United Nations

United Nations Children’s Fund

Financial report and audited financial statements

for the year ended 31 December 2023

and

Report of the Board of Auditors

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

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A/79/5/Add.3

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Note

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

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Contents

Letters of transmittal

Letter dated 13 May 2024 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 2023. These statements have been prepared and certified by the Comptroller.

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

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

Letter dated 24 July 2024 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 2023.

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

Chapter I

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

Opinion

We have audited the financial statements of the United Nations Children's Fund (UNICEF), which comprise the statement of financial position (statement I) as at 31 December 2023 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 2023 and its financial performance and cash flows for the year then ended in accordance with the International Public Sector Accounting Standards (IPSAS).

Basis for opinion

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

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

The Executive Director of UNICEF is responsible for the other information, which comprises the financial overview for the year ended 31 December 2023, 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*) **Hou** Kai
Auditor General of the People's Republic of China
Chair of the Board of Auditors

(*Signed*) Dorothy **Pérez Gutiérrez**
Acting Comptroller General of the Republic of Chile
(Lead Auditor)

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

24 July 2024

Chapter II
Long-form report of the Board of Auditors

Summary

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

The Board of Auditors audited the financial statements and reviewed the operations of the UNICEF for the year ended 31 December 2023. The interim audit was performed at UNICEF headquarters in New York from 2 October to 26 November 2023, at the UNICEF Information and Communication Technology Division in Valencia from 13 to 17 November 2023, and at the South Asia Regional Office in Nepal, the India country office and the Sri Lanka country office from 20 November to 15 December 2023. The audits of the UNICEF Private Fundraising and Partnerships Division and the UNICEF Global Shared Service Centre were conducted in Geneva from 29 January to 16 February 2024 and in Budapest from 29 January to 23 February 2024, respectively. The final audit of financial statements was carried out at headquarters in New York from 8 April to 10 May 2024.

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 2023 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS). The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

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

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

Audit opinion

In the Board's opinion, the financial statements present fairly, in all material respects, the financial position of UNICEF as at 31 December 2023 and its financial performance and cash flows for the year then ended, in accordance with IPSAS.

Overall conclusion

The Board did not identify significant errors, omissions or misstatements from the review of the financial records of UNICEF for the year ended 31 December 2023. However, the Board identified scope for improvement in the areas of grants and budget management, voluntary contributions, cost recovery, implementing partners, emergency management, property, plant and equipment, human resources, master data management, and information and communications technology.

Key findings

Grants exceeding approved budget

The examination of funds categorized as grants in the Virtual Integrated System of Information-One Enterprise Resource Planning (VISION) denoted several grants that had exceeded the grants approved budgets with amounts available with negative balances.

Inconsistencies in the "7 per cent set-aside allocation"

Compliance with the 7 per cent set-aside allocation policy and guidelines was reviewed to determine whether only country programmes were receiving this type of funding for their programmes and if only reasonable consultancy costs were being included in proposals, thus avoiding the inclusion of staff costs. It was found that these funds were also distributed to regional offices and headquarters, and that some grants included expenditures of 50 per cent or more for staff costs.

Shortcomings in the digital tools for implementing partnership management

From the examination of the user roles in the eTools platform, which records the creation and modification of the action points resulting from assurance activities, it was observed that all users were by default assigned the role of "UNICEF user", which allowed them to create, categorize and close their own action points on the platform. It was also observed that, in 42 per cent of the cases, the action points were created and closed by the same user, which is at odds with a proper segregation of duties.

With regard to the automated planning of assurance activities, as required by current regulations, it was observed that expected scheduled programmatic visits were not registered in the system, and a significant number of planned assurance activities were not identified in eTools.

Posts vacant for an excessive period

The review of post vacancies at the UNICEF headquarters in New York showed that 71 positions had been vacant for more than 24 months, despite the rules in place that require a review of existing resources to identify unnecessary functions, especially those that have been vacant for more than two years.

Main recommendations

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

Grants exceeding approved budget

(a) **Address in a swift manner the long-standing grants with amounts available with negative balances that have been identified by reviewing the underlying transactions and making the necessary adjustments;**

(b) **Implement a monitoring process at headquarters to ensure that negative budget amounts associated with financially closed grants are systematically reviewed and promptly cleared to verify that they have not experienced significant post-closing variations;**

Inconsistencies in the "7 per cent set-aside allocation"

(c) **Update its budget policy and related guidelines to reflect eligibility for the 7 per cent set-aside allocation, the maximum percentage of distribution allowed between offices and possible duly justified exceptions;**

(d) **Allocate the 7 per cent set-aside grants resources in accordance with the applicable policy to prevent unauthorized categories of expenses from being allocated to the set-aside;**

Shortcomings in the digital tools for implementing partnership management

(e) **Remove from the eTools system the "All other roles" category, which is a legacy from past years and should no longer be assigned to users;**

(f) **Ensure proper segregation of duties for high-priority action points resulting from spot checks and special audits within the eTools platform;**

(g) **Leverage its digital tools for the planning and scheduling of the minimum assurance requirements set out in the UNICEF policies/guidelines and facilitate a balanced caseload throughout the year;**

Posts vacant for an excessive period

(h) **Evaluate positions vacant for over 24 months on a yearly basis, identifying those that are not necessary and abolishing them if applicable, and adjusting to the current entity staffing needs to ensure effective and efficient position management of UNICEF resources.**

Follow-up of previous recommendations

The Board noted that there were 33 outstanding recommendations up to the year ended 31 December 2022, of which 24 (73 per cent) had been fully implemented and 9 (27 per cent) were under implementation.

Key facts

17,640	Staff members
$8.93 billion	Revenue
$8.88 billion	Expenses and gains net
$0.05 billion	Surplus for the year
$17.38 billion	Assets
$4.59 billion	Liabilities
$12.79 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 to meet their basic needs and expand their opportunities so as to enable them to reach their full potential. The focus areas of UNICEF programmes include young child survival and development, basic education and gender equality, HIV/AIDS, child protection from violence, exploitation and abuse, policy advocacy and partnerships for children's rights and humanitarian action.

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

3. The audit was conducted 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 2023 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS). This included an assessment as to whether the expenditure recorded in the financial statements had been incurred for the purposes approved by the governing bodies and whether revenue and expenses had been properly classified and recorded in accordance with the Financial Regulations and Rules of the United Nations.

4. 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.

5. The Board also reviewed UNICEF operations pursuant to financial regulation 7.5 of the Financial Regulations and Rules of the United Nations, according to which the Board may make observations with respect to the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of UNICEF operations.

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

B. Findings and recommendations

1. Follow-up of previous recommendations

7. The Board noted that there were 33 outstanding recommendations up to the year ended 31 December 2022, of which 24 (73 per cent) had been fully implemented and 9 (27 per cent) were under implementation (see Table II.1).

Table II.1
Status of implementation of recommendations, by report

Report and audit year	*Recommendations pending as at 31 December 2022*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*	*Recommendations pending as at 31 December 2023*
A/75/5/Add.3, chap. II (2019)	1	1	–	–	–	–
A/77/5/Add.3, chap. II (2021)	2	2	–	–	–	–
A/78/5/Add.3, chap. II (2022)	30	21	9	–	–	9
Total	**33**	**24**	**9**	**–**	**–**	**9**
Percentage	**100**	**73**	**27**	**–**	**–**	

8. The Board considers that implementing 24 recommendations in an audit period reflects a solid commitment from UNICEF to improve its management, especially considering that all the recommendations issued prior to report A/78/5/Add.3, chap. II (2022) have been implemented. However, management still needs to take action to address the pending recommendations that have not yet been implemented, focusing on those whose implementation will take some time owing to their complexity, particularly in the areas of implementing partners, enterprise risk management and budget.

Recommendations issued over the four audit periods

9. As a result of the audits performed from 2020 to 2023, the Board has issued 97 recommendations and conducted 201 assessments on previous years' recommendations. A breakdown of recommendations submitted in the audit periods indicated is detailed in Table II.2:

Table II.2
Implementation rates of issued recommendations, 2020–2023

Report and audit year	*Number of audit recommendations issued*	*Number of outstanding audit recommendations as at end of audit period*	*Audit recommendations fully implemented as at end of audit period*	
			(Number)	*(Percentage)*
A/76/5/Add.3, chap. II (2020)	22	96	72	69
A/77/5/Add.3, chap. II (2021)	23	44	37	84
A/78/5/Add.3, chap. II (2022)	30	28	23	82
A/79/5/Add.3, chap. II (2023)	22	33	24	73
Total/average percentage	**97**	**201**	**156**	**77**

10. Most of the 97 recommendations issued in the four audited periods were related to implementing partners management and voluntary contributions, which are aligned with the core businesses of UNICEF. Other recommendations were focused –inter alia – on information and communications technology, procurement and contract management, human resources, budget formulation and management, risk management, and financial and accounting management. Relevant improvements have been seen in processes and operations in the areas suggested for strengthening, notably implementing partners, budget, and information and communications technology, but further efforts are still needed.

11. Regarding the total of 201 assessments made over the past four years on the recommendations that remained outstanding, progress was noted in the implementation rate, with an initial rate of 69 per cent and a rate of over 80 per cent in subsequent years. In the last audit cycle, the implementation rate decreased slightly, but remained over 70 per cent.

2. Financial overview

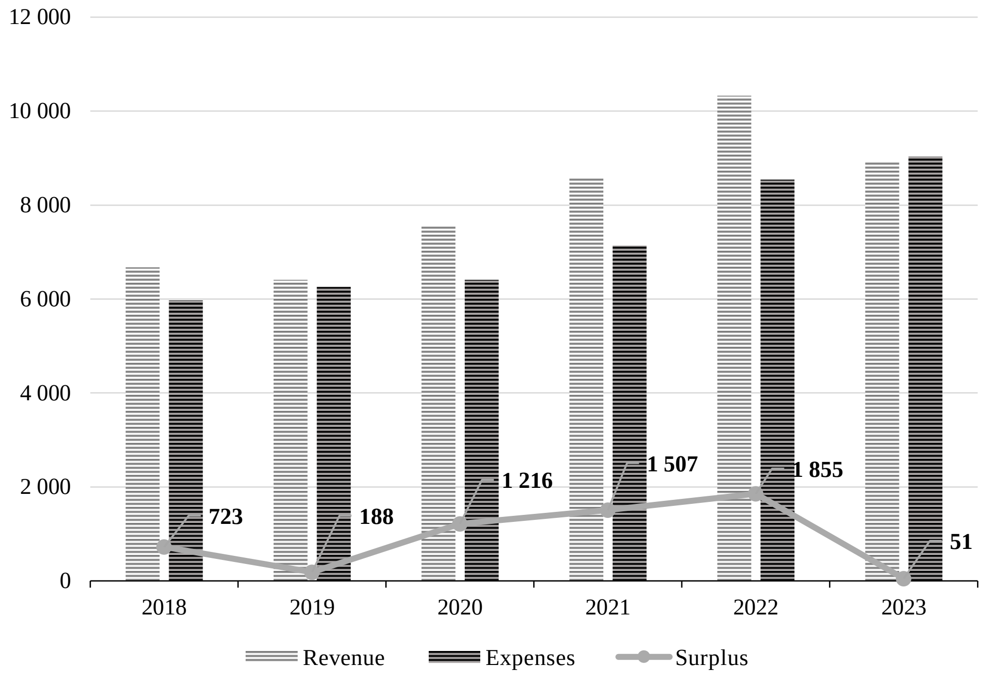
Financial performance

12. In terms of operating results, there was a surplus of $51 million in 2023 (2022: $1.86 billion). The decrease of 97 per cent observed in the surplus was driven by a reduction in revenues attributable primarily to the end of the global coronavirus disease (COVID-19) pandemic and a significant withdrawal of resources allocated for the Ukraine emergency response.

13. Total revenue in 2023 was $8.93 billion, a decrease of $1.40 billion compared with the previous year (2022: $10.33 billion). The decrease of 14 per cent was caused by a significant reduction of $1.53 billion in voluntary contributions, mostly for the COVID-19 response and Ukraine assistance. In general terms, there was a reduction of $928 million in public sector contributions and a decrease of $597 million in private sector contributions. In addition, revenues from the Governments of Germany and the United States of America decreased by $1.30 billion, and revenues from the private sector national committees also declined, with a decrease of $339 million in contributions from the United States National Committee.

14. Expenses in 2023 amounted to $9.04 billion (2022: $8.54 billion). The increase of 6 per cent was attributable to the increase of $248.28 million in expenses relating to the transfer of programme supplies, mostly to Ukraine, its neighbouring countries and Afghanistan. Similarly, employee benefits expenses and occupancy and related costs increased by $147.96 million and $60.87 million, respectively, owing to higher expenses in other resource segments. Other expenses increased by $62.20 million owing to inventory and value added tax impairments recognized in 2023. Comparative revenues and expenses are shown in Figure II.I.

Figure II.I
Revenue and expenses, 2018–2023[1]
(Millions of United States dollars)



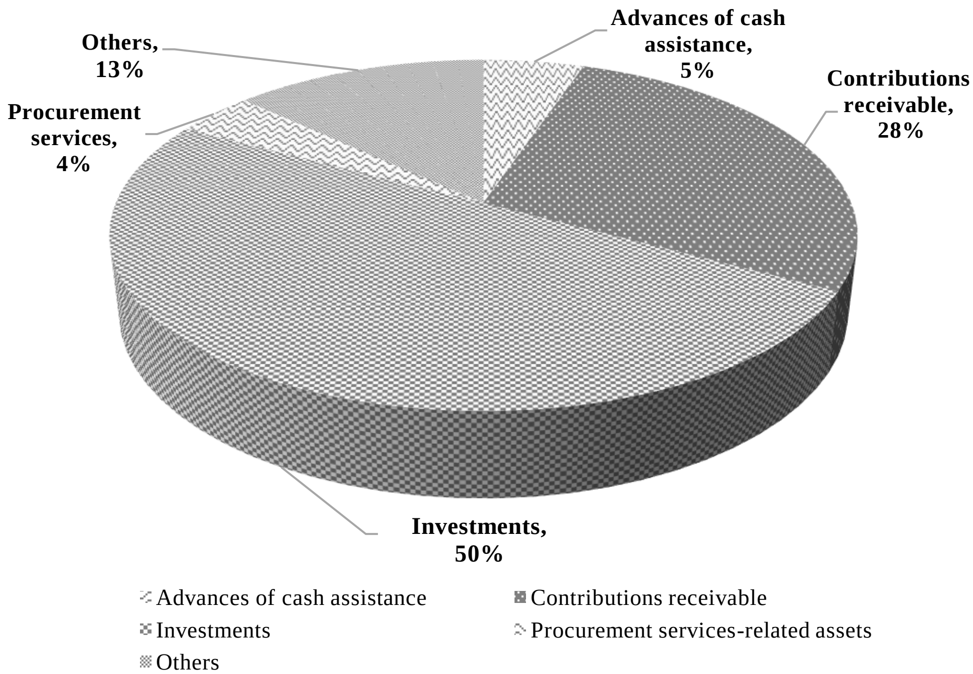
Source: UNICEF financial statements for 2018 to 2023.

Financial position

15. As at 31 December 2023, UNICEF had total assets of $17.38 billion, a decrease of 8 per cent compared with the previous year (2022: $18.98 billion), caused mainly by a reduction of $1.25 billion in procurement services-related assets attributable to the fulfilment of the COVAX Advance Market Commitment[2] procurement activities. Outstanding advances of cash assistance to partners decreased by 14 per cent ($144.95 million) owing to a reduction in outstanding advances, mainly in the Europe and Central Asia Regional Office ($58.17 million) and the West and Central Africa Regional Office ($24.74 million). The composition of the assets is shown in Figure II.II.

[1] Revenues and expenses are presented excluding net gains and losses.
[2] The COVAX Advance Market Commitment is a global initiative, hosted by Gavi, the Vaccine Alliance, which supports the equitable distribution of safe and effective COVID-19 vaccines to low- and middle-income countries.

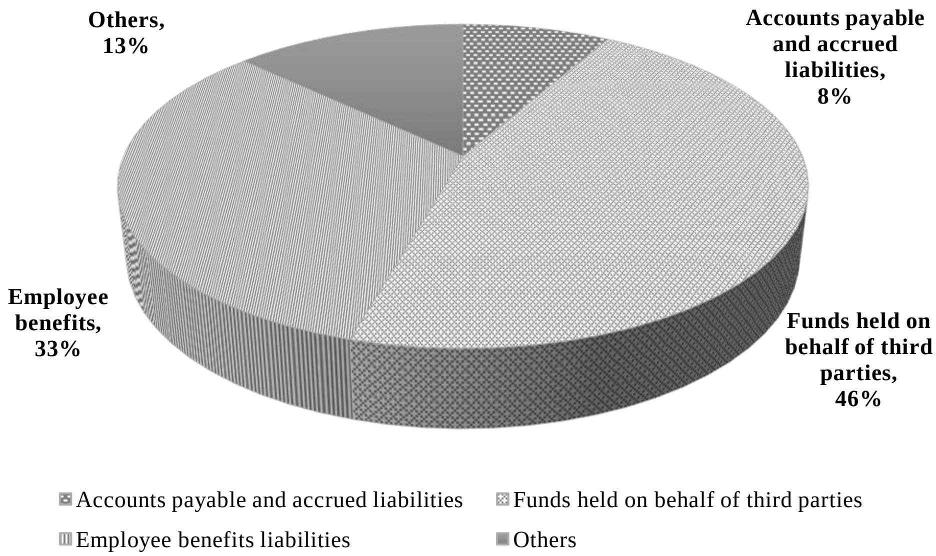
Figure II.II
Composition of assets as at 31 December 2023



Source: UNICEF financial statements for 2023.

