

Division of Financial and Administrative Management

Update on the context and trends

The Division of Finance and Administrative Management (DFAM) strategic approach is informed by lessons learned and responds to challenges of our time through further strengthening of the UNICEF operations functions; financial management practices, internal controls, the exercise of economy, organizational resilience, and response to the Quadrennial Comprehensive Policy Review (QCPR) resolution on climate change. It also addresses the challenges faced in emergencies related to operational support and financial resource management.

In 2022 UNICEF received an unqualified audit opinion on UNICEF Financial Statements for the year ended 31 December 2021 by the United Nations Board of Auditors (UNBOA). An unqualified audit opinion is critical to achieving the Strategic Plan objectives. Funding partners and stakeholders rely on the integrity and trust in UNICEF's internal controls in providing resources to fund the Integrated Budget of the Strategic Plan. In addition, timely and accurate donor reports and statements were prepared and shared as the Division provided quality and efficient management services to support programme delivery.

In a climate of financial austerity, DFAM with a small team of specialized staff continued its leadership role in finding and supporting innovative ways of leveraging financial arrangements to achieve programme objectives by providing technical advice and implementation support with respect to structured financing, pre-financing, advance market commitments and cash-based assistance to program delivery. In an effort to support these new and upcoming critical engagements with Investment Managers, the UNICEF Policy on Engagement with Investment Managers was issued.

With the inclusion of business continuity in the Organizational Resilience Management (ORM), UNICEF is maturing its Business Continuity Management (BCM) programme. Over the years, and with the most recent COVID-19 global pandemic, we have seen the need for BCM to be more adaptable to the ever changing and evolving risk landscape, while maintaining its core concepts. In 2022, updated policies, procedures and guidance on ORM and BCM were issued for application globally. ORM will strengthen both UNICEF's capacity to continue operations during disruptive events, and our overall preparedness for and resilience to respond to and recover from disruptive events.

DFAM in collaboration with Emergency Operations (EMOPS) provided extensive support in emergencies in operations by coordinating with UN Department of Safety and Security (UNDSS) to ensure offices and staff complied with security measures, participating in the development and implementation of simplified emergency procedures, and providing technical and policy advice in large scale emergencies including Afghanistan, Ukraine, Ethiopia, Burkina Faso and Haiti.

The year 2022 was defining for DFAM and UNICEF when Environmental Sustainability and Inclusion was added to the organization's Core Values. The initiative was followed by the global campaign "**A greener UNICEF. Make it happen**", that focused on jumpstarting UNICEF's green teams around the world. Green Teams (voluntary groups of staff) supported the organization in pushing forward environmental sustainability at the local level.;

DFAM led the common premises investments towards environmental sustainability and accessibility standards, not only to amplify the importance and efficiency gains from common premises but also to reinforce the good public image that the United Nations is promoting.

Major contributions and drivers of results

Financial Reporting

In 2022, for the tenth consecutive year, since the adoption of the International Public Sector Accounting Standards (IPSAS), UNICEF received an unqualified audit opinion on UNICEF Financial Statements for the year ended 31 December 2021 by the United Nations Board of Auditors.

UNICEF was ranked the highest United Nations agency (top ten) on the Aid Transparency Index; an independent watchdog which is the only third-party analysis of aid transparency reporting from the world's largest 50 development agencies and organizations, **Publish What You Fund Aid Transparency Index**.

Achievements in Financial Leadership, Strategy, Resilience and Fiduciary Oversight were celebrated in 2022 when UNICEF was commended by the UN Board of Auditors for its solid commitment to manage audit recommendations. DFAM implemented 39 (89 per cent) out of 44 outstanding recommendations for the year ended December 2021 in comparison to its 2020 accomplishment of 74 per cent. For internal audit, DFAM led the organization through its achievement of zero (0) outstanding (OIAI) recommendation beyond 18 months by year end – a key Executive Board target.

