets may overlap with efforts within UNICEF, which may lead to inefficiencies.

157. The Board is of the view that establishing accountability and clarifying the functions of the Global Shared Service Centre and the Division of Financial and Administrative Management in that regard could assist the areas involved in the disposal of assets, as well as those who interact with them, in following clear directions, which could result in the optimization of disposal processing.

158. The Global Shared Service Centre explained that, "with the introduction of the new the Property Survey Board Workflow tool in November 2020, the obligatory supporting documents are now included within the tool, reviewed and approved by the local Property Survey Board committee and Head of Office prior to case submission to the Global Shared Service Centre. Responsibility for the supporting documentation will be with Head of Office and there will be no requirement for the Global Shared Service Centre to check the documents again as they have already been reviewed as part of approval process".

159. **The Board recommends that UNICEF evaluate the impact caused by the use of the new Property Survey Board workflow tool and update the related Global Shared Service Centre standard operating procedure, especially with regard to the mandatory documentation that must be uploaded.**

160. **The Board also recommends that UNICEF establish and formalize the functions of the Global Shared Service Centre and the Division of Financial and Administrative Management in processing disposals.**

161. UNICEF accepted the recommendations and agreed to issue clarification to its delegation of authority to formalize the practice in place and document that corrections of errors and adjustments are processed at the Division of Financial and Administrative Management, along with the disposals of properties.

10. Information and communications technology

Delays in the deprovisioning of user access in VISION

162. In accordance with the UNICEF policy on information security, the organization recognizes, among its general statements, the responsibility of protecting its information assets against threats that could affect availability, confidentiality or integrity. It is stated that the protection of information must be in proportion to its organizational value and impact to UNICEF daily operations, staff safety, finances, reputation or any combination thereof.

163. In relation to the above, it is established pursuant to paragraph 21 of the "UNICEF standard on information security: access control" that "accounts should be disabled or removed immediately when users leave UNICEF, when users no longer require access, or when a user takes an extended absence. Any deviation will require appropriate authorization from the user's functional unit".

164. In addition, it is set out in paragraph 5 of the procedure for granting, modifying and revoking user access to information and communications technology (ICT) resources, that "UNICEF will automatically revoke access to all ICT Resources from any staff, individual contractor, consultant, service-provider, and external business partner, upon contract expiration, contract termination, or retirement". In that sense, "a request to extend user access for an additional period beyond a contract expiry date will be treated as an exception [...] and will need the approval of the relevant designated authority and the Director IT Services and Systems".

165. With regard to processes for revoking user access to ICT resources, it is specified in paragraph 6 of the procedure that "line managers have the accountability for timely triggering of the process for ICT resource access withdrawal for departing users". In the same paragraph, it is established that "supervisors must proactively complete the appropriate e-forms and steps in the access management systems. Once the request is authorized indicating that the user's affiliation with UNICEF has changed, the corresponding access to ICT resources will be revoked or modified accordingly". In turn, "user accounts with an expiry date that has already passed by 30 days for which the Global Help desk has not been notified through any of the access management systems in place will be automatically deleted/deactivated from the system".

166. In paragraph 40 of the "UNICEF standard on information security: access control", it is stated that "privileges and access granted will be tracked and will be reviewed by the application owner (or their delegate) on regular basis using a formal process to ensure validity".

167. The Board performed an analysis of the list of user accounts in VISION, comparing all user accounts with the list of separated staff in 2020. After identifying

coincidences, a verification was made concerning active and rehired staff who kept their user account operative in the system. During the Board's review, 56 active user accounts belonging to personnel who did not have a contractual relation with UNICEF at that time were found.

168. Of those 56 user accounts, it was observed that:

(a) Twelve users had never had access to the VISION system since the account's creation date;

(b) Eight users had gained access to the system after separation;

(c) The 56 user accounts had an expiry date that had already passed 30 days from the end of the contract and were not automatically blocked, in accordance with the procedure for granting, modifying and revoking user access to ICT resources. The accounts were still active 74 to 432 days from the expiry of the contract.

169. The Board considers that delays in the deprovisioning of separated staff user accounts that have remained active in the system for an extended period expose the organization to the risk of unauthorized access, which could compromise the confidentiality and the integrity of data.

170. The Board is of the view that regular review by relevant staff could help to identify and resolve anomalies in a timely manner.

171. **The Board recommends that UNICEF ensure that the procedure for revoking accesses to VISION and all ICT resources by all separated staff is done in a timely manner.**

172. **In addition, the Board also recommends that UNICEF detail the guidelines for monitoring the clean-up procedure for VISION user accounts, ensuring that it is constantly updated in order to reflect the circumstances of its enforcement.**

173. **The Board further recommends that UNICEF generate evidence concerning the results of the monitoring, as well as the measures taken in that regard, and undertake regular reviews and maintenance of VISION accounts.**

174. UNICEF accepted the recommendations.

C. Disclosures by management

1. Write-off of cash, receivables and property

175. UNICEF reported to the Board that losses in assets of $1.93 million (2019: $7.43 million) had been written off during 2020, including inventory of $0.75 million, other receivables of $1.02 million, and property and equipment of $0.16 million.

2. Ex gratia payments

176. UNICEF reported for the year ended 31 December 2020 that the Executive Director had authorized one undertaking that qualified for ex gratia payments totalling $44,502. The payments were a support measure related to the losses and damages incurred by locally recruited staff and UNICEF United Nations Volunteers owing to the explosion in Beirut in August 2020.

3. Cases of fraud and presumptive fraud

177. 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 irregularity, 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.

178. 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.

179. UNICEF reported 82 cases (2019: 15 cases) of fraud or presumptive fraud closed during the year 2020 by the Office of Internal Audit and Investigations and 395 cases of fraud or presumptive fraud relating to cash-based transfer project cases closed during the year 2020 (2019: 413 cases), which were investigated by an independent organization engaged by UNICEF.

180. For the year ended 31 December 2020, the total loss for cases closed by the Office of Internal Audit and Investigation and cases investigated by an independent organization was $653,391, of which $432,719 was recovered. The total financial loss on cases substantiated by the Office during 2020 amounted to $578,423, of which $360,474 was recovered. Through investigations by an independent organization for project-specific cases in the cash-based transfers project, substantiated losses resulting from fraudulent transactions amounted to an equivalent of $74,968, of which $72,245 was recovered.

D. Acknowledgement

181. 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*) Jorge **Bermúdez**
Comptroller General of the Republic of Chile
Chair of the Board of Auditors
(Lead Auditor)

(Signed) Kay **Scheller**
President of the German Federal Court of Auditors

(Signed) **Hou** Kai
Auditor General of the People’s Republic of China

22 July 2021

Annex

Status of implementation of recommendations up to the year ended 31 December 2019

No.	*Audit report year*	*Report reference*	*Recommendation of the Board*	*UNICEF response*	*Board's assessment*	*Status after verification: Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
1	2013	A/69/5/Add.3, chap. II, para. 69	The Board recommends that UNICEF require its country offices to apply fully justified budget assumptions in preparation for the resource estimation for activities in the multi-year/rolling work plans.	UNICEF management clarified that it had taken various measures to implement this recommendation, including: (a) Guidance on workplans was strengthened to include the development of budget assumptions; (b) The results-based management training module was successfully rolled out for all staff. The results-based management learning package (e-learning course, face-to-face training and handbook) provides learning on results-based management, while also providing opportunities for more in-depth, technical learning and skills-building by enhancing staff competencies in designing, implementing, monitoring, evaluating, reporting and managing for results; (c) Guidance on results-based budgeting was provided; (d) Updated programme strategy note guidance was issued, including methodology for resource estimation.	The Board reviewed the budget formulation tool, the new policies and the training courses issued to strengthen the budget formulation process, which are available for every country office. In the light of these actions, this recommendation is considered implemented.	X			
2	2015	A/71/5/Add.3, chap. II, para. 14	The Board recommends that UNICEF consider (a) consolidating at the corporate level an annual integrated budget containing figures from all the budgets approved by the Executive Board; and (b) include budgeted amounts for various activities under each outcome at the appropriate business unit level.	UNICEF responded that part (a) of this recommendation had been implemented in previous years. Regarding part (b) of the recommendation, UNICEF explained that the functionality related to the inclusion of budgeted amounts for various activities under each outcome at the appropriate business unit level was successfully designed, developed and built in a way that responded to the recommendation. Management considers the recommendation to be implemented and requests its closure by the Board.	The Board observed that UNICEF had prepared a clear framework for budget annualization reflecting expenditures recorded at the activity level, including outcomes at the business unit level and aggregated at the corporate level. Therefore, this recommendation is considered implemented.	X			

No.	Audit report year	Report reference	Recommendation of the Board	UNICEF response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
3	2015	A/71/5/Add.3. chap. II, para. 105	The Board recommends that UNICEF consider (a) putting in place a fund tracking system to establish links between planned and actual expenditure against the appropriate planning level (outcome, output, activity); (b) review the existing guidance and other resource material for their improvement and better utilization; and (c) align output indicators with focus areas and activities towards achievement of outputs under the outcome entitled "Education".	UNICEF explained that it had taken various measures to implement this recommendation, including: (a) Full functionality was activated in VISION to link planned to actual expenditure at the appropriate planning level, and reinforced through results-based management and results-based budgeting training and the issuance of related guidance; and the alignment of output indicators and outcomes was enhanced through an improved results assessment module; (b) The results-based budgeting learning package (e-learning course, face-to-face training and handbook) provides learning on results-based budgeting while also providing opportunities for more in-depth, technical learning and skills-building by enhancing staff competencies in designing, implementing, monitoring, evaluating, reporting and managing for results; (c) Various monitoring reports had also been designed in inSight.	The Board reviewed the planned and actual expenditure against the appropriate planning level, in conjunction with the reinforcement of the related policies. In view of the actions taken, this recommendation is considered implemented.	X			
4	2016	A/72/5/Add.3. chap. II, para. 99	The Board recommends that UNICEF ensure that proposed new enterprise risk management policy is appropriately crafted to incorporate the organization's functional requirements and at the same time to ensure that incongruities are avoided.	Management requested closure of this recommendation based on the redrafted policy – a UNICEF policy on enterprise risk management, issued in November 2020 – which addressed the incongruities previously noted and was in line with the UNICEF enterprise risk management strategy. Management acknowledged the Board's assessment and confirmation that no incongruities were noted and presented the official list of the Senior Staff Risk Committee members. Finally, the Committee may invite other non-members to attend and contribute to its deliberations as and when deemed necessary.	The Board reviewed the new UNICEF policy on enterprise risk management, and no incongruity with respect to composition and reporting was found between the role of the Executive Director and the Senior Staff Risk Committee. In addition, it reviewed the anticipated list of Senior Staff Risk Committee members. Therefore, this recommendation is considered implemented.	X			

No.	Audit report year	Report reference	Recommendation of the Board	UNICEF response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
5	2016	A/72/5/Add.3, chap. II, para. 111	The Board recommends that UNICEF ensure the formulation of risk tolerance and risk appetite at appropriate operational levels.	UNICEF responded that the articulation of risk tolerance and risk appetite statement at the appropriate organizational levels is in progress.	Given the fact that the implementation is in progress, the Board considers this recommendation to be under implementation.		X		
6	2016	A/72/5/Add.3, chap. II, para. 125	The Board recommends that UNICEF ensure periodic review of vendor master records and remove all inconsistencies.	UNICEF requested a review of this recommendation in the original context it was issued. Management added that it had instituted the periodic review and clean-up exercise to remove inconsistencies and that this was an area of ongoing operational effort.	The Board acknowledges the efforts made by the Global Shared Service Centre by performing periodic review and clean-up exercises to remove inconsistencies. Hence, the recommendation is considered implemented.	X			
7	2016	A/72/5/Add.3, chap. II, para. 236	The Board recommends that UNICEF review the Charter of Office of Internal Audit and Investigations to ensure adherence to the International Standards for the Professional Practice of Internal Auditing.	The Office of Internal Audit and Investigations has prepared a revised charter which has been reviewed by the Audit Advisory Committee and approved by the Executive Director. The revised Charter addressed the audit cycle in accordance with the International Standards for the Professional Practice of Internal Auditing, together with applicable recommendations from the Board of Auditors and the Joint Inspection Unit.	Given the fact that the revised Charter was finalized and presented to the Executive Board, the Board considers this recommendation implemented.	X			
8	2016	A/72/5/Add.3, chap. II, para. 243	The Board recommends that the Office of Internal Audit and Investigations prepare and implement its annual workplan to adhere to five-year audit cycle in accordance with the Charter of the Office of Internal Audit and Investigations.	The Office of Internal Audit and Investigations has prepared a revised charter which has been reviewed by the Audit Advisory Committee and approved by the Executive Director. The revised Charter addressed the audit cycle in accordance with the International Standards for the Professional Practice of Internal Auditing, together with applicable recommendations from the Board of Auditors and the Joint Inspection Unit.	Given the fact that the revised Charter was finalized and presented to the Executive Board, the Board considers this recommendation implemented.	X			

No.	Audit report year	Report reference	Recommendation of the Board	UNICEF response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
9	2017	A/73/5/Add.3, chap. II, para. 28	The Board recommends that UNICEF depict the contributions receivable at their fair value in compliance with IPSAS.	UNICEF explained that the impact of the discounting continues to be in line with 2018 and 2017, at $15.28 million with regard to total contributions receivable of $3.33 billion and non-current receivables of $983.46 million. Management requested the closure of this recommendation based on the analysis shared during the 2019 year-end audit. In their view, the amount of $15.28 million is below the low threshold of materiality for inclusion in the financial statements in accordance with the UNICEF IPSAS policy position on materiality.	The Board performed the discount rate analysis for UNICEF long-term accounts receivable and determined that the rates are correct. It was also verified that the impact of the discount for 2020 was $12.1 million. UNICEF has carried out an in-depth analysis of this issue, however, it has not accounted for this difference because the impact of discounting non-current contributions receivable is $12.01 million, which represents 0.09 per cent of total assets, which is below the low tolerance percentage of 0.2 per cent in the position of importance in accordance with IPSAS. Therefore, the recommendation is considered implemented.	X			
10	2017	A/73/5/Add.3, chap. II, para. 48	The Board recommends that UNICEF review and ensure compliance with the internal control mechanism in the travel management and related processes.	UNICEF pointed out that it has moved to automatic closure and explained that travel certification occurs automatically in SAP 30 days after the completion of the trip. Based on this, the manual travel certification, which was the basis of this recommendation, is no longer applicable.	UNICEF implemented a new process that simplifies the travel request. With this new procedure, travellers do not need a trip certification; instead, they will have 30 days after returning from the trip to file a claim to certify their trip. If they do not comply, the trip balance will be deducted from their payroll. In addition, travellers with more than two open trips will automatically be prevented from creating new trips in VISION. Therefore, the Board considers this recommendation implemented.	X			

						Status after verification			
No.	*Audit report year*	*Report reference*	*Recommendation of the Board*	*UNICEF response*	*Board's assessment*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
11	2017	A/73/5/Add.3, chap. II, para. 55	The Board recommends that UNICEF get a verification of compatibility and customization process of VISION, including the travel management functionality, done.	Management requested closure of this recommendation given the fact that, in their opinion, the simplified travel authorization – hard stop procedure is currently working properly in VISION and now complies with the requirements needed to close this item. The related occurrence and risk related to uncertified travel is minimal, considering the UNICEF simplified travel certification, which occurs automatically in SAP 30 days after completion of the trip.	The Board performed a review of the trips made during 2020 by taking a sample of 30 trips registered in the business intelligence tool and comparing it with the information presented in VISION. The Board noted differences that UNICEF still needs to improve. Therefore, this recommendation is considered to be under implementation.		X		
12	2017	A/73/5/Add.3, chap. II, para. 61	The Board recommends that UNICEF complete the review of the user access management guide and the segregation of duties rules and update them in a time-bound manner.	UNICEF completed the review and update of the user access management guide and the segregation of duties rules. These documents have been published, and henceforth will be updated when necessary in a time-bound manner.	Considering the information provided by UNICEF and reviewed by the Board, this recommendation is considered implemented.	X			
13	2017	A/73/5/Add.3, chap. II, para. 62	The Board recommends that UNICEF update the segregation of duties violation report to reflect the mitigation of segregation of duties conflict by the Global Shared Service Centre process and to incorporate transaction-level monitoring.	UNICEF reviewed and updated its rulebook for the segregation of duties to reflect the mitigation of those conflicts formerly caused by roles performed during the Global Shared Service Centre process. Furthermore, the segregation of duties violation report was updated to reflect that those initial segregation of duties conflicts were permanently mitigated, owing to the fact that the related roles are now being performed at the Global Shared Service Centre. The affected segregation of duties conflicts are no longer conflicts for UNICEF because the associated roles are now performed at the Global Shared Service Centre. The roles have been deactivated in the rulebook, therefore there are no longer conflicts in the segregation of duties.	The Board analysed and acknowledged the efforts made by UNICEF concerning the update of user access management in VISION, the segregation of duties rulebook and the segregation of duties violation report. In that regard, it was observed that the update reflects the mitigations of the conflicts formerly caused by roles performed by the Global Shared Service Centre process and its monitoring. Considering the above, this recommendation is considered implemented.	X			

No.	Audit report year	Report reference	Recommendation of the Board	UNICEF response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
				Finally, UNICEF headquarters conducts transaction-level monitoring to enhance the prompt identification of conflicts of segregation of duties and to enable follow-up with offices concerned for resolution.					
14	2017	A/73/5/Add.3, chap. II, para. 116	The Board recommends that UNICEF strengthen the mechanism for monitoring donor reports and ensure timely submission of all donor reports.	UNICEF requested the closure of this recommendation. Management has strengthened the mechanism for monitoring the timely submission of donor reports through the implementation of the donor reporting portal in October 2020.	The Board analysed the information provided by UNICEF and verified that in 2020 a tool to monitor donor reports was implemented, allowing UNICEF to identify the dates and types of reports that should be issued to donors. Hence, the Board considers this recommendation implemented.	X			
15	2017	A/73/5/Add.3, chap. II, para. 117	The Board recommends that UNICEF update information on submission of donor reports in VISION.	Management implemented this recommendation as shown by the fact that 100 per cent of the data migration was complete. Data is uploaded into VISION through a process overseen by a Project Manager. Representatives of other divisions have been part of the design and validation process.	The Board analysed the information provided by UNICEF and verified that the entity updated the information on the submission of donor reports tool in VISION. Hence, the Board considers this recommendation implemented.	X			
16	2018	A/74/5/Add.3, chap. II, para. 15	The Board recommends that UNICEF disclose information regarding target and actual revenue in the notes to the financial statements.	UNICEF disagreed with this recommendation. It stated that the current disclosures on expenditure authority that are included in statement V of the annual financial statements on the comparison of budget to actual amounts are fully in line with IPSAS accounting standards and the harmonized position of the United Nations system. It added that the United Nations task force harmonization agreement establishes that organizations with assessed contributions (expenditure authority granted by the General	The Board analysed UNICEF statement V and noted the fulfilment of IPSAS 24 requirements, as well as in notes 4, Significant accounting policies, and 5, Comparison to budget, of its 2020 financial statements. Likewise, it was also observed that UNICEF included, in chapter IV of the 2020 financial report, a reference to UNICEF budgetary performance.	X			

No.	Audit report year	Report reference	Recommendation of the Board	UNICEF response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
				Assembly) would apply the requirement to present revenue information noted in the recommendation. In its view, this requirement would not be applicable to agencies that do not receive assessed contributions, such as UNICEF. It added that, for UNICEF, as a voluntary funded entity, expenditure authority is not granted by the Assembly but by each individual agreement with the respective donor. As a result, in the opinion of UNICEF, the information presented in UNICEF statement V is in harmony with other voluntarily funded entities and programmes of the United Nations system and is fully in line with IPSAS, and a different presentation would be contrary to the aforementioned references.	Finally, given the fact that UNICEF is voluntarily funded, the information included is in harmony with the other voluntarily funded entities and programmes of the United Nations system. The Board deems this recommendation implemented.				
17	2018	A/74/5/Add.3, chap. II, para. 27	The Board recommends that outstanding cases of advances be reviewed and an action plan for the timely settlement of outstanding advances be developed and implemented.	Regarding the coordination of the Division of Data, Analytics, Planning and Monitoring and the Global Shared Service Centre, UNICEF had made significant progress in resolving old outstanding balances. The majority of old outstanding balances from before the Global Shared Service Centre was established have been cleared, with the exception of five staff accounts that have an active repayment plan from staff members and their beneficiaries. Of the 199 open line items as at 31 December 2019 that dated back to June 2016 and prior, 187 line items had been cleared in 2020, and there were only 12 line items pertaining to five separated staff members outstanding as at 31 December 2020.	UNICEF performed a review of the outstanding cases of advances and developed a procedure that sets out the criteria for the recovery of salary advances. The Board acknowledges the actions taken, therefore this recommendation is considered implemented.	X			

No.	Audit report year	Report reference	Recommendation of the Board	UNICEF response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
18	2018	A/74/5/Add.3, chap. II, para. 61	The Board recommends that UNICEF review the feasibility of improving the mapping of country-level targets to the strategic plan targets in the programme information database coding structure.	The inSight/results assessment module report provides a summary of the status of reporting on indicators. The methodology is as follows: (a) UNICEF tracks annual indicator ratings created on or after 1 November up to the cut-off date for annual reporting for offices; (b) UNICEF offices are expected to establish annual targets for all outcome-level indicators and report on their status at the end of the year. Given their level in the hierarchy of results, there is no expectation for outcome-level indicators to have an annual target for all years of the cycle, and only outcome indicators with 2020 targets are included in the analysis of the completeness of indicator reporting. Concerning the current status, the data showed gradual and consistent improvement between 2018 and 2020 regarding the overall proportion of indicators that are reported on by UNICEF offices at year-end.	The Board reviewed the results assessment module and verified the improvement of the tracking of indicators and the strategic plan targets, which are available for every country office. Therefore, this recommendation is considered implemented.	X			
19	2018	A/74/5/Add.3, chap. II, para. 67	The Board recommends that UNICEF review reasons for the gaps in the achievement of outputs under the "Every child survives and thrives" goal area of the Strategic Plan 2018–2021 and take suitable measures to address them.	The gaps identified during 2018 were measured in programmes conducted from the Amman hub in the southern part of the Syrian Arab Republic. The gaps are the result of limited access to the territories by UNICEF partners (operating under cross-border modalities from Jordan into these governorates) after the military control of those territories shifted with the offensive in the southern part of the country in June 2018. This change in the context of operations took place after the mid-year review and as a result it was not possible to adjust the targets presented in the results assessment module. However, detailed explanations were provided in December 2018 during	The Board noted that the entity adopted the necessary measures concerning the achievement of outputs under the "Every child survives and thrives" goal area of the strategic plan 2018–2021 for the Amman hub in the southern part of the Syrian Arab Republic. Therefore, the recommendation is considered implemented.	X			

No.	Audit report year	Report reference	Recommendation of the Board	UNICEF response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
				the year-end review of the results assessment module. UNICEF had already set up a plan of action with the related government ministry for an effective distribution of micronutrients for 2019–2020, which included an activity to explain to caregivers the importance of these micronutrients for the most vulnerable families, especially among Syrian refugees who have limited options to diversify their children's diet. UNICEF also further examined shortfalls in the achievement of targets during the year-end and annual review meetings internally and with partners, respectively, assessing the humanitarian results based on the situation reports. Results were reflected in the 2019 workplans. The related office undertook both mid- and end-year reviews of development and humanitarian results in 2019, assessing the related achievements. Finally, UNICEF stated that the recommendation was issued in the context of the Syrian cross-border operations. As a result, the entity requested that the implementation be evaluated in the same context.					
20	2018	A/74/5/Add.3, chap. II, para. 71	The Board recommends that the Lebanon country office and the Latin America and the Caribbean Regional Office take the measures necessary to complete the required data sets and prepare baselines for better planning, monitoring and implementation of programmatic activities.	UNICEF presented the Board with supporting documentation concerning the output and outcome key performance indicators for its Latin America and Caribbean Regional Office.	In addition to the improvements made by UNICEF concerning Lebanon country office, the Board also observed the output and outcome key performance indicators for its Latin America and the Caribbean Regional Office. It was noted that UNICEF took the necessary measures to complete the required data sets and prepare baselines for	X			

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			The Board also recommends that UNICEF carry out a review of the status of availability of baseline data sets in other country and regional offices and, if required, take the measures necessary to fill the gaps.		better planning in monitoring and implementing programmatic activities in both places. In view of the actions taken, the recommendation is considered implemented.				
21	2018	A/74/5/Add.3, chap. II, para. 79	The Board recommends that the Middle East and North Africa Regional Office and the Latin America and the Caribbean Regional Office continue to close the gaps in the assurance activities related to the harmonized approach to cash transfers and ensure their timely implementation to achieve the minimum required targets in all the country offices. The Board also recommends that UNICEF review the status of assurance in other country and regional offices and, if required, take the measures necessary to fill the gaps.	By the end of 2019, the UNICEF Middle East and North Africa Region achieved 198 per cent of the programmatic assurance visits. All offices reached the harmonized approach to cash transfers key performance indicator target. Regarding financial assurance, overall achievement was 93 per cent, with 572 spot checks out of a minimum requirement of 613. The slight underperformance related to the effects on some offices' operations of natural disasters, and deteriorating security conditions owing to escalations of conflicts. The State of Palestine achieved 100 per cent of its programmatic assurance visits, Iraq achieved 98 per cent, Lebanon 98 per cent, the Sudan 98 per cent, Yemen 91 per cent, the Islamic Republic of Iran 71 per cent, Djibouti 44 per cent and Libya 6 per cent. For 2020, the Middle East and North Africa Regional Office advised country offices to engage audit firms early enough for reports to be submitted in eTool before year-end and work with small offices where staff capacity is limited. In 2019, the Latin America and the Caribbean Regional Office continued investing in and strengthening the harmonized approach to quality	The Board acknowledges that 2020 was a particularly complicated period for the fulfilment of the assurance activities owing to the movement restrictions in each country. It was observed that the entity adjusted the key performance indicator related to a harmonized approach to financial assurance for cash transfers from a minimum of 95 per cent to a minimum of 65 per cent. It also noted the progress made by UNICEF in achieving the minimum number required in terms of programmatic assurance visits in the Middle East and North Africa Region and the Latin America and the Caribbean Region. However, the Board still observed a deficiency in achieving financial assurance in Peru, Barbados and Yemen. In accordance with the 2020 implementing partners risk management and assurance report, compliance with spot checks in those offices was between		X		

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				assurance activities related to cash transfers across country offices, reaching 104 per cent in programmatic visits and 94 per cent in spot checks. With regard to spot checks, 19 country offices have now met the minimum requirements. The four country offices that are currently in the middle of a humanitarian response did not meet the minimum requirements, compared with five that did not meet the minimum in 2018. Additional support and attention are being prioritized in 2020 to those four country offices working in the humanitarian context, particularly with regard to implementing partnerships and guidance and support to ensure they can meet their targets. Finally, management noted that the basis of the global recommendation was unclear and that the recommendation had not been raised during the global audit visits, in the respective management letters nor in the Board's draft report. UNICEF requests the removal of this section of the recommendation based on the noted points, and considers it implemented, as illustrated by the detailed action taken across the offices in which the matter was noted.	14 per cent and 27 per cent, far from the 65 per cent required. In particular, the Yemen field office fulfilled only 24 spot checks, though the minimum required was 166. Furthermore, the Yemen office has the second-highest number of transfers in the region. In view of the above, the Board considers this recommendation to be under implementation.				
22	2018	A/74/5/Add.3, chap. II, para. 83	The Board recommends that the Lebanon country office take prompt action on the findings and recommendations resulting from spot checks and appropriately document the details of remedial action taken. The Board also recommends that UNICEF	At the time of the issuance of this recommendation, the Lebanon office documented follow-ups on findings and recommendations from spot checks using alternate means. This was prior to the office's adoption of eTool, as a result of which the information was not available in eTool.	The Board analysed the information provided by the Lebanon office regarding its 2018 findings and recommendations resulting from spot checks, and the action taken by management and its current status. In view of the information provided, the recommendation is considered implemented.	X			

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			review the status of pending recommendations in other country and regional offices and, if required, take the measures necessary to fill the gaps.						
23	2018	A/74/5/Add.3, chap. II, para. 88	The Board recommends that urgent action be taken by the Lebanon country office, the State of Palestine country office, the Middle East and North Africa Regional Office and the Panama country office to strengthen the controls over the completeness of mandatory details in the Funding Authorization and Certificate of Expenditures forms, which should be ensured before cash transfers are approved.	UNICEF fully implemented this recommendation using the eZHACT module, which enables the automatic routing of funding authorization and certificate of expenditure forms for approval within VISION. In its view, no physical signatures are required for UNICEF staff, as all approvals are captured electronically therein. The existing system controls ensure that neither payment of an advance nor liquidation is possible without appropriate, policy-mandated approvals being captured. In addition, the office for the State of Palestine and Lebanon office conducted refresher training sessions for staff in 2019 to emphasize the importance of fully completing funding authorization and certificate of expenditure forms, and guidelines were also shared with partners.	Concerning the status of pending recommendations in other country and regional offices, in 2019 UNICEF implemented eTool in order to easily access any pending findings and/or recommendations. Therefore, the Board considers this recommendation implemented.	X			
24	2018	A/74/5/Add.3, chap. II, para. 109	The Board recommends that the Panama and Ecuador country offices carry out a formal process for the open selection of civil society organizations as a priority and document the rationale for selection in all cases where the direct selection method is preferred. The Board also recommends that UNICEF review the status of the selection methodology adopted across country	UNICEF considered this recommendation implemented through the initiatives undertaken by the Latin America and the Caribbean Regional Office and the Panama and Ecuador country offices.	The Board acknowledges the enhanced approach implemented by UNICEF that provides information on selection processes and the criteria for decisions made. In view of the actions taken, the recommendation is considered implemented.	X			