16. The total liabilities of UNICEF decreased by 31 per cent, totalling $4.59 billion as at 31 December 2023 (2022: $6.62 billion), owing mainly to a significant decrease in accounts payable and accrued liabilities of $650 million and a decline in funds held on behalf of third parties of $1.23 billion due to an overall lower level of COVAX-related procurement activities compared with the previous year. The composition of the liabilities is shown in Figure II.III.

Figure II.III
Composition of liabilities as at 31 December 2023



Source: UNICEF financial statements for 2023.

Ratio analysis

17. All financial ratios have increased compared with the previous year, indicating that UNICEF remains in a solvent position. The ratio of total assets to total liabilities was 3.79, which indicates strong solvency. The current ratio was 3.73, higher that the 2022 ratio of 2.74, attributable to a $1.88 billion decrease in funds held on behalf of third parties, accounts payable and accrued liabilities.

18. The increase in the quick ratio and cash ratio is due essentially to the increase in cash and cash equivalents of 10 per cent and to the forward exchange contract of $37.22 million. Moreover, during 2023, the decrease in the current liabilities was driven mainly by the funds held on behalf of third parties. The financial ratios of UNICEF over the past two years are set out in table II.3.

Table II.3
Financial ratios

Description of ratio	*2023*	*2022*
Total assets: total liabilities[a]		
Assets: liabilities	3.79	2.87
Current ratio[b]		
Current assets: current liabilities	3.73	2.74
Quick ratio[c]		
(Cash + short-term investments + accounts receivable): current liabilities	3.15	2.37
Cash ratio[d]		
(Cash + short-term investments): current liabilities	1.93	1.56

Source: UNICEF financial statements.

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

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

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

[d] The cash ratio is an indicator of an entity’s liquidity; it measures the amount of cash, cash equivalents or invested funds that are in current assets to cover current liabilities. UNICEF adjusted the calculation of its cash ratio to properly reflect the impact of assets related to procurement services, by adding the amount of the Gavi, the Vaccine Alliance ($0.70 billion), in the numerator to correct distortion in the ratio caused by the related liability in funds held on behalf of third parties included in the denominator.

3. Grants and budget management

Grants exceeding approved budget

19. In accordance with paragraph 11 of supplement 5 (Management of budget allotments) of policy 2 (Budget) of the UNICEF financial and administrative policy, once a budget allotment is approved by the UNICEF Executive Board, the Budget Section of the Division of Financial and Administrative Management creates the programme cycle and programme planning levels or Board Approved Budgets in the Virtual Integrated System of Information-One Enterprise Resource Planning (VISION). Each programme will usually have two Board Approved Budgets, one funded by regular resources and one funded by other resources for regular programmes.

20. In relation to grant creation and budget allotment, paragraph 7 of the UNICEF procedure on grants management of other resources contributions states that a grant captures the life cycle of a contribution, from the agreement’s signature to closing. Each grant will have a start date (“valid from” date) and an expiry date (“valid to” date), which constitutes the grant duration for programmatic implementation. Funding received from donors is used for its intended purpose within the period agreed with the donor and before the expiry of the grant.

21. Paragraph 12 of the same procedure states that grants are not intended to be overspent. In this regard, the office is responsible for ensuring that disbursement requests, reports submission or other liabilities regarding which the donor has included requirements are met before funds are paid and submitted in a timely manner. Offices are also responsible for providing alternative funding sources for any expenditure in excess of funds received from the donor.

22. On this basis, the Board assessed the compliance of UNICEF with its internal policies and procedures to identify grants that have exceeded budget approval. The audit focused on identifying the amounts available with negative balances in funds categorized as grants as at October 2023. It was noted that 317 grants had available amounts with negative balances, totalling $8.12 million.

23. The Board considers that these negative grant balances denote the need to improve control measures and enhance the financial closure process to ensure that amounts available with negative balances are reviewed and cleared in a timely manner. This situation could also lead to a deviation from the stipulated parameters described in the agreements with the donors and in the approved budget.

24. UNICEF, as a voluntarily funded organization, has a responsibility to be accountable and transparent in its financial management to both donors and beneficiaries. Ensuring the prudent and responsible utilization of funds throughout the funding process is an integral part of the UNICEF financial management framework.

25. **The Board recommends that UNICEF address in a swift manner the long-standing grants with amounts available with negative balances that have been identified by reviewing the underlying transactions and making the necessary adjustments.**

26. **The Board recommends that UNICEF implement a monitoring process at headquarters to ensure that negative budget amounts associated with financially closed grants are systematically reviewed and promptly cleared to verify that they have not experienced significant post-closing variations.**

27. UNICEF accepted the recommendations.

Inconsistencies in the "7 per cent set-aside allocation"

28. By decision E/ICEF/1997/P/L.17, the Executive Board approved the establishment of a 7 per cent set-aside of general resources for programmes to allow for flexibility in responding to the wide variety of country situations as well as to evolving needs and special circumstances.

29. In the light of the above, in paragraph 95 of supplement 5 (Management of budgetary allotments) of policy 2 (Budget) of the UNICEF financial and administrative policy, it is stated that only country programmes are eligible for allocation from the 7 per cent set-aside.

30. In turn, programme instruction CF/PD/PRO/06-03 of 8 May 2006, entitled "New guidelines for the submission of 7 per cent set-aside proposals", defines the criteria and the allocation process for the 7 per cent set-aside, reiterating in paragraph 1 that this 7 per cent provision can only be allocated to country offices.

31. Similarly, the guidelines establish an additional consideration for the 7 per cent set-aside proposals in order to avoid submitting proposals that include staff costs, comprising temporary and fixed-term; however, reasonable consultancy costs will be considered.

32. In this regard, the Board evaluated UNICEF compliance with the above policy and instruction by verifying the following topics:

(a) Concerning 7 per cent set-aside grants allocation to country offices, a sample of four set-aside grants was selected. It was noted that the funding earmarked was not limited to the country offices, as required by the internal policy. In fact, these funds were also distributed to regional offices and headquarters, in different proportions, including one case in which 100 per cent of the grant was allocated for headquarters only;

(b) Regarding the review of staff costs, the entity provided details of expenditure for the 2023 set-aside grants up to September 2023, selecting those that totalled more than $100,000. It was noted that three of these grants had 50 per cent or more of staff costs up to this date.

33. Moreover, the Board noted that programme instruction CF/PD/PRO/06-03 was last updated in May 2006, which is more than 15 years ago.

34. The Board acknowledges that the 7 per cent set-aside serves the purpose of providing flexibility in addressing unforeseen needs of country offices, as outlined in decision E/ICEF/1997/P/L.17; however, any deviation from this objective as a result of the implementation of policies, procedures and guidelines that do not include adequate risk mitigation controls for the current reality may lead to the allocation of funds intended for country offices to other offices or to staff costs that are not aligned with the appropriate use of resources.

35. While recognizing the dynamic environment in which UNICEF operates, the Board is of the opinion that additional controls may be included in the regulations to reduce the occurrence of deviations in the allocation of resources. Furthermore, the regulations must outline valid and detailed instances in which such deviations may be acceptable in order to guarantee an effective response to the unique needs of countries facing particular circumstances.

36. **The Board recommends that UNICEF update its budget policy and related guidelines to reflect eligibility for the 7 per cent set-aside allocation, the maximum percentage of distribution allowed between offices and possible duly justified exceptions.**

37. **The Board recommends that UNICEF allocate the 7 per cent set-aside grants resources in accordance with the applicable policy to prevent unauthorized categories of expenses from being allocated to the set-aside.**

38. UNICEF accepted the recommendations.

4. Voluntary contributions

Delays in recording agreements in VISION

39. 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 services in-kind, that meets the definition of shall be recognized as an asset when, and only when: (a) it is probable that the future economic benefits or service potential associated with the asset will flow to the entity; and (b) the fair value of the asset can be measured reliably”.

40. In this regard, UNICEF indicates in paragraph 16 of its IPSAS policy position on non-exchange revenue recognition that the entity shall control a non-exchange asset upon receipt of a documented enforceable right to the future delivery of an asset, or upon delivery of the asset (such as a cash receipt), whichever is the earlier.

41. The UNICEF Global Shared Service Centre manages centrally the recording of voluntary contribution agreements from the public sector. However, it is the responsibility of the UNICEF Public Partnerships Division to initiate the grants creation process with the Global Shared Service Centre, which involves submitting the request once the regional or country office has received the signed agreement from the donor.

42. As of October 2021, UNICEF has implemented an additional step in the grants management workflow, which requires country offices to submit their signed agreements to the Public Partnerships Division through the Service Gateway platform, rather than sending them by email. This enhancement is intended to improve the visibility of the grant throughout its processing, from signature to recognition in VISION.

43. The Board evaluated the UNICEF grant creation process by comparing the date of signature of all new public sector agreements from 1 January to 30 September 2023 with the corresponding dates of grant creation requests submitted to the Global Shared Service Centre. An analysis of 865 new agreements revealed that the time lapse between signature and grant creation request varied from fewer than 30 days to more than 265 days, as shown in table II.4.

Table II.4
Days between agreement signature and grant creation request

Number of days	*Number of agreements*
Less than 30 days	719
30 to 59 days	65
60 to 90 days	29
91 to 109 days	20
110 to 278 days	30
From 420 to 488 days	2
Total	**865**

Source: Based on information provided by UNICEF.

44. The Board extended its review to the 30 agreements with the greatest number of days between the date of signature and the date of grant creation request, which ranged from 110 to 488 days. It was verified that seven agreements, amounting to $4.23 million, were signed in 2022 and recorded in 2023. UNICEF explained that the reasons for the delay in the grant creation were varied. Two agreements were related to joint programmes, and therefore a signed agreement alone was not sufficient; two others had ongoing discussions with the donor on allotments and a logistical approach, and the remaining three agreements had various situations, such as incorrect information in the agreement and a late donor's signature.

45. It should be noted that a similar situation had already been flagged in paragraphs 14 to 27 of report A/76/5/Add.3, chap. II (2020), whereby 74 agreements had a period of more than 90 days between the signature of the agreement and the grant creation request.

46. The Board considers that there is still room for improvement in terms of strengthening the monitoring system to track the progress of the voluntary contribution recognition process in order to avoid potential underestimation of revenues and erroneous budget allocations to country offices. Given the critical role of the voluntary contributions recognition process, it is imperative that all UNICEF offices adhere to the use of the monitoring system to ensure timely registration once agreements are signed.

47. **The Board recommends that UNICEF strengthen the global monitoring system to track the recognition of voluntary contributions, in order to ensure their timely registration.**

48. UNICEF accepted the recommendation and added that it plans to replace the previously introduced Service Gateway system with a Sales Force platform, called UNISON, in order to integrate grant management with VISION and, in future, with the funding pipeline. Those measures will need to be assessed in the next audit period.

5. Cost recovery

Lack of clear criteria for Junior Professional Officer administrative charges

49. It is stated in paragraph 1 of the UNICEF procedure on Junior Professional Officers (DHR/PROCEDURE/2019/005), effective since 22 October 2019, that the Junior Professional Officer Programme offers talented junior professionals, through donations from sponsoring Governments, a unique opportunity to contribute to the UNICEF mandate, and to obtain invaluable experience in the international humanitarian and development arena. The procedure sets out the principles for management of the Junior Professional Officer Programme.

50. According to the historical report "GMGRANT", downloaded from VISION, from November 2011 to September 2023, UNICEF managed a total of 614 Junior Professional-related grants. At the time of the present review, UNICEF had ongoing partnerships with 24 different sponsoring Governments under various agreements.

51. Fourteen new agreements had been signed from January to September 2023 for a total of $2.52 million in donations, each including an "administrative charge" of either 12 per cent or 14 per cent, as agreed with the respective sponsoring Government.

52. As explained by UNICEF, a 14 per cent administration charge is the standard rate for full-service agreements, whereby UNICEF advertises the position and follows the steps of a regular recruitment process, with some additional steps related to communication with the donor. The 12 per cent rate is standard for partial-service agreements, whereby the donor advertises the position and provides UNICEF with a shortlist for further consideration.

53. However, the Board observed that neither the UNICEF procedure on Junior Professional Officers nor any other UNICEF regulation sets out criteria for determining the percentage of the administrative charge to be applied.

54. The Board considers that the absence of clear criteria in the UNICEF procedure on Junior Professional Officers for determining the appropriate percentage for administrative charges could potentially result in discrepancies in the application of these charges to different sponsoring Governments, even when they have agreed upon similar services. Such discrepancies could potentially affect the transparency of fee structures and, consequently, the overall reputation of the organization.

55. Correcting the above would facilitate a more consistent and comprehensible assessment of the services rendered to the sponsoring Government, increase the transparency of financial transactions and foster a more reliable relationship between UNICEF and its sponsors.

56. **The Board recommends that UNICEF establish comprehensive guidelines within the Junior Professional Officer procedure, setting out criteria for determining the appropriate percentage for administrative charges.**

57. UNICEF accepted the recommendation.

6. Implementing partners

Shortcomings in the digital tools for implementing partnership management

58. According to the information published on the UNICEF SharePoint site, eTools is an online management platform that enables UNICEF country offices to strengthen and simplify programming and partnership implementation modalities with Governments and civil society organizations throughout the partnership life cycle. The platform is integrated with existing systems, such as VISION and InSight, and allows staff to capture and consolidate the above-mentioned data through its different modules.

59. One of the eTools modules is action points, which permits users to create, categorize and close tasks and thus prioritize and follow up on these tasks in a timely manner in accordance with the internal UNICEF follow-up and closure guidelines.

60. Pursuant to paragraph 36 of section B.4 of policy 1 (Internal controls) of the UNICEF financial and administrative policy, one important control activity for managing internal risk should be the segregation of duties in business processes, which involves the distribution of tasks and associated privileges for specific business processes among multiple staff members, with the primary objective of preventing errors and fraud. It is also stated in the policy that, in close consultation with the Division of Financial and Administrative Management or the Regional Head of Operations, Heads of Office may consider assigning some functions to the regional office, another country office or headquarters when their own staff resources are insufficient to allow for adequate segregation of duties.

61. In accordance with the financial and administrative policy, UNICEF adopts the Internal Control – Integrated Framework of the Committee of Sponsoring Organizations of the Treadway Commission. In the section of the Framework on Principle 10,[3] which relates to the control activities component, it is stated that the segregation of duties reduces errors by requiring more than one person to be responsible for performing or reviewing transactions in a process, thereby increasing the likelihood that an error will be detected.

62. eTools plays an essential role in the planning of assurance activities for country offices. Such planning is automatically generated in InSight using the data obtained from the data warehouse and shown in eTools. Planning is consistently updated in accordance with the minimum requirements outlined in the current UNICEF procedures.

63. As set out in paragraph 55 of the UNICEF procedure on programme implementation: work planning, partnerships and risk management (PROCEDURE/DAPM/2022/003), effective since 4 October 2022, at a minimum, one spot check or audit is required for each qualified implementing partner every calendar year. Spot checks are conducted in accordance with the UNICEF spot check guidance. Implementing partners are audited annually based on selection by UNICEF headquarters as per UNICEF risk-based audit methodology and timelines.

64. The Board reviewed the user roles in eTools, the segregation of duties and the planning of assurance activities.

65. In its evaluation of user roles in eTools, the Board found that all users were given the role of "UNICEF user" by default, which enables users to create and close their own action points on the platform. After conducting positive and negative validation tests within the action points module, it was determined that UNICEF users who were overlaid with roles classified as "all other roles" (equivalent to legacy roles,

[3] "The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels."

such as “read-only”) retained the full ability to manage an action point, as they still possessed the “UNICEF user” function.

66. The Board then evaluated UNICEF adherence to its internal policies and the Internal Control – Integrated Framework of the Committee of Sponsoring Organizations of the Treadway Commission with regard to the segregation of duties in the management of action points in eTools, specifically on their creation and closure in the platform. For this purpose, a sample of 60 high-priority financial action points registered from January to September of 2023 was selected. The analysis revealed that 42 per cent of the action points were created and closed by the same user.

67. Similarly, the Board reviewed the automated planning of assurance activities, as required by applicable regulations, by selecting a sample at the New York headquarters and the India country office.

68. For the New York headquarters, a sample of 30 global implementing partners receiving over $50,000 from January to September 2023 was selected to verify the minimum required planning of assurance activities. It was noted that, for 18 implementing partners, programmatic visits were expected to have been scheduled by UNICEF in eTools, but no planned visits were recorded in that system. In addition, although spot checks were expected to have been planned for 18 implementing partners by UNICEF in eTools during this period, no such checks were recorded in the system.