DFAM timely and consistently prepared quality updates on the UNICEF financial health including periodic financial analysis and recommendations to the Office of the Executive Director and Global Management Team for planning and decision-making purposes, including preparation and submission of the Updated financial estimates to the Executive Board.

As part of DFAM strategic goal to remain agile and provide robust financial reporting, and in response to the need for further automation, a business case for modernization of financial closure was submitted and approved by the Information Communication Technology Division (ICTD) board. This project is a multi-year project aimed at eliminating manual schedules, automating the tracking and monitoring of year end activities, and support the automation of financial statements.

With increased demand from key donors for more frequent, more complex, and more transparent financial reporting, a business case for Grants Management Process re-design was developed by the Grants Management (GM) team and presented to the Information Communication Technology (ICT) board which granted approval of the proposed funding. The project's proposed solution is two-way integration with UNISON, which is an existing tool to keep track of engagements with prospective and current partners, operate more efficiently and provide management information for timely and astute decision-making. With the integration of GM with UNISON, organizational alignment with fundraising and partnership processes and practices both for public and private sector is achieved.

DFAM plans to streamline financial grants management processes by pursuing accelerated financial closure process with over 900 grants closed early in 2022; timely refunds and write-downs; and management of overdue receivables with country offices. Capacity building efforts in financial grant management continued through the delivery of webinars to COs and ROs to resolve specific and recurring issues.

With the Donor Reporting Portal in place, DFAM aims to increase the number of donors that use it. The platform acts as a central repository for all reports to private and public sector donors. It addresses the specific challenge for National Committees of accessing all reports, including financial report, for a partner in one place, streamlining access and transparency. The portal also provides visibility on non-

standard uncertified donor statements.

HQEI, Common Premises and Common Back Office

Driven by the need to embrace agility, decentralization, and innovation on how UNICEF works, the HQEI was launched at the end of 2021 led by DED Management and facilitated and managed by DFAM. DFAM played a key coordination role in implementing the HQEI, in particular, the Division prepared the analysis to support the Global PBR's review of the submissions and assessed the financial impact, including at divisional and office level.

DFAM also participated in reviews of integrated budgets that inform the Programme Budget Reviews (PBRs); Annual Budget reviews as well as facilitated and coordinated year end closure activities related to country office programming. The PBRs were critical as they informed management during the Headquarter Efficiency initiative (HQEI).

As a consequence of the HQEI, and to capitalize on the relocation initiative, operational processes that remain in New York were reviewed for optimization by concentrating location dependent transactions into the scope of a New York based Central Services Center (CSC). This would result in routine location independent transactions being identified and assigned to GSSC where applicable, and only strategic operational functions remaining within the Divisions. DFAM led the development of the concept note and appointment of external professional service firm (Deloitte) in coming up with a recommended structure for implementation of the in 2023.

As part of the Capital Master Plan for UNICEF House which will be owned by UNICEF in 2026, capital improvement projects were implemented with the overall objective of achieving optimal utilization of space, cost savings, and a conducive work environment in NYHQ.

DFAM provided support to field offices with tools, procedures, and technical guidelines to implement Common Premises projects with accessibility and environmental sustainability integration. As of end December 2022, 53 per cent of offices are in common premises and meet the basic accessibility level for people with disability.

DFAM was instrumental in leading UN work on the Common Back Office that is being pursued to achieve more efficiencies and cost savings. Implementation support included the development agreement templates and guidance in supporting offices that are piloting this such as in Kenya and Senegal.

Investment, Cash Transfers, Foreign Exchange Management and Financing Initiatives

A main component of the SP 2022-2025 is to ensure Effective Investments & Liquidity Management and provide Financing and Digital Payment Solutions. DFAM managed a liquidity portfolio of \$8.8 billion (doubled in size in the last 5 years) and invested across 100 highly rated counterparties with no losses. This was achieved with diligent financial oversight of funds and risk informed management of cash and investments, prioritizing safety, liquidity and investment return. DFAM traded in 105 different currencies to support 107 countries whilst monitoring a volatile market and ensuring foreign exchange risk mitigation and maximization of income.