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			offices and take similar corrective action in cases where the open selection process is not followed.						
25	2018	A/74/5/Add.3, chap. II, para. 112	The Board recommends that UNICEF implement a time-bound plan to take necessary corrective measures to improve the status of outstanding direct cash transfers.	UNICEF continued to follow up on outstanding direct cash transfer items, and ageing has continued to improve. At year-end, the global total of direct cash transfer balances was 0.9 per cent of the total direct cash transfers, which is within the key performance indicator set for offices of < 1 per cent of direct cash transfers more than nine months old.	The Board acknowledges the progress UNICEF has made in reducing outstanding cash advances over nine months old. Moreover, UNICEF conducted a review of the reasons for long-outstanding direct cash transfers, and noted that the causes of long-standing transfers are known by management. In view of the action taken, the recommendation is considered implemented.	X			
26	2018	A/74/5/Add.3, chap. II, para. 119	The Board recommends that UNICEF review the adherence to the harmonized approach to cash transfers framework in its country offices and ensure that all offices follow the provisions of the framework while processing direct cash transfers.	Management requested closure of this recommendation based on the results evidenced by the harmonized approach to cash transfers assurance activities achieved. In their view, these results demonstrate implementation, as requested by the original recommendation.	The Board verified the actions taken by UNICEF in meeting the requirements established in the harmonized approach to cash transfers framework. Therefore, this recommendation is considered implemented.	X			
27	2018	A/74/5/Add.3, chap. II, para. 140	The Board recommends that UNICEF constructively engage with the National Committees to have a reserve policy that is aligned with the maintenance of benchmark requirements for reserve levels.	UNICEF requested closure of this recommendation on the basis that all National Committees now have a reserve policy aligned with the benchmark requirements. The entity engaged with National Committees and as a result, all National Committees with reserves now have a reserve policy that is aligned with the benchmark requirements. In addition, UNICEF continued to engage with the Committees to ensure their reserve policies are reviewed and updated every four years.	The Board has reviewed the responses of UNICEF and the provided information regarding this matter. The review covered the revision of the National Committees' reserve policies made available under headquarters activity "04J" from 2016 to 2020. In this context, the Board noticed that, of the 33 National Committees established around the world, two reserve policies are not		X		

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					available (Germany and Israel), two reserve policies do not indicate the date that the policy entered into force and five reserve policies have not been updated within a period of four years (Lithuania, Portugal, Slovakia, Switzerland and the United States of America). In addition, a number of policies indicated among its clauses that the review of the policy should be conducted annually; this did not occur. This recommendation is considered to be under implementation.				
28	2018	A/74/5/Add.3, chap. II, para. 164	The Board recommends that UNICEF continue its close monitoring of the goods in transit and take further measures to avoid the goods remaining in transit for more than 100 days, especially for emergency supplies.	Besides the actions and improvements reported last year, UNICEF has done the following in 2020: (a) Defined requirements for "Inbound Z" goods in transit report enhancements, allowing for the tracking of goods in transit from shipment to destination in VISION for country offices; (b) Reinforced regional offices' responsibility towards monitoring country offices at risk, identifying issues and solutions and closely monitoring improvement with country offices; (c) Organized ongoing capacity development activities (training, webinars) for the UNICEF supply and logistics community, including launching the course *La logistique à l'UNICEF* (also available in English); (d) Imported process mapping exercises at the country office level to improve on-time delivery;(e) Offered new solutions to country offices to reduce transport lead time (e.g. Incoterms).	The Board observed that UNICEF has implemented reports to monitor goods in transit, including a bimonthly report in which the country offices must update the status of the goods. In that regard, the Board considers the recommendation implemented.	X			

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29	2018	A/74/5/Add.3, chap. II, para. 169	The Board recommends that UNICEF prescribe the maximum time allowed for delivery of the items for each emergency type, enforce it strictly and take corrective action towards reducing the lead times to ensure a prompt supply response in emergencies.	Management reviewed and maintained their delivery time commitments in Supply Division procedure 010 (on emergency orders management). The Supply Division developed a report and integrated it to monitor the timeliness of orders. By the end of the first quarter of 2020, the timeliness of delivery of emergency orders increased to 85.9 per cent, up from 74.5 per cent at the end of 2019. The delivery of orders entails aspects that are beyond the control of UNICEF. While management strives to achieve the highest level of timeliness in the delivery of emergency orders, it is important to highlight that, considering the challenging contexts that UNICEF operates, in areas such as Yemen, Somalia and Nigeria, among others, this will remain an area of ongoing operational effort. The challenging and exceptional operational contexts of some countries do not allow for the achievement of 100 per cent. UNICEF requests closure of this recommendation based on the evidence of a significant degree of implementation action and results. UNICEF also requests closure of this recommendation based on the implemented and demonstrated improvement in the delivery of emergency supplies. Retention of this recommendation as "under implementation" for an additional year implies that additional action has yet to be taken by UNICEF, yet implementation action has been completed and results have been demonstrated. In addition, to retain the recommendation as "under	The Board takes note of the progress made by the end of the first quarter of 2020, considering that 2020 has been a particularly complicated period for improving the lead-time performance owing to the movement restrictions of each country. Indeed, the timeliness of the delivery of emergency orders increased to 85.9 per cent, up from 74.5 per cent at the end of 2019. However, the Board's scope addresses the entire number of deliveries performed in 2020, which drastically decreased to 53.5 per cent at the end of 2020. For that reason, the Board will verify the progress on the lead-time performance during its next audit. Therefore, this recommendation is considered to be under implementation.		X		

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				implementation" in order to allow for the passage of time during a time when the duration of the global pandemic is unknown would fail to capture the efforts successfully implemented by management.					
30	2018	A/74/5/Add.3, chap. II, para. 197	The Board recommends that UNICEF improve the existing system to provide a robust and integrated case management solution that would enable coordination among all internal stakeholders for the timely initiation and completion of the required procurement and contract management processes.	The procurement case management tool was concluded in 2020, with the tool being available to all headquarters divisions and offices since 1 January 2021.	UNICEF has developed a new Service Gateway procurement case management tool for the processing of centralized procurement requests at its headquarters in New York. Instructions and guidelines were provided to all headquarters divisions and offices for its implementation and start-up during January 2021. Based on the actions taken by UNICEF, the Board considers this recommendation implemented.	X			
31	2018	A/74/5/Add.3, chap. II, para. 204	The Board recommends that specific dates on which the final delivery of services was made be properly documented.	In order to monitor the dates when the final delivery of services is completed, and to improve the documentation of delivery dates for services, the Latin America and the Caribbean Regional Office issues monthly monitoring reports to all country offices for each office's review and management, including final delivery and the closure of expired contracts, among other things.	The entity did not provide evidence concerning the measures taken. Therefore, the Board considers this recommendation to be under implementation.		X		
32	2018	A/74/5/Add.3, chap. II, para. 210	The Board recommends that existing internal controls be reviewed to put in place a robust mechanism over the bank guarantees received by UNICEF.	UNICEF has assessed ways to strengthen its due diligence, in addition to the existing controls surrounding bank guarantees. Noting that the origin of this recommendation was related to a fraudulent activity committed by a vendor, management confirmed that the	Information and documentation was provided by UNICEF, and included the Contractual Guarantee Submission Procedure (2019) and the emails from Citi Bank showing that the	X			

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				case is being handled in line with the relevant UNICEF financial regulations and rules. In addition, the Lebanon country office has implemented additional control mechanisms in cooperation with the financial institution concerned to verify and validate the authenticity of letters of guarantee provided by suppliers' banks. The Lebanon country office has revised the procedure for the management of bank guarantees to implement additional control mechanisms in cooperation with the applicable financial institution to verify and validate the authenticity of the letters of guarantee provided by suppliers' banks.	process is being carried out properly. Therefore, this recommendation is considered implemented.				
33	2018	A/74/5/Add.3, chap. II, para. 211	The Board recommends that investigation in the fraud case be completed in a timely manner and that necessary remedial action be taken.	The case was reported to the Office of Internal Audit and Investigations in accordance with UNICEF established rules and regulations and the vendor was blocked for ethical reasons. Upon follow-up with the contractor and local authorities, all works due from the contractor were completed and delivered in a satisfactory manner.	As no evidence has been provided by UNICEF in order to assess whether corrective measures have been taken, the Board considers this recommendation to be under implementation.		X		
34	2018	A/74/5/Add.3, chap. II, para. 236	The Board recommends that UNICEF review and strengthen the methodology to calculate savings achieved to give a complete picture of all of the efficiencies achieved, including post reductions, across the organization as a result of the establishment of the Global Shared Services Centre.	UNICEF implemented this recommendation through the recently developed methodology for calculating the savings and benefits achieved as a result of the establishment of the Global Shared Service Centre.	UNICEF submitted the methodology for benefits calculations, which defined a standard way to calculate benefits linked to process or systems improvements implemented by the Global Shared Service Centre. In view of the action taken by UNICEF, the Board considers this recommendation implemented.	X			

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35	2018	A/74/5/Add.3, chap. II, para. 245	The Board recommends that UNICEF consider issuing comprehensive documents defining the roles and responsibilities of the Global Shared Services Centre and the relationship of the Centre with other UNICEF offices in all of its areas of functioning, and mitigate the existing gaps in the internal instructions and procedures for all areas of functioning of the Centre.	UNICEF requested an evaluation of the comprehensive catalogues of process instructions and accountability splits.	According to the information provided by UNICEF, the Board noted that the Global Shared Service Centre issued a comprehensive service catalogue with the definition of its roles and responsibilities in relationship to its stakeholders. In addition, the Global Shared Service Centre has updated process instructions and accountability splits, and SharePoint. In this regard, the recommendation is considered implemented.	X			
36	2018	A/74/5/Add.3, chap. II, para. 279	The Board recommends that data in all master tables be reviewed regularly for completeness, accuracy and quality, and that a clear definition of mandatory fields be established for all master tables.	UNICEF explained that the system already includes built-in master tables with mandatory fields and appropriate controls based on information types. The following implementation actions were also undertaken: (a) the Global Shared Service Centre finance-master data management team performs an annual clean-up of vendor data, with the most recent exercise completed in July 2019; (b) the roll-out of "mandatory" vendor fields was completed in January 2020; (c) the Global Shared Service Centre finance-master data management team distributed requests for the completion of vendor information by country offices in January 2020; and (d) in relation to human resources master data, management completed the cleaning of data and defined mandatory fields for master tables.	The Board noted the efforts made by UNICEF in establishing the list of mandatory human resources fields and the data cleansing strategy. Therefore, the Board deems this recommendation implemented.	X			

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37	2018	A/74/5/Add.3, chap. II, para. 284	The Board recommends that UNICEF incorporate necessary input controls and data checks, especially for the baseline date in VISION.	Effective September 2019, UNICEF introduced an automated control tool to check baseline dates for all invoices. Potential errors in data entry are reviewed by comparing the invoice baseline date to the document date (the invoice baseline date should be earlier than or equal to the document date) and the posting date (which should be later than or equal to the document date). Furthermore, any invoice with an unusual baseline date is flagged and stopped from payment until corrected.	UNICEF has implemented an automated control tool to check the baseline date for every invoice and flag any potential errors in data entry. Therefore, the Board considers this recommendation implemented.	X			
38	2018	A/74/5/Add.3, chap. II, para. 285	The Board recommends that UNICEF take the measures necessary to ensure the timely submission and processing of invoices by all concerned offices.	A reminder is provided to country offices to submit invoices to the Global Shared Service Centre within 10 days of receiving the invoice from the vendor. The monitoring of goods received/invoiced for purchase order is also part of the Division of Financial and Administrative Management's monthly closure instructions. Management will enhance the applicable monitoring tools to complement existing mechanisms such as the monthly closure process and inSight dashboard to encourage timely submission.	UNICEF has been implementing controls to strengthen the timely submission and processing of invoices. In December 2019, the Global Shared Service Centre's finance-master data management team developed instructions on submitting purchase orders and creating direct invoices. These processes will help country offices enhance the submission of invoices to the Global Shared Service Centre within 10 days of receiving the invoice from the vendor. In this regard, the Board considers this recommendation implemented.	X			
39	2018	A/74/5/Add.3, chap. II, para. 291	The Board recommends that UNICEF prioritize the settlement of outstanding cases on the basis of focused criteria and an action plan involving all concerned offices.	UNICEF prioritized, identified and reviewed the outstanding cases of advances and settlement occurred in March 2020.	The Board analysed the information provided by UNICEF and observed that the Division of Human Resources has established an action plan to mitigate payroll errors and exceptions. In this regard, the recommendation is considered implemented.	X			

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40	2018	A/74/5/Add.3, chap. II, para. 292	The Board recommends that UNICEF explore the feasibility of recovery of overpayments, including those that were due to the entry of incorrect data in earlier years, in line with the administrative instruction concerned.	Management performed an analysis of overpayments. Recovery was approved for cases within the past two years, with final settlement by the Global Shared Service Centre in March 2020.	UNICEF provided evidence of the effort made by the Division of Human Resources to determine the plan to recover overpayments. Hence, the Board considers this recommendation implemented.	X			
41	2018	A/74/5/Add.3, chap. II, para. 293	The Board recommends that UNICEF explore enhancing the monthly master data and funds exception report to identify exceptions or errors with payroll implications for review and corrective action.	The human resources administration and payroll teams identified and enhanced the monthly master data and funds exception report, with additional validation controls embedded in the report. This has resulted in the strengthened segregation of duties and accountability splits.	UNICEF has been implementing several improvements to the master data and fund exceptions report in order to identify errors that have an impact on payroll. In this context, the Board considers this recommendation implemented.	X			
42	2019	A/75/5/Add.3, chap. II, para. 16	The Board recommends that UNICEF consider classifying the long-term components of the after-service health insurance investment portfolio as non-current investment.	UNICEF management maintained non-acceptance of this recommendation as shared with the Board during the 2019 audit fieldwork and in response to the Board's audit report of 2019. In its view, the classification proposed in the recommendation would give the impression that the instruments in the UNICEF after-service health insurance investment portfolio are held for long periods of time or to maturity, which would not always be the case at UNICEF. These instruments are intended to be traded to maximize returns to the after-service health insurance fund as evidenced in 2019, during which sales proceeds represented 44 per cent of the portfolio's investment value. Management therefore disagrees with the interpretation that the objective of the portfolio (generating returns to meet long-term liability) determines its classification in substance or in form.	The Board analysed the components of the investments and concluded that there are still some related to the funding of after-service health insurance that should be classified as non-current investments. Therefore, this recommendation is considered to be under implementation.		X		

						Status after verification			
No.	*Audit report year*	*Report reference*	*Recommendation of the Board*	*UNICEF response*	*Board's assessment*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
				The portfolio's classification as long-term would give the impression to the users of the accounts that the instruments are held for long periods of time or to maturity, which is not the case.					
43	2019	A/75/5/Add.3, chap. II, para. 24	The Board recommends that UNICEF explore revising the hedging policy to include a suitable framework to govern the utilization of different types of hedging instruments, given their associated benefits and risks.	As part of its 2020 workplan, UNICEF has revised the draft hedging procedure. Following consultation, the revised procedure is currently being finalized and is targeted for completion and approval by the second quarter of 2021. It includes a framework for the utilization of different types of hedging instruments, describing the pros and cons of each type, as recommended by the Board, which has been reviewed, approved and published.	The Board verified that UNICEF approved, on 17 May 2021, the procedure on hedging foreign exchange risk that defines responsibilities, procedures, hedging instruments and strategies, limits based on expected inflow and outflow type and risk management, among other things. Thus, the Board considers this recommendation implemented.	X			
44	2019	A/75/5/Add.3, chap. II, para. 30	The Board recommends that UNICEF engage with the banks concerned to avoid undue delays in the closure of accounts and explore introducing the controls necessary to prevent transactions in accounts in which closure has been effected by the bank.	Management conducted a further review of the five cases noted by the Board and determined that the cause of the delay was due in part to internal processes and in part as a result of the administrative processes of external stakeholders, over which UNICEF has little control. UNICEF has since taken measures through enhanced monitoring and collaboration with the banks, when an account is identified for closure, to avoid undue delay and ensure that the process is completed in a timely manner. This has ensured that all steps in the process are expedited to the extent that they are within UNICEF control. Following the reinforced controls after the audit recommendation, UNICEF had closed only one bank account. The closure was accomplished within five business days of sending the closure letter. Furthermore, UNICEF has taken measures to prevent transactions in	In view of the actions taken by the entity, which make it possible to avoid delays in the closures of bank accounts, this recommendation is considered implemented.	X			

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				accounts in which closure has been effected by the bank by putting a "block" in the affected general ledger, thereby stopping it from accepting entries or postings.					
45	2019	A/75/5/Add.3, chap. II, para. 35	The Board recommends that UNICEF institute a system to monitor the timely uploading of correct cash on hand account certificates that would also assist in further strengthening the reconciliation exercise.	Management issues closure instructions with a calendar of exact dates when uploads of both bank and cash-on-hand account reconciliations are due. This is evidenced in the closure instructions published and shared with the Board. Monitoring is also conducted as part of the closure process.	The Board acknowledges the progress made by UNICEF in uploading bank and cash-on-hand account reconciliations on an exact date. This recommendation is considered implemented.	X			
46	2019	A/75/5/Add.3, chap. II, para. 42	The Board recommends that UNICEF issue clear guidelines to avoid the classification of the same type of property, plant and equipment under different asset classes, especially information and communications technology (ICT) equipment.	During 2020, management implemented the mAsset project, which included a training programme developed to support end-to-end asset management covering the new policy, procedure and guidance, as well as the functionality of the application and the new Property Survey Board tool. The training incorporates clarifications on what is an asset and how the assets should be classified. Finally, there are different training sessions depending on the role of the staff member, which are available through Agora, the operations training channel, Yammer or the mAsset project site.	The Board acknowledges the progress made by UNICEF in implementing new guidelines and developing training programmes in that regard. Therefore, this recommendation is considered implemented.	X			
47	2019	A/75/5/Add.3, chap. II, para. 46	The Board recommends that UNICEF make the necessary adjustments identified after the review exercise in the book value and accumulated depreciation/amortization of these assets.	Management carried out a useful economic life analysis for 2020, and while some old assets remain on the books, the impact of any changes in depreciation rates were not significant enough to warrant adjustment.	The Board reviewed the 2020 useful lives and determined that the current expectations did not vary significantly from the previous estimates, therefore, in accordance with IPSAS 17, no adjustment was made. In that regard, the recommendation is considered implemented.	X			

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48	2019	A/75/5/Add.3, chap. II, para. 52	The Board recommends that UNICEF identify key data elements that validate the eligibility of participants for end-of-service/post-employment benefits and incorporate the validation controls necessary to ensure the mandatory capturing of these key data elements in the system.	Management reviewed and determined the key fields that impact the after-service health insurance actuarial valuation for UNICEF-supplied data. A note on maintaining records regarding the maintenance of those fields has been drafted and is currently under review for approval.	As indicated by UNICEF, this recommendation will be implemented in the second quarter of 2021. The Board will verify it again during the 2021 audit process, using the updated data to calculate the actuarial value. Therefore, this recommendation is considered to be under implementation.		X		
49	2019	A/75/5/Add.3, chap. II, para. 58	The Board recommends that UNICEF consider disclosing additional information in the financial statements and the accompanying notes for travel to further improve the information available to the readers of the financial statements.	Management confirmed that the financial statements are fully in compliance with IPSAS 1, Presentation of financial statements. UNICEF has elected to disclose travel expenses in the notes to the financial statements as allowed by the accounting standard. Travel expenses are therefore separately disclosed in the notes to UNICEF financial statements. In addition, there was a significant reduction in travel expenses in 2020 owing to the global pandemic, and the level of expenses was not material enough to warrant disclosure on the face of the primary financial statement. In the view of UNICEF, the recommendation is also considered to have been overtaken by events.	In accordance with paragraph 106 of IPSAS 1, Presentation of financial statements, concerning the information to be presented either on the face of the statement of financial performance or in the notes, when items of revenue and expense are material, their nature and amount shall be disclosed separately. It was observed that UNICEF disclosed travel expenses in the notes to the financial statements. In addition, it was noted that UNICEF did not disclose that item on the face of the primary financial statement, arguing that in 2020 the level of travel expenses was not material enough. The Board acknowledges that 2020 travel expenses are no longer material owing to the fact that its amount decreased from $164,670 in 2019 to $55,850. Therefore, the recommendation is considered to have been overtaken by events.				X

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50	2019	A/75/5/Add.3, chap. II, para. 59	The Board recommends that UNICEF consider disclosing additional information in the financial statements and the accompanying notes for the capitalization threshold to further improve the information available to the readers of the financial statements.	While prior disclosures were in compliance with mandatory disclosures under IPSAS 17 on property, plant and equipment, which does not require disclosure of capitalization thresholds, management has included the additional recommended disclosures in Note 4, paragraph 15, of the notes to the 2020 financial statements.	The Board observed that UNICEF included in the 2020 financial statements a disclosure referring to capitalization thresholds. Therefore, this recommendation is considered implemented.	X			
51	2019	A/75/5/Add.3, chap. II, para. 60	The Board recommends that UNICEF consider disclosing additional information in the financial statements and the accompanying notes for inventory from expired grants to further improve the information available to the readers of the financial statements.	Management disagreed with this recommendation. Management's analysis confirmed that inventory from expired grants accounted for less than 5 per cent of total inventory of country office warehouses. An internal analysis of inventory had already been conducted and presented to management, and management was assured that the current information in the financial statements was sufficiently compliant with the disclosure requirements under IPSAS.	The Board reviewed the amount of expired grants and observed that it was in compliance with IPSAS presentation standards. Therefore, the Board considers this recommendation implemented.	X			
52	2019	A/75/5/Add.3, chap. II, para. 66	The Board recommends that UNICEF ensure that the proposed enterprise risk management framework is implemented at the earliest.	Management requested closure of this recommendation based on the finalization and publishing of the UNICEF policy on enterprise risk management in November 2020, which was communicated to all offices through a global message from the Office of the Comptroller.	The Board evaluated the evidence and responses delivered by UNICEF regarding the establishment of the UNICEF policy on enterprise risk management in November 2020, which would provide an in-depth and intelligent understanding of risk relationships and in turn would lead to the strengthened organizational performance of UNICEF, and the now-active enterprise governance, risk and compliance application platform, as communicated to all offices through a global	X			

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					message from the Office of the Comptroller. Therefore, the recommendation is considered implemented.				
53	2019	A/75/5/Add.3, chap. II, para. 67	The Board recommends that UNICEF take action to migrate historical data of risks and actions taken into the eGRC tool so that the lessons learned from previous actions are not lost and to ensure that all historical data are available.	UNICEF management argued that, as communicated in the recently issued policy, the enterprise governance, risk and compliance application platform is the designated single source of shared truth and place of record for a centralized and integrated collection of all risks identified by UNICEF offices and governance (policy management) data, information and related activities. It has retained the historical data of prior years' risk assessments for reference in inSight. Migration of the inSight structure to the current format is not supported by MetricStream (an enterprise governance, risk and compliance vendor). UNICEF clarified that the available historical information from inSight management and risk reports regarding risks and actions will not be migrated to the new enterprise governance, risk and compliance tool/system because the two systems are not compatible with each other. In addition, the risk structures and data in inSight do not align with the new tool. Finally, to address the Board's concern, which was raised in the audit and related to losing the lessons learned from previous actions and historical data, UNICEF decided to house that information in inSight. The old data and information are available for consultation in inSight so that lessons learned from previous actions may be consulted as and when needed and to ensure that all historical data are available at any time.	It was observed that UNICEF has stated that the historical information from inSight management and risk reports will not be migrated to the new enterprise governance, risk and compliance tool/system because the two systems are not compatible with each other. In addition, it was noted that the migration of the inSight structure in its current format is not supported by the enterprise governance, risk and compliance vendor. Therefore, the Board considers that this recommendation has been overtaken by events.				X

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						Implemented	*Under implementation*	*Not implemented*	*Overtaken by events*
54	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.	A budget management tool was rolled out to all UNICEF offices effective 1 July 2019, accompanied by related policies and procedures, including training for all regions and headquarters divisions. By November 2019, over two thirds of all UNICEF offices had completed financial planning using the budget management tool application, with data transferred to VISION or in the process of being transferred. Following regular use of the budget management tool after its launch, system performance slowed, for which enhancements are currently under way to ensure acceptable performance speeds. In 2020, UNICEF developed a plan to address the performance issues noted with the budget management tool, including a move from the on-premises version of the solution to a cloud version. During the first quarter of 2021, management devoted the necessary time to review the existing budget planning processes with the goal of having the new tool support a less complicated and easier to use process. Following this exercise, system development work to address performance issues and simplification will be undertaken.	The Board noted that UNICEF had assessed a plan for resolving the issues detected in the budget management tool. In addition, it was also observed that UNICEF will continue to improve and facilitate the operation of the new tool by the fourth quarter of 2021. Therefore, this recommendation is considered to be under implementation.		X		
55	2019	A/75/5/Add.3, chap. II, para. 78	The Board recommends that UNICEF strengthen the monitoring and internal controls to ensure the timely submission of quality reports to donors.	Management successfully implemented the donor report portal (along with the donor reporting tracker).	In order to strengthen the donor reporting process, UNICEF stated that it was undertaking a cross-divisional effort to develop a donor reporting portal, along with a donor reporting tracker, to strengthen the timely submission and monitoring of donor reports.	X			

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					In late 2020, the donor reporting portal and reporting tracker went live. The Board verified that the above-mentioned tools have been developed and are currently in place, therefore this recommendation is considered implemented.				
56	2019	A/75/5/Add.3, chap. II, para. 91	The Board recommends that, in the interest of organizational efficiency and maintaining uniformity, UNICEF review the output indicators and their application and assessment across the country offices.	Management reviewed, developed and implemented version 3.0 of the results assessment module, which includes a central dictionary that addresses indicators. The module is built on a new technical platform with an enhanced user interface and has the capability to integrate data for simplified and more comprehensive results planning (including a work-planning module) and reporting. It will streamline the selection of indicators and promote alignment across country offices during future application and assessments, and will be overseen at the regional level. It focuses on all aspects of results data across the programming cycle and accommodates external reporting requirements, among other enhancements.	The Board reviewed version 3.0 of the results assessment module and noted the incorporation of guidelines and a central dictionary that addresses indicators, which are available to every country office. Therefore, this recommendation is considered implemented.	X			
57	2019	A/75/5/Add.3, chap. II, para. 92	The Board recommends that UNICEF review and strengthen its programme monitoring system in order to ensure the effective achievement of planned results.	Management developed and implemented version 3.0 of the results assessment module, which went live in November 2020. UNICEF has an overall monitoring system, which has been reviewed and strengthened through the work of the monitoring action cell and is reflected in the 2021 workplans of its Division of Data, Analytics, Planning and Monitoring.	The Board reviewed the results assessment module (version 3.0) and the priorities for transforming the UNICEF monitoring function in 2021. In that regard, it was observed that UNICEF had strengthened its programme monitoring system in order to ensure the effective achievement of planned results. Therefore, this recommendation is considered implemented.	X			

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58	2019	A/75/5/Add.3, chap. II, para. 109	The Board recommends that UNICEF carry out an analysis of the reasons for gaps in the achievement of country plan targets in the Ethiopia country office and identify the remedial measures necessary to improve the achievement of the objectives and targets of the country plan in the country office.	The targets for the country programme document 2016–2019 at the outcome and output levels were mapped out in accordance with the Ethiopia Growth and Transformational Plan II (2015–2020) in 2016. While the outcome level targets were achievable, the output level targets were found to be unrealistic, hence the noticeable gaps between the actuals and the targets. Considering strategic factors and the analysis performed, the targets for the country programme document 2020–2024 were adjusted to align with the United Nations Sustainable Development Cooperation Framework and the Ethiopia Growth and Transformational Plan II at the outcome level, taking into account recommendations from the achievement gap analysis discussions conducted at the senior management level of the Ethiopia country office. A mechanism for calculating targets at the output level for the new country programme document was established based on trends in administrative data and funding levels and will give the country office better control over reducing such gaps to the minimum.	The entity reported that the adjustments to the goals were made, taking into account the recommendations of the discussions on the achievement gap analysis. The entity established a mechanism to calculate product-level targets for the new country programme document based on trends in administrative data and funding levels. The entity provided information and supporting documentation that demonstrated the current strategy being used and the documents prepared. Support documents for an analysis by goal area and documents that supported the updating and adjustment of the objectives according to the new results framework were delivered. Therefore, the Board deems this recommendation implemented.	X			
59	2019	A/75/5/Add.3, chap. II, para. 112	The Board recommends that UNICEF review and strengthen the quality assurance process for the results assessment module and ensure that the online version of the module is updated in a timely manner in the Ethiopia country office.	The Ethiopia country office has strengthened the quality assurance process of the results assessment module through the development and roll-out of quality assurance checklists. The purpose of the review checklist is to guide and document the quality assurance process of the results assessment module reporting at all levels.	The Board verified the information provided by the entity and observed that the Ethiopia country office has strengthened the quality assurance process of the results assessment module through the development and roll-out of quality assurance checklists: the review checklist and the verification checklist. The objective of these checklists is to guide and document the quality assurance process of the	X			

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					results assessment module reporting at all levels and guarantee that the reporting sections are responsible for the quality of the reports, which are presented to the Project Management Unit and the Deputy Representative for their final review and approval. Therefore, this recommendation is considered implemented.				
60	2019	A/75/5/Add.3, chap. II, para. 113	The Board recommends that UNICEF explore ways to strengthen the evaluation and internal assurance processes to introduce improved accuracy into the reporting of baselines and achievements in the Ethiopia country office.	The Ethiopia country office has continued to strengthen the role of the evaluation function through improving its independence by hiring an evaluation specialist and introducing an updated version of the standard operating procedures for the Research and Evaluation Committee, which were adopted in June 2020. The new standard operating procedures aim at ensuring, to the extent possible and according to the scope of the programme evaluation, that its designs are robust and reviewed at the baseline, midline and end line to gather quality and timely data on programme implementation.	An updated version (2020) of the standard operating procedures for the Research and Evaluation Committee was delivered by UNICEF. This new procedure is intended to ensure that evaluation designs are robust and reviewed on all lines to gather quality and timely information on the implementation programme. Therefore, the Board deems this recommendation implemented.	X			
61	2019	A/75/5/Add.3, chap. II, para. 122	The Board recommends that UNICEF ensure the effective utilization of the emergency preparedness platform for risk analysis and planning for preparedness for emergency response in all the regional and country offices, as envisaged in the procedure.	Since 2019, the Office of Emergency Programmes has monitored compliance with procedure requirements across offices using the dashboards and data available in the emergency preparedness platform. The Office has followed up with regional and country offices, requesting updates of their plans, and will continue to do so. Regarding the regional offices that do not have plans available online, UNICEF explained that they complied with the main requirements of the procedure even though they never managed to transfer	The Board noted that some countries had still not updated their emergency plans or risk analysis in the emergency preparedness platform, and/or had delays in carrying out those activities. Therefore, this recommendation is considered to be under implementation.		X		