69. The same assessment was carried out in the India country office, where a sample of 20 local implementing partners that also reported expenditures of more than $50,000 from UNICEF funds during the same period was selected. The analysis showed that, although programmatic visits were expected to have been scheduled by UNICEF for two implementing partners in eTools, no planned programmatic visits were identified in that system. In addition, at least one spot check was expected to have been scheduled by UNICEF for eight implementing partners in eTools. However, no spot checks were found in the system.

70. While the Board recognizes the capability of eTools in managing UNICEF implementing partners and assurance activities, it is imperative to reinforce the parameters set in that system, aiming to accurately reflect the roles of the users involved and to adequately segregate the duties pertaining to the related processes.

71. When processes lack clear definitions and segregation, the risk of inefficient task completion, inadvertent errors and even the potential for fraud increases. These risks could be further increased if a single individual has sole control over the initiation and closure of third-party audit observations. Implementing a robust segregation of duties within the system not only serves to mitigate potential conflicts of interest but also upholds the principles of accountability, transparency and proper utilization of the platform.

72. Furthermore, it is our contention that a precise planning of assurance activities on the platform is crucial to ensure compliance with existing UNICEF procedures related to implementing partners management and to prevent an excessive number of programmatic visits and spot checks beyond what is required.

73. The Board acknowledges that the entity’s planning of assurance activities is an automated process based on the minimum requirements of the harmonized approach to cash transfers policy; however, the audit findings indicate that there are still manual interventions in this process, which could lead to errors and affect the reasonable assurance that funds have been used as required by the agreement between UNICEF and the implementing partner. The Board considers it paramount to ensure that assurance activities are adequate and sufficient and to allow for optimal allocation of resources as set out in the minimum requirements in the current harmonized approach

to cash transfers policy, and in accordance with the risk assigned by UNICEF to the implementing partners.

74. **The Board recommends that UNICEF remove from the eTools system the "All other roles" category, which is a legacy from past years and should no longer be assigned to users.**

75. **The Board recommends that UNICEF ensure proper segregation of duties for high-priority action points resulting from spot checks and special audits within the eTools platform.**

76. **The Board recommends that UNICEF leverage its digital tools for the planning and scheduling of the minimum assurance requirements set out in the UNICEF policies/guidelines and facilitate a balanced caseload throughout the year.**

77. UNICEF accepted the recommendations.

7. Human resources

Posts vacant for an excessive period

78. Paragraph 3 of the UNICEF procedure on management of posts (DFAM/PROCEDURE/2018/002), effective since 18 January 2019 (updated), emphasizes the importance of ensuring efficient resource utilization while addressing risks related to budget planning. Paragraph 4 highlights the role of posts in achieving organizational objectives and the need for effective management to control staff numbers and expenses. Paragraph 8 links post actions to changes in programme or management strategies, following the schedule outlined in annual budget preparation instructions for regular review.

79. Furthermore, UNICEF issued guidance and technical instruction on the mid-term review of the strategic plan and the integrated budget (2022–2025) with the office management plans of regional offices and headquarters divisions and offices. In accordance with paragraph 25, any realignment of results and resources must occur within approved regional and divisional budgets. Regional and headquarters offices and divisions should review existing resources to identify unnecessary functions, either repurposing or abolishing positions, including those vacant for over two years.

80. The Board reviewed the post vacancies at UNICEF headquarters New York and noted that, as at 31 December 2023, 71 of the 243 posts (29 per cent) had been vacant for more than 24 months, as summarized in table II.5.

Table II.5
Vacant posts

Post type	*Cases*	*Vacancy duration*	*Approval authority*
Established	7	24–32 months	DFAM
Extrabudgetary	5	33–41 months	HQ, RO, CO
Project	59	24–138 months	HQ, RO, CO
Total	**71**	–	–

Source: Based on information provided by UNICEF.
Abbreviations: DFAM, Division of Financial and Administrative Management; HQ, headquarters; RO, regional office; CO, country office.

81. Given that costs related to staff posts represent a significant proportion of UNICEF expenditure, the Board is of the opinion that leaving posts vacant for more

than two years denotes deficiencies in budget management and planning, preventing resources from being used for other purposes, which may, as a result, hamper the ability of UNICEF to achieve its intended objectives and results.

82. The Board considers that consistently conducting thorough reviews of posts is of the utmost importance, as it contributes to accurately identifying the current entity staffing needs, to optimizing the recruitment process and, when justified, to abolishing redundant positions or making changes to programmatic or management results and strategies.

83. **The Board recommends that UNICEF evaluate positions vacant for over 24 months on a yearly basis, identifying those that are not necessary and abolishing them if applicable, and adjusting to the current entity staffing needs to ensure effective and efficient position management of UNICEF resources.**

84. UNICEF accepted the recommendation and indicated that it regularly advised offices to review positions that have been vacant for more than two years, adding that in 2024, a targeted communication was sent by the Division of Financial and Administrative Management to each of the respective headquarters offices and divisions, which would have resulted in the elimination of several positions. It added that several measures in this area would be in place by December 2024. Those measures will have to be analysed in the next audit period.

Failure to meet deadlines for retroactive overtime payments

85. It is stated in paragraph 6 of the UNICEF procedure on salary administration, advances to staff, retroactivity of payments and recovery of overpayments (PROCEDURE/DHR/2021/001, version of 30 June 2023) that UNICEF staff members should be responsible for ensuring that all payments, benefits and allowances they receive are correct and for the timely claim of any underpayments and report of overpayments. Any retroactive payments and recovery of overpayments are subject to the provisions set out in United Nations staff rule 3.17[4] and this procedure.

86. Concerning the retroactivity of payments, it is stated in paragraph 15 of the same procedure that staff members should be allowed to submit a written claim for the retroactive receipt of a payment within two years of the date on which they would have been entitled thereto if the payment should have been made automatically, not subject to the staff member's submission of a formal request; or if the staff member made the required formal request, but did not receive the payment, or received a smaller amount, due to an administrative error.

87. Furthermore, referring to risk management, it is stated in the procedure that one typical risk in human resources is that staff members are not aware of a missing payment or an overpayment. The minimum expected measure to mitigate this risk is regular and parallel monitoring by the Global Shared Service Centre.

88. The Board reviewed the list of overtime payments made to all UNICEF offices in 2023, and it was observed that there were 26 transactions corresponding to retroactive payments over two years for 10 staff members. Those payments were

[4] Retroactivity of payments: A staff member who has not been receiving an allowance, grant or other payment to which he or she is entitled shall not receive retroactively such allowance, grant or payment unless the staff member has made written claim:
(i) In the case of the cancellation or modification of the staff rule governing eligibility, within three months following the date of such cancellation or modification.
(ii) In every other case, within one year following the date on which the staff member would have been entitled to the initial payment.

made between 26 and 115 months after the date on which the staff members were entitled receive them.

89. In this regard, the Global Shared Service Centre explained that the payroll team was responsible for processing overtime entries made by staff members or local focal points, based on inputs updated in VISION and approved by supervisors in each country office. The country offices were responsible for maintaining accurate and up-to-date records of overtime work, and the Global Shared Service Centre for calculating overtime based on the documentation provided by the country offices and processing payments through payroll.

90. The Board is of the opinion that failure to comply with the deadlines set out in the procedure would entail a risk of improper payments to staff, as the period for claiming such retroactive payments had already expired.

91. The Board maintains that regular monitoring of retroactive payments by the Global Shared Service Centre is crucial for country offices to manage individual workloads adequately and prevent overdue payments. In addition, proper monitoring would ensure compliance with and the consistency of procedures across all UNICEF offices.

92. **The Board recommends that the UNICEF Global Shared Service Centre ensure, as part of its regular monitoring, that overtime payment requests are reviewed to prevent payment of inappropriate or late claims.**

93. UNICEF accepted the recommendation and stated that automated controls had been implemented in the VISION system. In particular, it was mentioned that the management of overtime entries was limited to a period of 12 months; that the retroactivity of payments and the recovery of overpayments for overtime entries was limited and could not exceed 24 months; and that overtime entries were now permitted only for staff members classified in the General Service category.

94. The measures reported by UNICEF will be assessed in the next audit period.

Deficiencies in the management of personnel files

95. It is stated in the UNICEF procedure on personnel files (PROCEDURE/DHR/2021/005), effective since 22 December 2021, that the organization should maintain a personnel file for each staff member, documenting his or her professional relationship with UNICEF.

96. In accordance with paragraphs 6 and 7 of the procedure, personnel files are normally created and maintained by the Global Shared Service Centre in the form of electronic official status files, but may also be created and maintained by the Division of Human Resources. Each personnel file shall contain essential documents pertaining to staff members' personal status and contractual aspects.

97. Regarding the content of personnel files, it is stated in paragraph 9 of the procedure that the Chief of the Global Shared Service Centre human resources administration is responsible for further defining the content and structure of the personnel file in electronic official status files, in accordance with the provisions of the procedure and a separate Global Shared Service Centre guidance document, which shall be reviewed jointly by the Global Shared Service Centre and the Division of Human Resources as required.

98. Concerning the officials who have access to the information contained in the personnel files of all staff members, it is stated in paragraph 17 of the procedure that the officials who have access include those from Global Shared Service Centre – human resources administration team and the Division of Human Resources.

99. Following a recommendation included in report A/76/5/Add.3, chap. II, para. 133, the organization decided to store the essential documents related to the personnel files in the electronic official status file, while the rest of the information was kept in various systems such as VISION, Talent Management System, Service Gateway and AGORA.

100. In order to verify the completeness and consistency of personnel file management, the Board selected a sample of 30 staff members recruited in 2023.

101. It was found that the storage of essential and non-essential documents to be included in the electronic official status file or in other systems was not formalized in the procedure, which made it difficult to determine in which system a specific piece of information was located. In addition, the limited number of people authorized to access the different platforms jeopardizes the accessibility of personnel files.

102. As a result of the above, the Board was unable to access 23 offers of appointment, 30 letters of appointment and 27 education diplomas for the selected sample. Although the Global Shared Service Centre provided the missing information, the letters of appointment were made available by self-service through Service Gateway. This involved taking personnel information directly from SAP and generating the letter of appointment in real time.

103. The Board is concerned that UNICEF lacks a formal procedure for determining the essential and non-essential documents to be included in the electronic official status file or in other systems, as well as for clearly establishing how this information can be accessed from the different systems used.

104. The above could potentially hinder internal and external users from accessing personnel files when needed to verify assignment requirements, job skills and contract fulfilment. This could compromise data accuracy and lead to a lack of awareness across country offices and across the organization of the information that personnel files must contain and where it should be stored. In addition, UNICEF may incur additional costs associated with maintaining such systems.

105. **The Board recommends that the UNICEF Global Shared Service Centre, with the collaboration of the UNICEF Division of Human Resources, incorporate the different categories of personnel records, including essential and non-essential documents, into the personnel file procedure and communicate it globally.**

106. **The Board recommends that the UNICEF Global Shared Service Centre, with the collaboration of the UNICEF Information and Communication Technology Division, establish a control report with staff responsible for monitoring the proper flow of documents across all record categories.**

107. UNICEF accepted both recommendations.

Non-applicable repatriation benefit in the active census data

108. In accordance with rule 9.12 of chapter IX: Separation from service, of the 2023 Staff Regulations and Staff Rules, including provisional Staff Rules, of the United Nations, the purpose of the repatriation grant is "to assist in the re-establishment of expatriate staff members in a country other than the country of the last duty station, provided that they meet the conditions contained in annex IV to the Staff Regulations and in this rule."

109. Annex IV to the Staff Regulations sets out the number of weeks to be granted to the eligible staff members depending on the qualifying service: "In principle, the repatriation grant shall be payable to staff members who have completed at least five years of qualifying service, whom the Organization is obligated to repatriate and who at the time of separation are residing, by virtue of their service with the United

Nations, outside their country of nationality. The repatriation grant shall not, however, be paid to a staff member who is dismissed. Eligible staff members shall be entitled to a repatriation grant only upon relocation outside the country of the duty station."

110. Calculating this benefit requires that the grantor organization apply an actuarial valuation method. In the case of UNICEF, an external consulting actuary performs this valuation on the basis of the information on participants, beneficiaries and separations processed as at 31 December provided by the organization, including demographic and personal employment data of its active and retired staff.

111. It should be noted that UNICEF performs a full actuarial valuation every two years and a roll forward of the actuarial valuation the following year. The actuarial valuation conducted as at 31 December 2023 was determined using the data of 31 October 2023, and the same census data must be used to perform the actuarial valuation in the roll forward process for 2025.

112. The Board analysed the information provided by UNICEF for the actuarial valuation as at 31 December 2023.

113. In addition, a sample of 30 active staff members was reviewed to determine whether the staff members receiving repatriation benefits were eligible for this benefit, that is, that they had five years of qualifying service with UNICEF. It was found that four staff members did not meet this requirement, as shown in table II.6.

Table II.6
Staff members not eligible for repatriation benefits

Years of service with UNICEF	*Repatriation weeks per actuary file*	*Repatriation weeks per rule 9.12*	*Difference (weeks)*
3	10	–	10
2	5	–	5
4	7	–	7
4	7	–	7

Source: Based on information provided by UNICEF.

114. The Board considers the information in the active census data to be a key input to perform the actuarial valuation; therefore, any inconsistency or gap in the data could lead to errors in estimating employee benefits liabilities. Thus, the controls established by the entity in this matter must be aimed at providing reasonable assurance that the information provided to the actuary is complete, accurate and faithfully reflects the records associated with this liability.

115. **The Board recommends that UNICEF review the information related to repatriation weeks granted to staff members in the active census data, to ensure that repatriation weeks are granted to those who have completed the minimum five years of qualifying service with UNICEF.**

116. UNICEF accepted the recommendation.

8. Property, plant and equipment

Inconsistencies in assigning custodians and rooms to asset master record

117. It is stated in paragraph 6 of the UNICEF procedure on property, equipment and leases (PROCEDURE/DFAM/2020/004), effective since 29 May 2023, that attractive items, and low-value items that an office chooses to track, do not require the creation of an asset master record before procurement and can be purchased through any

method allowed for by UNICEF policies and procedures on low-value procurement. Attractive items and low-value items being tracked have a ‘lite’ asset master record created through the mAsset application at the time of goods receipt or directly in VISION. The term “asset master record” captures both ‘full’ asset master records used for property and equipment and ‘lite’ asset master records for attractive and low-value items.

118. It is stated in paragraph 7 of the procedure that all asset master records must be kept up to date at all times with accurate custodian, room and location information. The custodian is responsible for the safekeeping of the asset, attractive item or low-value item and a custodian must always be allocated to each asset, attractive item and low-value item to ensure that the UNICEF assets are safeguarded (a personnel number is assigned).

119. Moreover, it is stated in paragraph 17 of the same procedure that routine updates to asset master records, such as updates to custodian or room, must be made by asset focal points through the mAsset application or directly in VISION on a timely basis (at the latest within 30 days of identification of need for change). “Timely basis” here should mean “live”, as events occur, through the mAsset application. Only in exceptional circumstances should such changes be recorded after the event.

120. The Board performed a review of the procedure as well as of all assets, attractive items and low-value items registered in VISION as at 30 September 2023, paying specific attention to custodian and room information. Only those items deemed to be in good condition in the field “Property Survey Board status as of report date” were considered.

121. It was noted in the review that the procedure did not define by asset class those assets to which, owing to their nature, the assignment of a custodian was applicable.

122. Inconsistencies in custodian assignments were also observed. For asset classes 1210, 1220, 1400, 1450, 1500, 1600, 1750 and 2100, out of a total of 5,203 items, 1,123 had an assigned custodian when it was not applicable. For asset classes 1650, 1800, 9000 and 9100, out of a total of 52,541 items, 31,423 did not have an assigned personnel number, although it was applicable.

123. Concerning outdated custodian information, personnel numbers of 1,422 individuals who no longer worked for UNICEF were linked to asset classes, such as 1650, 1800, 9000 and 9100.

124. Of the total of 6,502 asset numbers from various asset classes that should be assigned to at least one room, 763 lacked a room assignment.

125. In relation to lost and stolen items, the Board identified 137 “lost” and 49 “stolen” closed cases between 1 January and 30 September 2023, using the UNICEF Service Gateway – Property Survey Board’s submissions as at 30 September 2023 and considering only items classified as “lost” and “stolen” in the “reason for submission” field.

126. Lastly, regarding the timely tracking of custodians through the mAsset application, even though providing “live” updates was mandatory, UNICEF explained that the custodian field was optional.

127. The Board is concerned about the absence of standardized criteria for designating custodians for assets of the same type, the non-mandatory field in the mAsset application, the failure to accurately document the room for all applicable assets, and the outdated personnel number information. This situation might expose assets, attractive items and low-value items to the risk of loss, either through misplacement or theft.

128. Similarly, implementing consistent and standardized criteria at all levels in all UNICEF offices in assigning assets to custodians and rooms, as well as in updating the related information regularly, would contribute to improving the management of such items.