In close collaboration with other stakeholders in the organization, DFAM supported the advanced use of technology by introducing digital payment solutions such as Mobile Network Operators (MNOs), and payment aggregators to accelerate cash transfers to beneficiaries (CTB), especially in humanitarian response situations. The Prepayment Card usage was scaled up by expanding the number of country offices provided with this payment method. In 2022, 45 new FSPs were approved for CTB, and in collaboration with ICTD a new automated bank balance reporting in Fiori app was launched. In addition, DFAM contributed to training and capacity building in field offices through dedicated workshops for regional offices and key country offices with high volumes/value programmes on the

existing and updated Financial Management Guidance.

DFAM provided treasury expertise for emergency response and in sanctioned countries including liquidity, foreign exchange management, banking solutions, and payment methods for UNICEF offices. In addition the Division provided strategic guidance and technical financial support to other divisions in exploring and executing innovative financing mechanisms, including working with Supply Division to oversee UNICEF financial risk exposure for vaccine and health financing mechanisms; and on the development of new fundraising streams such as the Zakat Fund to support the growth of such donor incomes.

With the technical support of DFAM to the UNICEF Innovation Team, UNICEF successfully completed the UNICEF Cryptocurrency Fund pilot that ended 31 December 2022. The expansion of the pilot was also approved and currently implemented and incorporates lessons learned from the prototype period. Several enhancements to the original framework have been incorporated in order to increase the potential efficiency and efficacy of the Fund for UNICEF's mission.

In 2022 DFAM, in collaboration with ICTD, and provided technical support for the development of the Humanitarian cash Operations and Programme Ecosystem (HOPE) cash transfer management system. The project aims to introduce a "surcharge" on Grants to fund the project teams for the maintenance of the HOPE system.

With the enhancement of financial counterparties monitoring, facilitated by the development of automated credit alerts, and increasing visibility of cash balances in COs/ROs; (83) new Financial Service Providers (FSPs) were reviewed and approved, including those that provided digital fundraising platforms to attract more donors, reaching a total of (193) FSPs.

DFAM leads the support to the **Preliminary assessment of the World Bank Bond** which will be presented to the Executive Board at the 2023 Annual Session. In 2022, the Division worked with PFP in development of the Terms of Reference as well as selection of the external third party to conduct this exercise. At the time of drafting this update, the initial draft of the KPMG report has been shared by for management comments.

Emergency Response and Support

DFAM successfully supported funding of ongoing emergencies in Ukraine and Afghanistan and provided technical support for the smooth transition and merger of Office of Research (OoR) with Office of Global Insight and Policy (OGIP) in Italy, and the transition of ICTD to Valencia, Spain.

Funds and Funds Management

DFAM supported the roll out of critical funds such as Working Capital to support programme implementation in UNICEF offices. In addition, following the endorsement of the Executive Board in 2021 for the establishment of the Dynamo Revolving Fund (DRF) to provide sustainable financial capacity for investment in private sector fundraising for UNICEF, DFAM supported and developed the methodology for implementation, including for the initial \$20 M allotted in 2022.

UNICEF continues to serve as a valuable partner for four hosted funds and secretariats, with the Funds Support Office (FSO) in DFAM taking the strategic lead in UNICEF's role as Funds Custodian and Administrator. Since 2016, the FSO has managed a combined donor commitment portfolio of over \$1 billion. In 2022, the FSO processed over \$179 million in donor contributions and disbursed approximately \$169 million to various grantee organizations. Trustee fees collected since 2016 amount to \$8.7million with a total of \$1.6 million collected in 2022. In its role of administrative host, DFAM also manages and coordinates operational support to over 150 hosted secretariat staff.