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				the plans to the online platform for various reasons, including the unavailability of regional office tracking at the time. Since the roll-out of version 2.0 of the emergency preparedness platform at the end of 2020, the emergency preparedness platform now reflects two types of scores: a preparedness score (linked to the minimum preparedness standards benchmark) and a compliance score (linked to process). The average preparedness score is currently 92 per cent and the average compliance score is 69 per cent. The Risk Analysis and Preparedness Section estimates that by 31 December 2021, both scores will be within the "almost met or met" range, which would reflect the effective utilization of the updated version of the platform. However, the Risk Analysis and Preparedness Section cannot directly ensure a country office's progress or compliance, as this is not under its control. Regional offices lead the update process with their respective country offices and the Risk Analysis and Preparedness Section supports this process by providing guidance and resources.					
62	2019	A/75/5/Add.3, chap. II, para. 132	The Board recommends that UNICEF identify the reasons for gaps in achieving the minimum level of assurance activities and take urgent action to ensure that, at the very least, the minimum level of spot checks is carried out for all the implementing partners in the Eastern and Southern Africa region in a timely manner, and in	UNICEF agreed with the minimum required level of financial assurance activities (spot checks) for the implementing partners of the Eastern and Southern Africa Regional Office with regard to reported cash transfers in 2020. In terms of programmatic monitoring (programmatic visits), the target had in fact been met for that Region for the period under review; however, the Office had inadvertently neglected to populate the harmonized approach to cash transfers status report in inSight for 2019 to reflect this.	Based on the information recorded in the system, the Board observed that programmatic visits and spot checks have been carried out in 88 per cent of the country offices in the Region. Therefore, the Board acknowledges that UNICEF took useful actions in order to ensure that a minimum of spot checks were carried out for all the implementing partners in the Eastern and	X			

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			this regard reiterates its recommendation (A/74/5/Add.3, para. 79) that UNICEF review the status of assurance in other country and regional offices and take the measures necessary to fill the gaps.	Management stated that it had completed this exercise in the first quarter of 2020.	Southern Africa region in a timely manner. In that regard, this recommendation is considered implemented.				
63	2019	A/75/5/Add.3, chap. II, para. 142	The Board recommends that UNICEF continue to strengthen the implementation and monitoring of the Yemen emergency cash transfer project, taking into consideration the evolving situation and lessons learned from implementing the project on the ground.	Enhancements were made in various areas of the implementation and monitoring of the Yemen emergency cash transfer project, including support for the project, the distribution of cash to beneficiaries, independent monitoring of the project and a grievance redressal mechanism to address the issues raised by the Board. UNICEF reinforced its outreach efforts, which translated into more beneficiaries receiving the correct amount of cash. There was improvement in the percentage of beneficiaries that received the correct amount of cash, from approximately 97.7 per cent in the first payment cycle to 99.9 per cent (against a target of 98.0 per cent) in the eighth payment cycle. Concerning indicators, key revisions were made to the project's main indicators relating to, among other things, the receipt of the appropriate information from the facilitation network on case management and the facilitation network on call centres. Revisions were also made to the types of information the indicators captured, for example, whether or not respondents received information on the date, time and place (i.e. all three things), whereas previously the indicator had only captured whether respondents had received information on the date, time or place (i.e. only one thing), which the	Based on the eighth cycle of payment described in the third-party monitoring report (which ran from 27 June to 27 July 2020) the Board observed the improvements made by UNICEF with the aim of strengthening the implementation and monitoring of the Yemen emergency cash transfer project. In that regard, the following key indicators were improved: (a) the proportion of beneficiaries who received cash payments; (b) the receipt of information by beneficiaries; (c) the distance and time travelled by beneficiaries to reach payment sites; (d) the level of satisfaction of beneficiaries with the emergency cash transfer project; and (e) the number of attempts it took beneficiaries to receive payment. Therefore, the Board considers the recommendation implemented.	X			

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				auditors noted. This has been rectified as suggested. In addition, the facilitation network was improved and as a result more beneficiaries received more appropriate information. A total of 85 per cent of the beneficiaries now receive proper information from facilitators about payment location, time and date, compared with 77 per cent as of the audit, which occurred during the sixth cycle. UNICEF made improvements with regard to the coverage of mobile payments sites.					
64	2019	A/75/5/Add.3, chap. II, para. 147	The Board recommends that UNICEF ensure that specific reasons and justification be recorded for each case in which purchase orders are placed outside the relevant long-term agreements.	The Supply Division explained that paragraph 6.10.4 of procedure No. 4 states that if a purchase order or institutional services contract is raised for goods and/or services that are available under valid long-term agreements but the purchase order/services contract is placed outside such long-term agreements, proper justification for not utilizing the existing long-term agreements should be included in the contracting document's internal notes in VISION. As such, in its view the original recommendation that "specific reasons and justification be recorded for each case" has been fully addressed.	During the audit performed, the Board selected a sample of purchase orders that were placed outside of long-term agreements as at 31 December 2020. It was verified that the evidence was correctly documented and justified in VISION in the notes of records and/or Contracts Review Committee meetings. Therefore, the recommendation is considered implemented.	X			
65	2019	A/75/5/Add.3, chap. II, para. 154	The Board recommends that UNICEF analyse the reasons why procurements had been done before the local procurement authorizations were issued by the Supply Division and take necessary corrective action.	UNICEF asked that the Board note that there were only two purchase orders, rather than three: one purchase order from Algeria, and one purchase order from Bangladesh with two relevant lines. For the purchase order from the Algeria country office, the office has provided a signed note for the record by way of corrective action.	The Board analysed the responses offered by the Algeria and Bangladesh country offices. It was observed that a corrective action was implemented for the Algeria country office. For the Bangladesh country office, it was explained that a data error had been made and the purchase order was not	X			

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				For the purchase order from the Bangladesh country office, further follow-up established that there had been a data error and the purchase order had not been placed before the date of issue of the local procurement authorization.	placed before the date of issue of the local procurement authorization. This recommendation is considered implemented.				
66	2019	A/75/5/Add.3, chap. II, para. 156	The Board recommends that UNICEF clarify the provisions of the Supply Manual and related procedure documents regarding the processes and steps required for the issuance of local procurement authorizations for different products, especially in the case of ready-to-use therapeutic food and medicines.	UNICEF provided evidence proving that a revised Supply Division procedure has already been circulated for comment prior to finalization and approval. An update to the Supply Manual has also been drafted and will be reviewed, finalized and published following the issuance of the revised Supply Division procedure.	The Board acknowledges the progress made by the Supply Division in these matters. However, given the fact that the revised Supply Division procedure is not yet finalized, and the update of the Supply Manual has not been completed, the recommendation is considered to be under implementation.		X		
67	2019	A/75/5/Add.3, chap. II, para. 170	The Board recommends that UNICEF explore ways to further strengthen the inventory management system in order to deal with issues relating to inventory turnover and ageing.	UNICEF strongly disagreed with this recommendation. It stated that the Board had thoroughly analysed its supply chain management, including the management of inventory and vendors, during the audit of the Supply Division. UNICEF added that the Board had already issued detailed recommendations on related matters, to which UNICEF has already responded. It reminded the Board that this recommendation was issued during the New York headquarters audit and was based on a high-level inventory ratio analysis. UNICEF added that it acknowledged the findings of the Board and had implemented/is implementing specific recommendations to: (a) Monitor and improve the status of supplies in transit; (b) Strengthen the analysis of delays in deliveries in different centres at the Supply Division and take specific	The Board acknowledges the efforts made by UNICEF concerning the monitoring of the existence and reinforcement of the analysis of the delays in transfers from the Supply Division. Therefore, the Board considers this recommendation implemented.	X			

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				measures to improve the timeliness of deliveries; (c) Identify reasons for delays in direct order purchase orders to improve the timeliness of deliveries by taking the necessary remedial measures at the country office level and further improve monitoring at the Supply Division level; (d) Ensure that applicable contractual remedies are applied consistently in the cases of delays in deliveries, and specifically record the basis of decision-making for applying or not applying the contractual remedies for each individual case of delay by all suppliers.					
68	2019	A/75/5/Add.3, chap. II, para. 171	The Board recommends that UNICEF review existing controls over the capturing of shelf life expiry date for inventory items, especially ones that carry a pre-defined shelf life/best before dates.	UNICEF already reviews the best-before/shelf life expiry date for all batch-managed inventory items. Management provided evidence of implementation related to the review conducted for inventory during the 2020 Supply Division audit.	The Board noted that UNICEF does maintain physical controls associated with shelf life expiry dates. In addition, information provided indicated that UNICEF observed reasonable ageing periods of goods. Therefore, the Board considers this recommendation implemented.	X			
69	2019	A/75/5/Add.3, chap. II, para. 181	The Board recommends that UNICEF facilitate the improved monitoring and understanding of direct order long-term agreements with country offices in order to identify reasons for delays in direct order purchase orders and that UNICEF take the remedial measures necessary to improve the timeliness of deliveries.	Management is undertaking various remedial measures to facilitate improved monitoring by country offices of direct order purchase orders and the timeliness of the delivery of direct order long-term agreements, as well as providing guidance, training sessions and/or awareness sessions in relation to the importance of updated VISION entries for the direct order purchase orders. The agreed actions were added to the 2021 workplans of the Supply Division's Monitoring, Strategic Data and Evidence Unit and Contracting Centre accordingly. The recommendation is on track to be implemented by the second quarter of 2021.	The Board acknowledges the progress made by the Supply Division in these matters. However, given the fact that agreed actions were added to the 2021 workplans of the Supply Division's Monitoring, Strategic Data and Evidence Unit and Contracting Centre accordingly, the recommendation is considered to be under implementation.		X		

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70	2019	A/75/5/Add.3, chap. II, para. 183	The Board recommends that UNICEF ensure that applicable contractual remedies are applied consistently in the cases of delays in deliveries and, in particular, record the basis for the decision whether to apply the contractual remedies for each case of delay by all the suppliers.	UNICEF is updating the applicable Supply Division procedure to ensure that the application of contractual remedies in paragraph 2.6 of the UNICEF general terms and conditions of contract is systematically recorded. If liquidated damages have not been applied and the supplier is determined to be at fault for the delay, then the procedure requires that the reasons for not applying this remedy be recorded. Of the five remedies available under paragraph 2.6, paragraph 2.6 (e), on liquidated damages, is often applied and is the key remedy when targeting cases of delay. When applying this remedy (liquidated damages), the Supply Division procedure requires a record of its application and of cases of delay where it has been determined that the supplier is at fault but liquidated damages have not been imposed (and the reasons why it was not applied). The other four remedies (rejection of goods, procurement from other sources, refunding all payments or contract termination) are, appropriately, rarely applied and are targeted more at major contractual challenges such as failure to deliver or non-conformity of goods, rather than a "simple" delay where, as mentioned, liquidated damages is the key remedy. The intention is to ensure that all applications are recorded; however, the Supply Division's assessment is that the recording of reasons for non-application may not add value or help to address the fundamental issue of ensuring the performance and achievement of UNICEF objectives related to contracts, and will require significant administrative efforts.	The Board acknowledges the progress made by the Supply Division in these matters. However, given the fact that the agreed actions are not yet fulfilled, the recommendation is considered to be under implementation.		X		

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71	2019	A/75/5/Add.3, chap. II, para. 192	The Board recommends that UNICEF analyse the reasons for the delays in processing emergency orders other than rapid response emergencies and reiterates its recommendation (A/74/5/Add.3, para. 169) to make efforts to reduce the lead times, especially lead 2.	UNICEF has undertaken a dynamic and real-time internal review of various aspects related to the coronavirus disease (COVID-19) global pandemic. The lessons-learned process has been aimed at supporting adaptive management within the Supply Division for both current and future emergencies. The Supply Division added that performance in meeting demand and delivering emergency orders as well as the various reasons for delay in meeting such demands and orders has been considered a cross-cutting subject and is therefore addressed in a number of the lessons-learned pieces. The Supply Division explained that the most important factors relating to the findings and the reasons for delays in emergency orders include: (a) reliance on a single supplier network during a global emergency; (b) a United Nations joint tender for personal protective equipment supplies during the COVID-19 emergency response; and (c) demand-planning activities for products supporting the COVID-19 emergency response.	UNICEF provided documentation on the review conducted related to the Supply Division´s performance during the COVID-19 global pandemic, which reflects the assessment on meeting demand and delivering emergency orders as well as the reasons for the delay in meeting them. Therefore, the Board considers the recommendation implemented.	X			
72	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.	Management is developing a data warehouse strategy which would feed into future options for enhancing and potentially modernizing the existing data warehouse capabilities. Owing to uncertainty in the current global financial landscape, management is prioritizing the development and implementation of the strategy. A business case would then need to be developed and submitted to the Information and Communications Technology Board for approval and subsequent budget allocation by the	The Board acknowledges the efforts made to implement this recommendation. However, given the fact that the implementation is in progress, the Board considers this recommendation to be under implementation.		X		

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				Office of the Executive Director. The expected date for potential funding allocation would be in the first quarter of 2022 if the business case were submitted and approved.					
73	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.	Management conducted an internal vulnerability test as part of the UNICEF information security programme to inform a decision to run a penetration test on the VISION ecosystem. Results concluded that: (a) the current remote working situation required the engagement of technical staff towards ensuring service continuity during the pandemic; and (b) the risk of compromise was lower than the potential of harming global UNICEF operations. Management decided not to conduct penetration testing until it was possible to have technical staff working in close physical proximity with each other.	The Board acknowledges the efforts made to implement this recommendation. However, given the fact that the implementation is in progress, the Board considers this recommendation to be under implementation.		X		
74	2019	A/75/5/Add.3, chap. II, para. 207	The Board recommends that UNICEF carry out the implementation of the residual InfoSec risk mitigation measures, including a formal InfoSec risk assessment, as outlined in the office management plan (2018–2021) of the Information and Communications Technology Division.	As part of the Infosec risk assessment process, the Information and Communications Technology Division and the Office of Internal Audit and Investigations conducted an audit of ICT and cybersecurity in 2019 at UNICEF headquarters in New York, in Geneva and at the Global Shared Service Centre. In that regard, an informal Infosec risk assessment was conducted, and the following actions were performed to mitigate the risks: (a) A campaign to raise awareness on phishing was conducted in 2019; (b) An Infosec system classification tool used to capture and classify systems based on information type, was developed and implemented, and an initial classification and baseline controls were established; (c) An Infosec awareness	According to the information provided and the meeting held to discuss this observation, the recommendation is considered implemented. The Board will evaluate the new Infosec risk assessment after the technological changes have been implemented in the next audit period.	X			

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				programme was set as a mandatory requirement for all UNICEF staff; (d) Periodic security bulletins were published; (e) Detection ability was increased (currently limited). UNICEF will continue to perform formal Infosec risk assessments for VISION and inSight annually and when major changes to the environment are introduced as part of information technology security operational functions. The next formal Infosec risk assessment for VISION and inSight is scheduled for the second quarter of 2021. The report on the ICT and cybersecurity audit at the New York headquarters was submitted in response to the 2019 audit of the Board on VISION and inSight in New York.					
75	2019	A/75/5/Add.3, chap. II, para. 210	The Board recommends that UNICEF take steps to ensure automatic data synchronization between human resources master data and VISION user ID credentials by instituting the mandatory input of account number/personnel number while creating the ID. The Board also recommends that account/personnel numbers be updated in all such cases in the database.	Management considers the second part of the recommendation regarding account/personnel numbers to be fully implemented and requests its closure. Management emphasized that the personnel number is not a mandatory field in the SAP user master data. The personnel number is used as the "account number" for internal business processes to unequivocally link SAP accounts to personnel (staff and non-staff). There are two ways of creating SAP user accounts in UNICEF: (a) The Infor Risk and Compliance tool: when the user identification is created using the tool, the personnel number is filled automatically, as UNICEF has modified the program that connects to SAP so that it populates the field; (b) The winshuttle script: recently UNICEF has modified the winshuttle script to include the personnel number.	Considering the information provided by UNICEF, the Board acknowledges that account/personnel numbers have been updated in the database; therefore, it estimates that part of the recommendation has been implemented. However, the addition of the needed steps concerning automatic data synchronization between human resources master data and VISION user identification credentials has not occurred, therefore the recommendation remains under implementation.		X		

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				With regard to synchronization, SAP does not provide an out-of-the-box feature to synchronize data between the human resources master and user credentials, so a custom-built solution is required. Therefore, at the onset of this exercise, the initial updates may be manual, with the subsequent exploration and development of an automated solution designed to allow the addition of new and functionality sustainable capabilities. Based on the clarification and evidence provided in the status update, management has requested the closure of the recommendation that "account/personnel numbers be updated in all such cases in the database".					
76	2019	A/75/5/Add.3, chap. II, para. 211	The Board recommends that UNICEF explore ways of further strengthening the existing controls over the creation and maintenance of the user ID database in VISION to avoid the recurrence of the issues highlighted in the present report.	Management disagreed with this recommendation. At UNICEF, the validity of a user's identification, and therefore the user's access to the system, is based on contract validity dates, rather than the validity of the date assigned to the user identification in VISION. As such, regardless of the validity date assigned to the user, system access is driven by the contract validity dates. Based on this understanding, in management's view the risk of accessing VISION by way of a user account whose contract date has expired is very low, especially in the light of other existing controls. Management requests closure of this recommendation based on the reported status of implementation, as well as clarification regarding the non-mandatory nature of the personnel number in the context of UNICEF, as noted in the response to the recommendation in paragraph 210 of the report of the Board for 2019 (A/75/5/Add.3).	Considering the information reviewed by the Board and taking into account the comments provided by the entity, this recommendation is considered implemented.	X			

No.	Audit report year	Report reference	Recommendation of the Board	UNICEF response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
77	2019	A/75/5/Add.3, chap. II, para. 215	The Board recommends that UNICEF consider deactivating and locking all older user IDs in lieu of which new user IDs were issued to the same user.	Management acknowledged this recommendation and stated that the Information and Communications Technology Division and the Global Shared Service Centre will deactivate and lock all older user identifications to ensure uniqueness of active users.	Given the fact that the implementation is in progress, the Board considers this recommendation to be under implementation.		X		
78	2019	A/75/5/Add.3, chap. II, para. 217	The Board recommends that UNICEF explore ways of improving the interface between LAN and VISION to sync the validity of the users.	UNICEF disagreed with this recommendation, as the recommended actions are, in its view, already in place at UNICEF and are being performed. Scripts are in place to handle expiration dates, specifically of those that are unlocked and of non-super users. As contract dates are updated in human resources master data, the script updates the local area network and VISION.	Considering the information received from UNICEF and analysed in the audit process concerning the local area network users, the Board deems this recommendation implemented.	X			
79	2019	A/75/5/Add.3, chap. II, para. 222	The Board recommends that UNICEF enforce the change password policy, as detailed in the UNICEF standard on information security: access control.	The Information and Communications Technology Division will assist the Global Shared Service Centre in analysing, refining and updating account and password expiry attributes to include those users who access VISION through the Fiori donor tracker platform (FIORI). The account and password expiry attributes were reviewed after the audit in 2019 and were found to be comprehensive, hence no change was needed. FIORI access will continue to be through a single sign-on process using Windows credentials based on active directory password policies. Accounts that have never been used or have not been used for more than 180 days in VISION but remain valid will have their status changed to "communication", which will enable access through FIORI only. The Global Shared Service Centre, as part of its operations, routinely reviews the non-usage of accounts in VISION. The action to change the status of	After reviewing the information registered in VISION and taking into consideration the comments provided by the entity concerning the passwords, the Board deems this recommendation implemented.	X			

No.	Audit report year	Report reference	Recommendation of the Board	UNICEF response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
				unused accounts to "communication" has been included in its identity and access automation project, which has just been launched. The project will have incremental targets that it must achieve, with priority given to operationalize this recommendation. The overall risk due to an active account that has exceeded the period for password change is still low, as VISION will force the user to change passwords when the user attempts to directly access VISION through the SAP graphical user interface. The change to "communication" status will eliminate any access through the SAP graphical user interface for users who either have not accessed VISION for a considerable amount of time or have not changed their password for the past six months.					
80	2019	A/75/5/Add.3, chap. II, para. 225	The Board recommends that UNICEF explore the feasibility of providing a direct e-interface between implementing partners and eZHACT (VISION) for the creation and transmission of electronic FACE forms by the implementing partners.	UNICEF has implemented the recommended action: to explore the feasibility of an e-interface between implementing partners and UNICEF enterprise resource planning (VISION) for the electronic completion and submission of funding authorization and certificate of expenditure forms and the real-time validation of data. The study was completed, and the results indicate that the creation of a direct e-interface is viable. Management has also developed a business case that has been endorsed by the Information and Communications Technology Board for funding in order to implement an electronic funding authorization and certificate of expenditure form.	Based on the evidence provided by UNICEF concerning a direct e-interface between implementing partners and eZHACT, the Board deems this recommendation implemented.	X			
81	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	Management is developing version 2.0 of eZHACT, which would prevent the creation of multiple payment requests for the same payment. The solution is	Given the fact that the implementation is in progress, the Board considers this recommendation to be under implementation.		X		

No.	Audit report year	Report reference	Recommendation of the Board	UNICEF response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
			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.	planned to be rolled out in the third quarter of 2021.					
82	2019	A/75/5/Add.3, chap. II, para. 237	The Board recommends that UNICEF take action to formally review and update the headquarters business continuity plan on top priority and other areas, including ICT risks identified in enterprise risk management, developments/changes in IT systems such as SAP HANA, and ensure that the requirements of the United Nations organizational resilience management system should inform the review and updating exercise.	UNICEF completed the formal review and update of the New York headquarters business continuity plan. The business continuity plan now includes simplified practical procedures and lessons learned from the current global pandemic as well as enhanced preparedness and resilience plans to facilitate continuity during disruptive events. The updated version, undergoing final approval in the Office of the Executive Director, references the disaster recovery plan of the Information and Communication Technology Division, which houses the details on the ICT risks identified under enterprise risk management, along with relevant system and applications changes. It also includes the applicable components of the organizational resilience management system of the United Nations.	The Board analysed the information provided by UNICEF and acknowledged that the entity updated the New York headquarters business continuity plan, including improvements concerning ICT risk management, information technology systems and the organizational resilience management system. Therefore, this recommendation is considered implemented.	X			
83	2019	A/75/5/Add.3, chap. II, para. 240	The Board recommends that UNICEF take urgent action to formally review and update the headquarters Information and Communications Technology Division disaster recovery plan and to incorporate details of critical hardware and software and up-to-date contact lists.	Management formally reviewed and updated the New York headquarters disaster recovery plan at the onset of the pandemic. All details of critical hardware and software were reviewed and updated, as were the contact lists, in response to the COVID-19 crisis.	The Board reviewed and acknowledged the efforts made by UNICEF in relation to updating the disaster recovery plan for the New York headquarters. In this regard, it was observed that the update includes the mapping of critical systems and details of critical personnel. Therefore, this recommendation is considered implemented.	X			

						Status after verification			
No.	*Audit report year*	*Report reference*	*Recommendation of the Board*	*UNICEF response*	*Board's assessment*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
84	2019	A/75/5/Add.3, chap. II, para. 244	The Board recommends that UNICEF ensure that comprehensive testing of the headquarters business continuity plan and the Information and Communications Technology Division disaster recovery plan, including necessary simulation exercises, is carried out regularly, at defined intervals.	UNICEF explained that remote working and the resulting extended engagement of technical staff towards service continuity during the pandemic has been prioritized, as the considered response in the middle of the pandemic does not include also running a virtual simulation exercise. The simulation exercises will be conducted as part of the transition plan in the fourth quarter of 2021.	Given the fact that the implementation is in progress, the Board considers this recommendation to be under implementation.		X		
85	2019	A/75/5/Add.3, chap. II, para. 249	The Board recommends that UNICEF ensure regular meetings of crisis management structures at headquarters, pursuant to the United Nations organizational resilience management system, and ensure timely action to address the risks identified.	Management stated that it had fully implemented this recommendation as set out below. The New York headquarters crisis management structure is in place to identify and assess all risks, including information technology risks. Since the emergency declaration in New York in response to COVID-19, the UNICEF New York headquarters crisis management team has been holding regular meetings to assess the ever-changing scenario. As warranted, the weekly or biweekly meetings ensure coordination with the United Nations to provide clear guidance and communications to UNICEF personnel and prepare for a safe return to office spaces. In addition, information technology risks have been actively addressed by the Information and Communications Technology Division to ensure that personnel have the necessary equipment and continued secure access to UNICEF systems, tools and platforms, thereby enabling effective teleworking.	The Board reviewed and acknowledged the efforts made by UNICEF in relation to the regular meetings of crisis management structures. In this regard, it was observed that a crisis management team had been holding regular meetings to assess the ever-changing scenario regarding the pandemic or other crises that affect UNICEF. A review of the minutes and the attendees of these meetings was carried out. Therefore, this recommendation is considered implemented.	X			

No.	Audit report year	Report reference	Recommendation of the Board	UNICEF response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
86	2019	A/75/5/Add.3, chap. II, para. 253	The Board recommends that UNICEF consider ensuring a safe distance between the headquarters primary data centre and the disaster recovery data centre without significantly affecting productivity and access to real-time data.	UNICEF recognized that the 30 miles of physical distance between the primary and recovery data centres may not be adequate to assure recovery in situations of adverse calamity. As part of its transformation project, the Information and Communications Technology Division is in the process of establishing a much longer separation distance between its primary and recovery data centres.	Given the fact that UNICEF is still working on implementing a safe distance between the primary data centre and the disaster recovery data centre, the Board consider this recommendation to be under implementation.		X		
87	2019	A/75/5/Add.3, chap. II, para. 254	The Board recommends that UNICEF consider keeping the headquarters backups at geographical areas away from the primary and disaster recovery sites in order to mitigate the risk of data loss in case of disasters without significantly affecting productivity and access to real-time data.	UNICEF has already implemented this recommendation and the headquarters backups are hosted by Iron Mountain in a geographical area away from the primary and disaster recovery sites.	The Board reviewed and acknowledged the efforts made by UNICEF in relation to the headquarters backup. In this regard, it was observed that headquarters backups are being hosted by Iron Mountain, away from the primary and disaster recovery sites. Therefore, this recommendation is considered implemented.	X			
88	2019	A/75/5/Add.3, chap. II, para. 264	The Board recommends that UNICEF ensure that regular inspections of the headquarters data centre and backup sites and regular monitoring of performance of the relevant vendors are carried out and duly documented, so that there are adequate assurances regarding controls, including environmental and safety measures and regarding the performance of the vendors in accordance with the agreement.	In spite of the global pandemic situation, UNICEF has continued monitoring performance virtually. Vendor performance is already actively monitored against the applicable contractual provisions and is reported on annually.	The Board reviewed and acknowledged the efforts made by UNICEF in relation to data centre monitoring. In this regard, it was observed that headquarters validates the security of the information in the data centre and the vendor provides regular reports regarding this matter. Consequently, this recommendation is considered implemented.	X			

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89	2019	A/75/5/Add.3, chap. II, para. 283	The Board recommends that UNICEF engage with the offices concerned to analyse the reasons for a large number of cases being returned and take action to improve the case submission process to minimize their returns by the Global Shared Service Centre.	With regard to engagement with offices, the Global Shared Service Centre has been engaging with the regional offices on notable returned cases to support improvement and minimize the number of returned cases. Among other efforts, UNICEF provides, on a monthly basis, a performance report on country offices/divisions in inSight so offices can see their performance. As a result, offices review their performance reports, discuss them at governance meetings and share feedback with the Global Shared Service Centre; they have also requested more reports in inSight to support analysis. Regional offices discuss the performance of the Global Shared Service Centre as part of their network calls/meetings with country office operations colleagues. In addition, offices have reached out to the Global Shared Service Centre to organize specific thematic/stream-based interactions/orientations to discuss and understand issues and take actions. Concerning actions to improve submissions, the Global Shared Service Centre has developed training modules on invoice processing and payment, master data management and general accounting, and rolled out training for local focal points. Finally, with a view to reducing unwanted returns/rejections, building the capacity of the processors and ensuring consistency in processing, ticket-handling guidelines have been implemented, supported by enhanced quality assurance processes, to identify areas needing attention at the level of the Global Shared Service Centre.	UNICEF provided evidence of having implemented ticket-handling guidelines. Likewise, evidence of the review of several areas as of December 2020 has been provided. The Board acknowledges that the actions taken by UNICEF were adequate. Hence, this recommendation is considered implemented.	X			

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90	2019	A/75/5/Add.3, chap. II, para. 285	The Board recommends that UNICEF ensure that all streams enforce compliance with ticket-handling guidelines and clearly communicate to offices the need to resubmit in a timely manner and the consequences for late resubmission.	UNICEF has rolled out ticket-handling guidelines for all work streams (including customer care). These guidelines are reviewed and updated regularly as required and compliance will be enforced through quality assurance testing to ensure agents follow ticket-handling guidelines. Regarding the timely resubmission of cases returned to the end user, the ticket-handling guidelines incorporate a "three strikes escalation process" that details actions taken by agents for returns that are not resubmitted. Finally, at the weekly performance meetings with work stream leads, a review of aged suspended (returned) cases is performed to identify any issues.	UNICEF provided evidence of having implemented ticket-handling guidelines. Likewise, evidence of the review of several areas as of December 2020 has been provided. The Board analysed the information and estimated that the actions taken are adequate. In this regard, the Board considers this recommendation implemented.	X			
91	2019	A/75/5/Add.3, chap. II, para. 290	The Board reiterates its recommendation (A/74/5/Add.3, para. 284) that UNICEF incorporate necessary input controls and improve validation checks in VISION for all important parameters for the processing of invoices.	UNICEF has implemented the recommended input controls and data checks. The Global Shared Service Centre has collaborated with the Information and Communications Technology Division to successfully analyse the need, conduct testing and implement checks and controls that are now live in VISION. In addition, VISION controls over baseline and document dates are now implemented.	UNICEF has implemented an automated control tool to check the baseline date for every invoice and flag any potential errors in data entry. Therefore, the Board considers this recommendation implemented.	X			
92	2019	A/75/5/Add.3, chap. II, para. 292	The Board reiterates its recommendation (A/74/5/Add.3, para. 285) that UNICEF plan and implement a mechanism for the timely submission of invoices by all its offices.	To increase efficiency in the timely processing of invoices, UNICEF has developed a mechanism to report on invoice cycle time. The performance dashboard, successfully implemented in mid-December 2020, provides information on cycle time to heads of operations in all offices and divisions. Regular review of invoice cycle time and actions taken to improve in this area will enhance efficiency in this area at	The Board observed that UNICEF has been implementing controls to strengthen the timely submission and processing of invoices. Since December 2019, the Global Shared Service Centre finance-master data management team has been developing instructions regarding the creation and submission of	X			