129. **The Board recommends that UNICEF revise and update its procedure on property, equipment and leases by providing a precise definition of the term "custodian", along with the role. The procedure shall specify the asset classes for which custodianship is mandatory and the reasons for which it is not, including indications regarding who is responsible for their security in such cases.**

130. **The Board recommends that UNICEF update the mAsset application to make the custodian field compulsory when it applies to the asset class defined in the updated procedure, in order to achieve consistency with the procedure.**

131. **The Board recommends that UNICEF keep its records up to date with regard to the room and custodian, as required by the procedure.**

132. UNICEF accepted the recommendations.

9. Emergency management

Lack of compliance with the emergency monitoring mechanism

133. The UNICEF emergency procedures (PROCEDURE/EMOPS/2021/001), effective since 1 December 2021 and issued by the Office of Emergency Programmes, define the various actions to be taken by the country office, the Emergency Management Team, the Office of Internal Audit and Investigations and the Evaluation Office to monitor compliance with emergency procedures.

134. The emergency procedures specifically define the responsibilities of the Office of Internal Audit and Investigations and the Evaluation Office in relation to emergency responses. In fact, it is stated in paragraph 14 (b) of the emergency procedures that the Office of Internal Audit and Investigations and the Evaluation Office should assess the extent of application of the emergency procedures when conducting audits and evaluations of country offices and regional offices undertaking an L1 to L3 emergency response.

135. The Board consulted the Office of Internal Audit and Investigations and the Evaluation Office on the audits and evaluations carried out from 1 January to 30 September 2023, in which they assessed the extent of application of the emergency procedures, according to the emergency procedure in place.

136. The Board noted that the Office of Internal Audit and Investigations did not carry out specific evaluations of emergency procedures. Instead, emergency procedures were indirectly evaluated within its risk assessment framework and were included as an integral part of its audit work as defined by its mandate. In this respect, the Office of Internal Audit and Investigations stated, "in essence, the Office of Internal Audit and Investigations is not required by its mandate and does not carry out isolated compliance audits for emergency procedures, as proposed in the Office of Emergency Programmes Emergency Procedure document."

137. Furthermore, as informed by the Evaluation Office, the Office of Internal Audit and Investigations did not consider carrying out a full evaluation of the emergency procedures but considered them in the wider scope of L3 responses, where the use and effectiveness of the emergency procedure was assessed as part of the L3 evaluations managed in 2023.

138. Given the fact that the Office of Internal Audit and Investigations is not mandated by its Charter to perform monitoring and does not do so under the terms set

out in the procedure, and that the Evaluation Office is only evaluating L3 emergencies, which does not adequately cover the required compliance monitoring, the Board is concerned about the lack of compliance with the monitoring mechanisms outlined in the emergency procedures. This inconsistency between the procedures and their implementation could hinder assessment of the effectiveness of compliance monitoring.

139. The Board deems it important to have a clear definition of what is done and required in the emergency procedures to ensure greater consistency and trustworthiness, particularly in monitoring compliance, preventing risks and assessing the effectiveness of their implementation. Similarly, the Board considers it paramount that the externalities resulting from the involvement of both the Office of Internal Audit and Investigations and the Evaluation Office in monitoring compliance with emergency procedures be reviewed in order to clearly define a possible distinction between the second and third lines of defence in the UNICEF emergency procedures.

140. **The Board recommends that UNICEF review the responsibilities assigned to the Office of Internal Audit and Investigations and the Evaluation Office for monitoring compliance with emergency procedures and update the emergency procedures accordingly.**

141. UNICEF accepted the recommendation.

Non-conformities related to the Emergency Management Team in the Sri Lanka country office

142. The UNICEF emergency procedures also outline various actions to facilitate a timely, predictable and efficient humanitarian response to an emergency. One of these actions involves “emergency coordination”, which indicates the need to organize an Emergency Management Team to support corporate decision-making for the crisis, and to use the Emergency Management Team, as well as regularly occurring audits and evaluations, to monitor the use of the emergency procedures.

143. Pursuant to the terms of reference concerning the Sri Lanka Emergency Management Team, dated 31 October 2022, the Team is the central management body within the country office for advising and supporting the Representative and the country management team during an emergency and its preparedness phase.

144. The terms of reference state that the frequency of Emergency Management Team meetings is determined by the Representative and Deputy Representative and the country management team, in consultation with the Emergency Focal Point. The terms of reference also specify that a record of the agenda and decisions made at each meeting of the Emergency Management Team must be maintained, while the status of the actions taken to address those decisions must be monitored.

145. The Board examined the emergency procedures implemented in response to the ongoing crisis in Sri Lanka, specifically regarding the emergency coordination of the Emergency Management Team. It was found that the Team had held only one meeting, in March 2023.

146. When asked about the organization of the Emergency Management Team meetings, the Emergency Unit explained that in early 2023 it had been decided that no further coordination meetings would be held between the Sri Lanka country office and the regional office and that sectoral meetings would be held only when specific sector-related issues arose. However, there was no documentation of this decision.

147. In addition, the Board observed that no records of the Emergency Management Team meeting or the decisions agreed upon were kept, which constitutes a failure to comply with the terms of reference of the Emergency Management Team.

148. Concerning the monitoring of actions taken to address Emergency Management Team decisions made during the coordination calls between the country office and the South Asia Regional Office, the regional office was supporting the country office in keeping a record of agreed actions for monitoring and follow-up in a document called the "action matrix". However, the Board has noted that that document still contains action points from 2022 with the status "ongoing/in progress" and lacks deadlines for the action points from 2023. In addition, it was observed that the "action matrix" document has been suspended since March 2023, and the Emergency Management Team has not implemented a replacement monitoring process. Consequently, the Team has been unable to track the status of actions taken in response to its decisions, as outlined in the terms of reference.

149. Implementing regular meetings, structured recording methods and efficient follow-up procedures will help to strengthen the office's ability to effectively respond to an emergency. Furthermore, it is crucial to document and communicate the decisions made, especially those deviating from regulatory provisions, to demonstrate the factors considered and the reasoning behind them. Such documentation serves as a vital communication tool for transparency and accountability.

150. **The Board recommends that the UNICEF Sri Lanka country office ensure compliance with the terms of reference of the Emergency Management Team, particularly by documenting the frequency and content of meetings and the follow-up actions as well as decisions related to activation or deactivation.**

151. UNICEF accepted the recommendation.

10. Master data management

Assignment of the master data management local focal point role

152. In paragraph 20 (i) of supplement 1 (Roles) of policy 1 (Internal controls) of the UNICEF financial and administrative policy, effective since 1 March 2021, referring to master data management roles, it is stated that, depending on the master data element, modifications to master data can have significant effects on payments and reporting. Master data management must be restricted to staff members who are knowledgeable about the implications of changes to elements and structures of master data.

153. One of the roles established for master data management is the master data management local focal point. This role is responsible for initiating the creation or modification of vendor records through Service Gateway,[5] in which local focal points have additional access to finance, master data management, human resources and payroll services, depending on the role assigned. According to the guidance on the local focal point roles – finance, master data management, human resources and payroll – the master data management local focal point must be familiar with UNICEF guidance related to vendors, customers, implementing partners and non-staff data in order to be able to correctly identify the type of request to be submitted.

154. Another role established for master data management is the master data management local focal point releaser. In accordance with the same guidance, the approval of the local focal point releaser is required to address the risks associated with changing financial information in master data management. The local focal point releaser checks the validity and accuracy of the information submitted and aims to minimize the number of returned and rejected requests. The guidance also recommends that the local focal point releaser role be assigned to operations

[5] Service Gateway provides one integrated portal for all Global Shared Service Centre and information and communications technology services and is used to submit requests to the Global Shared Service Centre and to monitor their status.

managers, which is a generic role and may encompass titles such as Deputy Representative Operations, Chief of Operations and Senior Operations Manager, among others.

155. The Board reviewed the master data management policies and guidelines referred to above and observed that they did not provide precise criteria for the appointment of individuals to the roles of local focal point and local focal point releaser, nor did they define specific positions to cover them.

156. Furthermore, the Board reviewed a list of 948 staff members who were assigned the role of local focal point and therefore authorized to request changes to the vendor master data. The analysis showed that 49 staff members held the local focal point role across 11 different positions, including drivers, a senior driver, an information technology assistant, a receptionist and travel assistants. The Board subsequently reviewed a list of 581 staff members who were assigned the role of local focal point releaser and hence were authorized to approve or reject master data management requests by the local focal point. A total of 601 staff members were identified, including 131 individuals such as chiefs, directors, deputy directors, editors and one travel assistant.

157. The Board is of the opinion that the absence of clear criteria for assigning the local focal point and local focal point releaser roles could result in employees without the requisite skills and knowledge modifying the vendor master banking information. This poses a significant risk of financial fraud, misappropriation of funds and lack of change control, particularly when these role assignments are not adequately restricted.

158. Establishing strict criteria for the designation of these roles would reduce the risk of unauthorized manipulation of banking data, thereby strengthening control over who can make changes in the system. This would also contribute to ensuring that only qualified personnel are authorized to make changes, thereby reducing the risks associated with unauthorized or poorly managed changes.

159. **The Board recommends that the UNICEF Global Shared Service Centre, in collaboration with the UNICEF Division of Financial and Administrative Management, implement more stringent criteria in its policy for the assignment of local focal point and local focal point releaser, by, at minimum, specifying the optimal positions required for these roles, and ensure that the staff currently assigned to those roles meet the established criteria.**

160. UNICEF accepted the recommendation.

11. Information and communications technology

Change management process

161. The UNICEF "Standard on information security: ICT operations security" (ICTD/STANDARD/2018/003), effective 29 January 2018, mandates a comprehensive change management process for information and communications technology (ICT) operations, encompassing systems such as VISION SAP. This framework requires a collaborative approach, ensuring that any modifications to UNICEF systems or software are mutually agreed upon by the UNICEF ICT function and the respective business division. The process requires a detailed description of each change, its anticipated outcomes, necessary approvals and robust supporting documentation. Furthermore, it is imperative that these changes undergo thorough testing before their implementation in the production environment.

162. To ensure heightened control and security, the standard establishes that responsibilities are distributed among multiple staff members. This distribution

ensures that no single individual has the autonomy to access, modify or use information assets without the authorization or oversight of another staff member.

163. In addition, the standard emphasizes that the change management process should be structured to pass through segregated environments, including development, testing and production.

164. In the context of implementing changes in the VISION SAP system, it was identified that its structure incorporates multiple environments to ensure that they are segregated, such as development, quality assurance and production. In turn, the changes were grouped in a request for change and moved to the production environment by the Basis Team, while this entire process was tracked by the Solution Manager system.

165. The Board reviewed 30 cases of changes in VISION as at November 2023, observing the following:

(a) In four cases, although change processes were recorded in the Solution Manager system, the system showed that the same change manager approved each step, with no tangible evidence that these changes were assessed or approved by the areas that had requested the changes;

(b) Fourteen cases lacked documentation supporting the change process in the Solution Manager tracking system;

(c) Nineteen cases with information links showed inconsistencies in information storage; seven cases included repository links in the comments section, while twelve others included them in the attachments section of the change record in the Solution Manager system. Moreover, nine cases recorded the supporting documentation in SharePoint folders, another five in Azure DevOps, and five in both systems.

166. The Board also reviewed the "SCC4 table"[6] in VISION.

167. In this regard, the Board observed that in 2023, openings of the SAP production environment client (300) were recorded four times, and the SAP 000 environment once. These openings were explained by the Information and Communications Technology Division as necessary for specific business needs, such as changes of directory path or system time adjustments. However, the evidence supporting these changes was not formally recorded. The openings were authorized and executed by the Basis Team Manager.

168. The Board considers that UNICEF has not consistently followed standardized documentation and change approval procedures in this matter; thus, the cases observed denote a lack of clear segregation of duties in change management. This represents a risk in the traceability and monitoring of changes and could lead to unauthorized or untested changes within VISION being traced back to individual change managers in the course of record verification.

169. The Board holds the view that the standardization of documentation would ensure that all changes are appropriately documented, authorized and justified and would enable complete traceability of changes made in VISION, via the Solution Manager system and the client opening process ("SCC4 table").

170. **The Board recommends that UNICEF standardize the documentation and that the change process be consistently followed for change management in VISION.**

[6] The "SCC4 table" in VISION is a functionality that allows changes to be made directly in the production environment, bypassing established environmental controls.

171. **The Board recommends that UNICEF document the VISION client opening process formally, in order to clearly define the reasons and the specific actions to be taken during the opening process.**

172. UNICEF accepted the recommendations.

C. Transmissions of information by management

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

173. UNICEF reported to the Board that losses in assets of $6.02 million (2022: $17.72 million) had been written off during 2023, including inventory of $3.79 million (2022: $15.42 million), property and equipment of $0.13 million (2022: $0.02 million), other receivables of $0.10 million (2022: $0.08 million) and contributions receivable of $2.00 million (2022: $2.19 million).

2. Ex gratia payments

174. UNICEF reported for the year ended 31 December 2023 that the Executive Director had authorized events that qualified for ex gratia payments totalling $54,827.93. The payments were to support locally recruited personnel in three UNICEF offices affected by earthquakes in 2023.

3. Cases of fraud and presumptive fraud

175. 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.

176. 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.

177. UNICEF reported 120 cases (2022: 143 cases) of fraud or presumptive fraud closed during 2023 by the Office of Internal Audit and Investigations and 459 cases of fraud or presumptive fraud relating to cash-based transfer project cases closed during 2023 (2022: 249 cases), which were investigated by an independent organization engaged by UNICEF.

178. For the year ended 31 December 2023, the total loss, gross of recoveries, for cases closed by the Office of Internal Audit and Investigation and cases investigated by an independent organization was $99,398, of which $5,877 was recovered. Furthermore, the independent organization for project-specific cases in the cash-based transfers project identified $41,891 in fraudulent loss transactions, of which $38,415 (92 per cent) was recovered.

D. Acknowledgement

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

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

(*Signed*) Dorothy **Pérez Gutiérrez**
Acting Comptroller General of the Republic of Chile
(Lead Auditor)

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

24 July 2024

Annex

Status of implementation of recommendations up to the year ended 31 December 2022

No.	*Audit report year*	*Report reference*	*Recommendation of the Board*	*Management's response*	*Board's assessment*	*Status after verification*			
						Implemented	*Under implementation*	*Not implemented*	*Overtaken by events*
1	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.	UNICEF confirmed that the necessary measures have been taken to set up implementation of the new data warehouse strategy as a priority. UNICEF management has developed a comprehensive and broader data and analytics strategy with Gartner that resulted in an in-depth assessment of the current status, identifying the gaps and building use cases with consultations across all UNICEF divisions to produce a target state architecture to modernize the data warehouse, to be presented in November 2023 to the Digital Transformation Board.	Following the meetings held with the Information and Communications Technology Division and the evidence provided, it was concluded that, with the assistance of the vendor Gartner, a data warehouse strategy had been developed within the entity. It was also noted that the entity is actively engaged in implementing tools and developing an appropriate architecture to support and facilitate the implementation of this data storage strategy. On the basis of these actions, this recommendation is deemed to have been implemented.	X			
2	2021	A/77/5/Add.3, chap. II, para. 93	The Board recommends that UNICEF ensure that comprehensive testing of the information and communications technology business continuity and disaster recovery plan is carried out regularly, including necessary simulation exercises at defined intervals, as the Board previously recommended (see A/75/5/Add.3, chap. II, para. `244).	UNICEF explained that the resilience and duality built in the Valencia facility are designed to withstand systems and component failure, with the exception of the storage area network. The cost of duplicating the storage area network was considered prohibitive. To compensate for the lack of duplication at the storage area network level, the Division has implemented the StoreOnce system, which maintains an identical copy of the storage area network in real time, and is in the process of implementing a tape library system that will take a snapshot of the area to an off-site location. The storage area network in Valencia is replicated in real time to the storage area in Brindisi	The Board validated the execution of disaster recovery exercises on the UNICEF new infrastructure by reviewing evidence and conducting meetings. This, together with the current business continuity plan, demonstrates a commitment to address the risks highlighted by the Board. Therefore, the Board considers this recommendation implemented.	X			

No.	Audit report year	Report reference	Recommendation of the Board	Management's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
				and the Brindisi storage area is duplicated on the StoreOnce system in Brindisi.					
3	2021	A/77/5/Add.3, chap. II, para. 125	The Board recommends that UNICEF update the minimum preparedness standards for headquarters and the regional offices.	UNICEF confirmed that it has reviewed and updated the minimum preparedness standards for headquarters and the regional offices.	The Board analysed the information provided by the organization and verified that the minimum standards of preparedness at headquarters and regional offices had been duly updated and approved as at February 2024. The recommendation is therefore considered implemented.	X			
4	2022	A/78/5/Add.3, chap. II, para. 23	The Board recommends that UNICEF promote and remind eTools users of the relevance of this platform's action points module to ensure that they make full use of the tool to manage assurance activities in a timely manner.	UNICEF stated that a targeted high-level communication from senior management had been sent to Heads of Office to promote and remind teams of the importance of making full use of the tool in order to manage assurance activities in a timely manner, with emphasis on the following aspects: (a) Timeliness of spot checks and the expectations for selection of the most recent actual programme expenditures in the funding, authorization, certification and expenditure form reporting; (b) Encouraging full use of the action points module for adequate follow-up of key findings; (c) Ensuring consistency in the recording of high-priority action points from all assurance activities; (d) Using existing mechanisms for the monitoring of action points;	The Board analysed the actions taken by UNICEF in order to promote and remind eTools users of the importance of using this platform correctly. The efforts to promote and remind users of the importance of timely verifications and the expectations for the selection of the latest actual expenditure in the funding, authorization, certification and expenditure form reports were observed. In this respect, this recommendation is considered implemented.	X			