Oversight, Fraud and Internal Controls

DFAM successfully issued the UNICEF Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) policy and commenced implementation support and monitoring of compliance with the issued policy. The strategic plan on management of implementation of audit recommendations was rolled out, contributing to the implementation of 84 per cent of outstanding audit recommendations as of 31 December 2021.

In 2022, DFAM supported 11 separate Joint Inspection Unit (JIU) reviews including carry over reviews at various stages of the review process liaising with internal technical focal points as well as senior management. A total of 33 JIU recommendations were monitored throughout 2022. With prudent and diligent monitoring, UNICEF successfully closed the majority of long outstanding JIU recommendations (+24 months) and only four (4) remain outstanding as of 31 December 2022.

Achievements in streamlining Internal Controls included the completion of the annual “Letter of Attestation” which was submitted by all regional directors, division directors and other heads of offices. The letter confirms the adequacy of internal controls in place in the respective areas of responsibility. Concurrently, annual “internal control self-assessments” were completed and submitted by all heads of offices.

Business Continuity and Resilience

In 2022, the Continuity & Resilience Unit (CRU) completed global dissemination of the updated Organizational Resilience Management System (ORMS) policy and new Business Continuity Management (BCM) policy. The policies, accompanied by procedures and guidance notes reflected a need for increased flexibility and adaptability as our risk landscape continues to evolve and disruptive events become more prevalent. Also, more simplified and checklist-oriented BC Plan (BCP) templates were made available. The templates also reflect the need for more practical, useful plans that provide flexibility to office crisis management and business continuity teams. The ORM SharePoint site, which was launched in June 2022, is the central repository for all ORM and BCM related information and organizational emergency management resources.

Other UN System Wide Collaboration

As part of its contribution to system-wide coherence, in 2022, DFAM led the High-Level Committee on Management (HLCM) Finance and Budget Network project on Harmonization of Cost Classifications and Cost definitions for the entire UN System as requested by the QCPR.

DFAM has representation in the UN system working group on Revenue and represents the entire UN system at the IPSAS Board Drafting Group level in drafting of new accounting standards in this area.

Administrative Reform, Environmental Sustainability and Inclusion

With the aim to achieve efficiencies in administrative services, UNICEF introduced in 2022 a reform in travel management to facilitate the simplification of processes and clearly define the roles and responsibilities of each office throughout its global network. The simplification component of the travel reform project was completed. This included the revision of UNICEF Procedure on duty travel and the introduction of Fiori application to process trips.

UNICEF is on track in achieving the UN target reduction of carbon emission of 45 per cent in 2030. Energy savings from solarized offices in 2022 was \$384,160. The total volume of emissions increased by 36% (15, 828 t CO₂) compared to 2021 as travel bans and restrictions related to the COVID-19 pandemic lifted. This represents a decrease of 17% (11,834 t CO₂) compared to 2019 (pre COVID) emissions. Air travel contributed to 38% of UNICEF total emissions, diluting in some extent the energy savings made over this year 2022. Others such as vehicle fuel and generator use contributed respectively to 21% and 12% of the total emissions reported in 2022.

With the increase of activities in 2022, country offices reported investments of \$2.3M on Energy Efficiency and Accessibility projects of which DFAM contributed for nearly \$1M, with \$0.8M invested in twenty (20) energy efficiency projects, ten (10) Solar PV projects and two (2) Excellence In Design For Greater Efficiencies (EDGE) certifications in Mozambique and Uganda construction projects. This green building certification system is focused on making buildings more resource efficient. EDGE certifications are ongoing in Afghanistan, and Nigeria, Kano office, which will result in a projected reduction of the GHG emissions by 1,100 tons CO2 upon completion of the projects.