No.	Audit report year	Report reference	Recommendation of the Board	UNICEF response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
				both country offices and the Global Shared Service Centre. In addition, the Global Shared Service Centre has developed a dashboard that provides offices with real-time information on local focal point performance plus the corresponding number of cases submitted, returned or rejected, which will complement efforts to improve performance.	purchase orders and direct invoices, helping country offices enhance the submission of those invoices to the Global Shared Service Centre within 10 days of their reception. In this regard, the Board considers this recommendation implemented.				
93	2019	A/75/5/Add.3, chap. II, para. 299	The Board recommends that UNICEF prepare a plan of action for the clearance of old outstanding cases and that the Global Shared Service Centre review the current policies and procedures on repayment/recovery of advances/overpayments and put in place standard criteria for their management, as well as ensure adherence to the repayment plan.	UNICEF has made significant progress in resolving old outstanding balances. In a coordinated effort between the Division of Financial and Administrative Management and the Global Shared Service Centre, the majority of old outstanding balances from before the Global Shared Service Centre was created have been cleared, with the exception of five staff accounts that have an active repayment plan from staff members and their beneficiaries. Of the 199 items that were open on 31 December 2019 that dated back to June 2016 and prior, 187 items have been cleared in 2020, and there were only 12 line items pertaining to five separated staff members outstanding as at 31 December 2020.	The Board verified the progress made by the Global Shared Service Centre on the identification and resolution of old outstanding cases, and the issuance of a procedure on salary administration, advances to staff, retroactivity of payments and recovery of overpayments, which merges the other provisions on the matter and introduces new changes. Therefore, this recommendation is considered implemented.	X			
94	2019	A/75/5/Add.3, chap. II, para. 305	The Board recommends that UNICEF take steps to prepare a road map to improve gender balance in the West and Central Africa, Eastern and Southern Africa, South Asia and Middle East and North Africa regions.	Management reported that as a result of concerted efforts, as at 31 December 2020, UNICEF had achieved overall gender parity (50 per cent male and 50 per cent female) in the implementing partner staff category, as well as the senior leadership team, and continues to monitor the overall status of gender balance across the entity. In the context of the Middle East and North Africa Region, management took actions in 2020 to improve workforce diversity by establishing and elaborating	The Board reviewed the documentation provided and acknowledged that UNICEF has achieved overall gender parity in the West and Central Africa, Eastern and Southern Africa, South Asia and Middle East and North Africa regional offices. In that regard, this recommendation is considered implemented.	X			

						Status after verification			
No.	*Audit report year*	*Report reference*	*Recommendation of the Board*	*UNICEF response*	*Board's assessment*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
				diversity measures and agreed targets. This was finalized with individual agreements between country office representatives and the Regional Director. Supporting documentations was provided. Concerning the Eastern and Southern Africa Region, implementing partners and national officer recruitments are reviewed through a gender diversity lens, and reminders are provided to the country offices of the importance of taking concrete steps to improve gender balance and prioritizing suitable female candidates. Several country offices in the Region, predominantly in emergency contexts, face challenges in sourcing and attracting qualified female candidates. To deal with disparity at the national level, some offices have focused on recruiting and developing the skills of female interns and young United Nations Volunteers to create a viable talent pipeline in contexts where females often do not have access to tertiary education and are quite likely to leave the workforce after marriage.					
95	2019	A/75/5/Add.3, chap. II, para. 309	The Board recommends that UNICEF explore ways to improve the utilization of the pre-assessed talent group for its recruitment, which is also the preferred sourcing method in accordance with the administrative instruction.	A review of the staff selection policy is under way, and UNICEF is incorporating the findings related to this audit recommendation. The Division of Human Resources will be in a position to further update and advise management of any potential changes once the policy is finalized. As part of the strategy to increase the uptake of pre-assessed candidates in talent groups, the Division is recruiting additional staff members to manage talent groups and increase engagement with hiring offices to advocate the use of talent groups to fill vacancies.	UNICEF indicated that the measures to fully implement this recommendation will be finalized during the second quarter of 2021. Therefore, the Board deems the recommendation to be under implementation.		X		

No.	Audit report year	Report reference	Recommendation of the Board	UNICEF response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
96	2019	A/75/5/Add.3, chap. II, para. 316	The Board recommends that UNICEF ensure compliance with the established procedure with regard to the selection of consultants, securing approval from a competent authority and undertaking an output evaluation in all cases.	Management has implemented this recommendation through the development of a guide for consultants and individual contractors that provides detailed information on the selection process and procedures for both formal and informal competitive processes. Management has also updated the detailed guidance on the clearance process, giving consideration to the differentiated requirements for former/retired staff members from UNICEF/United Nations agencies. The performance output evaluation is requested and uploaded when contracts are closed. To enhance understanding and compliance with the requirements for managing consultants and individual contractors, the Division of Human Resources has additionally partnered with offices and conducted webinars for the Office of Emergency Programmes, the Division of Communication, human resources business partners and the Programme Division in 2020.	The Board considers that UNICEF has taken the necessary measures to ensure compliance with the established procedure regarding the selection of consultants, obtaining the approval of a competent authority and conducting an evaluation of the results in all cases. Therefore, the recommendation is considered implemented.	X			
	Total					**72**	**22**	**0**	**2**
	Percentage					**75**	**23**	**0**	**2**

Chapter III
Certification of the financial statements

Letter dated 31 March 2021 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, 2020

15 April 2021

Scope of responsibility

1. The Executive Director of UNICEF, in accordance with regulation 2.3 of the UNICEF Financial Regulations and Rules, has overall responsibility for the 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 office 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 office 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. Accordingly, it sets out to provide reasonable assurance over the:

(a) Reliability of controls over financial reporting – transactions authorized and properly recorded in compliance with the UNICEF Financial Regulations and Rules and IPSAS, and the prevention or detection of material errors 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 2020 financial statements of UNICEF.

UNICEF operating environment

4. UNICEF works 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. The present statement is presented in a year in which the impact of the COVID-19 pandemic influenced business operations in all UNICEF offices.

Risk management and control framework

6. UNICEF has a strong risk management programme. Achieving its objectives requires an understanding of what has happened, is happening and might happen, and enterprise risk management guides the organization in making an intelligent and risk informed decisions. UNICEF revised its enterprise risk management policy in 2020 to facilitate effective risk governance and promote risk culture and sound risk

management practices for programme delivery. In addition, risks are assessed on a continuous basis during the year and as changes to threats and opportunities occur. Doing so also allows emerging vulnerabilities to be addressed proactively. The effectiveness of risk management assists in identifying, assessing and controlling threats and taking advantage of opportunities to ensure effective delivery of results for children.

7. The internal control framework of UNICEF is aligned and benchmarked against the Committee of Sponsoring Organizations of the Treadway Commission internal control integrated framework and its 5 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 various regulations, rules, policies, procedures and guidelines.

8. 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.

9. UNICEF has a robust anti-fraud strategy that provides a planned approach to operationalizing the policy prohibiting and combating fraud and corruption. The strategy clearly outlines the mechanisms that UNICEF has for detection, prevention, deterrence and response to fraud. The anti-fraud awareness activities and training were reinforced with the introduction of a mandatory online course on fraud awareness for all UNICEF staff. To reach the largest audience possible, the course was launched in English, French and Spanish. Similar efforts were invested to develop fraud awareness training for implementing partners through a collaboration between UNICEF and six other United Nations agencies, which was launched in 2020 in Arabic, English, French, Portuguese and Spanish.

Review of effectiveness of the system of internal control

10. Heads of office in UNICEF are responsible for implementing and overseeing internal controls in their areas of responsibility. The review of the effectiveness of UNICEF internal control for 2020 was arrived at and was informed, in general, by the following:

(a) An annual "letter of attestation", which was approved and submitted by all regional directors, division directors and other heads of office, confirming the importance of ensuring that adequate internal controls were in place;

(b) Internal control self-assessment, which was completed and submitted by all heads of office. The offices maintain supporting evidence and indicate action taken or planned for areas not fully compliant;

(c) Oversight provided by the Comptroller through the Division of Financial and Administrative Management, the leadership of the operations function, delegation of authority to the Global Shared Service Centre and monthly closure activities, enabled by the global enterprise resource planning system (Vision/SAP) and the enterprise content management platform (SharePoint);

(d) The Office of Internal Audit and Investigations 2020 assurance opinion, which concluded that the framework of governance, risk management and control was adequate and effective in general and that no material deficiency had been discovered on the basis of work carried out;

(e) Established management committees such as the Property Survey Board, the Financial Advisory Committee and recruitment monitoring bodies also provided recommendations to inform management decisions and advised on the effectiveness of internal controls;

(f) UNICEF applications of the harmonized approach to cash transfers, which is 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 for assurance and other fiduciary activities in managing risks to deliver results for children and ensure that funds are used for their intended purpose;

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

(h) A robust framework of reporting in place at UNICEF, including policies and procedures that: (i) pertain to the maintenance of records that are reasonably detailed and accurately and fairly reflect transactions and the 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 that revenue is recognized and expenses are incurred in accordance with appropriate authorizations by management; and (iii) provide reasonable assurance regarding the prevention or timely detection of unauthorized activities that could have a material effect on the financial statements;

(i) During 2020, UNICEF moved to a virtual working environment as a result of the COVID-19 pandemic. Control activities continued to be undertaken in the virtual environment as they had already been established, thereby ensuring that the robust control environment was maintained. UNICEF benefited from the enterprise resources planning system that is deployed across all its offices and is accessible through laptops and mobile devices. It also has built-in automated controls for authorizations and approvals with appropriate segregation of duties. The Global Shared Service Centre continued to process transactions centrally, thereby reducing the impact of COVID-19 on the performance of necessary controls in the transaction cycle. The controls over financial reporting, which were already established using the virtual enterprise content management platform, and the shared virtual workspace continued to operate effectively during the pandemic. To further enable control activities, electronic signature tools were introduced to ensure the continuity of controls where signatures were required.

Significant risks arising during 2020 and mitigation measures

11. On the basis of the corporate risk register for 2020 and risk-related review meetings, UNICEF concluded that the most significant risks that it faced during the period were as summarized in the table below:

Risk	*Mitigating measure*
Fraud, waste and misuse of resources	1. Enhanced anti-fraud system for implementing partners, including capacity development 2. Mandatory ethics training and financial disclosure system 3. Enhancement of automated system of continuous monitoring of internal controls and exception reporting 4. Enhancement of investigation capacity and proactive and rapid response to cases of fraud and corruption
Information security	1. Review of new and evolving digital content practices and upgrading of cybersecurity tools 2. Expanded security awareness programme campaign to increase user awareness 3. Refinement of child safeguarding policy to cover emerging security vulnerabilities
Business continuity risks linked to major incidents affecting operations	1. Updated functional business continuity plans across UNICEF 2. Monthly crisis management and global coordination meetings held, beginning in March 2020
Funding (failure to meet fundraising targets)	1. Identification of new opportunities, including UNICEF-wide fundraising acceleration strategies 2. Scenario planning, budget recalibration and financial decisions based on prudent outlook 3. Exploring and piloting of innovative financial instruments
Misconduct and wrongful behaviour	1. Enforcement of relevant policies and the code of ethics and professional conduct 2. Roll-out of global cultural change initiative to better align staff behaviour with the UNICEF core values 3. Increased internal communication and continuous staff engagement
Natural disasters and anthropogenic hazards (COVID-19 pandemic)	1. Activation of level 3 scale-up corporate emergency activation procedure for UNICEF-wide mobilization and simplifications to expedite response to the pandemic on UNICEF global operations 2. Declaration of level 2 emergency for country offices to receive additional and prioritized support from other parts of UNICEF (headquarters and regional and other country offices) to scale up and respond to the crisis 3. Assessment of the impact of the pandemic on income estimates and strategies devised to limit potential downturn in resource mobilization results 4. Leveraging of technology to strengthen programme monitoring and verification 5. Leveraging of established automated and digitalized processes 6. Secure and resilient technological solutions for personnel for continuous delivery or programmes

Risk	Mitigating measure
	7. Flexible working arrangements and modalities for personnel
	8. Implementation of inter-agency COVID-19 medical evacuation and the “first line of defence” framework that provides access to high-quality and reliable health services to minimize the need for medical evacuations in country offices; observance of COVID-19 safety protocols and ensuring staff well-being

Integration of risk management into key strategic and operational business processes

12. In 2020, UNICEF management continued to improve the risk management and internal control frameworks. Management successfully completed related efforts in the development and issuance of the revised enterprise risk management policy, the roll-out of the automated governance, the risk and compliance platform and the enhancement of an automated transaction-level monitoring system for continuous verification of financial data integrity. UNICEF also utilizes the automated governance, risk and compliance platform for integrated risk management and policy management, which allows risk owners to identify changes needed to policy documents and business processes on the basis of results from risk assessments.

Statement

13. 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.

14. 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.

15. 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 2020 and up to the date of final certification of the 2020 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*) Henrietta H. **Fore**
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 2020 but they do not form part of the statements. The present financial statements were prepared for the calendar year 2020 in accordance with the UNICEF Financial Regulations and Rules and the International Public Sector Accounting Standards (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 to inform stakeholders of how financial resources are being managed.

3. The programmatic operations, strategies and results of UNICEF are covered in the annual report of the Executive Director. While the present chapter includes few programmatic highlights for context of the financial results, it focuses mainly on the Fund's financial operations, strategies and results.

Overview of operations and the operating environment

Operations

4. UNICEF is mandated by the General Assembly, through the Economic and Social Council and the Executive Board, to advocate 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, while unearmarked resources are granted to UNICEF to allocate according to an Executive Board-approved formula that favours countries where children are in greatest need.

Impact of the COVID-19 pandemic on UNICEF operations

6. In 2020, the COVID-19 pandemic became a global challenge and affected the global economy in an unprecedent manner. However, UNICEF continued to focus on the effective implementation of its programmatic activities. It quickly adjusted to those unprecedent circumstances, and there was a robust response from supporting partners/donors in addressing the pandemic during the period.

7. UNICEF played a leading role in expanding and establishing partnerships and networks to mitigate the anticipated impacts of COVID-19, maintain a continuum of prevention and response services and ensure national coordination. After the financial year end, UNICEF agreed to support COVAX, the vaccines pillar of the Access to COVID-19 Tools (ACT) Accelerator, and distribute COVID-19 vaccines and related supplies through its procurement services function (see note 35, Post balance sheet events).

8. UNICEF co-authored global guidance on the safe reopening of schools with the United Nations Educational, Scientific and Cultural Organization, the World Bank and the World Food Programme, and on infection prevention and control for health-care facilities, schools, homes and public spaces. UNICEF and the Office of the United Nations High Commissioner for Refugees launched the blueprint for joint action for refugees, to reach more than 10 million refugee and host children with essential education, Water, Sanitation and Hygiene for All and child protection services, while contributing to United Nations reform through cost savings and improved efficiency.

9. Digital solutions helped to accelerate UNICEF programmes across all sectors, including through the scaling up of health-related real-time information technology in 70 countries, the Learning Passport's cloud-based portal for digital education material, the Primero information management system in 43 countries and solutions to implement social protection mechanisms. The learning passport was developed by UNICEF, Microsoft and the University of Cambridge as a technology solution to provide 30 million children and young people with continued education, regardless of their location. The Learning Passport quickly pivoted to mitigate the impact of COVID-19 on education by ensuring continuity of learning during the pandemic.

10. Innovations such as virtual medical visits, community-based service delivery and multi-month prescriptions also contributed to improvement in antenatal care attendance and HIV testing and treatment rates. Further emergency context and programmatic results of UNICEF during the pandemic are available in the annual report of the Executive Director.

11. UNICEF adapted its ways of working to respond flexibly to the impact of the COVID-19 crisis on its workforce and operations (including revised work-from-home initiatives and revised policies to protect staff entitlements), while continuing efforts to make its systems more agile, efficient and people-centred and to improve its organizational culture in line with its core values.

12. The pandemic manifested itself in a variety of ways in the activities of UNICEF during 2020. As the outbreak worsened, demand for supplies to combat the virus increased sharply, leading to market constraints, pricing volatility, export bans and logistics barriers. The pandemic resulted in increased pressure on global manufacturer production capacities and global supply chains. Since the start of the outbreak, the UNICEF Supply Division has undertaken a continuous assessment of developments and the impact that the crisis has had on shipping and logistics and on the sourcing of essential and strategic supplies. Limitations on airfreight was the single biggest challenge to UNICEF logistics operations, with restrictions on and reduced demand for passenger flights, which, in general, carry cargo in the aircraft belly. Sea freight was less affected, with rates remaining constant, although a fall in demand has led to a reduction in the frequency of sailings. For the pandemic response itself, the supply of critical items such as personal protective equipment (surgical face masks, N-95 respirators, gowns, coveralls, gloves and hand sanitizers) was very constrained during the initial months. This was because of both increasing demand (which, for some products, rose to 100 times pre-outbreak levels) and export restrictions for those commodities in many countries.

13. Overall, COVID-19 had a significant impact on the supply chain during 2020 regarding personal protective equipment. In the first few months of the pandemic, prices for personal protective equipment increased significantly, resulting in long lead times, new (untested) suppliers being utilized and considerable delays in delivery even beyond the projected lead time. In addition, the limitations on transport and distribution meant that stock needed to be held in locations that were not always the first choice for storage.

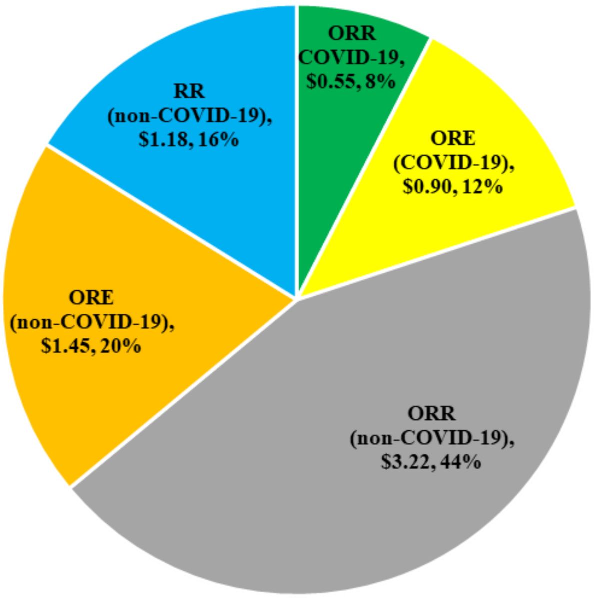
14. While the impact on the way in which UNICEF conducted its business was profound, the direct, visible and measurable impact on the financial performance for 2020 and the financial position at the end of the year was limited. Furthermore, the exact or systematic determination of the impact of the pandemic is not fully feasible on the financial statements, given that accounting and reporting systems are not intended or designed to report costs, revenue and balances on the basis of a specific underlying cause, such as a pandemic. These limitations notwithstanding, specific broad trends can be identified.

15. Refunds to donors decreased by 31 per cent, from $14.49 million in 2019 to $10.02 million in 2020. It cannot be determined how much of those refunds may be attributable to the pandemic because refunds to donors occur as part of regular operations and sometimes on a cyclical basis. Some multi-year funding cycles came to an end in 2020 and refunds were processed to donors.

16. There was no impairment to receivables as a result of the pandemic, given that funds continued to be collected when they were due and there was no indication from donors that funds would not be available from them as previously agreed.

17. Revenue earmarked in full by donors for COVID-19-related activities was $1.46 billion. In addition, revenue recognized in prior years was reprogrammed towards COVID-19 relief activities, where appropriate. Overall contributions were at record highs owing to contributions to programmatic activities supporting pandemic response, with revenue from voluntary contributions reaching $7.30 billion (2019: $6.20 billion). The economic disruption resulting from the pandemic could adversely affect future voluntary contributions of UNICEF.

Figure IV.I
Breakdown of COVID-19-related and non-COVID-19-related revenue from voluntary contributions
(Billions of United States dollars)



Abbreviations: ORE, other resources – emergency; ORR, other resources – regular; RR, regular resources.

18. Travel expenses decreased by 66 per cent, from $164.67 million in 2019 to $55.85 million in 2020, owing primarily to travel bans and restrictions, the cancellation or postponement of duty travel and the impact of the pandemic on assignment- and repatriation-related travel patterns (see note 27, Other expenses).

19. Annual leave balances increased by $41.29 million, owing in large part to the impact of staff not taking their planned leave entitlements in 2020 as a result of the pandemic and travel limitations as a means to contain the pandemic. Furthermore, the normal limitation on carrying forward annual leave balances was relaxed at year end, resulting in an additional annual leave liability of $1.35 million at year end (see note 18, Employee benefits liabilities, for the full liability).

20. Given the increased demand for personal protective equipment, there was limited supply and production capacity for it, which was linked directly to the initial surge in demand. Consequently, personal protective equipment prices increased markedly during the first three to six months of the pandemic. To support countries with limited buying power to have access to essential supplies, UNICEF employed a strategic market approach, that is, consolidating demand, centralizing buying and working with manufacturers to share risks and negotiate affordable pricing. As expected, as production normalized to meet the demand, the pricing of those key supplies used in the efforts to combat COVID-19 began to normalize towards the last part of 2020, while demand continued to be important, given that countries not only continued to address the pandemic, but also prepared for COVID-19 immunization, which also required personal protective equipment for health workers.

21. Projects that are under implementation/construction were affected both financially and in terms of the expected completion date by physical access restrictions, especially where the relevant country shut down all activities. The impact

of the pandemic on these activities cannot be quantified in the scope of financial costs because these projects are, in general, multi-year and the overall impact is too early to be assessed.

22. Office space was utilized to a much lower extent in 2020 compared with 2019. Accordingly, electricity and other location-specific costs levels were below those of the previous year in many cases. In most cases, rental contracts for buildings were maintained, notwithstanding buildings being occupied only in part, given that there was ongoing uncertainty about local lockdown restrictions in the countries where UNICEF operates. While, in some locations, consideration is being given on whether all space will be needed in the future if more remote working becomes the norm, in other places, additional space was rented to allow for social distancing. In addition, warehouse capacity was increased in some locations to allow for more inventory related to pandemic response to flow through. Therefore, it is not possible to assess the overall impact on these costs.

23. Staff members and retirees made fewer health-care cost-recovery claims in 2020 than was typical in recent years. Given that current health-care costs have an impact on the calculation of after-service health insurance liabilities, the impact of COVID-19 as a short-term factor was appropriately considered. The expert views of independent actuaries were also reflected in the assumptions applied.

24. Physical access to specific locations to perform physical inventory and asset verification counts were limited in some locations owing to restrictions imposed by local authorities or for the safety of staff and other counterparts. In such cases, while alternative verification methods were applied, those cases were rare. UNICEF introduced a new mobile application for the physical verification of assets that enabled the safe, socially distant verification of those assets.

25. Inventories in transit increased by $91.84 million, which is linked to the shipments of COVID-19-related equipment and supplies.

26. The long-term impact of the lessons learned from the pandemic are still being evaluated and it is too early to assess whether any possible changes may have an impact of the carrying value of UNICEF assets. Accordingly, no COVID-19-related asset impairment events were recorded during the annual asset impairment review.

27. Notwithstanding the recent financial performance of the markets due to COVID-19, the principal of the working capital portfolio of UNICEF remains safe, in line with its investment policy on working capital, given that it holds high-quality assets aimed at preserving principal.

Other operational considerations

28. Through the Independent Task Force on Workplace Gender Discrimination, Sexual Harassment and Abuse of Authority, UNICEF took measures to ensure the safety and well-being of its staff and addressed racism and discrimination within UNICEF and across the United Nations system.

Programme results

Figure IV.II
Progress made in the goal areas of the UNICEF Strategic Plan

Every child survives and thrives

- **30.5 million live births** delivered in UNICEF supported programmes
- **17 million children** vaccinated against measles
- **8.7 million children** with suspected pneumonia received antibiotics
- **244 million children** received services for prevention of stunting and malnutrition
- **15.7 million girls** and **9.7 million boys** tested for HIV
- **35.4 million** adoloscents received services to prevent anaemia and malnutrition

Every child learns

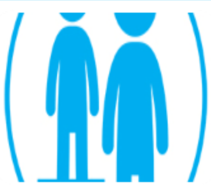
- **48 million children** participated in early learning (both primary and secondary)
- **43 million children** were provided with individual education/early learning materials
- Over **7.7 million children** participated in skills development programmes
- **48 million out-of-school children** accessed education, including **4 million children** on the move and **33 million** in humanitarian settings

Every child is protected from violence and exploitation

- **47.2 million children**, adolescents and caregivers in humanitarian situations were provided with community-based mental health and psychosocial support
- **6 million** adolescent girls received prevention and care intervention to address child marriage
- **21.2 million** children had their births registered in 57 countries

Every child lives in a safe and clean environment

- **17 million additional people** gained access to safe drinking water
- **13.4 million additional people** gained access to basic sanitation
- **74 countries** implemented child-inclusive programmes that foster climate resilience and low carbon development
- UNICEF supported community-based handwashing promotion programmes in **110 countries**, more than ever before, with a strong focus on COVID-19-related messaging



Every child has a fair and equitable chance in life

- More than **130 million children** and **young people** were reached through cash transfer programmes
- **7.2 million** adolescents participated in or led civic engagement initiatives
- **6 million adolescent girls** received prevention and care interventions on child marriage, including through life-skills initiatives
- **2.2 million children** with disabilities reached with programmes and services

Objectives and strategies

29. The financial year under review is the third of the UNICEF Strategic Plan, 2018–2021, which is anchored to the Convention on the Rights of the Child. The organization will present its draft strategic plan for the period 2022–2025 at the annual session of the Executive Board, in June 2021, and the final version of the plan at the second regular session of the Board, in September 2021. The new strategic plan will be accompanied by the UNICEF integrated budget for the period 2022–2025 and several annexes, including a results framework and theories of change.

Innovations in financing

30. The Private Fundraising and Partnerships Division continues to lead the global implementation of the supporter engagement strategy to drive revenue generation in high-potential country offices. The strategy was successfully launched in India in 2020.

As part of the UNICEF global communication and advocacy strategy during the period 2018–2021, UNICEF framed the development of the supporter engagement strategy for piloting in a small number of countries by 2021. When fully activated in selected countries, that strategy leverages state-of-the-art technology to customize supporter engagement, integrate complementary efforts and optimize opportunities to increase engagement on the basis of supporters' interests, preferences and digital habits.

31. The Executive Board approved a revolving Working Capital Fund in 2020 with a ceiling of $120 million, the purpose of which is to address the funding gaps for UNICEF country programmes of cooperation while fundraising pipelines mature. This funding allows programmatic activities to commence without loss of implementation time and provides UNICEF with the opportunity to achieve the intended results for children. The Working Capital Fund is a revolving fund to facilitate the smooth implementation of country programme implementation and direct programme support costs, to accelerate programme implementation or fundraising activities that result in additional regular resources raised for UNICEF. It is capitalized from a portion of the interest revenue generated by UNICEF from its investment activities over a period of time until the ceiling is reached.

32. As noted above regarding the impact of the COVID-19 pandemic on the UNICEF operations section in 2020, the organization rolled out a suite of new asset management tools, including mAsset iPhone and Fiori applications, as well as a new Property Survey Board workflow tool for asset disposals and write-offs. The mAsset application is a vital component in the tracking of assets owned by or loaned to UNICEF and provides a user-friendly and paper-free means for offices to handle their daily asset management. mAsset enhances the efficiency of time spent on the annual count and accuracy of asset records, for it eliminates all manual activities related to asset verification. All UNICEF offices use mAsset for the daily management of assets.

33. The new Property Survey Board workflow tool replaces the manual paper- or email-based process, provides for improved analysis of the write-off or disposal cases and improved visibility for the requesting office and the Division of Financial and Administrative Management, and accelerates the process of obtaining approval and documenting the implemented action and automates case creation for disposal.

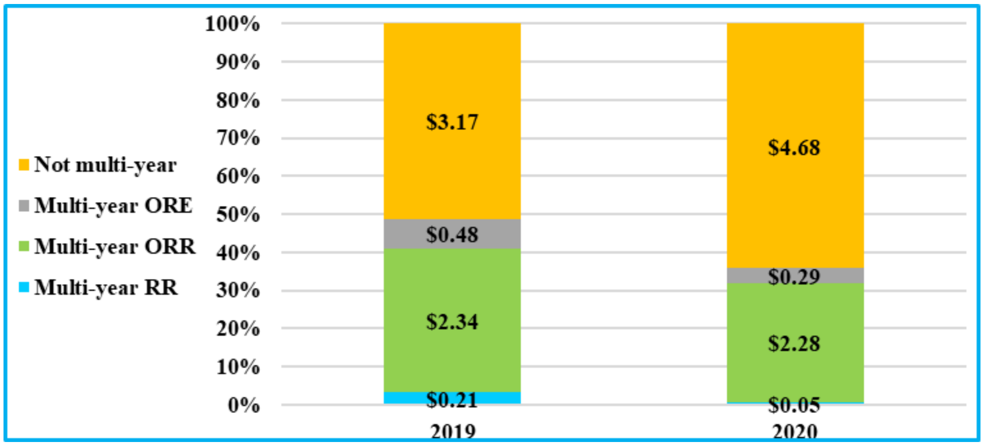
34. In 2020, UNICEF also launched a new donor reporting portal that enables donors to gain access to all the reports relating to their grants in one, easy-to-use location, whether programmatic update reports or final certified donor statements. To date, more than 1,000 reports have been shared through the portal, and it has improved communication and consistency in reporting.

Financial performance: revenue

35. As noted above in the discussion on impact of the COVID-19 pandemic, UNICEF raised a record high amount of voluntary contributions, of $7.30 billion (2019: $6.20 billion), owing to an additional $1.46 billion of voluntary contributions received that were earmarked in full to the pandemic response through the leveraging of its diverse and innovative funding mechanisms and its existing partnerships.

36. UNICEF revenue includes multi-year voluntary contributions related to agreements covering a period of more than two years, which showed a decrease of $0.41 billion, or 14 per cent, to $2.62 billion in 2020. Multi-year funding allows for certainty in planning for development activities and is reflected as part of UNICEF reserves until spent. The reduction in multi-year contributions was due in large part to 2021 being the final year of the current strategic plan period. Revenue from multi-year regular resources, in particular, is received earlier on in the strategic plan period (see also five-year trend analysis below).

Figure IV.III
Multi-year and non-multi-year revenue from voluntary contributions
(Billions of United States dollars)



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

Abbreviations: ORE, other resources – emergency; ORR, other resources – regular; RR, regular resources.

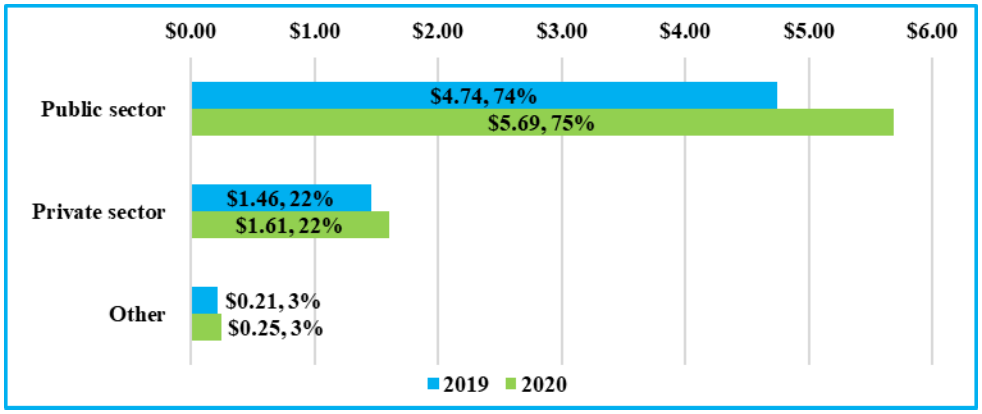
37. Public sector donors contributed $5.69 billion in revenue in 2020 (2019: $4.74 billion), representing 75 per cent of the total revenue. This was an increase of $0.95 billion, or 20 per cent, relative to the prior year. Of this, $1.31 billion was for COVID-19 activities, accounting for 90 per cent of the funding solely earmarked for the pandemic response, owing mainly to contributions from the Global Partnership for Education ($239.04 million), Germany ($173.28 million) and the United States of America ($173.27 million).