No.	Audit report year	Report reference	Recommendation of the Board	Management's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
				(e) Sending reminders regarding the status of action points, including the distribution of overdue action points by the country office, with the objective of raising awareness within the teams of the importance of timely resolution; (f) Keeping supporting documents for all closed action points.					
5	2022	A/78/5/Add.3, chap. II, para. 24	The Board recommends that UNICEF ensure that its country offices regularly monitor that the action points in eTools are properly addressed to ensure their effectiveness.	UNICEF reported numerous actions and outcomes of regular monitoring by various offices and mentioned some actions that have been taken: (a) A new key performance indicators performance scorecard was developed to monitor the status of high-priority action points, with mandatory application from January 2025; (b) The programme implementation handbook now provides more information on the periodic review and monitoring of action points in country offices; (c) Further enhancements were made (currently in the testing phase) to improve the visualization and interactive analysis of action points in country offices, regional offices and at the headquarters level; (d) Periodic communications were sent by headquarters to regional offices on the status of action points to facilitate monitoring in the country offices;	The Board analysed the measures taken by UNICEF offices to effectively monitor high-priority action points in eTools. The following was observed: the introduction of a new key performance indicator for monitoring; the update to the programme implementation handbook to reinforce follow-up guidelines; and the enhancements to the dashboards to facilitate interactive analysis of the action points. The creation of new tools and regular communications with the regional offices was also observed, which indicate that UNICEF has been taking concrete steps to improve the tracking process and reduce the number of overdue action points. The addition of a dedicated page in the eTools dashboard for financial findings and action points also suggests a more structured and transparent approach. Based on these developments, the recommendation is considered implemented.	X			

No.	Audit report year	Report reference	Recommendation of the Board	Management's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
				(e) A dedicated page is being introduced in the eTools dashboard on financial findings and action points, which is currently in the testing phase. A harmonized global approach to the cash transfers analysis report was also shared that is aimed at providing key global feedback on a harmonized approach to cash transfers and to cash transfers assurance, together with an invitation to provide feedback to improve the programme implementation handbook.					
6	2022	A/78/5/Add.3, chap. II, para. 28	The Board recommends that UNICEF improve the practice of uploading the supporting documentation of actions taken in eTools or any other platforms as appropriate.	UNICEF provided the following evidence to demonstrate improvements in that regard: (a) On 22 September 2023, a communication was sent by the leadership of the Division of Data, Analytics, Planning and Monitoring to all regional and country offices to ensure that supporting documents are kept for all closed action points; (b) On 28 September 2023, a follow-up communication was sent to regional offices to guide country offices on the supporting documents for closed action points that can be uploaded in the financial assurance module; (c) The programme implementation handbook (which is currently being updated) now provides more information on how to validate authenticity or sufficiency of supporting documents to close high priority action points.	The Board recognizes UNICEF efforts to promote the use of the eTools platform and the action points module and to encourage their timely completion with the uploading of proper documentation. In this regard, a sample of 30 implementing partners was reviewed. It was noted that, in eight cases, the supporting documents had not been uploaded, indicating that there is still room for improvement. Therefore, this recommendation is considered to be under implementation.		X		

No.	Audit report year	Report reference	Recommendation of the Board	Management's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
7	2022	A/78/5/Add.3, chap. II, para. 33	The Board recommends that the Philippines country office monitor the updates of the action points on assurance activities in the eTools platform regularly.	The organization stated that the Philippines country office has addressed all of the open action points that were recorded as overdue and delayed at the time of the audit and is actively monitoring completion of the action points on a monthly basis. Key steps taken include the following: (a) The establishment of a real-time power business intelligence dashboard to support managers; (b) The adoption of a revised approach to presenting the status of action points to the Programme Management Team, whereby colleagues are asked to provide an update on the status of key due and overdue action points ahead of the presentation at the Programme Management Team.	The Board acknowledges the actions reported by the Philippines country office for activation of the parameters indicated in the power business intelligence dashboard. In addition, it was verified that the periodic controls carried out are efficient, as an action points report was obtained from eTools for 2023, which shows that only three cases remain open, compared to 22 cases for 2022, demonstrating better control by the Philippines country office. This recommendation is therefore considered implemented.	X			
8	2022	A/78/5/Add.3, chap. II, para. 45	The Board recommends that UNICEF take measures to reduce the gaps between the time the expenditures are reported by the implementing partners and the spot checks are performed by the organization to ensure the effectiveness of this assurance activity.	UNICEF reported that the root cause analysis had concluded that, globally, no significant departure from expected practice had been identified. The key points included in the report were: (a) In general, liquidation is conducted within a range of 3 to 6 months after a cash advance, leading to an unavoidable time gap between expenditures incurrence or reporting and the conduct of spot checks; (b) Under the spot check guideline, during the first quarter of the fiscal year, the UNICEF	The Board acknowledges the efforts made by UNICEF to address this issue. However, a sample of 41 implementing partners was reviewed in order to verify compliance with the assurance activities as at 31 March 2024, and it was noted that in eight cases the spot checks were carried out between 7 and 15 months after the expenditure was reported by the implementing partners, which indicates that there is still room for improvement. Therefore, this recommendation is considered under implementation.		X		

No.	Audit report year	Report reference	Recommendation of the Board	Management's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
				office can conduct spot checks on the fourth quarter of the previous fiscal year; (c) On average, there was a three-month time gap between creating a spot check engagement and the end date of reported expenditures; (d) About 7 per cent of spot checks performed in the current year are conducted directly on the expenditures of the prior period or year(s). Meanwhile, enhancement of the digital platform to facilitate a robust monitoring and reporting mechanism, including the timely scheduling or conduct of spot checks and coverage of expenditures, is currently in progress.					
9	2022	A/78/5/Add.3, chap. II, para. 46	The Board recommends that UNICEF identify the root causes of delays in spot checks and take concrete and proactive measures to address them.	UNICEF reported that it had conducted a detailed root cause analysis and had taken proactive measures to address the weaknesses identified. In order to identify the prevalence, reasons and potential impact of non-optimal timeliness of spot checks and the issues related to coverage of expenditures from the preceding year/s: (a) relevant procedures and guidelines were reviewed, (b) spot check data for 2020–2022 were analysed, and (c) inputs were gathered from the regional offices through implementing partnership management specialists.	The Board has reviewed the UNICEF analysis of the root causes of delays in spot checks. In this regard, it was noted that the organization has identified the main causes and proposed measures to reduce the gap between disbursement and financial assurance, such as updating the 2015 spot check guideline; improving the digital platform and developing standard online training on spot checks. Based on the above, the recommendation is considered implemented.	X			

No.	Audit report year	Report reference	Recommendation of the Board	Management's response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
10	2022	A/78/5/Add.3, chap. II, para. 57	The Board recommends that UNICEF strengthen its controls over the vulnerability management process by analysing active vulnerability alerts issued by the security tools and promptly resolving them based on the associated risk.	UNICEF provided a document that contains the vulnerability reports (30 and 90 days) that help to visualize the improvements over time, as well as a report on vulnerabilities that have been fixed for the last 30 and 90 days, and explained that these are global reports that are generated by the new Ivanti platform and supersede the previous partial Qualys report.	Following an analysis of the evidence provided by UNICEF on timely vulnerability management, the Board considers that, with the new Ivanti tool deployed globally, in addition to the deployment of patches that have been included as part of the Information and Communications Technology Division's software distribution and patching process, vulnerabilities faced by the entity are currently being identified, and periodic remediation measures are being applied. Based on the foregoing, the recommendation is considered implemented.	X			
11	2022	A/78/5/Add.3, chap. II, para. 58	The Board recommends that UNICEF involve the local ICT offices in the process of addressing the vulnerabilities identified more actively.	UNICEF has presented a vulnerability management guideline, which delineates the responsibilities of ICT officers in addressing the vulnerability alerts pertinent to their respective offices.	Based on a review of the guidelines provided by UNICEF and the discussions with the organization, it was observed that the newly deployed Ivanti tool allows for more centralized control of cybersecurity vulnerabilities and facilitates a more user-friendly involvement of local ICT offices in the vulnerability management process, helping ICT officers to participate actively in the management process. Therefore, this recommendation is considered implemented.	X			
12	2022	A/78/5/Add.3, chap. II, para. 59	The Board recommends that UNICEF complete the roll-out of Ivanti and ensure validation of the deployment of operating system patches and security updates on employee workstations.	UNICEF management confirmed that Ivanti had been fully rolled out globally to all clients in June and that outstanding patches and the reactivation of the regular patch cadence had begun to be addressed in the following months.	On the basis of the response and evidence provided by UNICEF regarding the deployment of the Ivanti system, it was concluded that the system is now operational globally. This deployment ensures effective visibility and control of security patches on staff computer systems. This recommendation is therefore considered implemented.	X			

No.	Audit report year	Report reference	Recommendation of the Board	Management's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
13	2022	A/78/5/Add.3, chap. II, para. 60	The Board recommends that UNICEF carry out the penetration test as soon as possible and then continue to test annually as required by the procedure.	UNICEF management confirmed that the penetration test was performed in September and October 2023. A third party (CISCO) had been engaged for that purpose, in accordance with the scope of services.	Based on the evidence provided by UNICEF, the Board has confirmed that penetration testing has been performed as required. Therefore, this recommendation is considered implemented.	X			
14	2022	A/78/5/Add.3, chap. II, para. 70	The Board recommends that UNICEF conduct a comprehensive inventory of the organization's information assets (systems, tools, reports and documents) and assign an owner, whether a group or individual, responsible for controlling each asset.	UNICEF reported that it has included requirements regarding asset owner and characterization in the rollout of its Enterprise Architecture tool (provided by Essential Cloud). The Enterprise Architecture tool has catalogued 410 systems and tools managed by the Information and Communications Technology Division, each of which has been assigned an owner.	The Board analysed the reports extracted from the Enterprise Architecture tool and discussed with the Information and Communications Technology Division the actions taken by UNICEF to implement this recommendation. It was concluded that UNICEF has an inventory of information assets with an assigned owner. Therefore, this recommendation is considered implemented.	X			
15	2022	A/78/5/Add.3, chap. II, para. 71	The Board recommends that UNICEF consider the feasibility of managing asset information in a centralized repository that allows controlling and updating the information contained therein.	UNICEF stated that it had configured Microsoft's Azure Purview in 2023 as an initial structured data catalogue. The inventory afforded by using this tool has led to the registration of 19 million data assets.	The Board observed that UNICEF has implemented Microsoft's Azure Purview, a data governance and fully managed service that allows for the administration and governance of cloud data managed by UNICEF. This enables the identification of the owner of the information asset. It is therefore concluded that this recommendation has been implemented.	X			
16	2022	A/78/5/Add.3, chap. II, para. 82	The Board recommends that the ICT Division, the Division of Human Resources and the Global Shared Service Centre work together to improve the management process for active directory and VISION accounts to ensure that access	UNICEF stated that it has improved the management process for active directory and VISION accounts. The BoT program has been modified and updated to take into consideration the active directory account extension script, offboarding data from SAP so that	After reviewing the information provided by the entity, it was observed that UNICEF has successfully implemented the recommended improvements in the management of the active directory and VISION accounts. The actions taken have	X			

No.	Audit report year	Report reference	Recommendation of the Board	Management's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
			rights are appropriately assigned and maintain the accounts currently used.	users that have been offboarded earlier their active directory accounts are not extended even if they still have contract validity dates that are in the future. This improvement rectifies and eliminates those related exceptions observed by the auditors. The above action also ensures automatic review of staff and non-staff separated from UNICEF and facilitates deactivation. Lastly, a periodic manual review for the few exceptions and the whole process ensures that access will remain appropriately assigned.	addressed the previously identified weaknesses and strengthened the assignment process. Therefore, this recommendation is considered implemented.				
17	2022	A/78/5/Add.3, chap. II, para. 83	The Board recommends that the ICT Division and the Global Shared Service Centre assess the value of conducting periodic manual reviews of the active directory and VISION users to identify cases that the automated process cannot detect.	UNICEF explained that it had assessed the value of conducting a periodic manual review of the active directory and VISION users with the aim of ascertaining cases that have not been automatically detected so that remedial actions could be taken. It had been decided to conduct a periodic manual review on a quarterly basis. The most recent periodic manual review had been conducted for the period ending in March 2023.	After analysing the information provided by the entity, the Board observed that UNICEF had been conducting manual reviews to ensure that only active users were present within its systems. Therefore, this recommendation is considered implemented.	X			
18	2022	A/78/5/Add.3, chap. II, para. 90	The Board recommends that the ICT Division and the Division of Human Resources accelerate the completion of the general information security awareness course by all UNICEF staff and non-staff.	UNICEF stated that management had accelerated the completion of the mandatory information security awareness course. From the compliance level of 47 per cent identified by auditors in May 2023, thanks to the measures adopted to October 2023, the level had risen to 63 per cent, which took it to the levels originally expected by the end of 2023 (the targets are: 2022, 50 per cent; 2023, 65 per cent;	Following examination of the evidence provided by the entity and the meetings held with the ICT Division, it was noted that the measures taken by UNICEF had significantly accelerated the completion of the general information security awareness course. Compliance increased by 25 per cent from May 2023 to February 2024, resulting in a 72 per cent compliance rate at	X			

No.	Audit report year	Report reference	Recommendation of the Board	Management's response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
				2024, 75 per cent; and 2025, 90 per cent). Measures adopted by management will further improve this percentage by the end of 2023, surpassing the target set for 2024 of 75 per cent.	the time of this review. Therefore, this recommendation is considered implemented.				
19	2022	A/78/5/Add.3, chap. II, para. 98	The Board recommends that UNICEF clearly describe in its policy on enterprise risk management the roles and responsibilities of the Executive Board, the Legal Office, the Evaluation Office and the Ethics Office.	UNICEF provided the compendium on the organization of UNICEF, which had been finalized in August 2023 and complemented the report of the accountability system of UNICEF that was presented to the UNICEF Executive Board in September 2022. It was explained that the report describes the three lines of the defence model, and the compendium outlines the responsibilities of the Chief Risk Officer and the overall functions of the Senior Management Risk Committee and other offices, including the Legal Office, the Evaluation Office and the Ethics Office. The Executive Board had been updated on the development of an overarching system for enterprise risk management. In the view of UNICEF, these documents set out the roles and responsibilities of the Executive Board, the Legal Office, the Evaluation Office and the Ethics Office.	The Board analysed the report on the UNICEF accountability system, which describes the three lines of defence model, as well as the compendium on the organization, which outlines the responsibilities of the Chief Risk Officer and the overall functions of the Senior Management Risk Committee and other offices, including the Legal Office, the Evaluation Office and the Ethics Office. However, these documents do not provide a detailed description of the roles and responsibilities of the Executive Board and these offices in relation to enterprise risk management. In fact, the "Update on the development of an overarching system for enterprise risk management" mentions that, in line with the new vision and the planned introduction of an evolved enterprise risk management framework in 2024, a revision of the policy and strategy is under way. Therefore, this recommendation is under implementation.		X		

No.	Audit report year	Report reference	Recommendation of the Board	Management's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
20	2022	A/78/5/Add.3, chap. II, para. 106	The Board recommends that UNICEF submit risk reports to the Global Management Team in accordance with the applicable enterprise risk management policy.	UNICEF explained that the Senior Management Risk Committee had been reoriented and is now the key internal governance body for risk reporting. It consists of a subset of Global Management Team members and the Team will be kept apprised of its work. The terms of reference have been revised accordingly and the Committee now meets regularly. The Executive Board will participate twice in 2024, through a dedicated session on risk management at its first regular session and its annual session, and risk will be an annual recurring item on the Executive Board agenda starting in 2025. Lastly, the enterprise risk management policy will be revised in 2024 to bring it into line with the latest developments.	Acknowledging that implementing a process for overseeing the effectiveness of enterprise risk management and organizational resilience is extensive and takes time, the Board verified that the Senior Management Risk Committee is now responsible for this process. However, it must be emphasized that at this stage UNICEF has not determined the role of the Global Management Team and/or the need to provide them with a report on enterprise risk management, which is expected to be discussed in September 2024. This recommendation is therefore under implementation.		X		
21	2022	A/78/5/Add.3, chap. II, para. 115	The Board recommends that UNICEF conclude the endorsement process of its risk appetite statement and proceed to inform all relevant users.	UNICEF stated that a risk appetite statement had been prepared and discussed by the Senior Management Risk Committee in March 2024. The Committee had agreed that, for now, this was primarily an internal document to guide decision-makers in the field and in divisions on how best to balance risk and reward, and that it was considered a living document that would continue to be updated over time as risk management continued to mature, in line with the new enterprise risk management vision and implementation strategy.	The Board analysed the information provided by the organization and acknowledges the efforts made to properly prepare a risk appetite statement, which is considered to be a living document that will continue to be updated over time as risk management matures. However, it was noted that the risk appetite statement was at a draft, early stage and far from being approved and communicated to relevant users. This recommendation is therefore under implementation.		X		