In 2022 while DFAM invested \$0.2M in Accessibility projects, country offices contributed and additional \$0.3M resulting in 69% of HQ, RO or CO offices meeting at least Level 1 Accessibility requirements, which represents an increase of 17% compared to 2021, a decrease of 38 per cent (data collection and validation ongoing) comparing to 2021. With the Accessibility Toolkit launched, and a dedicated help desk consultant on board early 2023, UNICEF is expected to boost its accessibility level percentage in the coming year 2023.

53 % of the UNICEF offices were in common premises (225 of 423) in 2022 and UNICEF is set to achieve further efficiencies gains in common premises by focusing not only on strategies on lower rental expenses, but more importantly increasing the proportion of UN common premises in high-cost locations, and supporting all initiatives of shared facilities services, contracting, and greening initiatives as well. 14 high-cost locations offices were identified in 2022 and will be DFAM priority areas for common premises projects. Ongoing construction projects in Sri-Lanka, Mozambique, and Uganda, will increase UNICEF performance on common premises in 2023 upon completion. In 2022, DFAM funded the acquisition and training on the use of the Vehicle Tracking System (VTS) to 57 countries. The VTS system will support the organization in reducing its footprint by helping country offices better manage their fleet of vehicles. The system provides information on vehicles location and what they are being used for in the form of comprehensive reports.

In 2022, DFAM disbursed \$265,040 to 38 countries for the acquisition, training and installation of 429 Vehicle Tracking Systems (VTS), which contributed to reduction of carbon footprint through better management of vehicles.

UNICEF signed a global leasing agreement with the UN Fleet, aiming to acquire vehicles through a leasing arrangement and to pay over a five (5) year period after which the vehicles will be taken back and disposed of by the UN Fleet. Ten (10) countries with a total of thirty-six (36) vehicles have been earmarked in 2023 for a pilot of this leasing arrangement, which will commence once internal guidelines covering procurement, recording and reporting aspects are finalised.

In 2022, UNICEF collaborated with the UN Office on Drugs and Crime (UNODC) and WHO to design an online road safety training module for use by for all staff. The training is available in Agora and a plan is underway to make the training mandatory, given the importance of road travel and safety in our programming. The course is available in seven languages.

Records Management and Archiving

The UNICEF records management team continues its work on the archival processing of UNICEF's historical records in physical format at HQ, thus achieving, in 2022, intellectual control of 40 per cent of the collections, a pre-requisite for both access and research into UNICEF's works over the years, and the global digital preservation framework which will allow the transition from manual to digital systems for both preservation and access purposes.

Lessons Learned and Innovations

DFAM ended 2022 with many achievements in line with our SP 2022-2025. However, some challenges were encountered, and adjustments will be introduced to enable DFAM to continue on track

in achieving its strategic goals. In general, ongoing supply-chain challenges due to COVID-19 and Ukraine Crisis continued to have a negative impact on the timely delivery of planned projects in NYHQ and Field Offices.

In managing the operations function within the hosted funds, 2022 witnessed an increase in Hosted Partnerships fund portfolio and additional requests for tailored solutions by the Partnerships impacting the workload and putting pressure on DFAM Funds Support Office services.

DFAM played an important role in 2022 in generating savings for UNICEF upwards of \$200M. However, the team in Treasury is small and is challenged with many demands. The team has supported large key initiatives and continues to face increased demands in responding to urgent emergency response funding requests; continues to provide guidance and technical support for new innovative financial activities, all of which are constraining the existing resources.

Increase in number of urgent last minute PSFR CO related requests was experienced e.g., setting up new banking relationship, contract with a new PSP to DFAM without clearance/coordination by PFP Geneva. Additional ways of supporting PSFR offices will be explored, noting that in the last two years FSPs approved by DFAM have doubled the number.

Linked to the above is poor planning from COs Programme teams with relation to their cash needs for programme implementation. This poses a challenge resulting in inaccurate forecasting by CO Finance teams, further impacting DFAM's ability in formulating accurate projections of liquidity. Also, insufficient visibility on Public Partnerships Division (PPD) incoming cash flows from Other resources funds complicates foreign exchange management which is critical now that USD is so strong and other currencies weak.