38. The largest contributors to the total revenue from voluntary contributions overall were the United States ($994.11 million), Germany ($756.02 million), the European Commission ($696.70 million) and the Global Partnership for Education ($431.47 million).

39. Revenue from the private sector accounted for 22 per cent of the total (2019: 22 per cent), at $1.61 billion (2019: $1.46 billion). This was an increase of $0.15 billion, or 10 per cent, relative to the prior year. This includes revenue from National Committees and the 33 independent non-governmental organizations that promote children's rights in industrialized countries and raise funds for UNICEF programmes worldwide. Also included in private sector revenue are $149.98 million in contributions towards the pandemic response, including $40.58 million from the United States Fund for UNICEF.

40. Other revenue consisting of licensing fees, procurement services fees, investment and miscellaneous revenue remained consistent at 3 per cent of the total revenue, representing an increase of $34.67 million, to $246.05 million (2019: $211.38 million).

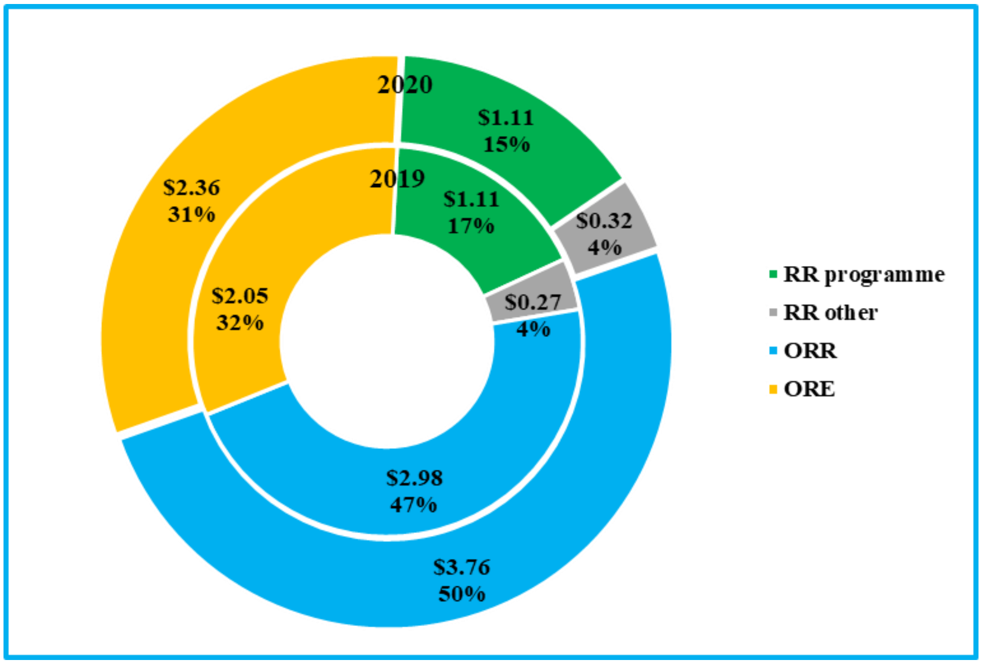
Figure IV.IV
Revenue by source
(Billions of United States dollars)



Note: Public sector includes governments, intergovernmental organizations and interorganizational arrangements. Other includes licensing fees, procurement services fees, investment and other revenue.

41. Regular resources give UNICEF maximum flexibility within the confines of its Financial Regulations and Rules. Regular resources for programmatic activities amounted to $1.11 billion, or 15 per cent of total revenue, which is consistent with 2019.

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



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

42. The total revenue under other resources – regular includes thematic funding of $441.14 million, or 6 per cent of total revenue (2019: $297.46 million, or 5 per cent). Thematic funding gives UNICEF flexibility of use within the specified thematic area, for example, in education, health and other cross sectoral activities, on the basis of where the needs are greatest and the most impact can be made. Included within thematic funds in 2020 is $86.43 million (20 per cent of total thematic) related to the COVID-19 response.

43. Revenue under other resources – regular accounted for 50 per cent of UNICEF revenue, at $3.76 billion (2019: $2.98 billion). This was driven by various donors, most notably contributions from Germany of $607.66 million towards education in Lebanon, in support of Water, Sanitation and Hygiene for All programmes, and building resilience programmes in the Sahel region, to name a few. The European Commission contributed $444.00 million, including funding to help to improve health outcomes for the population of Zimbabwe (earmarked in full for COVID-19 response: $41.15 million), and the Global Partnership for Education contributed $431.47 million (earmarked in full for COVID-19 response: $239.04 million).

44. The increase in revenue under other resources – regular was offset by decreases in contributions from the Netherlands and the World Bank of $171.92 million and $137.82 million, respectively.

45. Revenue under other resources – emergency increased by $307.82 million, or 15 per cent, to $2.36 billion (2019: $2.05 billion), remaining consistently at 31 per cent of total revenue. This was driven mainly by contribution revenue from the United States of $673.53 million, mainly for the third cycle of the Regional Refugee and Resilience Plan and support for children’s education in the Sahel region, including support for teacher training through distance learning and Water, Sanitation and Hygiene for All. The European Commission and the United Kingdom also recorded donations of $252.70 million and $234.51 million, respectively, while Japan recorded the second largest increase in revenue under other resources – emergency, of $111.90 million, to $180.67 million, driven mostly by $112.15 million in contributions to fully fund COVID-19 response activities.

46. Other revenue relates mainly to handling fees from procurement services. In 2020, other revenue exceeded 2019 by $44.08 million, driven mainly by an increase in procurement services revenue of $63.03 million. This was offset by a decrease in investment revenue of $34.02 million.

Table IV.1
Five-year trend in revenue
(Thousands of United States dollars)

	2016[a]	*2017*	*2018*	*2019*	*2020*
Revenue					
Regular resources – programme	1 139 977	1 220 417	1 561 315	1 106 310	1 107 394
Regular resources – other	50 665	57 683	66 641	63 579	73 989
Other resources – regular	1 859 076	3 026 270	2 941 001	2 980 924	3 763 183
Other resources – emergency	2 015 180	2 126 629	1 926 293	2 050 081	2 357 738
Total voluntary contributions	**5 064 898**	**6 430 999**	**6 495 250**	**6 200 894**	**7 302 304**
Other revenue	74 486	74 046	79 846	85 223	153 913
Investment revenue	51 911	71 699	100 662	126 154	92 134
Total revenue	**5 191 295**	**6 576 744**	**6 675 758**	**6 412 271**	**7 548 351**

[a] 2016 revenue from voluntary contributions was restated due to a change in accounting policy.

47. Over the past five years, UNICEF revenue grew from $5.19 billion in 2016 to $7.55 billion in 2020, with sharp increases recorded in 2017 and 2020. The increase in 2020 compared with 2019 was driven mainly by revenue from other resources – regular (26 per cent). In 2020, the revenue from other resources – emergency increased by 15 per cent because additional funds had been raised towards the emergency response to the COVID-19 pandemic.

48. Over the past five years (except 2016), revenue from other resources – regular has continued to account for the largest portion of the total revenue and grew significantly, from 36 per cent in 2016 to 50 per cent in 2020. Noted increases in the five-year revenue trend included an increase in 2017 that was attributable to the $520.32 million contribution from the World Bank for humanitarian development in Yemen, in an emergency response context, and $245.58 million donated to the same programme in 2019.

49. There had been no significant fluctuations in other resources – emergency in the five-year period until 2020, when an increase was noted due to funds raised for COVID-19, as discussed above in the context of annual revenue results.

50. Regular resources revenue has remained constant in large part, with the exception of 2018, when generous donations were received for the strategic plan period 2018–2021 to help UNICEF to plan better activities that were dependent on this flexible funding source. Table IV.2 shows the resource partners and the total multi-year regular resource revenue.

Table IV.2
Multi-year regular resources revenue
(Thousands of United States dollars)

		Revenue[a]					
Resource partner	*Period*	*2016*	*2017*	*2018*	*2019*	*2020*	*Multi-year agreement*[b]
Sweden	4 years (2018–2021)	–	–	294 355	401	689	295 445
United Kingdom of Great Britain and Northern Ireland	3 years (2018–2020)	–	–	121 817	17 819	14 262	153 898
Netherlands	3 years (2019–2021)	–	–	–	110 327	3 254	113 581
Australia	5 years (2016–2020)	15 801	48 718	(3 010)	(510)	15 144	76 143
Belgium	4 years (2017–2020)	–	71 792	(1 112)	(839)	1 180	71 021
Switzerland	3 years (2018–2020)	–	–	60 718	25	102	60 845
Canada	4 years (2018–2021)	–	–	47 812	1 174	(479)	48 507
Denmark	3 years (2020–2022)	–	–	–	–	20 552	20 552
New Zealand	3 years (2019–2021)	–	–	–	12 136	154	12 290
Qatar	2 years (2019–2020)	–	–	8 000	–	–	8 000
Grand total		**15 801**	**120 510**	**528 580**	**140 533**	**54 858**	**860 282**

[a] 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 is collected over the full funding period.
[b] Revenue data excludes write-downs.

Foreign exchange

51. Consistent with prior years, approximately half of the voluntary contributions to UNICEF were in currencies other than the United States dollar, resulting in currency valuations and foreign exchange fluctuations affecting the amount of

revenue recorded. In 2020, gains of $108.19 million (2019: $1.63 million) were driven mostly by changes in the United States dollar against the euro, with gains of $69.47 million (2019: loss of $10.88 million), changes in the United States dollar against the Swedish krona, with gains of $22.59 million (2019: loss of $5.06 million).

52. In line with the UNICEF Financial Regulations and Rules, such foreign exchange gains and losses are reflected against donor contributions and as part of revenue recognized.

53. The detail of foreign exchange gains by segment is presented in table IV.3.

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

	2019	*2020*
Regular resources – programme	397	7 436
Regular resources – other	24	–
Other resources – regular	(111)	81 524
Other resources – emergency	1 319	19 229
Total foreign exchange gains on voluntary contributions	**1 629**	**108 189**

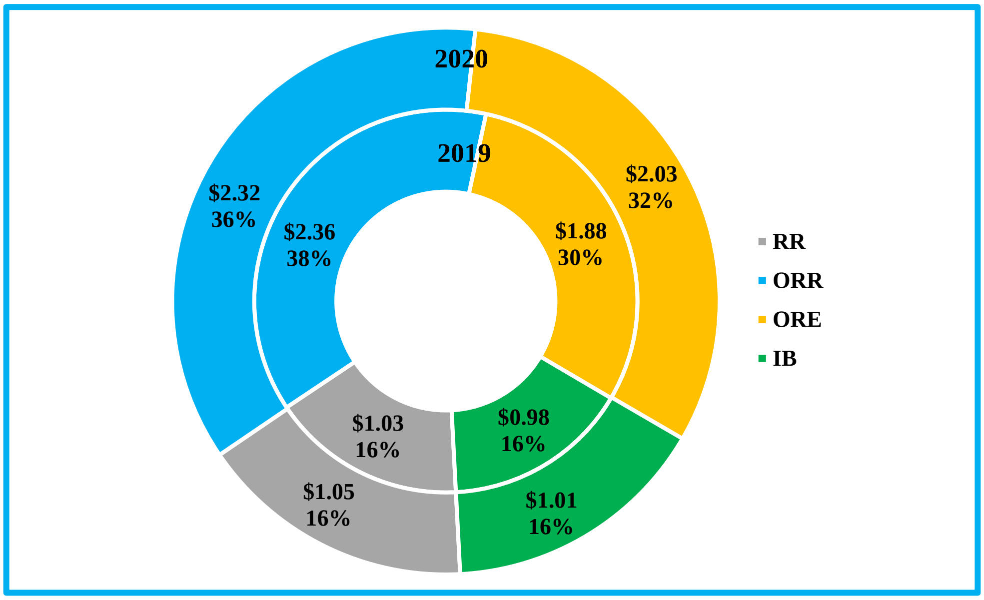
54. UNICEF actively manages foreign currency risk through forward contracts, external investment and natural hedges. The UNICEF Treasury had opened a foreign exchange spot contract of $95.08 million (2019: nil) as at the 2020 year end. This is included with other current liabilities alongside forward contracts relating to externally managed funds.

55. Hedging activities yielded foreign exchange gains of $59.02 million, compared with gains of $19.83 million in 2019. These are included under net gains of $73.82 million (2019: $37.57 million) in the financial statements because they do not relate directly to specific contributions revenue agreements.

Expenses

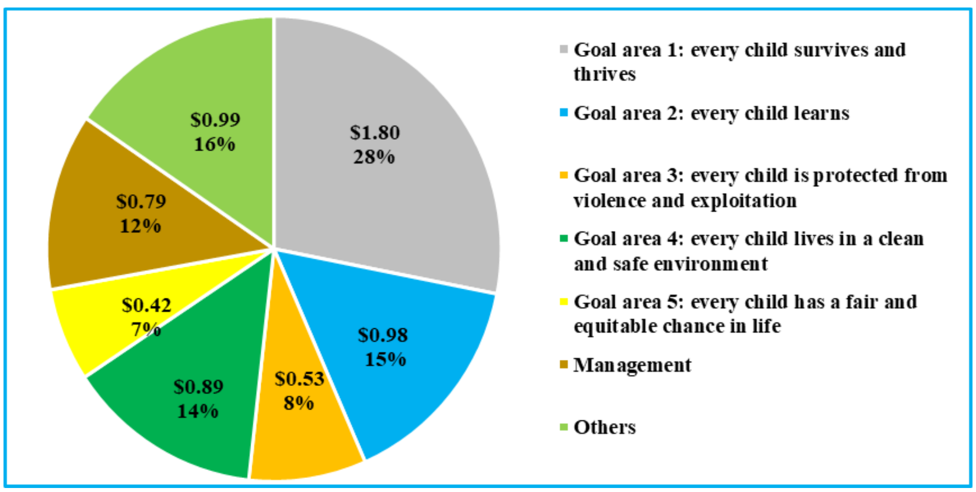
56. Total expenses of UNICEF for 2020 were $6.41 billion (2019: $6.26 billion), with $5.40 billion relating to programmatic activities. Expenses by funding source are shown in figures IV.VI and IV.VII.

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



Note: Regular resources include regular resources programme and trust funds. Regular resources – other is included under institutional budget.
Abbreviations: IB, institutional budget; ORE, other resources – emergency; ORR, other resources – regular; RR, regular resources.

Figure IV.VII
Total expenses by goal area, 2020
(Billions of United States dollars)



57. UNICEF total expenses comprised mainly cash assistance to implementing partners and beneficiaries of $2.26 billion (2019: $2.35 billion), or 35 per cent of total expenses incurred; transfers of programme supplies of $1.15 billion (2019: $0.98 billion), or 18 per cent of total; and employee salaries and entitlements of $1.66 billion (2019: $1.52 billion).

58. Total cash-based assistance to implementing partners and beneficiaries decreased by $87.42 million, or 4 per cent, in 2020. This consisted of a decrease of $118.32 million of transfers to implementing partners, offset by a $30.90 million increase in cash transfers directly to beneficiaries.

59. The decrease in cash-based assistance is driven by different programme cycles, in which some regions experience increases, while others experience a decrease. For example, in Nigeria, the cash transfers to implementing partners for polio eradication reduced in 2020 because Nigeria was certified as wild poliovirus-free in August 2020. At the same time, Lebanon recorded a large increase of $31.31 million, comprising transfers of cash to implementing partners, including that related to the Ministry of Education's response to the refugee crisis and the Regional Refugee and Resilience Plan.

60. Transfers of programme supplies increased by $164.11 million, to $1.15 billion (2019: $0.98 billion) in response to COVID-19 activities. Those increases were noted in the majority of offices, with Ethiopia recording a $18.93 million increase relating mainly to nutrition programmes to respond to health and nutrition emergencies and completion of the construction of schools.

61. Burkina Faso and Afghanistan also recorded increase of transfer of programme supplies of $13.39 million, to $26.68 million, and $11.57 million, to $52.29 million, respectively. In Burkina Faso, UNICEF supported the Ministry of Education in implementing a safe school programme. The increase in Afghanistan was related mainly to the COVID-19 emergency response and a health system preparedness project of $7.34 million.

62. Other programme-related expert services decreased by $50.95 million, or 11 per cent. Nearly half of the decrease compared to 2019 related to the polio eradication programme, where expenses reduced by $7.10 million in Afghanistan, $7.05 million in Nigeria and $3.42 million in Pakistan. Programmes in Afghanistan and Pakistan were delayed during 2020 owing to the COVID-19 pandemic, which explains the reduction in expenses. In Nigeria, polio was eradicated during the year, and the reduction in expenses reflects this. Programme-related professional and expert services expenses include fees paid to third parties for professional and consultancy services related to programmatic activities, technical support in specific programme areas and other programmatic services.

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

	2016	*2017*	*2018*	*2019*	*2020*
Expenses					
Cash assistance	1 971 636	2 224 658	2 263 176	2 351 947	2 264 525
Transfer of programme supplies	1 139 096	1 086 237	986 908	981 634	1 145 741
Employee benefits	1 207 855	1 310 272	1 416 290	1 519 506	1 657 747
Depreciation and amortization	26 623	18 800	21 914	23 890	25 076
Other expenses	677 270	746 885	847 621	909 402	888 734
Other programme-related expert services	422 247	473 688	431 201	472 859	421 904
Finance costs	3 124	2 893	2 647	2 385	2 106
Total expenses	**5 447 851**	**5 863 433**	**5 969 757**	**6 261 623**	**6 405 833**

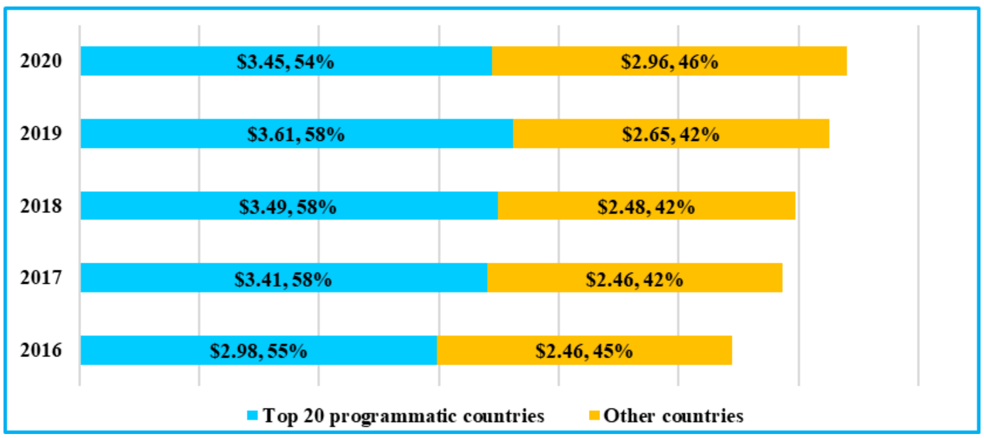
63. Overall, total expenses increased in all five years, with an average increase of 5 per cent, given that UNICEF operations have expanded. The expenses structure remained proportionally consistent during the period 2016–2020.

64. Although transfer of cash assistance decreased in 2020, this expense increased the most in absolute terms, by $292.89 million from 2016 to 2020, and recorded a 5 per cent average increase. This reflects the fact that the majority of the increases in responses continues to be through cash transfer modalities with implementing partners.

65. Transfer of programme supplies increased in 2016, followed by decreases from 2017 to 2019; however, a significant increase of 17 per cent was recorded in 2020 compared with 2019, driven by COVID-19 pandemic response activities, as discussed above.

66. Expenses related to other programme-related expert services remained stable during the period 2016–2020, accounting for 7 to 8 per cent of total expenses. Pakistan recorded the largest increase, from $29.78 million in 2016 to $67.51 million in 2020, attributable to the polio eradication programme. Zimbabwe and India recorded decreases from 2016 to 2020 of $20.96 million and $21.61 million, respectively, driven by the completion of major projects such as the health policy and management and social protection programmes.

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



67. The largest 20 programmatic countries accounted for 54 per cent of organizational expenses in 2020. The composition of countries changed during period from 2017 to 2019, while the portion of the expenses incurred in those countries increased to 58 per cent. The increase from 2017 to 2019 is explained in large part by the scaled-up emergency response in countries such as Bangladesh and Yemen, where expenses more than doubled, with Yemen recording an increase from $148.11 million in 2016 to $490.23 million in 2020, and Bangladesh increasing from $55.26 million to $183.57 million in 2020. Lebanon and Nigeria continued to record large expenses, with an average of $317.01 million and $260.27 million, respectively, over the five-year period. However, 2020 saw the decrease to 54 per cent, the lowest in the five-year period.

UNICEF surplus and net assets

68. As noted above, 36 per cent of the voluntary contributions of UNICEF are for multi-year programmes, where revenue is, in general, recognized when an agreement is signed and expenses are incurred over the planned programme period of two years or more. Consequently, revenue and expenses often appear in different years, and net assets of UNICEF by fund type, as disclosed in note 36, Segment information, represent guaranteed funding available for programme activities in future years, in line with donor agreements and intentions.

69. Overall, UNICEF recorded a surplus of $1.22 billion in 2020 (2019: $188.21 million), which is added to its net assets (reserves). The surplus relates in large part to other resources earmarked for specific activities, some of which take place over multiple years, while revenue is recognized in full at the time of signing of the agreement. A total of $1.05 billion relates to other resources agreements that were created and revenue recognized in December 2020. The reserves for regular resources fell to $647.40 million in 2020, from $856.67 million in 2019.

Financial position

70. As at the end of 2020, the total assets of UNICEF were $13.02 billion (2019: $11.17 billion), as shown in table IV.5.

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

			Variance	
	2020	*2019*	*United States dollars*	*Percentage*
Assets				
Cash and cash equivalents	710 257	796 303	(86 046)	(11)
Receivables (current and non-current)	3 776 479	3 489 431	287 047	8
Advances of cash assistance	790 977	850 909	(59 932)	(7)
Inventories	757 925	380 389	377 536	99
Investments (current and non-current)	5 790 245	4 725 375	1 064 870	23
Other assets (current and non-current)	936 122	670 978	265 145	40
Property and equipment	254 714	256 576	(1 862)	(1)
Intangible assets	2 721	4 401	(1 680)	(38)
Total assets	**13 019 440**	**11 174 362**	**1 845 077**	**17**

Cash and investments

71. A significant portion of the assets that UNICEF manages in support of its institutional and programmatic activities comprises cash and investments of $6.50 billion (2019: $5.52 billion). Most of the cash and investment assets are low-risk investments in fixed income instruments, such as bonds and term deposits.

72. 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 its strategic plan. 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.

73. 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 investment 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.

74. 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. There have been no changes in the way UNICEF manages its capital in 2020.

75. UNICEF holds reserves for long-term employee liabilities, such as after-service health insurance and other Executive Board-approved purposes, which stood at $901.40 million (2019: $820.03 million) as of the end of the year.

Receivables and other assets

76. 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. Contributions receivable increased to $3.69 billion in 2020 (2019: $3.33 billion), comprising mainly multi-year contributions for programmatic activities in 2020 and subsequent years. Those receivables accounted for 61 per cent of the total contributions receivable, down from 70 per cent in the prior year due to COVID-19 pandemic response agreements being, in general, for periods less than two years. Similarly, current voluntary contributions receivable increased to 81 per cent (2019: 70 per cent).

77. Other assets of $936.12 million (2019: $670.98 million) pertain mainly to recurring procurement services activities, as discussed in note 11 to the financial statements.

Cash advances

78. Cash advances to implementing partners for which implementation reports had not been received at year end decreased by $59.93 million, to $790.98 million, in 2020 (2019: $850.91 million), consistent with the overall decrease in cash transfers. There are no significant old outstanding cash advances either individually or in total. Balances over nine months overall account for 2 per cent of the total cash advances.

Inventories

79. UNICEF holds inventory for programmatic purposes, to distribute to beneficiaries and implementing partners. The total UNICEF inventory held worldwide almost doubled to $757.93 million, from $380.39 million in 2019. Inventory was held in 189 locations in 65 countries, which was an increase of 5 locations and 7 countries, driven mainly by the COVID-19 pandemic discussed above that required offices to procure more supplies in response to the global need. The organization's inventory at the 2020 year end included large stocks of personal protective equipment and syringes needed for the COVID-19 response, as well as therapeutic food and medical and sanitation supplies for regular programming.

80. UNICEF tracks goods in transit both from suppliers and from UNICEF-controlled warehouses to implementing partners separately, given that this additional information provides relevant insight into the location of UNICEF-controlled commodities. A total of $100.47 million (2019: $69.32 million) of the total inventory was in transit from the suppliers to UNICEF-controlled locations, and $91.11 million (2019: $30.42 million) to implementing partners and between UNICEF warehouses and plants.

81. Supplies worth $47.44 million (2019: $50.08 million) were held as "pre-positioned" in readiness for the sudden onset of an emergency.

82. 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, comprising mainly water supply, hygiene and sanitation systems ($12.14 million) and supply chain-related programme construction ($3.39 million), concentrated primarily in Africa and the Middle East.

Liabilities

83. 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 $4.12 billion (2019: $3.44 billion) at year end, relating in large part to after-service employee benefits of $1.89 billion (2019: $1.63 billion) and funds held on behalf of others of $1.42 billion (2019: $1.15 billion). Liabilities are detailed in table IV.6 and the paragraphs that follow.

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

			Variance	
	2020	*2019*	*United States dollars*	*Percentage*
Liabilities				
Accounts payable	316 447	388 958	(72 511)	(19)
Contributions received in advance (current and non-current)	14 876	12 652	2 224	18
Funds held on behalf of others	1 423 844	1 154 427	269 417	23
After-service health insurance and other employee benefits (current and non-current)	1 888 313	1 631 156	257 157	16
Other liabilities and provisions (current and non-current)	476 180	255 222	220 958	87
Total liabilities	**4 119 660**	**3 442 415**	**677 245**	**20**

Funds held on behalf of others

84. As noted above, the total liabilities as at 31 December 2020 included $1.42 billion (2019: $1.15 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.

85. Funds held on behalf of others increased significantly in 2020, driven by an increase in the number of ongoing transactions and partner deposits for procurement services and substantial funding for the Gavi Alliance cold chain equipment operational platform at year end.

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

86. UNICEF provides its staff with after-service health insurance benefits and other employee benefits. A valuation carried out by an external firm for the 2020 year end estimated employee benefit liabilities at $1.71 billion (2019: $1.50 billion), and this has been recognized as a liability in full in the financial statement of UNICEF (see note 18, Employee benefits liabilities).

87. After-service health insurance and other employee benefits increased markedly in 2020, driven by a combination of the results of the actuarial study carried out by the external firm and a marked increase in annual leave liability discussed above.

88. The actuarial losses of $109.53 million, recognized directly in net assets, are due mainly to the decrease in the discount rate applied in the valuation exercise, offset in part by the increase of the health-care trend.

Table IV.7

After-service health insurance and separation reserves

(Millions of United States dollars)

	After-service health insurance	*Medical insurance plan*	*End of service*	*Death benefit*	*Workers' compensation*	*Total*
2019 liability	(812.24)	(536.41)	(126.87)	(4.43)	(16.53)	(1 496.48)
2020 liability	(922.49)	(618.43)	(143.33)	(4.45)	(18.09)	(1 706.79)
Funding position	633.76	140.19	123.68	–	–	897.63
Percentage funded	69	23	86	–	–	53

89. UNICEF has $897.63 million (2019: $817.85 million) in its after-service health insurance, separation and other reserves towards meeting these obligations and continues to set aside additional funds, primarily through payroll surcharges, to meet these liabilities as they fall due. Total funding as a percentage of long-term employee benefits liabilities decreased in 2020 owing to the actuarial loss, but nevertheless reflect a strong funding position of more than 50 per cent at year end. Actuarial gains and losses cause the funding position and liability to fluctuate year on year.

90. An external investment manager manages 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 liability. At the end of the year, the value of the investments managed by the external fund manager was $614.45 million (2019: $541.15 million). The increase in the fair value of the investments at year end was driven primarily by the positive fair value increase in the equity instruments of $46.64 million (2019: $41.99 million) and fixed income instruments of $35.37 million (2019: $12.42 million) at year end. No new funds were invested into the external after-service health insurance portfolio in 2020.

91. UNICEF also held $91.59 million (2019: $99.42 million) in assets related to forward contract derivatives as part of the after-service health insurance investments managed by the external investment manager, along with offsetting forward contracts in loss of $92.10 million (2019: $99.59 million), resulting in a net loss position of $0.51 million (2019: $0.17 million).

Other liabilities and provisions

92. UNICEF has firm contract liabilities of $145.55 million (2019: $ 39.88 million) included in other liabilities in which it has committed itself to procuring minimum order quantities for vaccines under firm long-term agreements. UNICEF completed two new long-term agreements in 2020 with suppliers for Ebola PCV and polio vaccines.

93. UNICEF also held $95.08 million (2019: nil) of an internally managed foreign exchange spot contract at year end.

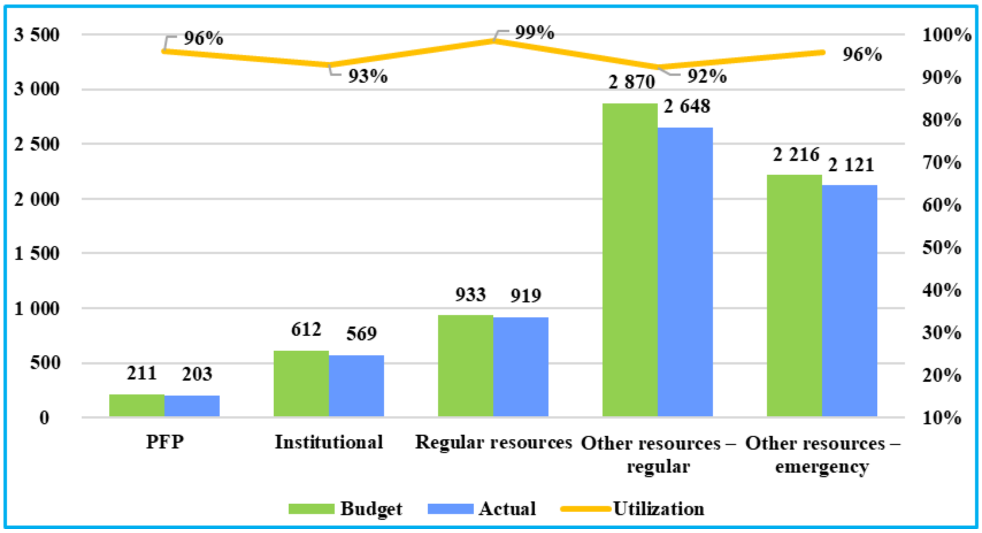
Budgetary performance

94. The statement of comparison of budget to actual allocated amounts spent for the year ended 31 December (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 original to final budget

95. The UNICEF budgets for the various programmes are approved by its Executive Board, subject to 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.IX
Budget to actual performance
(Millions of United States dollars)



Abbreviation: PFP: Special purpose – private fundraising and partnerships.