No.	Audit report year	Report reference	Recommendation of the Board	Management's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
22	2022	A/78/5/Add.3, chap. II, para. 116	The Board recommends that the Senior Management Risk Committee resume its functions and conduct and document its meetings as per its terms of reference.	UNICEF reported that it had revamped its Senior Management Risk Committee, and that the Committee had since resumed its functions and had been conducting and documenting its meetings, as follows: (a) The Committee conducted its first meeting of 2023 on 16 June 2023; (b) In continuation of the progress made, the Committee held its second meeting of 2023 on 21 December; (c) The Committee reviewed and approved the terms of reference; (d) During the first regular session of 2024, the UNICEF Executive Board requested an update on enterprise risk management; (e) The Chief Risk Officer presented an update on the development of an overarching system for enterprise risk management (E/ICEF/2024/8) at the first regular session of the Executive Board in 2024.	From the evidence received, it could be seen that the organization is undergoing a profound change in its risk system under the leadership of its new Chief Risk Officer. The Senior Management Risk Committee is one of the subjects that has been completely modified both in its structure and in its location in the organization chart, and it was noted that in June 2023 the first meeting of the new Committee was held. In December of the same year, the second meeting of the Committee was held. Lastly, in January 2024, the new terms of reference were formalized, which regulate in detail the functioning of the Committee. Therefore, this recommendation is considered implemented.	X			
23	2022	A/78/5/Add.3, chap. II, para. 128	The Board recommends that the East Asia and Pacific Regional Office, in coordination with the Chief Risk Officer, reinforce its enterprise risk management functions at the regional level and ensure that risks are described and responses to them are measurable and	UNICEF mentioned that the East Asia and Pacific Regional Office, in coordination with the Chief Risk Officer, has reinforced its enterprise risk management functions at the regional level and has supported the country offices under its supervision. In 2023, the East Asia and Pacific Regional Office provided	The evidence provided by the organization showed that during 2023, the East Asia Pacific Regional Office took steps to strengthen its oversight of the country offices under its responsibility, leading to significant improvements in the identification of risks in each office and the responses to those	X			

No.	Audit report year	Report reference	Recommendation of the Board	Management's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
			quantifiable in the enterprise governance, risk and compliance tool, with the aim of supporting the country offices under its supervision.	technical support and guidance on updating the annual risk assessment. Support was provided to country offices and in some instances bilateral meetings were held with colleagues to guide them on how best to describe the risks and controls and how to ensure that they are clear, concise and measurable. Lastly, 195 distinct active risks were recorded in 2023 by the 14 country offices and the East Asia and Pacific Regional Office, and more than 92 per cent of country offices updated their risk assessments in a timely manner.	risks. The Board verified that, by the end of 2023, all country offices had identified their risks and 92 per cent of risk assessments had been updated. The number of risks identified had more than doubled and the risks had been adequately described. Lastly, the responses to these risks were found to be measurable and quantifiable. This recommendation has therefore been implemented.				
24	2022	A/78/5/Add.3, chap. II, para. 135	The Board recommends that UNICEF disseminate an updated version of the treasury, cash and investment management procedures in order to align them with the current investment process.	UNICEF reported that an updated procedure had been prepared to include the changes made at the May meeting of the Financial Advisory Committee and it had been published, effective September 2023.	The Board analysed the updated procedure and found that it had been developed on the basis of the current investment procedures, outlining the process flow, systems and responsibilities. This new procedure is closely aligned with the current treasury and investment cycle. Therefore, this recommendation has been implemented.	X			
25	2022	A/78/5/Add.3, chap. II, para. 147	The Board recommends that UNICEF seek to establish the same standard of investment restrictions in the external and internal portfolios.	UNICEF confirmed that the after-service health insurance investment committee had endorsed the UNICEF proposal to amend the after-service health insurance investment guidelines and the after-service health insurance general portfolio restrictions had been aligned with UNICEF internal policy. The new guidelines were provided.	The Board verified that UNICEF had emailed a proposal to amend the after-service health insurance investment guidelines, which was accepted by the United Nations Capital Development Fund, 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), and that the new	X			

No.	Audit report year	Report reference	Recommendation of the Board	Management's response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
					guidance was subsequently revised to include the same restrictions. This recommendation is therefore implemented.				
26	2022	A/78/5/Add.3, chap. II, para. 160	The Board recommends that UNICEF revise the existing post management procedure to adequately reflect the reality of the challenges faced by its offices in allocating funds and ensure their timely assignment.	UNICEF stated that it was currently reviewing the feedback received from the affordability workshop held in September 2023, and that the organization was actively engaged in several key workstreams that involved a thorough examination of the reported issues and challenges. This concerted effort would lead to the finalization of updates to the policy and management procedures and associated system changes by first quarter of 2025.	UNICEF is engaged in the examination of the current funding situation of staff members, with the aim of updating the current policy and management procedures. This recommendation is considered to be under implementation.		X		
27	2022	A/78/5/Add.3, chap. II, para. 161	The Board recommends that UNICEF implement systems to monitor the funding situation of staff members.	UNICEF stated that the settings for the human resources/payroll components had been implemented and preliminarily tested by the Global Shared Service Centre and the Division of Financial and Administrative Management. However, a comprehensive impact analysis had revealed wider system implications, particularly in the areas of travel and financial accounting. The organization had decided to postpone implementation to January 2025. Lastly, UNICEF was considering the deployment of certain dashboards, reports and system validations that would not impact processing, but would assist offices in monitoring their payroll funding status ahead of the go-live date, which was expected to be June 2024.	The Board verified that UNICEF is in the process of testing the system to address the payroll funding issues. As this process is not yet complete, this recommendation is considered to be under implementation.		X		

No.	Audit report year	Report reference	Recommendation of the Board	Management's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
28	2022	A/78/5/Add.3, chap. II, para. 171	The Board recommends that UNICEF review the Global Shared Service Centre charge-back methodology on a yearly basis to ensure that the rates charged to each office are as fair as possible.	UNICEF reported that it had conducted a comprehensive review of data and had agreed to implement the following revisions in the methodology starting 1 January 2024: (a) Include temporal appointment positions in the calculation of charge-back rates; (b) Use projected volumes to calculate charge-back rates; (c) Perform biannual analysis of data and recalculate the rates: on 1 January based on prior year data and on 1 July including the first six months of data.	As UNICEF has not provided evidence of the implementation of the changes agreed at the meeting where the revisions were discussed and decided, the recommendation is still considered under implementation.		X		
29	2022	A/78/5/Add.3, chap. II, para. 180	The Board recommends that the Global Shared Service Centre engage with its clients to analyse the root causes of the high number of returned and rejected cases.	UNICEF explained that the causes for returned and rejected cases had been analysed and were well-versed in the Ticket Handling Guidelines, which define in section 9 the main reasons for indication in the tool. This document is available under knowledge articles in the Service Gateway platform and is accessible to all staff. It is the outcome of an exercise that had previously been performed to analyse the root causes of rejection cases. The root causes for rejected or returned cases related to: (a) the local focal point knowledge gap; (b) monitoring local focal point performance; and (c) specific issues.	The Board analysed section 9 of the Ticket Handling Guidelines, updated in October 2023, which identifies the root causes of returned cases, such as incomplete bank information, possible duplication, and missing or insufficient funds, among others. The Global Shared Service Centre has taken action to resolve these issues. In addition, the Board noted that the overall percentage of compliance with the indicators has increased from 88.7 per cent in 2022 to 94.2 per cent in 2023. Consequently, this recommendation is considered implemented.	X			

No.	Audit report year	Report reference	Recommendation of the Board	Management's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
30	2022	A/78/5/Add.3, chap. II, para. 181	The Board recommends that, based on the root causes analysis, UNICEF, from an organization-wide perspective, take measures to ensure the integrity and quality of documents sent by the clients to the Global Shared Service Centre.	The Global Shared Service Centre reported the following actions: (a) Online training is provided on the AGORA platform for local focal points in the country offices, which is mandatory for them; (b) The Global Shared Service Centre has developed a dashboard to monitor the performance of country offices and local focal points; (c) The Global Shared Service Centre continued to organize best practice sessions for country offices to share the guidance and build the capacities of local focal points to submit better-quality documents; (d) The Global Shared Service Centre issues quarterly newsletters for local focal points, which remind them of potential issues, new changes and the results of the field operations calls, among others. It also contains helpful links to the knowledge library, broadcasts, and so forth; (e) The Global Shared Service Centre organizes periodic sessions with operations colleagues in country offices to discuss operational concerns; (f) Two process simplification missions were undertaken in 2023 to propose process efficiencies in country offices; (g) Participation in the joint finance and administration meeting for the Middle East and North Africa Regional Office, the	The Board acknowledges the actions reported by UNICEF. In addition, it has been verified that the Global Shared Service Centre has taken measures to ensure the integrity and quality of the documents sent by clients to the Service Centre, including training, use of information channels such as quarterly newsletters, meetings to discuss concerns, among others. Therefore, this recommendation is considered implemented.	X			

No.	Audit report year	Report reference	Recommendation of the Board	Management's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
				East Asia and Pacific Regional Office and the West and Central Africa Regional Office.					
31	2022	A/78/5/Add.3, chap. II, para. 196	The Board recommends that UNICEF strengthen its internal controls over inactive funds by developing a transparent approach that includes the terms of communication with its procurement services partners, the timelines and the documentation that supports the considerations for the future use of inactive funds.	UNICEF reported that it is developing a note to document its approach in terms of necessary communication with its procurement services partners and to document and provide evidence of the careful considerations in assessing and deciding whether to proceed with recognizing the residual balances as contributions to UNICEF. In this regard, the organization provided a draft standard operating procedure for the management of inactive procurement services trust funds.	The Board has reviewed the draft standard operating procedure for the management of inactive procurement services trust funds, which aims to address the risk identified in the recommendation. However, as the procedure is still at the draft stage, the recommendation is considered under implementation.		X		
32	2022	A/78/5/Add.3, chap. II, para. 205	The Board recommends that the Philippines country office review its procurement plan and include as many key milestones as appropriate from the Supply Division guidance on the supply of goods and services.	The organization explained that the procurement plan of the Philippines country office had been developed and presented to the country management team. The plan was designed to reflect the key milestones of the process in accordance with the Supply Division's guidelines for the provision of goods and services.	The Board verified that the Philippines country office had reviewed and presented a revised procurement plan to the country management team, which included essential information elements, reflecting key milestones. The recommendation is therefore considered implemented.	X			
33	2022	A/78/5/Add.3, chap. II, para. 213	The Board recommends that the Thailand country office, in coordination with the East Asia and Pacific Regional Office and UNICEF headquarters, implement a standard procedure for monitoring supplies delivered to final beneficiaries, in line with current organizational initiatives and the supply context of the office.	The organization stated that the Thailand country office, in coordination with and supported by the East Asia and Pacific Regional Office and UNICEF headquarters, has taken the following measures and implemented the pertinent recommendation: (a) Finalization of the post distribution monitoring guidance and distribution to partners with information on how to use it;	Based on its review, the Board verified that UNICEF has implemented post distribution monitoring guidance that aims to ensure that the relevance of the supplies distributed and the effectiveness and efficiency of the assistance provided to beneficiaries are continuously monitored and evaluated. Although the country office developed guidance rather than a procedure, the Board noted an improvement in its end-user	X			

No.	Audit report year	Report reference	Recommendation of the Board	Management's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
				(b) Finalization and revision of the field trip report template to reflect the supply end-user monitoring; (c) Commencement of use of the revised template.	processes. In this regard, this recommendation is considered implemented.				
Total number of recommendations					**33**	**24**	**9**	**–**	**–**
Percentage of total number of recommendations					**100**	**73**	**27**	**–**	**–**

Chapter III
Certification of the financial statements

Letter dated 28 March 2024 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, 2023

Scope of responsibility

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

Purpose of the system of internal control

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

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

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

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

3. The UNICEF statement of internal control is a public accountability document that describes the effectiveness of internal controls and considers any relevant events up to the date of certification of the 2023 financial statements of UNICEF.

UNICEF operating environment

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

5. In 2023, UNICEF continued to respond to the increase in humanitarian crises, including those in the Middle East and North Africa region and in Eastern Europe. Since October 2023, the conflict escalation in some parts of the Middle East has resulted in severe humanitarian consequences, including famine, loss of life, displacement and destruction of infrastructure. UNICEF is actively supplying critical life-saving assistance in the affected areas, assisting those affected by the conflicts. Through a combination of supplies, partnerships and remote services, UNICEF is intensifying its humanitarian efforts, focusing on preparedness and meeting the urgent needs of children and women.

6. During the period under review, there was a significant deterioration in the humanitarian situation in some countries globally, aggravated by climate change, including the displacement of refugees, which greatly affected access to essential services such as health care, water and sanitation, hygiene products and education. In instances where children and families are facing extreme violence, unrest, poverty and malnutrition, UNICEF collaborates with partners to accelerate efforts to safeguard families and provide life-saving support. In the most unstable regions, UNICEF supports community-based systems that ensure the protection of children and families, provide essential vaccines and therapeutic foods and guarantee access to drinking water, sanitation and hygiene.

7. Considering the increasing risks faced by children worldwide, UNICEF is facing additional challenges, which are exacerbated by climate change, wars, natural disasters, conflicts and political tensions. It is important for UNICEF to implement a strong risk management system and adopt a robust internal control mechanism to mitigate these risks effectively and ensure efficient and orderly delivery of aid to the most vulnerable.

Internal control framework and risk management

8. The UNICEF accountability framework underpins the main tenets of internal control and incorporates the three lines model promulgated by the Institute of Internal Auditors. It provides a framework in which UNICEF establishes a strong organization-wide risk management and internal control framework that enables the organization to adopt a systematic and holistic approach to identifying, assessing and managing risk at all levels.

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

10. The internal controls and the accountability framework continue to ensure fiduciary responsibility in the management of resources. UNICEF has started the implementation and compliance monitoring of its policy on anti-money-laundering and countering the financing of terrorism.

11. UNICEF has established a culture that emphasizes integrity, ethical values and the importance of internal control. Leaders, starting at the highest levels, demonstrate a commitment to these principles through their actions and communications. There is a clearly defined organizational structure, with assigned responsibilities and delegation of authority, that is conducive to effective internal control.

12. The approach of UNICEF to comprehensive and adaptive risk management is based on its commitment to an appropriate tone from the highest level, which aims to maintain a governance structure that demonstrates the importance of responsible risk management for the fulfilment of the UNICEF mandate and accountability to the governing bodies. Enterprise risk management guides the organization in making intelligent and risk-informed decisions.

13. UNICEF regularly assesses external and internal risks that could impact its financial reporting, compliance and operational objectives. This assessment includes consideration of changes in operational environments, regulatory landscapes and

other external factors. The risk assessment process is dynamic, with ongoing monitoring and updating to ensure responsiveness to new risks.

14. UNICEF conducts periodic reviews to ascertain whether each component of the internal control system is present and functioning. This includes regular audits and reviews of operational and financial processes.

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

16. 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.

Review of effectiveness of the system of internal control

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

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

(b) The Office of Internal Audit and Investigations issued the 2023 assurance opinion, which concluded that the framework of governance, risk management and control was adequate and effective to achieve the organization's objectives. No material deficiencies were discovered on the basis of the work carried out. The Office is an independent function and has affirmed that it was free from management interference in determining the scope of its internal audits and investigations, performing its work and communicating its results. The Office's audit reports are publicly disclosed, pursuant to UNICEF Executive Board decision 2012/13;

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

(d) UNICEF applications of the harmonized approach to cash transfers, an inter-agency framework used by United Nations agencies to transfer cash to implementing partners and ensures the effective use of financial resources for programme activities. The framework has mechanisms to manage the risks of delivering results for children and ensure that funds are used for their intended purpose;

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

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

Significant internal control issues

18. Following the 2023 assessment, UNICEF determined that there are no significant deficiencies in its internal control that require disclosure. However, it identified specific areas that necessitate continued attention and monitoring owing to their significance to UNICEF operations. These relate generally to:

(a) **Cybersecurity**. Cybersecurity continues to be an area of vital importance, as the potential consequences of an inadequate cybersecurity architecture go far beyond the mere disruption of information and communications technology infrastructure and systems. UNICEF has implemented strategies and actions to reduce vulnerabilities and continues to take a proactive cybersecurity posture to prevent such attacks from occurring;

(b) **Implementing partnerships**. UNICEF works with a wide range of implementing partners, including government and civil society organizations, to reach children and families in need. The organization relies on two approaches for selecting civil society partners: open selection (competitive) and direct selection. Regardless of whether an office chooses an open selection or direct selection approach, the main purpose is to identify those civil society partners that provide the best comparative advantage in the joint development and implementation of programmes. UNICEF will continue strengthening controls and measures to enhance the use of open selection, where feasible, and to reinforce the oversight of implementing partners in order to provide increased assurance of the efficient use of financial resources channelled through them.