Prompt and effective communications with personnel is a key factor in strengthening UNICEF's ability to continuity business and be resilient when disruptive events happen. However, the degraded support from ICTD for the Everbridge Emergency Notification System, which is a key crisis communications resource, has made it challenging to maintain effective use of the tool and expand usage to other offices interested in using it. DFAM will work with ICTD to improve the support required. As part of the key activities for 2023, CRU will expand organizational emergency preparedness and resilience practices to include relevant and current topics in the space of Occupational Safety and Health (OSH).

In 2022, while 53 per cent of offices are in common premises, DFAM faced challenges in meeting the Common Premises strategic plan targets due to lack of rent-free premises/land from governments. DFAM will explore possible support from the Executive Office to negotiate release of free land or buildings from Governments.

The Global rollout of eZHACT 2.0 project which started in 2022 will continue through 2023. This is designed to reduce transaction processing time (with up to 80per cent steps reduction in some transactions like change of funding source) and provide additional information on programme spending. It also integrates with other corporate applications like Work planning system and eTools.

The Travel Reform Project will continue in 2023 with the objective of promoting travel cost efficiency and savings at all UNICEF locations where travel is initiated; to use technology within the travel industry, move effectively and gain economies of scale; to support the implementation of UNICEF Travel Strategy; to re-allocate specific roles, responsibilities and accountabilities among the key players.

Other key activities that are carrying forward into 2023 include the work in relation to the adoption of the new mandatory and technically complicated Financial Instruments accounting standard for the

2023 financial statement; the expansion of the automated PSB workflow tool to cover all other types of write-offs, automating recording of cases and eliminating the need for paper trails and emails. There have been some delays on the work on this from ICTD side; and as part of 2023 key initiatives, the finalization and signing of hosting agreement (in line with the Internal Audit draft report recommendation) between UNICEF and four hosted partnerships.

Key activities that will be launched in 2023 in line with DFAM strategic plan include:

- 1. Implementation of the recommendations of the Central Services Center (CSC) in New York review activities by Deloitte.**
- 2. Innovative Finance 4 Children (IF4C) - key projects include the management of the World Bank bond preliminary assessment that was requested by the Executive Board, in addition to exploring new financing mechanisms (concessional loans, bridge funds for donor contributions), prefinancing of supplies, the new fundraising through investment managers – policy, SOPs, and review and approval of specific engagements, the CryptoFund extension and scale up, and risk transfer instruments (insurance).**
- 3. Implementation of the Grants Management Process redesign project integrated with UNISON in order to achieve organizational alignment with fundraising and partnership processes and practices both for public and private sector.**
4. Advance Financial closure project (AFC) to modernize UNICEF’s closure activities to free up time at the country, regional, and HQ levels and reduce errors and improve the quality of UNICEF’s financial information.
5. Implementation of recommendations from 2022 audit report of UNICEF under Hosted Funds.
 - 1. Private Sector Fundraising. Multifaceted role of DFAM Treasury, from review and approval of new counterparties and channels to fundraise and the legal agreements with the counterparty, to simplification of the multi-divisional process to review and approve PSFR counterparties globally, to analysis of the PSFR cash flow management and FX implications.**
 - 2. Emergency Response, treasury management expertise for emergencies globally. Expected to cover needs of at least 20 COs.**
 - 3. Global implementation of UNICEF Anti-Money Laundering and Countering the Financing of Terrorism Policy.**
 - 4. Review and update the UNICEF Internal Control Framework/Policy.**
 - 5. Implement a strategic plan to sustain the accomplishments made in managing outstanding audit recommendations from the key oversight bodies according to the year-end targets.**
 6. Support the continued implementation of UNICEF anti-fraud strategy, especially the fraud Awareness efforts among offices.
 7. Prepare for the Midterm Review of the Integrated Budget 2022-2025