Actual budget expenditures

96. The total budget utilized in 2020 was $6.46 billion, or 94 per cent of final budget. Notwithstanding the impacts of the global COVID-19 pandemic on the implementation of UNICEF programmes in 2020, utilization was high, ranging from 92 per cent for other resources – regular to 99 per cent utilization for regular resources. Regular resources-funded actual budgetary expenditure was $819.75 million for country programmes and $64.49 million for global and regional programmes, with a final budget utilization of 99 per cent for regular resources overall.

97. The impact of the COVID-19 pandemic was evident in all UNICEF programme implementation in 2020, resulting in the justifiable extension of programme implementation timelines with donors, where needed. All offices were declared to be in a state of emergency as they responded to the urgent need to keep the spread of the virus low. Consequently, there was no significant difference between emergency and non-emergency programming at a high level in 2020. For example, restrictions

initially suspended or delayed the importation of procured supplies, essential medicines, vaccines and cold chain equipment, as discussed above. Field activities were delayed, reducing the exposure of staff and programme participants in an effort to reduce the spread of the virus. In some offices, UNICEF advocated the reopening of transportation channels for emergency supplies, and, in some cases, this became possible only towards the end of 2020. Nevertheless, high utilization was achieved (92 per cent for other resources – regular and 96 per cent for other resources – emergency), given that offices worked out alternative approaches to programme implementation, introduced social distancing protocols and otherwise adapted to the pandemic or replanned activities.

98. 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 2020 was $34.81 million.

99. The variance in the institutional budget of $43.82 million was driven mainly by multi-year investment projects that are ongoing through the end of 2021, given that they are aligned with the strategic plan period. This includes eco-efficiency projects that were delayed owing to the COVID-19 pandemic.

Forward-looking statements disclosure

100. The management 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 2021 and beyond

101. The year 2021 is the fourth and final year of the UNICEF Strategic Plan, 2018–2021. The plan marked several important shifts in how UNICEF framed its strategy globally. First, the formulation of the goal areas around holistic development needs and the rights of children represented a pivot from a siloed approach to a stronger emphasis on multisectoral programming. A second step forward was the conceptualization of gender issues and humanitarian action as priorities cutting across all goal areas versus stand-alone areas of focus. Third, change strategies and enablers were introduced, articulating how UNICEF planned to harness change for children at the national and global levels and through initiatives related to internal effectiveness and efficiency. The change strategies and enablers also helped UNICEF to frame, for the first time, the ways in which all its efforts across management, development effectiveness and programming contributed to the achievement of high-level global results. The UNICEF strategic plan for the period 2022–2025 will build on these achievements.

102. The ambition of the decade of action for the Sustainable Development Goals has been affected by the COVID-19 pandemic, which threatens the rights of children across the globe. The strategic plan for the period 2022–2025 will be driven by the Convention on the Rights of the Child, the Convention on the Elimination of All Forms of Discrimination against Women, the Convention on the Rights of Persons with Disabilities and other United Nations human rights instruments. The forthcoming General Assembly resolution on the quadrennial comprehensive policy review of operational activities for development of the United Nations system will also guide the development of the strategic plan.

103. The midterm review of the UNICEF Strategic Plan, 2018–2021 demonstrated that, even before the COVID-19 pandemic, the world was not on track to meet the child-related targets of the Sustainable Development Goals by 2030. UNICEF is

therefore working diligently with partners to gauge its impact on children, including those caused by service interruptions, the loss of livelihoods and/or long-term socioeconomic effects, to generate insights and support countries in building back better and greener.

104. In developing its strategic plan for the period 2022–2025, UNICEF needs to reckon simultaneously with growing development and humanitarian needs, emerging challenges and potential reductions in social spending and development aid. It is already apparent that the organization will need to redefine its approach to developing partnerships and to determine the right blend of collaborative strategies to meet the expectations of its stakeholders and the needs of the world's children. It is anticipated that consultations with Member States and others will be critical to helping UNICEF to map out these new pathways to progress.

105. The strategic plan for the period 2022–2025 is intended to respond to the urgent need for the world to quickly regain lost ground on child well-being and rights, while setting a steadfast course for the achievement of the Sustainable Development Goals. Two major dimensions being considered are, first, the COVID-19 pandemic, which has had a disproportionate impact on children and women. It has pushed back by many years the progress that the world had made on several child-related Goal indicators and has made the attainment of the lagging targets even more difficult. Second, the pandemic has revealed and accentuated gaps and inequalities in children's rights and well-being, with countries, communities and households with the least to lose too often standing to lose the most. Rights and equity will continue to be the guiding lights for UNICEF as it consults on and designs the new strategic plan.

106. The development process for the strategic plan for the period 2022–2025 provides an opportunity for expanding UNICEF collaboration with the wider United Nations development system. In addition to the United Nations Development Programme, the United Nations Population Fund and the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women), with which UNICEF will build on the collaborative momentum, UNICEF will reach out to other United Nations agencies that are its operational and normative partners and with which it has established partnership frameworks (e.g., World Food Programme, World Health Organization and Office of the United Nations High Commissioner for Refugees), as well as agencies that are critical partners for accelerating progress towards achieving child-focused Sustainable Development Goals (e.g., United Nations Environment Programme, United Nations Educational, Scientific and Cultural Organization, International Organization for Migration and International Labour Organization). The National Committees for UNICEF play an essential role in carrying out the organization's universal mandate, especially in high-income countries.

107. The experience and input of the National Committees will be integrated not only to frame strategies on partnerships, fundraising and advocacy, but also to guide programming in high-income countries and engagement with Europe. Key development and humanitarian actors, such as the Bill and Melinda Gates Foundation and the Gavi Alliance, and international financial institutions will be consulted through bilateral meetings to enrich the theories of change and reaffirm the focus and direction of the strategic plan for the period 2022–2025.

108. UNICEF will present its draft strategic plan for the period 2022–2025 at the annual session of the Executive Board, in June 2021, and the final version of it at the second regular session of the Board, in September 2021.

109. COVAX, the vaccines pillar of the Access to COVID-19 Tools (ACT) Accelerator, which is a global initiative to ensure rapid and equitable access to COVID-19 vaccines for all countries, regardless of income level, signed an advance

purchase agreement with Pfizer for up to 40 million doses of the Pfizer-BioNTech vaccine candidate. COVAX is co-led by the Coalition for Epidemic Preparedness Innovations, the Gavi Alliance and the World Health Organization, working in partnership with developed and developing country vaccine manufacturers, UNICEF, the World Bank and others. It is the only global initiative that is working with Governments and manufacturers to ensure that COVID-19 vaccines are available worldwide to both higher-income and lower-income countries. The Gavi Alliance has designated UNICEF as lead procurement agent on behalf of the COVAX facility.

110. In 2021, UNICEF presented to the Executive Board the World Bank instrument to facilitate sustained investment in private sector fundraising. The financial instrument was issued in March 2021, whereby the World Bank financed $50 million that is to be used to raise additional financing for investment in private sector fundraising, leveraging the services and expertise of the World Bank in the financial markets. The repayments will be from future donations to UNICEF from unearmarked private sector fundraising in 18 emerging-market countries.

111. To ensure that UNICEF can repay the World Bank its share of the principal amount at maturity of the notes (i.e., after five years), and for the purposes of the UNICEF internal budget, the 18 country offices receiving funds from this issuance are expected to begin repayment to an internal set-aside fund from the third year. This allows them two years to invest these funds in private sector fundraising activities to generate additional resources. By year three, the investment is projected, on the basis of data trends, to generate enough resources for UNICEF to begin to set aside funds for accumulation and repayment. Funds that have been set aside can be invested until the principal is due. Investment will be carried out by the UNICEF Treasury and the structured finance services section within the Division of Financial and Administrative Management.

112. UNICEF presented to the Executive Board the informational note on a revolving fund (the Dynamo Revolving Fund) that will support growth in private sector fundraising. The objectives of the Dynamo Revolving Fund are to provide additional and predictable sources of investment for growth in country office fundraising markets and leverage the potential of these markets to contribute to catalytic transformation in the delivery of programme results and drive achievement of the Sustainable Development Goals. The Dynamo Revolving Fund will be capitalized from various sources, including the special purpose budget allotted to the Private Fundraising and Partnerships Division and contributions from other public and private sector partners.

Chapter V

Financial statements for the year ended 31 December 2020

United Nations Children's Fund

I. Statement of financial position as at 31 December

(Thousands of United States dollars)

	Note	*2020*	*2019*
Current assets			
Cash and cash equivalents	6	710 257	796 303
Contributions receivable	7.A	2 970 410	2 345 790
Other receivables	7.B	88 241	158 457
Advances of cash assistance	8	790 977	850 909
Inventories	9	757 925	380 389
Investments	10	3 648 288	3 397 912
Other assets	11	934 455	669 261
Total current assets		**9 900 553**	**8 599 021**
Non-current assets			
Contributions receivable	7.A	716 139	983 464
Other receivables	7.B	1 689	1 720
Investments	10	2 141 957	1 327 463
Property and equipment	12	254 714	256 576
Intangible assets	13	2 721	4 401
Other assets	11	1 667	1 717
Total non-current assets		**3 118 887**	**2 575 341**
Total assets		**13 019 440**	**11 174 362**
Current liabilities			
Accounts payable and accrued liabilities	14	316 447	388 958
Contributions received in advance	15	12 236	11 245
Funds held on behalf of third parties	16	1 423 844	1 154 427
Other liabilities	17	398 690	191 278
Employee benefits liabilities	18	178 825	133 302
Provisions	19	33 335	25 533
Total current liabilities		**2 363 377**	**1 904 743**
Non-current liabilities			
Contributions received in advance	15	2 640	1 407
Employee benefits liabilities	18	1 709 488	1 497 854
Other liabilities	17	44 155	38 411
Total non-current liabilities		**1 756 283**	**1 537 672**
Total liabilities		**4 119 660**	**3 442 415**
Accumulated surpluses	20	7 989 655	6 854 685
Reserves	20	910 125	877 262
Net assets		**8 899 780**	**7 731 947**

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	*2020*	*2019*
Revenue			
Voluntary contributions	21	7 302 304	6 200 894
Other revenue	22	153 913	85 223
Investment revenue	23	92 134	126 154
Total revenue		**7 548 351**	**6 412 271**
Expenses			
Cash assistance	25	2 264 525	2 351 947
Transfer of programme supplies	25	1 145 741	981 634
Employee benefits	26	1 657 747	1 519 506
Depreciation and amortization	12, 13	25 076	23 890
Other expenses	27	888 734	909 402
Other programme-related expert services	28	421 904	472 859
Finance costs	23	2 106	2 385
Total expenses		**6 405 833**	**6 261 623**
Gains net	24	73 820	37 565
Net surplus		**1 216 338**	**188 213**

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	*2020*	*2019*
Net assets as at 1 January	20	**7 731 947**	**7 465 448**
Actuarial (losses)/gains recognized directly in net assets	20	(109 533)	1 580
Changes in fair value of available-for-sale financial assets	20	61 028	76 706
Net surplus for the period	20	1 216 338	188 213
Net assets as at 31 December	**20**	**8 899 780**	**7 731 947**

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	*2020*	*2019*
Cash flows from operating activities			
Net surplus	20	1 216 338	188 213
Adjustments to reconcile surplus to net cash flows			
Depreciation and amortization	12, 13	25 077	23 890
Net gain on sale or disposal of property, equipment	24.A	(864)	(2 209)
Unrealized gain on foreign exchange		(90 233)	(40 187)
Impairments, write-offs	27	31 371	258
Investment revenue presented as investing activities	23	(92 134)	(126 154)
Contributions in kind – net	21	(107 162)	(68 671)
Actuarial (loss)/gain on employee benefit liabilities	20	(109 533)	1 580
Unrealized gain through net assets	20	61 028	76 706
Other adjustments		165 365	124 732
Changes in assets			
(Increase) in inventories	9	(377 536)	(10 198)
(Increase)/decrease in contributions receivable	7.A	(357 295)	439
Decrease/(increase) in other receivables	7.B	70 247	(91 348)
Decrease/(increase) in advances from cash assistance	8	59 932	(79 485)
Increase in other assets	11	(265 144)	(65 181)
Changes in liabilities			
(Decrease)/increase in accounts payable	14	(72 511)	49 617
Increase/(decrease) in contributions received in advance	15	2 224	(49 636)
Increase in funds held on behalf of third parties	16	269 417	350 921
Increase in employee benefit liabilities	18	257 157	98 867
Increase/(decrease) in provisions	19	7 802	(24 935)
Increase/(decrease) in other liabilities	17	213 156	(22 139)
Net cash generated by operating activities		**906 702**	**335 080**
Cash flows from investing activities			
Purchases of investments		(9 389 507)	(7 460 624)
Maturities and sale of investments		8 324 638	6 849 919
Interest revenue		87 822	120 995
Dividend revenue		4 312	5 160
Purchases of property and equipment	12	(25 198)	(37 348)
Proceeds on sale of property and equipment	12	4 545	4 084
Purchases of intangible assets	13	(19)	(89)
Net cash used in investing activities		**(993 407)**	**(517 903)**
Cash flows used in financing activities			
Payment of finance lease liabilities	17.B, 23	(6 728)	(6 728)
Net cash used in financing activities		**(6 728)**	**(6 728)**

	Note	2020	2019
Effect of exchange rate changes on cash and cash equivalents		7 387	(9 405)
Net decrease in cash and cash equivalents		**(86 046)**	**(198 956)**
Cash and cash equivalents			
Beginning of year	6	796 303	995 259
End of year	6	710 257	796 303

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 and actual*
Regular resources					
Country programmes	5	820 800	824 482	819 753	4 729
Global and regional programmes	5	53 732	73 653	64 490	9 163
Emergency programme fund		**75 000**	**34 806**	**34 806**	**–**
Total regular resources		**949 532**	**932 941**	**919 049**	**13 892**
Other resources – regular					
Country programmes		2 755 797	2 703 896	2 511 693	192 203
Global and regional programmes		200 326	165 775	136 081	29 694
Total other resources – regular		**2 956 123**	**2 869 671**	**2 647 774**	**221 897**
Total country programmes		**3 576 597**	**3 528 378**	**3 331 446**	**196 932**
Total global and regional programmes		**254 058**	**239 428**	**200 571**	**38 857**
Other resources – emergency	**5**	**1 522 000**	**2 216 180**	**2 120 690**	**95 490**
Total programmatic		**5 427 655**	**6 018 792**	**5 687 513**	**331 279**
Institutional budget					
Development effectiveness		181 989	175 651	160 062	15 589
Management		402 895	405 534	384 563	20 971
Special purpose: capital investments		20 099	19 536	12 454	7 082
United Nations development coordination		12 342	11 777	11 602	175
Total institutional		**617 325**	**612 498**	**568 681**	**43 817**
Special purpose: private fundraising and partnerships		**211 315**	**210 911**	**202 749**	**8 162**
Grand total		**6 256 295**	**6 842 201**	**6 458 943**	**383 258**

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

United Nations Children's Fund
Notes to the 2020 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, the Republic of Korea and Switzerland, 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 2021 as required by the UNICEF Financial Regulations and Rules and transmitted for issue by the Executive Director on 28 May 2021.

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 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. Given that 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. Examples of estimates include valuation and impairment of investments; useful lives of tangible and intangible assets; inventory valuation; collectability of receivables; provisions and adjustments of advances of cash assistance; and contingencies. Examples of assumptions include determining when investment impairments are other-than-temporary; and discount and inflation rates applied to employee benefits liabilities.

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 is included in the following notes:

(a) Note 18, 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;

(b) 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.

8. There were no material changes in 2020 to the basis of estimates and judgments applied.

D. Change in accounting estimates

9. As a result of a review of the UNICEF assets portfolio as part of the implementation of the automated asset tracking system, the asset capitalization threshold has been revised from $2,500 to $5,000. The threshold for capitalization of improvements to buildings has also been revised from $50,000 to $100,000. In accordance with IPSAS 3: Accounting policies, changes in accounting estimates and errors, the change in accounting estimates has been applied prospectively effective 1 November 2020.

E. Changes in accounting standards

10. The IPSAS Board issued IPSAS 41: Financial instruments in 2019. The original effective date of 1 January 2022 has been deferred by one year to 1 January 2023 (COVID-19: Deferral of effective dates), with earlier adoption encouraged. Its impact on the financial statements is being assessed.

11. IPSAS 42: Social benefits was issued in 2019. Similarly, its implementation deadline has been revised to 1 January 2023. It is not expected to be applicable to UNICEF in the foreseeable future.

12. In 2020, the IPSAS Board issued three exposure drafts for comment: 70: Revenue with performance obligations; 71: Revenue without performance obligations; and 72: Transfer expenses. The impact of exposure draft 71 on accounting for earmarked voluntary contributions is likely to be significant for UNICEF. Under the current IPSAS 23, UNICEF recognizes voluntary contributions revenue upon signature of the contribution agreement. Under the new standard based on exposure draft 71, UNICEF will be required to record revenue when identified present obligations under earmarked contributions are satisfied. The change in revenue recognition approach would likely result in a delay in the timing of revenue recognition for earmarked contributions.

13. UNICEF will continue to monitor the progression of these exposure drafts and related accounting standards, noting that their application will have a significant impact on UNICEF. Assessment of the impact of standards on the UNICEF financial statements in advance of issuance and during subsequent implementation is ongoing.

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 an external investment manager 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 existing 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
Contributions receivable	Loans and receivables
Other receivables	Loans and receivables
Promissory notes	Loans and receivables
Certificates of deposit	Available-for-sale
Traded bonds	Available-for-sale
Equities	Available-for-sale
Structured deposits	Fair value through surplus or deficit
Foreign currency options	Held for trading (fair value through surplus or deficit)
Forward exchange 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 when 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. UNICEF regularly enters into contracts for structured deposits. A structured deposit is a hybrid financial instrument that has an embedded option along with a fixed-term deposit. The fixed-term deposit is deemed the host. These structured deposits include embedded derivatives. UNICEF designates such hybrid financial instruments at fair value through surplus or deficit in their entirety. As a result, UNICEF does not need to separate these embedded derivatives and account for them separately.

6. 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. Since 2019, UNICEF has 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.

7. 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

8. 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.

9. 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.

10. 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.

11. 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.

12. 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

13 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 deficit accumulated in net assets is reclassified as surplus or deficit.

14. 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.

15. 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

16. 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.

17. 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.

18. 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.

19. 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.

20. 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

21. 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

22. 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.

23. 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 7, Contributions receivable and other receivables.

Inventory

24. Inventory held for programme distribution, such as programme supplies (including cryptocurrencies), is stated at the lower of cost or current replacement cost. Cost is determined using a weighted average cost formula.

25. The cost of inventory includes costs incurred in acquiring the inventory and other costs incurred in bringing them to their existing location and condition (e.g., 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.

26. 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 through a charge to impairment in the statement of financial performance. Reductions are determined by assessing replacement costs.

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.

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.

Intangible assets

37. Separately acquired intangible assets (e.g., software and rights) and internally developed software are stated at cost, less accumulated amortization and accumulated impairment losses. UNICEF does not have any intangible assets with indefinite lives.

38. Amortization of intangible assets is recognized in surplus or deficit on a straight-line basis over the estimated useful lives of the related assets. Software is amortized over periods ranging from 3 to 10 years. Other rights and licences are

amortized over the shorter of the licence or rights period and from a 2- to 6-year range (see note 13, Intangible assets).

Impairment of non-cash generating assets

39. 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.

40. 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 12, Property and equipment).

Financial liabilities

41. 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
Contributions received in advance	Other financial liabilities
Finance leases and other liabilities	Other financial liabilities
Forward exchange contracts in loss	Held for trading (fair value through surplus or deficit)

42. 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. Otherwise, they are classified as non-current liabilities (see note 14, Accounts payable and accrued liabilities, note 15, Contributions received in advance, note 16, Funds held on behalf of third parties, and note 17, Other liabilities).

43. 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.

Funds held on behalf of third parties

44. Funds held on behalf of third parties represent liabilities in respect of assets held by or for UNICEF under agency agreements.

45. Arrangements in which UNICEF is engaged on behalf of a third party, including procurement, administrative or custodial arrangements, are reviewed to determine whether they comprise agency arrangements. UNICEF is acting as an agent when UNICEF (a) is not primarily responsible for providing any procured goods or services; (b) is not exposed to significant inventory risk; (c) has no significant discretion in establishing prices; and (d) has no significant exposure to a partner's credit risk. 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.

46. 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 16, Funds held on behalf of third parties).

Employee benefits

47. 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

48. 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 (e.g., 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

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

Post-employment benefits – defined-contribution plan

50. 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 that participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.

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

52. 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.

53. 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.

54. 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.

55. 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.

56. 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 20, 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

57. 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.

58. 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 20, 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

59. 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

60. 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.

61. 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.

62. 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 17, Other liabilities).

63. 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 27, Other expenses).

Provisions

64. 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.

65. 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.

66. 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 19, Provisions).

Revenue recognition

Voluntary contributions

67. Voluntary contributions are non-exchange transactions, which means that resources (e.g., 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.

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

69. 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).

70. 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.

71. 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.

72. 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 21, Revenue from voluntary contributions).

Pledges

73. 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

74. A limited pilot for cryptocurrencies was approved in 2019. The pilot allows for a maximum of 2,000 bitcoin and 20,000 ether to be received. 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.

75. 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 27, Other expenses).

76. 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.

77. 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

78. 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.

79. 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 21, Revenue from voluntary contributions, and note 22, Other revenue).

Recognition of expenses

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

Transfers of cash assistance and of programme supplies

81. 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 25, Cash assistance and transfer of programme supplies).

Commitments

82. 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

83. 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

84. 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

85. 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; and trust funds.

86. 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 36, Segment information).

Budget

87. 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.

88. 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.

89. 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 resources.

90. 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, oversight, audit, 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 (i.e., 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.

91. 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.

92. 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.

93. 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.

94. 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.

95. 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.

96. 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*	*2020*	*2019*
Total actual amount on comparable basis as presented in the budget and actual comparative statement	(6 458 943)	–	–	–	(6 458 943)	(6 189 010)
Basis differences	(452 124)	(993 406)	(6 728)	–	(1 452 258)	(763 733)
Exchange rate changes on cash and cash equivalents	–	–	–	7 387	7 387	(9 405)
Entity differences	269 417	–	–	–	269 417	350 921
Presentation differences	7 548 351	–	–	–	7 548 351	6 412 271
Net cash flows from the statement of cash flows	**906 701**	**(993 406)**	**(6 728)**	**7 387**	**(86 046)**	**(198 956)**

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. Given that 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 2020, the total final budget of $6.84 billion was $585.91 million higher than the total original budget of $6.26 billion, owing in large part to a $694.18 million increase in other resources – emergency, to $2.21 billion, in response to the COVID-19 pandemic.

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 $34.81 million for the Fund represents resource requirements for humanitarian actions for which contributions had not yet been raised.

6. The challenging operating conditions arising from the COVID-19 pandemic notwithstanding, actual expenditure was $6.46 billion, or 94 per cent of the final budget. The difference between the final budget and the actual was due mainly to variances on the following budget lines; (a) other resources – regular of $221.90 million; (b) other resources – emergency of $95.49 million; and (c) the institutional budget of $43.82 million.

7. Variances related to other resources funds in 2020 were driven mainly by the COVID-19 pandemic that affected programme delivery significantly. In addition, the timing of contributions that are received late in December contributes to the standard variance (final budget is released for the budget line when contribution agreements are received from the donors).

8. Other resources – regular actual expenditure was 92 per cent of the final budget, with a variance of $221.90 million arising from the timing of contributions received

and the impact of the COVID-19 pandemic in UNICEF programme implementation in 2020, resulting in the justifiable extension of timelines with the donors, where needed, given that restrictions at the onset of the emergency required an increased focus on emergency response.

9. Other resources – emergency actual expenditure was 96 per cent of the final budget, with a variance of $95.49 million that was also due mainly to global impact of the COVID-19 pandemic, given that events beyond the control of UNICEF did not allow those activities for which the funding had been earmarked to be carried out as planned. Similar to other resources – regular, pandemic restrictions on procurement and travel contributed to the variance. Those challenges delayed the UNICEF procurement process from being carried out as planned. Travel restrictions also made it very challenging to monitor and support the country in the country supply chain system. In response to the COVID-19 pandemic, UNICEF entered into a large agreement for in-kind contributions for physical goods related to personal protective equipment supplies in 2020. Those items were received only after year end, with distribution planned in 2021 for ongoing programmatic pandemic support.

10. The variance in the institutional budget of $43.82 million was driven mainly by multi-year investment projects that are ongoing through the end of 2021, given that they are aligned with the strategic plan period. This includes eco-efficiency projects that were delayed owing to the COVID-19 pandemic.

Note 6
Cash and cash equivalents

(Thousands of United States dollars)

	2020	*2019*
Cash at bank and on hand – convertible	261 792	272 068
Cash at bank and on hand – non-convertible	43 030	45 531
Cash at bank in money market demand accounts	105 422	201 247
Term deposits and other (90 days or less)	300 013	277 457
Total cash and cash equivalents	**710 257**	**796 303**

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 national/central bank of the host country.

2. Included within the UNICEF cash balances is $15.32 million (2019: $23.70 million) of cash managed by the external investment manager for the after-service health insurance investment portfolio.

Note 7
Contributions receivable and other receivables

A. Contributions receivable

(Thousands of United States dollars)

	Governments and intergovernmental agencies	*Interorganizational arrangements*	*National Committees*	*Other organizations*	*2020*	*2019*
Current receivables						
Unearmarked – regular resources	133 503	90	242 979	641	377 213	438 928
Earmarked – other resources	2 114 655	282 275	153 620	42 647	2 593 197	1 906 862
Total current contributions receivable	**2 248 158**	**282 365**	**396 599**	**43 288**	**2 970 410**	**2 345 790**
Non-current receivables						
Unearmarked – regular resources	7 097	–	506	100	7 703	140 050
Earmarked – other resources	601 220	59 239	33 431	14 546	708 436	843 414
Total non-current contributions receivable	**608 317**	**59 239**	**33 937**	**14 646**	**716 139**	**983 464**
Total contributions receivable	**2 856 475**	**341 604**	**430 536**	**57 934**	**3 686 549**	**3 329 254**

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

B. Other receivables

(Thousands of United States dollars)

	2020	*2019*
Current other receivables		
Receivables from licensing cards and products	2 612	3 408
Value-added tax receivables	56 770	48 141
Receivables from staff members	12 202	6 779
Receivables from other United Nations agencies	27 518	27 205
Unused transfers of cash assistance due from implementing partners	7 429	7 290
Other	54	71 754
Impairment	(18 344)	(6 120)
Total current other receivables	**88 241**	**158 457**
Non-current other receivables	**1 689**	**1 720**
Total other receivables	**89 930**	**160 177**

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

Note 8
Advances of cash assistance

(Thousands of United States dollars)

	2020	*2019*
Advances of cash assistance by region		
East Asia and Pacific	57 476	41 377
Europe and Central Asia	48 969	70 333
Eastern and Southern Africa	217 241	177 211
Latin America and Caribbean	51 706	37 724
Middle East and North Africa	139 117	239 780
South Asia	58 323	78 835
Western and Central Africa	219 397	195 526
Transfers to United Nations agencies and other organizations at Headquarters	11 481	15 976
Adjustment	(12 733)	(5 853)
Total advances of cash assistance by region	**790 977**	**850 909**

1. The adjustment included in the above table represents an accrual for where implementing partners have incurred valid expenses as at 31 December 2020 and reports had been received but not processed by UNICEF at the reporting date.

Note 9
Inventories

(Thousands of United States dollars)

	2020	*2019*
Programme supplies held in UNICEF-controlled warehouses	547 836	258 178
Programme supplies in transit	191 579	99 744
Programme construction in progress	18 187	22 467
Cryptocurrencies	323	–
Total inventories	**757 925**	**380 389**

Note 10
Investments

(Thousands of United States dollars)

	2020	*2019 Restated*
Current investments		
Term deposits (greater than 90 days)	1 777 862	2 309 555
Traded bonds	1 099 093	587 317
Equities	383 190	336 549
Certificates of deposit	201 469	65 068
Forward exchange contracts in gain	186 674	99 423
Total current investments	**3 648 288**	**3 397 912**

	2020	*2019 Restated*
Non-current investments		
Traded bonds	2 081 389	1 292 461
Certificates of deposit	60 568	–
Term deposits	–	35 002
Total non-current investments	**2 141 957**	**1 327 463**
Total investments	**5 790 245**	**4 725 375**

1. UNICEF invests some of its funds held in reserves for after-service health insurance liabilities with external fund managers. Included in the investments are $216.44 million (2019: $181.07 million) in bonds, $383.19 million (2019: $336.55 million) in equities and $91.59 million (2019: $99.42 million) in forward exchange contracts in gain related to these externally managed funds. Forward exchange contracts in gain include $95.08 million forward spot contracts that are open at year end (2019: nil), also presented within the current other liabilities.

2. In 2020, certificates of deposit are presented in a separate line from the traded bonds. For comparison purposes, the 2019 amounts have been restated.

Note 11
Other assets

(Thousands of United States dollars)

	2020	*2019*
Current other assets		
Education grant advances to staff members	21 798	18 631
Prepaid expenses and other assets	93 152	24 148
Other procurement services-related assets	819 505	626 482
Total current other assets	**934 455**	**669 261**
Non-current other assets		
Other assets	1 667	1 717
Total non-current other assets	**1 667**	**1 717**
Total other assets	**936 122**	**670 978**

1. Other procurement services assets of $819.51 million (2019: $626.48 million) represent partner 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 16, Funds held on behalf of third parties, and note 17, Other liabilities, until UNICEF has fulfilled its obligations as agent of the partner.