Statement

19. Internal controls, no matter how well designed, have inherent limitations, including the possibility of deliberate 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.

20. UNICEF remains committed to continuously improving its internal control system to address control issues in a timely manner, including recommendations from internal and external audit reports.

21. 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 2023 and up to the date of final certification of the 2023 financial statements, nor are there significant weaknesses arising that would need to be raised in the present statement for the period covered.

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

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

Chapter IV
Financial overview

Financial statement discussion and analysis

Introduction

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

2. This financial statement discussion and analysis should be read in conjunction with the UNICEF audited financial statements for 2023, but they do not form part of the statements. The present financial statements were prepared for the calendar year 2023 in accordance with the UNICEF Financial Regulations and Rules and IPSAS, included in chapter V of the present document. The discussion and analysis are intended to provide readers of the financial results with a more holistic understanding of the meaning of the numbers and inform stakeholders about how financial resources are being managed.

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

Overview of operations and the operating environment

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

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

6. The year 2023 marked the halfway point of implementation of the Sustainable Development Goals and the UNICEF strategic plan for the period 2022–2025. The plan was developed in the wake of the biggest global public health crisis in living memory. There was a strong impetus to revitalize multilateralism and invest in global public goods, while grass-roots movements worldwide, often with children and young people at the forefront, demanded far-reaching change, including to dismantle systemic drivers of inequality and discrimination and address the climate crisis.

7. Since then, conflicts have erupted at a worrying rate, while climate change continues unabated. UNICEF undertook the midterm review of its strategic plan while implementing the programmes in an increasingly violent world. The actual scale of

violence and conflict far exceeded what had been expected at the time the strategic plan was drawn up, especially in the Middle East, the Sudan and Ukraine. Armed violence also intertwines with climate change, spurring complex, protracted crises, as in Afghanistan, the Democratic Republic of the Congo, Ethiopia, Haiti, Myanmar, South Sudan, the Syrian Arab Republic and the Sahel. In addition, nearly half of the world's children inhabit countries that are extremely vulnerable to the effects of climate change – floods, storms, droughts, heatwaves and wildfires – which have internally displaced an estimated 43.10 million children.

8. UNICEF has continued to reach children at greatest risk and in greatest need and responded to 412 emergencies in 107 countries, including violence, conflicts, disasters and disease outbreaks. UNICEF works on strengthening the resilience of communities and health infrastructure to withstand climate hazards, with the aim of better linking the humanitarian response to longer-term community resilience and climate adaptation. In all situations, UNICEF has committed to building on local knowledge, capacities, systems, structures and resources to fulfil its mission for children. The goal is for local actors to be in a position to address the needs of children affected by humanitarian crises and to pave the way for long-term, sustainable development.

Emerging humanitarian crisis

9. To enable a timely response to the escalated crisis in the Gaza strip, UNICEF scaled up operational capacity in relation to supplies in Egypt. Consequently, during 2023, UNICEF raised $109.50 million through its emergency appeal and provided water and electricity to more than 1.30 million affected people.

10. In April 2023, armed conflict in the Sudan left 13.60 million children, or one out of every two children in the Sudan, in need of urgent humanitarian assistance. Over 6 million people were displaced, and some fled to neighbouring countries. Social systems – including the health and education systems – are on the brink of collapse owing to insecurity, financial constraints and a lack of humanitarian access. UNICEF raised from its emergency appeal $186.89 million in revenue (2022: $121.65 million) to support programme delivery in the affected areas. The Sudan emergency response appeal will continue into 2024 owing to ongoing political instability, violence and compounding difficulties such as widespread flooding, disease outbreaks and high inflation.

Ongoing humanitarian crisis

11. In Ukraine, the conflict heightened children's risk of poverty, disease, family separation, learning loss, mental health problems and violence. The conflict has left 2.92 million Ukrainian children in urgent need of assistance. During 2023, in respect of the Ukraine refugee crisis, UNICEF raised from its emergency appeal $379.22 million in revenue (2022: $1.25 billion), while continuing to implement a life-saving emergency response in Ukraine and in its neighbouring countries.

12. During 2023, UNICEF reached 55,335 households with its cash assistance programme in Ukraine and its neighbouring countries. The cash transfer expense under the Ukraine refugee response amounted to $322.21 million (2022: $354.68 million). UNICEF also supported children and women by providing access to essential life-saving primary health and maternal health services and supplied essential items for sanitation and hygiene. In collaboration with local partners, UNICEF enabled 1.30 million girls and boys – 45 per cent of the national education sector target – to gain access to continuous learning opportunities. During the year, the programme supplies cost incurred in relation to programme implementation in Ukraine and neighbouring countries was $193.35 million (2022: $96.96 million).

13. Afghanistan faced complex challenges that worsened after the political takeover, significantly affecting children and women's rights. Approximately 29.20 million people, including 15.80 million children, struggled to meet basic needs. In addition to these challenges, the de facto authorities' decrees curtail women's rights and fundamental freedoms, undermining societal health and economic progress by restricting female education and employment. During 2023, UNICEF raised $642.36 million in revenue (2022: $737.79 million) as part of its other resources regular voluntary contributions.

14. UNICEF addressed the heightened poverty and vulnerabilities in Afghanistan by expanding the cash transfer programme to over 250,000 households. During the year, cash assistance amounted to $389.69 million (2022: $371.81 million). UNICEF navigated a severely constrained environment to sustain service delivery. The dual humanitarian and development mandate of UNICEF plays a crucial role in convening partners to define a comprehensive humanitarian-development-peace response for Afghanistan.

Natural disasters

15. UNICEF responds to hundreds of emergencies every year — including disasters such as hurricanes, floods, earthquake and drought — focusing on vulnerable communities in the hardest-hit areas. After providing immediate relief to those most in need, UNICEF supports recovery and helps build community resilience to future disasters. The year 2023 was marked by devastating earthquakes in Afghanistan, Nepal, the Syrian Arab Republic and Türkiye and other natural disasters. The revenue earmarked to alleviate the impact of these devastating events amounted to $315.95 million during 2023.

Innovative financing

Innovative Finance for Children

16. UNICEF Innovative Finance for Children cross-divisional initiatives have facilitated over $1 billion in financing through instruments such as prefinancing, outcome financing and bonds, and parametric insurance. Innovative Finance for Children initiatives can offset decreases in public sector (e.g. budget reductions) and private sector traditional contributions.

International financial institutions

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

18. In 2023, UNICEF continued to scale up its strategic engagement with international financial institutions on leveraging, advocacy and technical exchange for policy change and to achieve the Sustainable Development Goals for children. A detailed update on UNICEF engagement with international financial institutions was presented to the Executive Board at its first annual session of 2023. In November 2023, UNICEF and the World Bank convened their first ever operational consultation, followed by a strategic partnership dialogue in early 2024, both of which represented key milestones in shaping the direction of the joint strategic partnership priorities and operational engagement.

19. In 2023, UNICEF resources mobilized via international financial institutions amounted to $974 million. Key drivers included: World Bank direct financing in

Afghanistan, South Sudan and Yemen; Asian Development Bank financing in Afghanistan; and a general increase in funding in fragile contexts in tandem with greater flexibility in the operational policies of international financial institutions on implementation with United Nations agencies and other entities.

Vaccine Independence Initiative

20. The Board approved the establishment of the Vaccine Independence Initiative to utilize guarantee arrangements that enable the timely funding of procurement of essential health supplies. The total value of the guarantee contracts was $150.00 million as at 31 December 2023 (2022: $150.48 million), with outstanding commitments entered into supported by the guarantees of $95.97 million (2022: $76.28 million). During the year, no guarantee amount was required to be utilized.

21. In 2023, the Middle-Income Countries Financing Facility built on the successful experience of the Vaccine Independence Initiative and was established to help to address barriers faced by the Governments of middle-income countries in procuring certain vaccines and related supplies. Under this arrangement, Gavi, the Vaccine Alliance, agreed to provide up to an additional $20.00 million to UNICEF in escrow to cover payments to suppliers while awaiting a participating country's repayment for eligible transactions.

Today and Tomorrow parametric insurance

22. Today and Tomorrow is the world's first child-focused risk financing solution to address climate change risks and cyclones in eight countries, including the Comoros, Madagascar and Mozambique. Current coverage is $92.5 million, with the premium cost fully funded via the Global Risk Financing Facility of the World Bank. In 2023, UNICEF received a payout of approximately $4.00 million for cyclones in six countries. To date, the climate solution has received the following awards: (a) Sustainable Insurance Initiative of the Year award at InsuranceERM's inaugural Climate Risk and Sustainability Awards 2023; and (b) Systemic Risk Solution of the Year award at the European Risk Management Awards 2023.

Preliminary review of the World Bank financing instrument

23. In 2023, UNICEF engaged the services of an external expert to conduct a preliminary assessment of the performance of the World Bank instrument, in line with the terms of the agreement. The assessment looked at the impact of the instrument on the fundraising activities and performance of UNICEF beneficiary countries, compliance with the forward flow agreement, management of risks emanating from the instrument and insights from the experiences of similar organizations. It also examined the instrument's overall usefulness in financing private sector fundraising activities in UNICEF country offices.

24. The result of this assessment will play a vital role in determining the potential of this model as an alternative source of funding to support private sector fundraising growth in emerging markets in the future. The Executive Board update by the external expert confirmed that UNICEF has fulfilled all requirements under the key terms of the agreement, including interest payments and reporting obligations. The organization has also diligently managed the risks associated with the instrument and will continue to do so in the future.

Objectives and strategies

25. Based on the midterm review analysis, UNICEF will refine its strategy on systems strengthening, to clarify how its programmes can better catalyse outcome-level change for sustainable development and address fragility. The review highlighted the

need to forge more partnerships with key actors in contexts where UNICEF faces the greatest challenges and to develop a coordinated, strategic approach to accelerating sustainable progress in sub-Saharan Africa.

26. Having reviewed the risks and assumptions underpinning the current strategic plan, UNICEF is striving to future-proof its work beyond 2030. UNICEF will take a more systematic approach to risks affecting strategic plan implementation and will work to leverage financing for systemic changes that drive better outcomes for children. It will increase its efforts to raise more flexible, predictable and long-term resources, including by advocating with other United Nations agencies for a new funding compact.

27. UNICEF continued to pursue administrative effectiveness and eco-efficiency, in line with the strategic plan and the United Nations reform targets. Fifty-four per cent of UNICEF offices were located in United Nations common premises, resulting in cost savings in rent and facilitating common or shared services between organizations. A vehicle leasing programme and various other innovations were introduced to further pursue simplification and effectiveness.

28. UNICEF established the Central Services Center to consolidate common transactions and processes, aiming to achieve substantial cost savings, improve efficiency and enable headquarters divisions to strategically focus on delivering programmatic work. In 2023, the organization completed the roll-out of eZHACT 2.0, an upgrade to the cash transfer system designed to streamline transaction and partnership management processes while focusing on data quality and protection, business values and user experience. The system offers end-to-end management of the harmonized approach to cash transfers, a framework governing cash transfers from United Nations agencies to implementing partners, and is anticipated to save UNICEF over 200,000 hours of staff time annually.

Financial performance

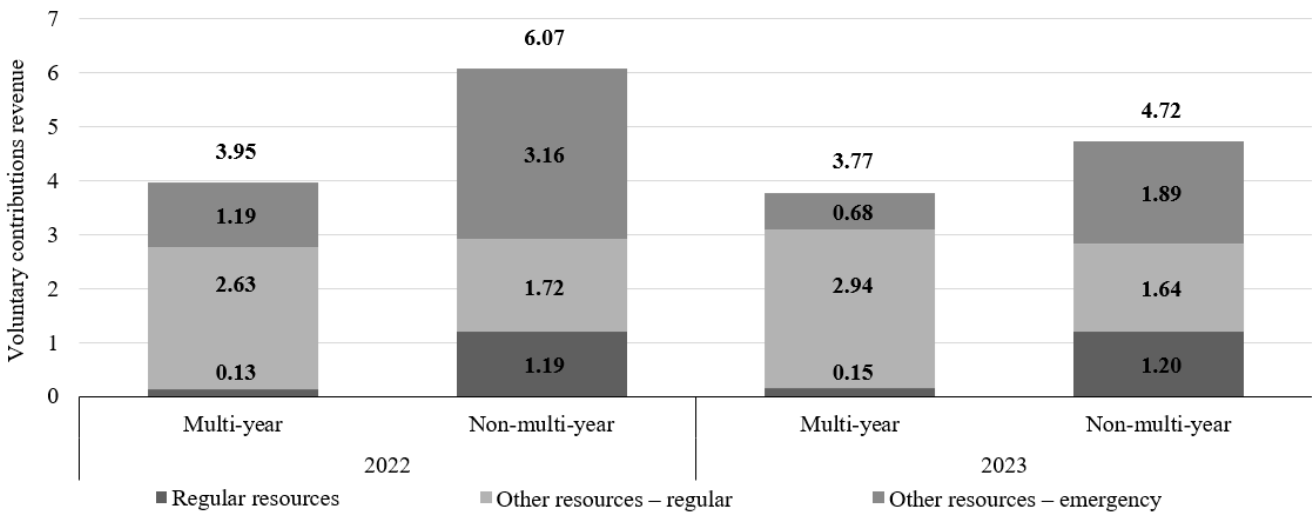
Revenue

29. As the programmatic response to existing and emerging humanitarian crises continued alongside other activities to support the most vulnerable, UNICEF saw a decline in contributions revenue compared with 2022. Voluntary contributions revenue was $8.49 billion (2022: $10.02 billion), a reduction of $1.53 billion, or 15 per cent. This was mainly due to the coronavirus disease (COVID-19) pandemic coming to an end in May 2023 (reduction of $938.56 million) and significantly lower earmarked funding for crisis response in Ukraine (reduction of $870.93 million), slightly offset by new contributions of $245.18 million in connection with the 2023 earthquake in Türkiye and the Syrian Arab Republic and $104.54 million at the end of 2023 for emergency response in the State of Palestine.

30. Investment revenue increased significantly in 2023, totalling $297.03 million (2022: $114.84 million), and was predominantly driven by interest income on fixed-income positions. Meanwhile, other revenue was $140.70 million, representing a decrease of $53.94 million, or 28 per cent, mainly owing to lower procurement service fees earned as COVID-19-related procurement activities wound down.

31. UNICEF voluntary contributions revenue included $3.77 billion (2022: $3.96 billion) for multi-year agreements covering a period of more than two years, representing a decrease of $178.94 million, or 5 per cent. Multi-year funding allows for certainty in planning for development activities and is reflected as part of UNICEF reserves until spent.

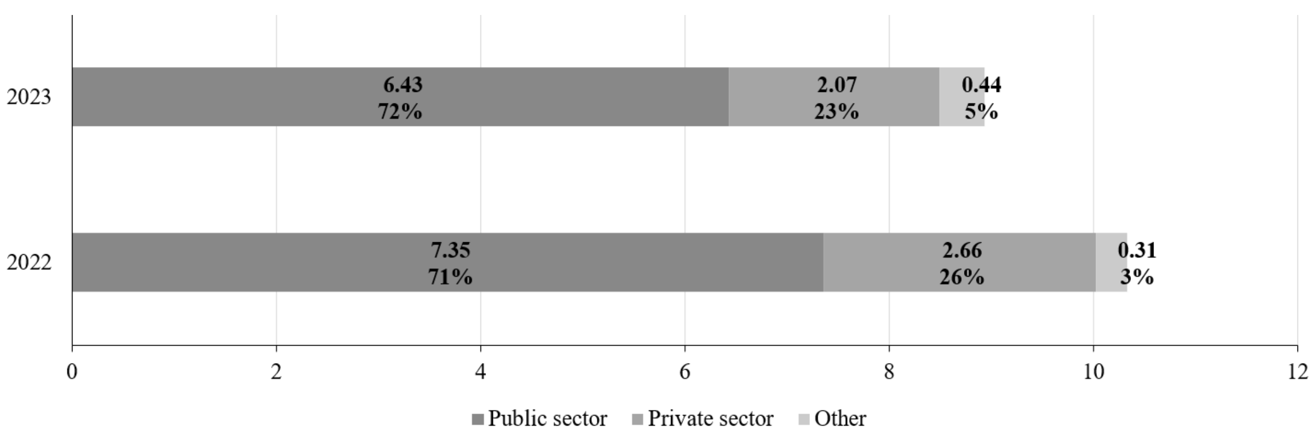
Figure IV.I
Multi-year and non-multi-year voluntary contribution revenue
(Billions of United States dollars)



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

32. The public sector continued to be the dominant source of contributions, at \$6.43 billion (2022: \$7.35 billion), representing 76 per cent of the total (2022: 73 per cent). Voluntary contributions revenue for the private sector was \$2.07 billion for the year (2022: \$2.66 billion). The respective decreases from the public and private sectors of \$0.93 billion and \$0.60 billion were predominantly driven by reduced contributions from donors in the United States of America (reduction of \$1.20 billion) and Germany (reduction of \$0.49 billion).