Note 12
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 2019*
Cost								
Balance as at 1 January	81 097	120 290	28 129	25 336	37 753	18 401	105 281	416 287
Additions	–	12 914	5 954	1 663	2 099	1 451	13 267	37 348
Disposals	–	(512)	(393)	(2 099)	(3 252)	(2 873)	(8 724)	(17 853)
Balance as at 31 December	**81 097**	**132 692**	**33 690**	**24 900**	**36 600**	**16 979**	**109 824**	**435 782**
Accumulated depreciation and impairment								
Balance as at 1 January	–	34 006	7 977	18 461	27 875	15 002	69 822	173 143
Depreciation	–	4 766	3 202	2 529	1 499	2 213	7 831	22 040
Impairment	–	6	–	29	96	17	218	366
Disposals	–	(485)	(129)	(1 840)	(2 685)	(2 751)	(8 453)	(16 343)
Balance as at 31 December	**–**	**38 293**	**11 050**	**19 179**	**26 785**	**14 481**	**69 418**	**179 206**
Carrying value as at 31 December	**81 097**	**94 399**	**22 640**	**5 721**	**9 815**	**2 498**	**40 406**	**256 576**

(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 2020*
Cost								
Balance as at 1 January	81 097	132 692	33 690	24 900	36 600	16 979	109 824	435 782
Additions	–	8 256	4 840	2 081	1 049	820	8 152	25 198
Disposals	–	(1 191)	(1 144)	(1 316)	(2 877)	(1 256)	(4 317)	(12 101)
Balance as at 31 December	**81 097**	**139 757**	**37 386**	**25 665**	**34 772**	**16 543**	**113 659**	**448 879**
Accumulated depreciation and impairment								
Balance as at 1 January	–	38 293	11 050	19 179	26 785	14 481	69 418	179 206
Depreciation	–	4 938	3 638	2 316	1 554	1 848	9 084	23 378
Impairment	–	132	181	162	216	9	687	1 387
Disposals	–	(230)	(344)	(1 240)	(2 748)	(1 245)	(3 999)	(9 806)
Balance as at 31 December	**–**	**43 133**	**14 525**	**20 417**	**25 807**	**15 093**	**75 190**	**194 165**
Carrying value as at 31 December	**81 097**	**96 624**	**22 861**	**5 248**	**8 965**	**1 450**	**38 469**	**254 714**

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

2. Included within buildings are $8.79 million (2019: $8.36 million) in construction, renovation and security enhancements costs in progress.

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

(Thousands of United States dollars)

	2020	*2019*
Land	80 000	80 000
Buildings	65 893	63 233
Total	**145 893**	**143 233**

4. 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.

5. 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 (2019: $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 expenses on the building and plaza are recorded within depreciation and amortization expenses in the statement of financial performance.

6. UNICEF has approximately 700 operating lease agreements for land, office, warehouse and residential space. The majority of lease agreements are under commercial terms. In 2020, approximately 170 agreements were for 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 $21.14 million (2019: $20.17 million) as well as in-kind contributions revenue (see note 21, Revenue from voluntary contributions). Rent for all operating leases is reported within rental and leasing expense (see note 27, Other expenses).

Note 13
Intangible assets

(Thousands of United States dollars)

	Purchased computer software	*Internally developed software*	*Licences and copyrights*	*Intangibles under development*	*Total 2019*
Cost					
Balance as at 1 January	5 780	12 412	16	–	18 208
Additions	89	–	–	–	89
Disposals	(86)	–	–	–	(86)
Balance as at 31 December	**5 783**	**12 412**	**16**	**–**	**18 211**
Amortization					
Balance as at 1 January	2 082	9 950	14	–	12 046
Amortization	988	860	2	–	1 850
Disposals	(86)	–	–	–	(86)
Balance as at 31 December	**2 984**	**10 810**	**16**	**–**	**13 810**
Carrying value as at 31 December	**2 799**	**1 602**	**–**	**–**	**4 401**

(Thousands of United States dollars)

	Purchased computer software	*Internally developed software*	*Licences and copyrights*	*Intangibles under development*	*Total 2020*
Cost					
Balance as at 1 January	5 783	12 412	16	–	18 211
Additions	19	–	–	–	19
Balance as at 31 December	**5 802**	**12 412**	**16**	**–**	**18 230**
Amortization					
Balance as at 1 January	2 984	10 810	16	–	13 810
Amortization	949	750	–	–	1 699
Balance as at 31 December	**3 933**	**11 560**	**16**	**–**	**15 509**
Carrying value as at 31 December	**1 869**	**852**	**–**	**–**	**2 721**

Note 14
Accounts payable and accrued liabilities

(Thousands of United States dollars)

	2020	*2019*
Accounts payable	192 373	252 113
Accrued liabilities	124 074	136 845
Total accounts payable and accrued liabilities	**316 447**	**388 958**

1. 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
Contributions received in advance

(Thousands of United States dollars)

	2020	*2019*
Current portion	12 236	11 245
Long-term portion	2 640	1 407
Total contributions received in advance	**14 876**	**12 652**

Note 16
Funds held on behalf of third parties

(Thousands of United States dollars)

	Balance as at 1 January 2020	*Funds received*	*Funds disbursed*	*Movement of accruals*	*Balance as at 31 December 2020*
Procurement services					
Governments	298 078	777 857	(673 382)	–	402 553
Inter-organizational arrangements	51 820	174 783	(112 476)	–	114 127
Non-governmental organizations	545 255	1 160 820	(1 043 425)	–	662 650
National Committees	2	61	(54)	–	9
Other arrangements					
UNICEF hosted funds	228 661	156 804	(176 716)	–	208 749
Others	39 377	247 760	(237 003)	–	50 134
Accruals	(8 766)	–	–	(5 612)	(14 378)
Total funds held on behalf of third parties	**1 154 427**	**2 518 085**	**(2 243 056)**	**(5 612)**	**1 423 844**

1. UNICEF undertakes procurement services for Governments, NGOs, United Nations agencies and other international organizations and foundations. Funds are received from or made available by procuring partners in advance to cover UNICEF commitments to suppliers and handling fees.

2. UNICEF hosted trust funds of $208.75 million (2019: $228.66 million), representing the balance held by UNICEF as fund custodian and administrator (see note 34, Related parties, for additional disclosures).

3. There was no outstanding procurement services credit note at year end (2019: $71.72 million).

Note 17

A. Other liabilities

(Thousands of United States dollars)

	2020	*2019*
Current other liabilities		
Unearned income	47 628	39 415
Forward exchange contracts in loss	187 179	99 595
Finance lease liabilities	4 919	4 622

	2020	*2019*
Firm contracts and other liabilities	158 964	47 646
Total current other liabilities	**398 690**	**191 278**
Non-current other liabilities		
Finance lease liabilities	26 343	31 262
Firm contracts	17 812	7 149
Total non-current other liabilities	**44 155**	**38 411**
Total other liabilities	**442 845**	**229 689**

1. Unearned income of $47.63 million (2019: $39.42 million) represents mainly UNICEF handling fees received in advance for managing trust fund activities.

2. Forward exchange contracts in loss at year end of $187.18 million (2019: $99.60 million) relate to externally managed after-service health insurance investments and include $95.08 million foreign exchange spot contracts that are open at year end (2019: nil), also presented within the current investments.

3. Included in other liabilities are agreements where UNICEF has committed itself to procuring minimum order quantities for vaccines under firm long-term agreements of $127.74 million (2019: $32.73 million), which are due within 12 months and included under current other liabilities. The long-term portion of $17.81 million (2019: $7.15 million) is included as non-current liabilities.

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

(Thousands of United States dollars)

	2020	*2019*
Undiscounted minimum lease payments		
Not later than one year	6 728	6 728
Later than one year and not later than five years	26 914	26 914
Later than five years	3 364	10 093
Total undiscounted minimum lease payments	**37 006**	**43 735**
Present value of minimum lease payments		
Not later than one year	4 919	4 622
Later than one year and not later than five years	23 039	21 650
Later than five years	3 304	9 612
Total present value of minimum lease payments	**31 262**	**35 884**
Future finance charges	**5 744**	**7 851**

Note 18
Employee benefits liabilities

(Thousands of United States dollars)

	2020	*2019*
Current employee benefits liabilities		
Home leave	12 207	9 328
Annual leave	161 465	120 178
Workers' compensation	876	823
Other end-of-service entitlements	1 920	1 498
Other employee benefits	2 357	1 475
Total current employee benefits liabilities	**178 825**	**133 302**
Non-current employee benefits liabilities		
Home leave	3 571	2 197
Workers' compensation	17 210	15 706
Other end-of-service entitlements	147 787	131 303
After-service health insurance[a]	1 540 920	1 348 648
Total non-current employee benefits liabilities	**1 709 488**	**1 497 854**
Total employee benefits liabilities	**1 888 313**	**1 631 156**

[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, namely, the 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 and 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*	*2020 total*	*2019 total*
Balance as at 1 January	812 241	126 866	536 407	4 437	16 529	1 496 480	1 408 763
Current service cost	36 134	12 831	30 801	142	728	80 636	61 300
Interest cost on benefit obligation	27 404	3 723	18 155	103	59	49 444	62 165
Actuarial losses/(gains) on benefit obligation	58 934	11 072	37 790	149	1 588	109 533	(1 580)
Benefits paid (net of participant contributions)	(12 222)	(11 159)	(4 724)	(377)	(818)	(29 300)	(34 168)
Balance as at 31 December	**922 491**	**143 333**	**618 429**	**4 454**	**18 086**	**1 706 793**	**1 496 480**

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 and death benefit*	*Death benefit*	*Workers' compensation*	*2020 total*	*2019 total*
Current retirees	627 066	–	–	–	627 066	548 822
Active employees – fully eligible	322 412	62 180	2 377	18 086	405 055	356 100
Active employees – not yet eligible	591 442	81 153	2 077	–	674 672	591 558
Balance as at 31 December	**1 540 920**	**143 333**	**4 454**	**18 086**	**1 706 793**	**1 496 480**

[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*
2020 actual contributions	39 234	37 491	25 845	102 570
2019 actual contributions	36 280	34 523	24 055	94 858

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*
2020 actual contributions	n/a	n/a	7 858	7 858
2019 actual contributions	n/a	n/a	5 867	5 867

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*	*2020*	*2019*
Current service cost	36 134	12 831	30 801	142	728	80 636	61 300
Interest cost on benefit obligation	27 404	3 723	18 155	103	59	49 444	62 165
Total expense included in surplus	**63 538**	**16 554**	**48 956**	**245**	**787**	**130 080**	**123 465**

Table A.6
Actuarial losses/(gains) 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*	*2020*	*2019*
Due to changes in financial assumptions	58 934	11 072	37 790	149	835	108 780	(51 135)
Due to changes in demographic assumptions	–	–	–	–	341	341	(403)
Due to experience adjustments	–	–	–	–	412	412	49 224
Change in methodology	–	–	–	–	–	–	734
Total current period	**58 934**	**11 072**	**37 790**	**149**	**1 588**	**109 533**	**(1 580)**

8. Actuarial gains recognized in equity decreased from a gain of $1.58 million in 2019 to a loss of $109.53 million in 2020. Actuarial losses from changes in financial assumptions for after-service health insurance reflect the decrease in the discount rate compensated by the increase of the health-care trend. The losses for the repatriation grant and the death benefit are due to the decrease of the discount rate. In addition to the reduced discount rate, for workers' compensation the change reflects uncertainty surrounding cost-of-living adjustments, mortality and the frequency of incurred-but-not-reported claims.

9. After-service health insurance and the Medical Insurance Plan had a total actuarial loss owing to changes in financial assumptions of $96.72 million for the year 2020 (2019: $65.30 million gain), driven by a change in the discount rate. The estimation methods for actuarial valuation for after service health benefits remain unchanged.

10. UNICEF funds its liabilities for the defined-benefit plans, including after-service health insurance, 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 on the basis of actuarial gains and losses, given that the liability is highly sensitive to the key actuarial assumptions, namely, discount rate, medical trend rate, life expectancy and length of service.

11. The funding deficit for the aggregate of the defined-benefit plans and other liabilities is presented in table A.7 below, and the details of the reserve are included in note 20, Net assets. The table includes liabilities and earmarked funds for actuarially determined defined-benefit plans (e.g., 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)

	2020	*2019*
Actuarial liabilities recognized in the statement of financial position	1 706 793	1 496 480
Other liabilities and provisions recognized in the statement of financial position	163 429	121 707
Funding	(897 630)	(817 853)
Funding deficit	**(972 592)**	**(800 334)**

12. 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, for total investment amounts).

B. Actuarial valuation

13. The financial health of the defined-benefit plans is measured by actuarial valuations.

14. UNICEF carries out a full actuarial valuation on a biennial basis, with the most recent full valuation carried out as at 31 December 2019. The valuation as at 31 December 2020 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 2021. Owing to the small number of staff under review, workers' compensation data are submitted and results updated annually.

15. 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

16. The two key assumptions used by the actuary to determine defined-benefit liabilities are the discount rate and, for after-service health insurance, the health-care cost-trend rate. These assumptions must be based on the same underlying inflation assumption.

17. **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 2.20 per cent (2019: 2.20 per cent) was used for the 31 December 2020 valuation. This inflation assumption rate is used as a proxy for the long-term inflation expectations 15 to 20 years ahead, which is consistent with the expected duration of the obligations.

18. **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 (US$), the Eurozone (EUR) and Switzerland (SwF) for determining the discount rate for the actuarially valued defined-benefit plans.

19. Different discount rate assumptions were used in determining the 31 December 2019 and 31 December 2020 obligations for the different currency areas covered under the scheme. The yield curves are provided by Aon Hewitt. On the basis of the analysis for 2020, the single weighted discount rate was 2.89 per cent as at 31 December 2020 (2019: 3.37 per cent), and a discount rate, rounding to the nearest 25 basis points, would equal 3.00 per cent (2019: 3.25 per cent).

20. **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.

21. **Future mortality assumptions**. Assumptions regarding future mortality are based on actuarial advice in accordance with published statistics in the form of mortality tables.

22. **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 per capita claims cost assumption was updated for the 2019 end-of-year valuations on the basis of actual claims and enrolment experience for calendar years 2016, 2017 and 2018 provided by the various third-party administrators.

23. **COVID-19**. 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 have an impact on claims incurred on or before 31 December 2020:

(a) Potential for delayed medical treatments that would, in turn, limit the ability to improve outcomes for injury claims;

(b) Potential health complications emanating from the virus;

(c) Increased demand and ensuing pressures on the medical system, potentially affecting the cost of care;

(d) Potential future impacts on discount rate that have not been considered in the Aon Hewitt yield curve;

(e) Potential impacts on mortality that would not be included in the 2017 United States lives table or the 2019 World Health Organization country mortality tables.

24. While not exhaustive, these provide some examples of potential impacts of COVID-19 on workers' compensation benefits as of the 2020 year end. The full impacts of COVID-19 will not be known for years and, therefore, the selection of key assumptions in the analysis is unusually difficult in this unprecedented environment. The estimation of benefits and the obligation are therefore subject to increased uncertainty.

Table B.1
Principal actuarial assumptions

	2020 (percentage)	*2019 (percentage)*
Discount rate		
Rate at 1 January	3.37	4.50
Rate at 31 December	2.89	3.37
Rate of inflation	2.20	2.20
Expected rate of medical cost increase		
Medical inside the United States[a,b]	5.15	5.26
2034 and onwards medical inside the United States[c]	3.65	3.85
United States dental[b]	4.59	4.66
2034 and onwards – United States dental[c]	3.65	3.85
United States non-Medicare	5.31	5.44
2034 and onwards – United States non-Medicare	3.65	3.85
Non-United States – Switzerland	3.64	3.76
2028 and onwards non-United States – Switzerland	2.75	2.85
Non-United States – Eurozone	3.73	3.83
2026 and onwards non-United States – Eurozone	3.25	3.65
Expected rate of salary increases (declining from age 20 to age 60)	**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 2020, rate extended to 2034.

Table B.2
Current rates of death underlying the values of United Nations Children's Fund liabilities

	2020		2019	
Rate of death: pre-retirement	*At age 20*	*At age 69*	*At age 20*	*At age 69*
Male	0.00056	0.00718	0.00056	0.00718
Female	0.00037	0.00522	0.00037	0.00522

Rate of death: post-retirement	*At age 20*	*At age 70*	*At age 20*	*At age 70*
Male	0.00062	0.00913	0.00062	0.00913
Female	0.00035	0.00561	0.00035	0.00561

Table B.3
Average rates of retirement for Professional staff with 30 or more years of service

	2020		2019	
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	(94 572)	–	(5 673)	(68 218)	–	(160)	(1 110)
Impact of: 0.5 per cent decrease	110 157	–	6 094	79 804	–	173	1 340
Health-care cost trend rates							
Impact of: 0.5 per cent increase	105 799	10 863	–	77 209	8 942	–	–
Impact of: 0.5 per cent decrease	(91 980)	(9 203)	–	(66 779)	(7 553)	–	–

Sensitivity analysis

25. 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 and the health-care cost trends described above were to change, this would impact 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 2020 valuations, with Aon Hewitt long-term assumptions for the different currencies provided by the United Nations.

26. 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

27. The average duration of after-service health insurance (including medical plan insurance), end-of-service entitlements, death benefit and workers' compensation is, respectively, 24 years, 9 years, 8 years and 18 years.

Table B.5
Estimated benefit payments net of participant contributions for the next 10 years
(Thousands of United States dollars)

	2021	*2022*	*2023*	*2024*	*2025*	*2026 to 2030*
After-service health insurance[a]	18 963	21 069	23 324	25 646	28 098	181 414
End-of-service entitlements	9 709	8 967	8 686	8 327	8 055	37 836
Death benefit	359	346	334	324	315	1 404
Workers' compensation	871	872	872	870	866	4 222

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

C. Multi-employer pension plans

28. 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.

29. 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 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 that participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.

30. 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 and the Pension 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

Pension Fund during the financial period are recognized as expenses in the statement of financial performance.

31. 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 Pension Fund will be sufficient to meet its liabilities.

32. The financial obligation of UNICEF to the Pension 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 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 Pension 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.

33. The most recent actuarial valuation for the Pension Fund was completed as at 31 December 2019, and a roll forward of the participation data as at 31 December 2019 to 31 December 2020 will be used by the Fund for its 2020 financial statements.

34. The actuarial valuation as at 31 December 2019 resulted in a funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, of 144.2 per cent (139.2 per cent in the 2017 valuation). The funded ratio was 107.1 per cent (102.7 per cent in the 2017 valuation) when the current system of pension adjustments was taken into account.

35. After assessing the actuarial sufficiency of the Pension Fund, the consulting actuary concluded that there was no requirement, as at 31 December 2019, 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 at the valuation date. At the time of reporting, the General Assembly has not invoked the provision of article 26.

36. Should article 26 be invoked due to an actuarial deficiency, either during the ongoing operation or due to the termination of the Pension 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 Pension Fund during the preceding three years (2017, 2018 and 2019) amounted to $7.55 billion, of which 10.62 per cent was contributed by UNICEF.

37. During 2020, contributions paid to the Pension Fund amounted to $318.05 million (2019: $292.79 million). Expected contributions due in 2021 are approximately $347.42 million.

38. Membership in the Pension 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 Pension 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 on the basis of an actuarial valuation of the assets and liabilities of the

Pension Fund on the date of termination; no part of the assets which are in excess of the liabilities are included in the amount.

39. The Board of Auditors carries out an annual audit of the Pension Fund and reports to the Pension Board and to the General Assembly on the audit every year. The Pension Fund publishes quarterly reports on its investments, and these can be viewed by visiting www.unjspf.org.

Table C.1
Contributions to the United Nations Joint Staff Pension Fund
(Thousands of United States dollars)

	2020	*2019*
UNICEF contributions	211 163	194 683
Participants' contributions	106 882	98 110
Total contributions	**318 045**	**292 793**

Note 19
Provisions

(Thousands of United States dollars)

	Returns of unused funds	*Write-down*	*Other provisions*	*Total*
Balance as at 1 January 2020	17 300	4 860	3 373	25 533
Utilization during the period	(3 014)	(264)	–	(3 278)
Increase in provision	7 083	1 954	2 043	11 080
Balance as at 31 December 2020	**21 369**	**6 550**	**5 416**	**33 335**

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 20
Net assets

(Thousands of United States dollars)

		IPSAS reserves		*Other reserves*							
	Accumulated surpluses	*Actuarial gain/(loss)*	*Investment revaluation*	*Procurement services*	*Insurance*	*After-service health insurance fund*	*Separation fund*	*Medical Insurance Plan fund*	*Capital assets fund*	*Total reserves*	*Total net assets*
Balance as at 1 January 2019	**6 741 110**	**(7 277)**	**(13 781)**	**2 000**	**115**	**527 882**	**91 115**	**122 102**	**2 182**	**724 338**	**7 465 448**
Surplus	164 272	–	–	–	–	23 941	–	–	–	23 941	188 213
Actuarial gains	–	1 580	–	–	–	–	–	–	–	1 580	1 580
Changes in fair value of available-for-sale financial assets	–	–	76 706	–	–	–	–	–	–	76 706	76 706
Utilization of reserve	44 356	–	–	–	–	(9 690)	(19 853)	(12 502)	(2 311)	(44 356)	–
Transfers to/(from) the fund	(95 053)	–	–	–	–	36 280	34 523	24 055	195	95 053	–
Balance as at 31 December 2019	**6 854 685**	**(5 697)**	**62 925**	**2 000**	**115**	**578 413**	**105 785**	**133 655**	**66**	**877 262**	**7 731 947**
Surplus	1 189 001	–	–	–	–	27 337	–	–	–	27 337	1 216 338
Actuarial (losses)	–	(109 533)	–	–	–	–	–	–	–	(109 533)	(109 533)
Changes in fair value of available-for-sale financial assets	–	–	61 028	–	–	–	–	–	–	61 028	61 028
Utilization of reserve	50 182	–	–	–	–	(11 227)	(19 593)	(19 310)	(52)	(50 182)	–
Transfers to/(from) the fund	(104 213)	–	–	–	–	39 234	37 491	25 845	1 643	104 213	–
Balance as at 31 December 2020	**7 989 655**	**(115 230)**	**123 953**	**2 000**	**115**	**633 757**	**123 683**	**140 190**	**1 657**	**910 125**	**8 899 780**

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.

3. UNICEF maintains the following IPSAS reserve and other reserves (see paras. 4–10 below). For internal reporting and budgeting purposes, the UNICEF Executive Board has designated portions of accumulated surpluses as funding for specified activities and future expenses, including after-service health insurance, capital assets, the separation fund, procurement services and insurance.

4. Reserve for investment revaluation. The reserve comprises revaluations of available-for-sale financial assets. Where a revalued financial asset is sold, the portion of reserve that relates to that financial asset is effectively realized and is recognized in the statement of financial performance. Where a revalued financial asset is impaired, the portion of the reserve that relates to that financial asset is recognized in the statement of financial performance.

5. Reserve for after-service health insurance. In 2003, the Executive Board approved the establishment of a 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.

6. Reserve for capital assets. In 1990, the Executive Board approved the establishment of a capital asset reserve of $22 million from regular resources to facilitate the renovation and future purchases of capital assets such as office buildings and staff housing in the field.

7. Reserve for separation fund. In 2006, the Executive Board approved the establishment of a separation fund to cover separation and termination liabilities. This fund comprises the net accumulation of total contributions from the funding source of current eligible staff members less payments made to staff members upon termination or retirement.

8. Reserve for procurement services. In 1993, the Executive Board approved the establishment of a reserve for procurement services of $2 million to absorb possible future shortfalls. The reserve was funded by the surplus of handling fees charged for each procurement request against staff and related expenses charged against such fees by the Supply Division.

9. 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.

10. Reserve for insurance. In 1950, the Executive Board approved the establishment of a reserve for insurance of $0.20 million to absorb losses of UNICEF programme supplies and equipment not covered by commercial insurance. This amount was funded by approved freight allocations.

11. Working Capital Fund. In 2020 the Executive Board approved the establishment of a Working Capital Fund. This is funded from a portion of treasury gains earned in 2020. The Fund will be operationalized in 2021.

Note 21
Revenue from voluntary contributions

A. Voluntary contributions

(Thousands of United States dollars)

	2020	*2019*
Voluntary cash contributions		
Governments and intergovernmental agencies	4 860 497	3 765 120
Interorganizational arrangements	771 265	900 624
National Committees	1 352 352	1 227 486
Others	226 811	225 174
Total voluntary cash contributions	**7 210 925**	**6 118 404**
Voluntary in-kind contributions		
Governments and intergovernmental agencies	79 882	67 094
National Committees	16 291	1 577
Others	10 989	–
Total voluntary in-kind contributions	**107 162**	**68 671**
Total voluntary contributions	**7 318 087**	**6 187 075**
Refunds, and provision for returns to donors of unused contributions and write-downs	(15 783)	13 819
Total voluntary contributions (net)	**7 302 304**	**6 200 894**

1. Foreign exchange gains (losses) are included above in voluntary contributions and disclosed separately in the table below.

2. Voluntary contributions comprised $2.62 billion (2019: $2.97 billion) of multi-year contributions where programme implementation is expected over a period of more than two years.

National Committees

3. The voluntary cash contribution revenue of $1.35 billion (2019: $1.23 billion) from National Committees represents the net contributions that the Committees have approved for transfer to UNICEF. Total contributions received by the National Committees during the year, excluding proceeds from licensing cards and products, were $1.77 billion (2019: $1.59 billion). Of that amount, $445.24 million (2019: $404.55 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, below for additional information on the relationship between UNICEF and the National Committees).

In-kind contributions

4. In-kind contributions comprise contributions received as goods and right-to-use assets at a total value of $107.16 million (2019: $68.67 million). Major types of goods received include personal protective equipment, masks, resilience supplies, ready-to-use therapeutic food and soap supplies to support the COVID-19 response. In-kind contributions also include right-to-use assets, such as land and buildings, valued at $21.14 million (2019: $20.17 million), with the corresponding expense included within "rental and leasing" in note 27, Other expenses.

5. In 2019, a pilot was approved for accepting contributions in the cryptocurrencies bitcoin and ether with the intention of funding the programmatic implementation activities of the UNICEF innovation fund team. Included within voluntary in-kind contributions for National Committees is $0.58 million (2019: $0.03 million) of cryptocurrencies. Related expenses are included in note 25, Cash assistance and transfer of programme supplies.

6. 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 2020 include volunteer services and free advertising such as airtime.

B. Classification of voluntary contributions

(Thousands of United States dollars)

	2020	*2019*
Unearmarked voluntary contributions		
Regular resources – programme	1 099 958	1 105 913
Foreign exchange gains	7 436	397
Total regular resources – programme (net)	**1 107 394**	**1 106 310**
Regular resources – non-programme	73 989	63 555
Foreign exchange gains	–	24
Total regular resources – non-programme (net)	**73 989**	**63 579**
Total regular resources (net)	**1 181 383**	**1 169 889**
Earmarked voluntary contributions		
Other resources – regular	3 681 659	2 981 035
Foreign exchange gains/(losses)	81 524	(111)
Total other resources – regular (net)	**3 763 183**	**2 980 924**
Other resources – emergency	2 338 509	2 048 762
Foreign exchange gains	19 229	1 319
Total other resources – emergency (net)	**2 357 738**	**2 050 081**
Total other resources (net)	**6 120 921**	**5 031 005**
Total voluntary contributions (net)	**7 302 304**	**6 200 894**

Note 22
Other revenue

(Thousands of United States dollars)

	2020	*2019*
Procurement services	56 913	49 595
Warehouse goods transfers revenue	63 145	7 435
Miscellaneous revenue	29 764	23 197
Licensing revenue	4 091	4 996
Total other revenue	**153 913**	**85 223**

1. UNICEF undertakes procurement services for Governments, NGOs, United Nations agencies and other international organizations and foundations. UNICEF recognized revenue of $56.91 million (2019: $49.60 million) related to the provision of these services.

2. The warehouse goods transfers revenue of $63.15 million (2019: $7.44 million) is related to reimbursement of direct sales of goods to third parties from the warehouse in Denmark.

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 2020, total licensing revenue was $4.09 million (2019: $5.00 million).

Note 23
Investment revenue and finance costs

(Thousands of United States dollars)

	2020	*2019*
Internally managed investment revenue	84 322	117 358
After-service health insurance investment revenue	7 812	8 796
Total investment revenue	**92 134**	**126 154**

1. UNICEF generated $92.13 million (2019: $126.15 million) of investment revenue from term deposits and money market demand deposits, certificates of deposits, fixed-income securities, equities and bank accounts.

2. Finance costs of $2.11 million (2019: $2.39 million) relating to finance lease obligations were incurred in the year.

Note 24
Net gains and losses

A. Net gains and losses

(Thousands of United States dollars)

	2020	*2019*
Net foreign exchange gains	59 021	19 833
Net fair value gains and losses on:		
Investments	13 935	15 523
Net gains on sale of property and equipment	864	2 209
Total net gains	**73 820**	**37 565**

B. Net foreign exchange gains or losses

(Thousands of United States dollars)

	Unrealized	*Realized*	*2020*	*2019*
Gains	24 681	56 124	80 805	36 064
Losses	(6 730)	(15 054)	(21 784)	(16 231)
Total net gains	**17 951**	**41 070**	**59 021**	**19 833**

1. In addition to the above, a realized foreign exchange gain of $28.19 million (2019: loss of $36.33 million) and unrealized gain of $80.00 million (2019: gain of $37.96 million), related mostly to other resources receivables, are included within voluntary contributions in note 21, Revenue from voluntary contributions, in accordance with the UNICEF Financial Regulations and Rules.

Note 25
Cash assistance and transfer of programme supplies

(Thousands of United States dollars)

	2020	*2019*
Cash assistance		
Transfer of cash to implementing partners	1 951 453	2 103 561
Transfer of cash to beneficiaries directly by UNICEF	222 613	191 719
Co-funding activities	71 972	49 652
Jointly financed activities	14 779	14 370
Subtotal	**2 260 817**	**2 359 302**
Movement in accrual	3 708	(7 355)
Total cash assistance	**2 264 525**	**2 351 947**
Programme supplies		
Transfer of programme supplies	1 145 741	981 634
Total transfer of programme supplies	**1 145 741**	**981 634**
Total cash assistance and transfer of programme supplies	**3 410 266**	**3 333 581**

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 36, Segment information.

Note 26
Employee benefits

(Thousands of United States dollars)

	2020	*2019*
Salaries and wages	972 458	901 488
Contribution to the United Nations Joint Staff Pension Fund	211 163	194 683
After-service health insurance expenses	62 543	58 123
Other post-employment employee liabilities	13 850	13 520
Other long-term employee benefits liabilities	59 065	26 726
Other personnel expenses	338 668	324 966
Total employee benefits	**1 657 747**	**1 519 506**

Note 27
Other expenses

(Thousands of United States dollars)

	2020	*2019*
Investment funds for market development	96 344	117 288
Rental and leasing	89 170	95 930
Consultancy services	78 488	70 935
Warehouse goods transfers expenses (note 22)	63 169	7 435
Management and operational services	60 598	60 688
Travel	55 847	164 665
Supplies and materials	50 771	50 702
Repairs and other maintenance	40 569	41 227
Warehousing and logistical services	38 052	39 003
Information technology development, maintenance and expert services	37 921	36 522
Other operating expenses	37 633	35 726
Media production services	33 518	25 062
Personnel support	31 591	21 170
United Nation common services	30 780	26 400
Distribution	28 240	27 863
Impairments	27 196	(9 196)
Communication	21 410	20 306
Printing, binding, editing and translation	19 196	21 514
Utilities	17 677	19 960
Advertising, promotion and public relations	13 851	10 042
Professional development	5 075	9 488
Insurance	4 203	3 513
Write-offs and inventory shortages	4 175	9 454
After-service health insurance – external portfolio expenses	1 425	1 274
External audit	1 044	1 188
Retentions, commission and cost of greetings cards and products	791	1 243
Total other expenses	**888 734**	**909 402**

1. Write-offs and losses recorded in 2020 include inventory, receivables and property and equipment totalling $1.93 million (2019: $7.43 million).

Note 28
Other programme-related expert services

(Thousands of United States dollars)

	2020	*2019*
Other programme-related expert services	421 904	472 859
Total other programme-related expert services	**421 904**	**472 859**

1. This category of expense comprises professional and consultancy services related to programmatic activities through studies, surveys, research, evaluations, assessments, technical support in specific programme areas, and other programmatic services, conducted by third-party providers in implementation of UNICEF programmes.

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)

		Fair value through surplus or deficit			*Total fair value*	
Financial assets	*Loans and receivables*	*Available-for-sale*	*Held for trading*	*Total carrying value*	*2020*	*2019 Restated*
Cash and cash equivalents	710 257	–	–	710 257	710 257	796 303
Term deposits	1 777 862	–	–	1 777 862	1 777 862	2 344 557
Traded bonds	–	3 180 482	–	3 180 482	3 180 482	1 879 778
Equities	–	383 190	–	383 190	383 190	336 549
Certificates of deposit	–	262 037	–	262 037	262 037	65 068
Forward exchange contracts in gain	–	–	186 674	186 674	186 674	99 423
Contributions receivable	3 686 549	–	–	3 686 549	3 686 549	3 329 254
Other receivables	89 930	–	–	89 930	89 930	160 177
Total financial assets	**6 264 598**	**3 825 709**	**186 674**	**10 276 981**	**10 276 981**	**9 011 109**

3. The carrying value of financial assets is considered to be a reasonable approximation of fair value. In 2020, certificates of deposit are presented in a separate line from the traded bonds. For comparison purposes, the 2019 amounts have been restated.

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*	
				2020	*2019*
Accounts payable and accrued liabilities	316 447	–	316 447	316 447	388 958
Contributions received in advance	14 876	–	14 876	14 876	12 652
Funds held on behalf of third parties	1 423 844	–	1 423 844	1 423 844	1 154 427
Finance lease liabilities	31 262	–	31 262	31 262	35 884
Other liabilities	224 404	187 179	411 583	411 583	193 805
Total financial liabilities	**2 010 833**	**187 179**	**2 198 012**	**2 198 012**	**1 785 726**

4. With the exception of finance leases and firm long-term agreements (see note 17, 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*	*2020*	*2019*
Assets					
Financial instruments at fair value through surplus or deficit	–	186 674	–	186 674	99 423
Available-for-sale financial assets	3 701 944	123 765	–	3 825 709	2 281 395
Liabilities					
Financial instruments at fair value through surplus or deficit	–	(187 179)	–	(187 179)	(99 595)
Total	**3 701 944**	**123 260**	**–**	**3 825 204**	**2 281 223**

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 147 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*	*2020*	*2019 restated*
Cash and cash equivalents							
Cash	–	155 076	107 352	32	42 362	304 822	317 599
Term deposits	–	150 009	255 426	–	–	405 435	478 704
Subtotal	**–**	**305 085**	**362 778**	**32**	**42 362**	**710 257**	**796 303**
Investments							
Term deposits	–	502 303	1 275 559	–	–	1 777 862	2 344 557
Traded bonds	1 260 812	409 505	1 402 840	14 644	92 681	3 180 482	1 879 778
Equities	–	–	–	–	383 190	383 190	336 549
Certificates of deposit	–	126 202	135 835	–	–	262 037	65 068
Forward exchange contracts	–	–	–	–	186 674	186 674	99 423
Subtotal	**1 260 812**	**1 038 010**	**2 814 234**	**14 644**	**662 545**	**5 790 245**	**4 725 375**
Total	**1 260 812**	**1 343 095**	**3 177 012**	**14 676**	**704 907**	**6 500 502**	**5 521 678**

8. In 2020, certificates of deposit are presented in a separate line from the traded bonds. For comparison purposes, the 2019 amounts have been restated.

9. 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)*	*2020*	*2019*
Contributions receivable	3 513 252	92 110	81 187	3 686 549	3 329 254
Other receivables	91 824	–	(1 894)	89 930	160 177
Total	**3 605 076**	**92 110**	**79 293**	**3 776 479**	**3 489 431**

10. 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 2020

(Thousands of United States dollars)

	Impairment as at 1 January 2020	*Impairment losses recognized*	*Impairment losses reversed*	*Impairment as at 31 December 2020*
Contributions receivable	3 587	7 067	(518)	10 136
Other receivables	6 120	14 865	(2 641)	18 344
Total	**9 707**	**21 932**	**(3 159)**	**28 480**

Exposure to liquidity risk

11. 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. As at the year end, UNICEF did not have other liabilities except for those listed in this paragraph (see note 35, Post-balance sheet events for other disclosures of contingent liabilities).

12. 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. It should be noted that UNICEF does not have financing activities in 2020 other than finance leases activities.

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, 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 United Nations Children's Fund 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*	*2020 total carrying value*	*2019 total carrying value*
Accounts payable	148 431	–	–	–	43 376	446	76	44	192 373	252 113
Accrued liabilities	–	–	–	–	–	–	–	–	124 074	136 845
Total	**148 431**	**–**	**–**	**–**	**43 376**	**446**	**76**	**44**	**316 447**	**388 958**

The maturities for accrued liabilities are not included because 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 pre-approved 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, the Norwegian krone, the Swedish krona, the Canadian dollar, the pound sterling, the Australian dollar, the New Zealand dollar, the Swiss franc, the Danish krone and the Japanese yen;

(b) Regarding expenses: all currencies used across all operating UNICEF countries, including the Indian rupee, the Pakistani rupee, the Nigerian naira, the Ethiopian birr and the Kenyan shilling, among many others;

(c) Regarding assets and liabilities: all currencies used across all operating UNICEF countries, including the euro, the pound sterling, the Swiss franc, the Swedish krona, the Norwegian krone and the 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. In the externally managed investment portfolio, 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 Manager. Effective 2019, UNICEF 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. In 2020, certificates of deposit are presented in a separate line from the traded bonds. For comparison purposes, the 2019 amounts have been restated.

E. Financial instrument currency position in the statement of financial position

(Thousands of United States dollars)

	United States dollar	*Euro*	*Pound sterling*	*Swedish krona*	*Canadian dollar*	*Norwegian krone*	*Japanese yen*	*Other*	*2020*	*2019 restated*
Cash and cash equivalents	516 640	126 451	1 642	110	957	73	538	63 846	710 257	796 303
Term deposits	1 777 862	–	–	–	–	–	–	–	1 777 862	2 344 557
Traded bonds	3 116 752	41 672	12 722	–	7 836	–	–	1 500	3 180 482	1 879 778
Equities	276 840	39 350	18 119	4 758	2 843		13 402	27 878	383 190	336 549
Certificates of deposit	262 037	–	–	–	–	–	–	–	262 037	65 068
Contributions receivable	1 985 884	961 805	155 517	162 745	97 554	96 049	69 281	157 714	3 686 549	3 329 254
Other receivables	229 341	1 138	43	235	97	1	–	45 749	276 604	259 600
Total financial assets	**8 165 356**	**1 170 416**	**188 043**	**167 848**	**109 287**	**96 123**	**83 221**	**296 687**	**10 276 981**	**9 011 109**
Accounts payable	(263 248)	(32 722)	(148)	–	–	–	(248)	(20 081)	(316 447)	(388 958)
Contributions received in advance	(14 876)	–	–	–	–	–	–	–	(14 876)	(12 652)
Funds held on behalf of third parties	(1 438 854)	15 293	(28)	–	(57)	(115)	(36)	(47)	(1 423 844)	(1 154 427)
Other liabilities	(304 128)	(136 583)	–	–	–	–	–	(2 134)	(442 845)	(229 689)
Total financial liabilities	**(2 021 106)**	**(154 012)**	**(176)**	**–**	**(57)**	**(115)**	**(284)**	**(22 262)**	**(2 198 012)**	**(1 785 726)**
Net exposure	**6 144 250**	**1 016 404**	**187 867**	**167 848**	**109 230**	**96 008**	**82 937**	**274 425**	**8 078 969**	**7 225 383**

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)

	2020	*2019*
Fixed rate instruments	5 903 583	4 903 410
Other financial instruments	4 373 398	4 107 699
Total financial assets	**10 276 981**	**9 011 109**

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. This 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 2020	*Strengthening of United States dollar by 10 per cent*	*Weakening of United States dollar by 10 per cent*
Euro	(101 640)	101 640
Pound sterling	(18 787)	18 787
Swedish krona	(10 923)	10 923
Canadian dollar	(16 785)	16 785
Norwegian krone	(9 601)	9 601
Japanese yen	(8 294)	8 294
Total	**(166 030)**	**166 030**

23. The information presented above is calculated by reference to carrying amounts of assets and liabilities as at 31 December 2020 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 externally managed forward exchange contracts amounted to $0.33 million (2019 gains: $0.30 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 (i.e., their stated or face value), there is no risk of loss to the principal. Bonds held by external investment

managers at the end of 2020 that included a call-option feature amounted to $13.60 million (2019: $7.96 million). Bonds managed internally at the end of 2020 amounting to $2.96 billion (2019: $1.76 billion) were classified as available-for-sale. Those that included a call-option feature were $1.23 billion (2019: $181.07 million). Certificates of deposit managed internally at the end of 2020 that included a call-option feature amounted to $20.10 million (2019: nil).

27. UNICEF also invests in structured deposit financial instruments that include an embedded option (that is, an embedded derivative) along with a fixed-term deposit. This financial instrument earns an enhanced yield that is higher than a basic, standard time deposit. While this financial instrument has an underlying element of currency risk, it is only limited to the foreign exchange benefit forgone between the strike price and the current spot if the deposit is repaid in the alternative currency. No risk is involved if the option is not exercised.

Sensitivity analysis: interest rates

28. The following table presents the sensitivity of net assets and surplus/deficits 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 2020. 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	3 442 519	–	–
Plus 100 basis points	3 370 774	(71 745)	2.08
Minus 30 basis points	3 458 702	16 183	0.47

Other price risk

29. 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.

30. Information on factors affecting the fair value measurement of UNICEF investments can be found at the beginning of this note.

I. Cryptocurrency funds

Management of risks related to the cryptocurrency fund

31. 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 transparency of operations. UNICEF manages the risks that come with the establishment of the cryptocurrency

fund, including volatility risks, reputational risks, cybersecurity risks (e.g., hacking, loss of information and malicious activity) and regulatory risks.

Volatility risk

32. 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

33. 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

34. 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

35. 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 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 20, 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 20, 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 2020.

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 2020. In most cases, UNICEF has the right to cancel these open purchase orders prior to the date of delivery.

(Thousands of United States dollars)

	2020	*2019*
Commitments for purchase of property and equipment		
Buildings	151	281
Transportation equipment	3 490	3 875
Furniture, fixtures and equipment	651	1 291
Communications and information technology equipment	624	1 318
Other capital commitments		
Intangible assets	30	12
Total capital commitments	**4 946**	**6 777**
Operating commitments		
Contracts for purchase of supplies and other goods	431 566	288 750
Contracts for purchase of services	767 777	597 795
Commitments to transfer cash to implementing partners	124 937	84 653
Commitments to transfer supplies to implementing partners	546 397	436 267
Total operating commitments	**1 870 677**	**1 407 465**
Total commitments	**1 875 623**	**1 414 242**

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 2020.

(Thousands of United States dollars)

	2020	*2019*
Long-term agreements for goods	3 726 626	4 291 131
Long-term agreements for services	413 988	385 653
Total long-term agreements	**4 140 614**	**4 676 784**

Note 33
Contingencies

Contingent assets

1. In certain cases, prior to concluding contribution agreements, UNICEF receives pledges for future contributions. Owing to the COVID-19 pandemic and to logistical challenges, the pledging conference was not held in 2020. Contributions arising from pledges in 2019 amounted to $55.35 million.

2. 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 the 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 $520.92 million as at 31 December 2020 (2019: $556.39 million).

3. During the year, a warehouse caught fire, destroying inventory and other office supplies. The settlement is currently under review with the insurer. While UNICEF is confident that the claim will be settled, no firm settlement amount had been established as at the reporting date.

Contingent liabilities

4. 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.

5. 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.

6. UNICEF has received a claim for damage to rented premises. Although the outcome of the legal matter is not yet evident, UNICEF does not consider the claim to have merit and is contesting it. No provision has been recognized in these financial statements because management considers the probability of the settlement to be remote.

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 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)

	2020		*2019*	
	Revenue	*Receivables*	*Revenue*	*Receivables*
Voluntary cash contributions	1 352 352	426 512	1 227 486	349 753
Voluntary in-kind contributions	16 291	4 024	1 577	613
Total	**1 368 643**	**430 536**	**1 229 063**	**350 366**

3. Of the total voluntary cash contributions recorded as revenue in 2020, $680.61 million was from regular resources, $239.82 million was from other resources – emergency, and $431.92 million was from other resources – regular. The voluntary in-kind contributions of $16.29 million (2019: $1.58 million) are composed of $13.69 million (2019: $0.17 million) of other resources – emergency and $2.60 million (2019: $1.41 million) of other resources – regular.

4. According to the revenue and expenditure reports submitted by the National Committees, total contributions received by the National Committees in 2020, excluding proceeds from licensing activities, were $1.77 billion, (2019: $1.59 billion). Of that amount, $445.24 million, (2019: $404.55 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 $1.33 billion (2019: $1.18 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, based on their local accounting standards, stood at $252.00 million (2019: $227.38 million) as at 31 December 2020.

B. Supported deliveries

7. During the reporting period, UNICEF handled supported deliveries on behalf of third parties of $141.26 million (2019: $139.32 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*	*Long-term and post-employment benefits*	*2020*	*2019*
Key management personnel	29	6 768	3 091	2 351	12 210	11 086
Close family members	2	288	90	94	472	426
Total	**31**	**7 056**	**3 181**	**2 445**	**12 682**	**11 512**

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. Other entitlements include contributions by UNICEF for key management personnel to the United Nations Joint Staff Pension Fund, a defined contribution plan, of $1.22 million (2019: $1.21 million).

11. Key management personnel and their close family members are also eligible for post-employment employee benefits such as after-service health insurance, repatriation benefits and payment of unused annual leave.

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.

13. There were no loans or advances granted to key management personnel and their close family members 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 the 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 $431.47 million (2019: $52.30 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 to raise, manage and disburse 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 also provides resources for health systems strengthening. Since the Global Fund's inception in 2002, UNICEF has been an active partner at the global and country level. The funds provided by the Global Fund, which are recorded in voluntary contributions in support of global and country-specific programmes, amount to $87.84 million (2019: $1.78 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, 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 22, Other revenue.

18. As also disclosed in note 11, Other assets, UNICEF holds funds of $819.51 million (2019: $626.48 million), 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 16, Funds held on behalf of third parties, and in note 17, 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 $93.68 million (2019: $135.80 million).

Nutrition International

20. Nutrition International, formerly the Micronutrient Initiative, was incorporated on 4 July 2001, in Canada, with the primary objective of solving malnutrition. UNICEF is a significant partner of Nutrition International because of shared objectives with regard to malnutrition. UNICEF holds 1 seat, of 13, on the Nutrition International Board of Directors. Funds provided by Nutrition International, which are recorded in voluntary contributions in support of global and country-specific programmes, amount to $8.51 million (2019: $9.02 million).

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, of 18 on 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 $37.43 million (2019: $30.87 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, of 20, on the Board of Directors of the Global Partnership. Funds provided by the Global Partnership, which are recorded in voluntary contribution in support of global and country-specific programmes, amount to $3.07 million (2019: $4.95 million).

Sanitation and Water for All

23. Sanitation and Water for All is a multi-stakeholder partnership of Governments and other 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 and mobilize wider political commitment to the guiding principles and aims of the partnership. Effective 2020, UNICEF has representation on the Global Leadership Council and holds 2 seats 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, of 14, on 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 Group, 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 Philanthropy Fund.

Revenue realized from other related parties as at 31 December

(Thousands of United States dollars)

	2020	*2019*
Global Partnership for Education	431 468	52 302
Global Fund to Fight AIDS, Tuberculosis and Malaria	87 844	1 778
Gavi, the Vaccine Alliance	93 677	135 799
Nutrition International	8 509	9 021
Education Cannot Wait	37 425	30 871
Global Partnership to End Violence against Children	3 069	4 951
Total	**661 992**	**234 722**

Note 35
Post-balance sheet events

World Bank instrument

1. The UNICEF Executive Board, during its first regular session, held from 9 to 12 February 2021, authorized the Executive Director, on the advice of the Comptroller, to enter into a forward flow arrangement in partnership with the World Bank to secure additional funds to invest in private sector fundraising activities in 18 emerging markets. The arrangement was approved on a pilot basis for $50 million.

2. On 4 March 2021, the World Bank, through the International Bank for Reconstruction and Development, issued a five-year bond that included a feature for UNICEF in line with the approval, leveraging the services and expertise of the World Bank in the financial markets.

Procurement services for COVAX

3. In February 2021, UNICEF was engaged to deliver vaccines and related supplies on behalf of the Gavi Alliance and COVAX, the vaccines pillar of the Access to COVID-19 Tools (ACT) Accelerator facility. As part of that arrangement, UNICEF received $735.08 million in advance funding, and first delivery was made on 24 February 2021, with 30 million doses delivered within three weeks.

Note 36
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 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 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, depreciation of assets and expenses related to the after-service health insurance, and country office fundraising costs.

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, contributions receivable, investments and centrally managed land and buildings. Also included is the inventory maintained in the warehouse in Copenhagen. The main liability is for after-service health insurance and the funds held on behalf of third parties, relating mainly to procurement services.

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, other programme-related expert services, employee benefits, and local country office rental costs.

11. Major categories of assets are regular resources contributions receivable 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 initiative(s), 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 are returned to the fund.

Other resources – regular and 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 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, other 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 guest houses managed for UNICEF staff and contractors in volatile locations where commercial alternatives are not available. Income from these guest houses is used solely for maintenance and upkeep of the mentioned guest 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*	*2020*
Segment assets							
Current segment assets							
Cash and cash equivalents[a]	710 257	–	–	–	–	–	710 257
Inter-segment activity[b]	(5 013 011)	19 321	–	3 276 837	770 792	946 061	–
Contributions receivable	–	–	377 213	1 697 623	895 574	–	2 970 410
Other receivables	15 562	1 277	37 930	20 490	12 982	–	88 241
Advances of cash assistance	–	–	94 935	432 295	255 739	8 008	790 977
Inventories	542 156	–	6 929	102 864	105 976	–	757 925
Investments	3 648 288	–	–	–	–	–	3 648 288
Other assets	10 262	271	13 915	77 932	11 183	820 892	934 455
Total current segment assets	**(86 486)**	**20 869**	**530 922**	**5 608 041**	**2 052 246**	**1 774 961**	**9 900 553**
Non-current segment assets							
Contributions receivable	–	–	7 703	631 555	76 881	–	716 139
Other receivables	1 302	–	355	10	22	–	1 689
Investments	2 141 957	–	–	–	–	–	2 141 957
Property and equipment	193 443	3 018	34 981	8 452	14 440	380	254 714
Intangible assets	1 811	–	860	46	4	–	2 721
Other assets	1 667	–	–	–	–	–	1 667
Total non-current segment assets	**2 340 180**	**3 018**	**43 899**	**640 063**	**91 347**	**380**	**3 118 887**
Total segment assets, 2020	**2 253 694**	**23 887**	**574 821**	**6 248 104**	**2 143 593**	**1 775 341**	**13 019 440**
Total segment assets, 2019	**1 908 901**	**19 904**	**793 732**	**5 023 950**	**1 972 299**	**1 455 576**	**11 174 362**

[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*	*2020*
Segment liabilities							
Current segment liabilities							
Accounts payable and accrued liabilities	41 256	1 867	12 195	47 837	46 489	166 803	316 447
Contributions received in advance	–	306	68	10 663	1 199	–	12 236
Funds held on behalf of third parties	–	–	–	–	–	1 423 844	1 423 844
Other liabilities	223 913	–	3 396	–	–	171 381	398 690
Employee benefits	178 825	–	–	–	–	–	178 825
Provisions	4 706	2	–	19 751	8 876	–	33 335
Total current segment liabilities	**448 700**	**2 175**	**15 659**	**78 251**	**56 564**	**1 762 028**	**2 363 377**
Non-current segment liabilities							
Contributions received in advance	–	2 640	–	–	–	–	2 640
Employee benefits	1 709 488	–	–	–	–	–	1 709 488
Other liabilities	26 343	–	–	–	–	17 812	44 155
Total non-current segment liabilities	**1 735 831**	**2 640**	**–**	**–**	**–**	**17 812**	**1 756 283**
Total segment liabilities, 2020	**2 184 531**	**4 815**	**15 659**	**78 251**	**56 564**	**1 779 840**	**4 119 660**
Total segment liabilities, 2019	**1 847 224**	**2 990**	**15 658**	**67 585**	**35 414**	**1 473 544**	**3 442 415**

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*	*2020*
Net assets, 1 January 2020	**856 665**	**4 956 365**	**1 936 885**	**(17 968)**	**7 731 947**
Surplus/(deficit) for the year	(160 763)	1 213 488	150 144	13 469	1 216 338
Actuarial losses recognized directly in the reserves	(109 533)	–	–	–	(109 533)
Changes in fair value of available-for-sale financial assets	61 028	–	–	–	61 028
Net assets, 31 December 2020	**647 397**	**6 169 853**	**2 087 029**	**(4 499)**	**8 899 780**
Net assets, 31 December 2019	**856 665**	**4 956 365**	**1 936 885**	**(17 968)**	**7 731 947**

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*	*2020*
Segment revenue								
Voluntary contributions	–	73 989	1 107 394	3 763 183	2 357 738	–	–	7 302 304
Other revenue	15 987	–	–	1 355	513	136 058	–	153 913
Investment revenue	92 134	–	–	–	–	–	–	92 134
Internal cost recovery	317 370	–	–	–	–	–	(317 370)	–
Internal direct attribution	143 264	–	–	–	–	–	(143 264)	–
Total segment revenue, 2020	**568 755**	**73 989**	**1 107 394**	**3 764 538**	**2 358 251**	**136 058**	**(460 634)**	**7 548 351**
Total segment revenue, 2019	**563 870**	**63 579**	**1 106 310**	**2 981 442**	**2 050 434**	**74 207**	**(427 571)**	**6 412 271**
Segment expenses								
Cash assistance	–	–	253 445	1 032 902	978 178	–	–	2 264 525
Transfer of programme supplies	–	–	109 500	466 589	569 652	–	–	1 145 741
Employee benefits	664 931	16 216	339 493	383 602	217 803	35 702	–	1 657 747
Depreciation and amortization	11 143	345	8 166	1 791	3 520	111	–	25 076
Other expenses	263 071	55 213	187 761	417 932	338 623	86 768	(460 634)	888 734
Other programme-related expert services	–	–	75 818	246 280	99 806	–	–	421 904
Finance costs	2 106	–	–	–	–	–	–	2 106
Total segment expenses, 2020	**941 251**	**71 774**	**974 183**	**2 549 096**	**2 207 582**	**122 581**	**(460 634)**	**6 405 833**
Total segment expenses, 2019	**920 595**	**62 574**	**1 017 521**	**2 580 603**	**2 049 174**	**58 727**	**(427 571)**	**6 261 623**
Gains and (losses), net 2020	76 457	(58)	(92)	(1 954)	(525)	(8)	–	73 820
Gains, net 2019	30 740	35	1 151	4 877	673	89	–	37 565
Net surplus/(deficit), 2020	**(296 039)**	**2 157**	**133 119**	**1 213 488**	**150 144**	**13 469**	**–**	**1 216 338**
Net surplus/(deficit), 2019	**(325 984)**	**1 040**	**89 940**	**405 716**	**1 933**	**15 569**	**–**	**188 213**

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*	*2020*
Cash assistance								
East Asia and the Pacific	–	–	9 786	62 275	22 054	–	–	94 115
Europe and Central Asia	–	–	4 393	32 717	156 465	–	–	193 575
Eastern and Southern Africa	–	–	62 533	245 631	131 088	–	–	439 252
Headquarters	–	–	10 801	9 246	4 192	–	–	24 239
Latin America and the Caribbean	–	–	11 649	50 589	46 761	–	–	108 999
Middle East and North Africa	–	–	19 853	298 382	435 293	–	–	753 528
South Asia	–	–	42 525	104 293	67 457	–	–	214 275
Western and Central Africa	–	–	91 905	229 769	114 868	–	–	436 542
Total cash assistance	**–**	**–**	**253 445**	**1 032 902**	**978 178**	**–**	**–**	**2 264 525**
Transfer of programme supplies								
East Asia and the Pacific	–	–	4 770	27 552	33 636	–	–	65 958
Europe and Central Asia	–	–	7 062	11 812	21 742	–	–	40 616
Eastern and Southern Africa	–	–	22 625	143 041	105 000	–	–	270 666
Headquarters	–	–	2 241	(3 354)	2 792	–	–	1 679
Latin America and the Caribbean	–	–	3 799	11 261	37 352	–	–	52 412
Middle East and North Africa	–	–	11 312	83 930	209 859	–	–	305 101
South Asia	–	–	15 060	61 520	44 350	–	–	120 930
Western and Central Africa	–	–	42 631	130 827	114 921	–	–	288 379
Total transfer of programme supplies	**–**	**–**	**109 500**	**466 589**	**569 652**	**–**	**–**	**1 145 741**

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*	*2020*
Employee benefits								
East Asia and the Pacific	29 905	5 338	28 631	40 496	7 163	–	–	111 533
Europe and Central Asia	26 903	750	10 925	13 215	9 261	–	–	61 054
Eastern and Southern Africa	43 588	48	78 088	90 252	43 280	53	–	255 309
Headquarters	435 681	586	31 821	48 475	13 188	35 622	–	565 373
Latin America and the Caribbean	31 988	8 407	13 713	22 796	10 978	–	–	87 882
Middle East and North Africa	31 467	–	20 693	50 848	72 645	–	–	175 653
South Asia	19 026	1 087	55 536	45 891	15 501	–	–	137 041
Western and Central Africa	46 373	–	100 086	71 629	45 787	27	–	263 902
Total employee benefits	**664 931**	**16 216**	**339 493**	**383 602**	**217 803**	**35 702**	**–**	**1 657 747**
Depreciation and amortization								
East Asia and the Pacific	784	31	565	241	39	–	–	1 660
Europe and Central Asia	249	2	84	13	156	–	–	504
Eastern and Southern Africa	1 350	–	2 083	469	882	–	–	4 784
Headquarters	5 101	305	703	30	8	103	–	6 250
Latin America and the Caribbean	707	7	217	48	130	–	–	1 109
Middle East and North Africa	871	–	605	242	1 528	–	–	3 246
South Asia	922	–	1 187	360	256	2	–	2 727
Western and Central Africa	1 159	–	2 722	388	521	6	–	4 796
Total depreciation and amortization	**11 143**	**345**	**8 166**	**1 791**	**3 520**	**111**	**–**	**25 076**

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*	*2020*
Other expenses								
East Asia and the Pacific	4 181	13 344	10 083	25 887	12 029	266	–	65 790
Europe and Central Asia	6 284	2 277	5 225	19 810	21 226	24	–	54 846
Eastern and Southern Africa	10 450	2 258	29 487	85 029	54 840	4 067	–	186 131
Headquarters	212 923	13 166	58 118	77 399	41 866	78 660	(460 634)	21 498
Latin America and the Caribbean	8 507	14 882	7 931	21 194	20 553	321	–	73 388
Middle East and North Africa	4 286	1 650	9 019	66 519	114 718	559	–	196 751
South Asia	5 569	2 007	16 640	49 299	19 763	2 141	–	95 419
Western and Central Africa	10 871	5 629	51 258	72 795	53 628	730	–	194 911
Total other expenses	**263 071**	**55 213**	**187 761**	**417 932**	**338 623**	**86 768**	**(460 634)**	**888 734**
Other programme-related expert services								
East Asia and the Pacific	–	–	4 269	10 554	4 351	–	–	19 174
Europe and Central Asia	–	–	3 454	7 041	2 855	–	–	13 350
Eastern and Southern Africa	–	–	13 855	50 961	19 023	–	–	83 839
Headquarters	–	–	9 112	24 225	7 942	–	–	41 279
Latin America and the Caribbean	–	–	5 352	14 770	5 524	–	–	25 646
Middle East and North Africa	–	–	3 222	22 339	38 027	–	–	63 588
South Asia	–	–	21 239	83 889	8 443	–	–	113 571
Western and Central Africa	–	–	15 315	32 501	13 641	–	–	61 457
Total other programme-related expert services	**–**	**–**	**75 818**	**246 280**	**99 806**	**–**	**–**	**421 904**
Finance costs								
Headquarters	2 106	–	–	–	–	–	–	2 106
Total finance costs	**2 106**	**–**	**–**	**–**	**–**	**–**	**–**	**2 106**

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*	*2020*
Total expense by region								
East Asia and the Pacific	34 870	18 713	58 104	167 005	79 272	266	–	358 230
Europe and Central Asia	33 436	3 029	31 143	84 608	211 705	24	–	363 945
Eastern and Southern Africa	55 388	2 306	208 671	615 383	354 113	4 120	–	1 239 981
Headquarters	655 811	14 057	112 796	156 021	69 988	114 385	(460 634)	662 424
Latin America and the Caribbean	41 202	23 296	42 661	120 658	121 298	321	–	349 436
Middle East and North Africa	36 624	1 650	64 704	522 260	872 070	559	–	1 497 867
South Asia	25 517	3 094	152 187	345 252	155 770	2 143	–	683 963
Western and Central Africa	58 403	5 629	303 917	537 909	343 366	763	–	1 249 987
Total segment expenses	**941 251**	**71 774**	**974 183**	**2 549 096**	**2 207 582**	**122 581**	**(460 634)**	**6 405 833**