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



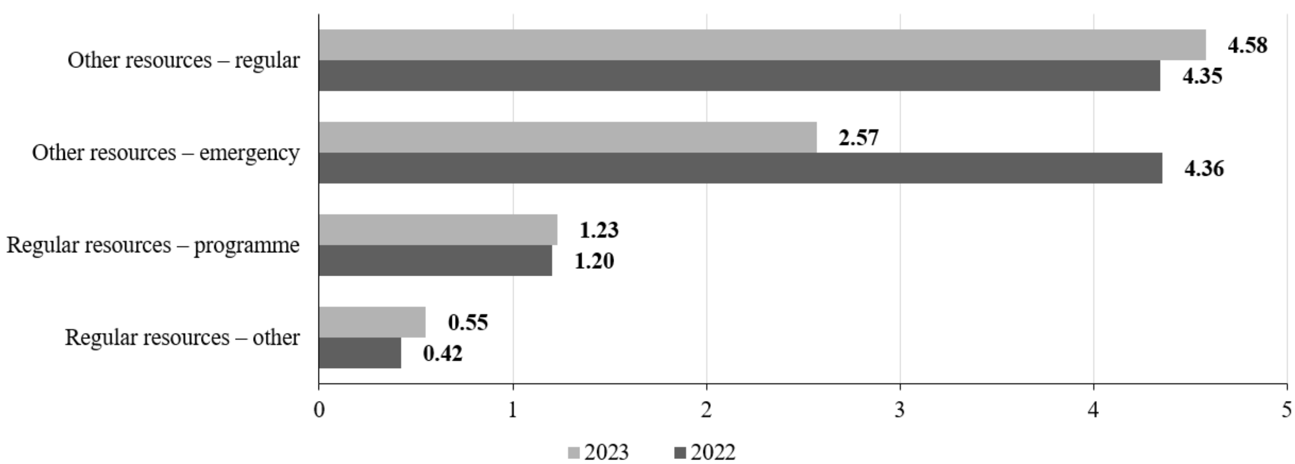
Note: Public sector includes Governments, intergovernmental organizations and inter-organizational arrangements. Other includes licensing fees, procurement services fees, investment and other revenue.

33. Among public sector sources, government donors contributed \$3.82 billion (2022: \$5.11 billion) to UNICEF in 2023, followed by intergovernmental organizations with \$1.57 billion (2022: \$1.09 billion) and inter-organizational arrangements with \$1.04 billion (2022: \$1.15 billion). While there was a decrease in revenue across most

donor categories, revenue from intergovernmental organizations increased by $0.48 billion, or 44 per cent, and accounted for 24 per cent of all public sector contributions (2022: 15 per cent).

34. Private sector contributions include funds raised by National Committees, the 33 independent non-governmental organizations (NGOs) that promote children's rights in industrialized countries and raise funds for UNICEF programmes worldwide. Revenue from these sources was $1.62 billion, representing a decrease of $0.61 billion, or 27 per cent. However, other private sector donations from individuals, NGOs and foundations remained relatively steady at $0.45 billion (2022: $0.43 billion) and accounted for 22 per cent of all private sector donations (2022: 16 per cent).

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



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

35. Revenue from other resources – regular increased by $0.23 billion, or 5 per cent, reaching $4.58 billion in 2023. The increase was driven mainly by donations to various education-focused programmes, which accounted for $224.31 million of the net increase. Revenue for this segment continued to surpass others and accounted for 54 per cent of all voluntary contributions (2022: 43 per cent).

36. Revenue from other resources – emergency saw a significant decrease of $1.79 billion, or 41 per cent, totalling $2.57 billion in 2023. This was predominantly due to decreases of $0.87 billion and $0.71 billion for the responses to the Ukraine crisis and the COVID-19 pandemic, respectively. Excluding these two drivers, revenue for this segment was $2.19 billion, representing a relatively modest decrease of $0.20 billion, or 8 per cent.

37. Voluntary contributions also included thematic funding of $0.44 billion, a decrease of $0.79 billion, or 65 per cent, compared with $1.23 billion for 2022, which was driven mainly by the decrease in other resources – emergency. Thematic funding gives UNICEF flexibility of use within the specified thematic area – for example, education; nutrition; water, sanitation and hygiene; and health activities – based on where the needs are most significant and the greatest impact can be made.

38. Revenue from regular resources – voluntary contributions was slightly higher than in 2022 by $25.12 million, or 3 per cent. The increase related mainly to private contributions, which comprised 61 per cent of total regular resources (2022: 60 per cent).

Figure IV.IV
Top five public sector donors of regular resources
(Millions of United States dollars)

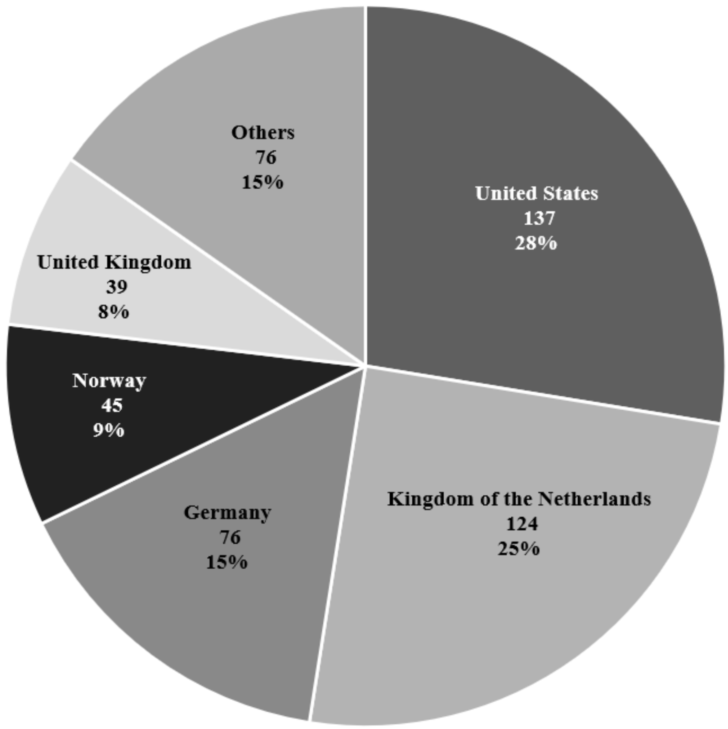
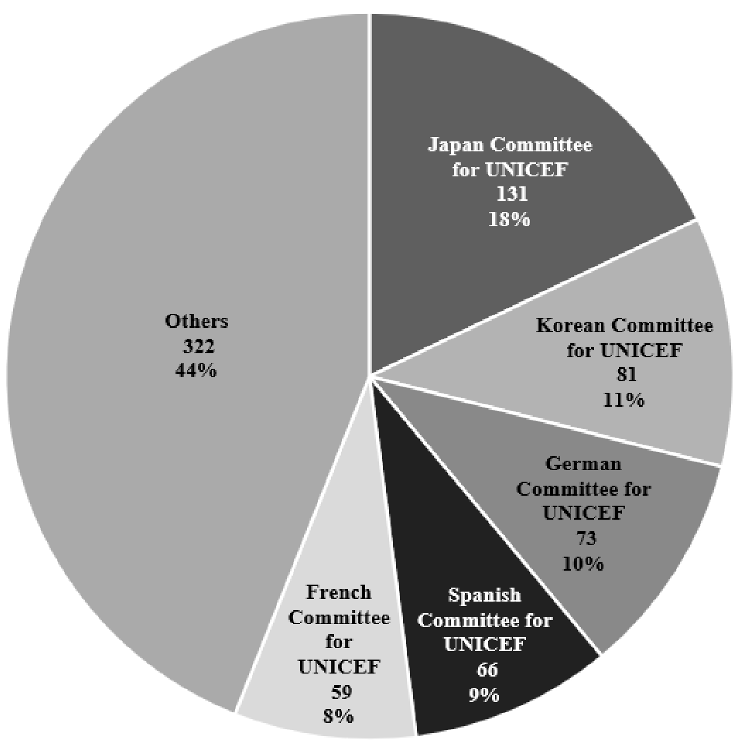


Figure IV.V
Top five private sector donors of regular resources
(Millions of United States dollars)



39. In 2023, multi-year contributions under regular resources totalled $138.65 million (2022: $119.88 million). The largest multi-year contributions under regular resources came from Sweden and the Kingdom of the Netherlands, with $122.82 million and $6.91 million, respectively (2022: main contributors were Switzerland, Australia and Denmark with $67.89 million, $51.35 million and $17.15 million, respectively).

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

	2019	*2020*	*2021*	*2022*	*2023*
Revenue					
Regular resources – programme	1 106 310	1 107 394	1 488 502	1 204 532	1 229 649
Regular resources – non-programme	63 579	73 989	90 144	115 179	123 653
Other resources – regular	2 980 924	3 763 183	3 660 255	4 345 159	4 575 202
Other resources – emergency	2 050 081	2 357 738	3 053 833	4 354 706	2 565 892
Total voluntary contributions revenue	**6 200 894**	**7 302 304**	**8 292 734**	**10 019 576**	**8 494 397**
Other revenue	85 223	153 913	221 269	194 641	140 698
Investment revenue	126 154	92 134	55 583	114 838	297 028
Total revenue	**6 412 271**	**7 548 351**	**8 569 586**	**10 329 055**	**8 932 123**

40. Over the past five years, total UNICEF revenue has grown by $2.52 billion, or an annual average of 10 per cent. The sharpest increases were recorded in 2020 and 2022. The increase in 2020 was mainly related to the COVID-19 response in the other resources – regular segment, while 2022 saw a significant increase in other resources – emergency, mainly for the Ukraine crisis response.

41. Other resources – regular made up the largest proportion (48 per cent) of total voluntary contributions revenue over the past five years, increasing by an annual average of 12 per cent during that period. The largest contributors over these years were Germany (15 per cent), the World Bank (11 per cent), the European Commission (8 per cent) and the United States Fund for UNICEF (7 per cent), collectively accounting for almost half of total other resources – regular revenue. This segment saw significant boosts in revenue in connection with the COVID-19 response, of $553.01 million in 2020, $167.91 million in 2021 and $240.96 million in 2022. The increase in revenue in 2022 was also driven by contributions for programming in Afghanistan that totalled $432.60 million.

42. Other resources – emergency accounted for 36 per cent of total voluntary contributions revenue over the same period, also seeing an annual average increase of 12 per cent. The largest contributors to this segment were the United States (29 per cent), the Office for the Coordination of Humanitarian Affairs (7 per cent), the European Commission (7 per cent) and the United Kingdom of Great Britain and Northern Ireland (6 per cent), collectively accounting for more than half of total other resources – emergency revenue. Other resources – emergency revenue increased significantly in 2020 owing to voluntary contributions of $898.01 million for the COVID-19 response in 2020, $337.72 million for programmatic activities in Afghanistan in 2021 and $1.24 billion for Ukraine crisis aid.

43. Regular resources as a percentage of total voluntary contributions revenue have decreased by an average of 1 per cent over the past five years. This unearmarked source of funding represents critical resources that are essential to the functioning of UNICEF and the sustainability of its impact.

Foreign exchange

44. Consistent with prior years, approximately half of the organization's voluntary contributions continued to be denominated in currencies other than the United States dollar, with the result that currency valuations and foreign exchange fluctuations affected the amount of revenue recorded. In 2023, the gains of $60.96 million (2022: losses of $129.09 million) recorded were driven primarily by changes in the United States dollar against the euro and Swedish krona. Foreign exchange gains generated from these currencies were $44.44 million (2022: losses of $50.52 million) and $7.71 million (2022: losses of $48.78 million), respectively.

45. In line with the UNICEF Financial Regulations and Rules, such foreign exchange gains and losses are reflected against donor contribution and as part of revenue recognized. The detail of foreign exchange gains by segment is presented in table IV.2.

Table IV.2
Foreign exchange gains/(losses) on voluntary contributions
(Thousands of United States dollars)

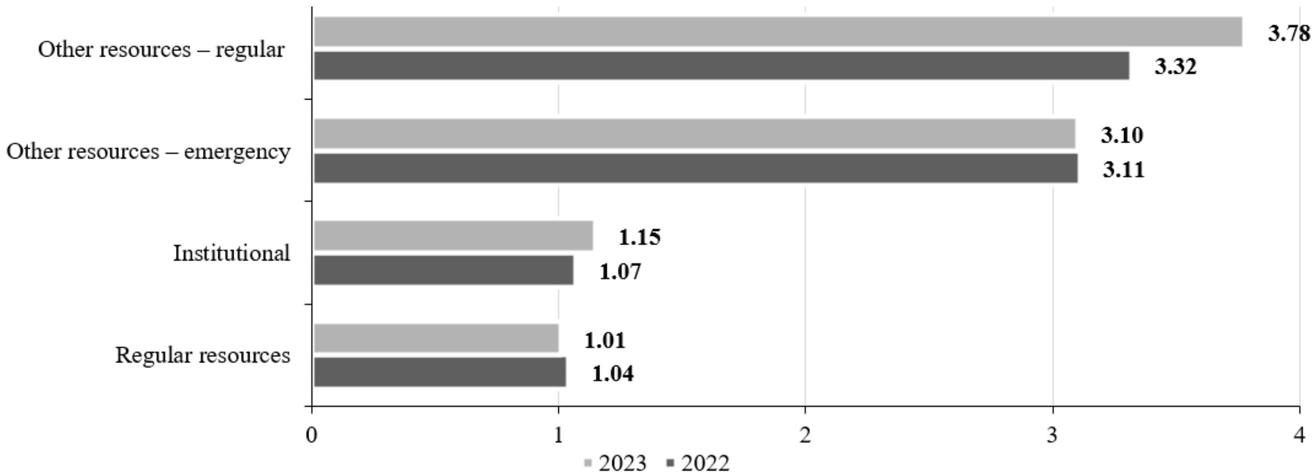
	2023	*2022*
Regular resources – (programme and non-programme)	18 188	(43 486)
Other resources – regular	39 246	(69 749)
Other resources – emergency	3 523	(15 858)
Total foreign exchange gains/losses on voluntary contributions	**60 957**	**(129 093)**

46. In addition to the foreign exchange gains and losses on voluntary contributions, other foreign exchange management activities yielded gains of $82.23 million (2022: $66.68 million gains). These are included under net gains of $155.79 million (2022: $67.08 million net gains) in the financial statements, as they do not relate directly to specific contributions revenue agreements.

Expenses

47. The organization's total expenses for 2023 increased by 6 per cent ($495.44 million) compared with the prior year, to $9.04 billion, with $7.90 billion of the total relating to programmatic activities. Other resources – regular programme expenses were the largest, as the implementation of funding received in current and prior periods increased.

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



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

48. The organization's expenses in each category were comparable year on year, with cash assistance to implementing partners and beneficiaries, the largest expense category, of $3.36 billion (2022: $3.38 billion), or 37 per cent (2022: 40 percent) of total expenses incurred; transfers of programme supplies of $1.81 billion (2022: $1.56 billion), or 20 per cent of total expenses; and employee salaries and entitlements of $1.94 billion (2022: $1.79 billion). Employee salaries and entitlements relate to UNICEF employees in all of the organization's areas of operations but primarily to staff directly involved in programme implementation.

49. Total cash-based assistance to implementing partners and beneficiaries decreased slightly by $24.16 million, or 1 per cent, in 2023. This change consisted mainly of an 18 per cent ($440.53 million) increase in transfers to implementing partners, and a 50 per cent decrease ($359.02 million) in cash transfers directly to beneficiaries. The reduction in cash transfers to beneficiaries related mainly to a reduction of $245.90 million in Ukraine in its cash assistance programme, which was reaching hundreds of thousands of children and families displaced and otherwise affected by the conflict. Cash transfers in Yemen also decreased by $119.26 million compared with the prior year because of a reduction in activities for unconditional emergency cash transfers.

50. The transfer of programme supplies increased by 16 per cent ($248.28 million) to $1.81 billion (2022: $1.56 billion). The growth was most notable in Afghanistan for emergency responses to education, the sustaining essential services delivery project and health emergency response, and in Ukraine for a 2022–2025 regional humanitarian action thematic pool and water, sanitation, and hygiene humanitarian needs in communities, which recorded increases of $72.16 million and $96.39 million, respectively.

51. The investment funds for the development of private sector fundraising increased by $11.37 million, or 9 per cent, compared with the prior year. The increase was driven mainly by expenses incurred in emerging market countries to expand the base for raising core funding for UNICEF.

52. Occupancy and related costs increased by $60.87 million (13 per cent) compared with 2022, from $482.03 million to $542.90 million, owing mainly to higher

construction materials costs and leasing expenses incurred in relation to the overall increase in the operational scope of UNICEF.

53. Other expenses increased by $62.36 million (10 per cent) from $592.73 million to $655.09 million, owing mainly to travel costs as the global pandemic was declared over and the travel restrictions were lifted.

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

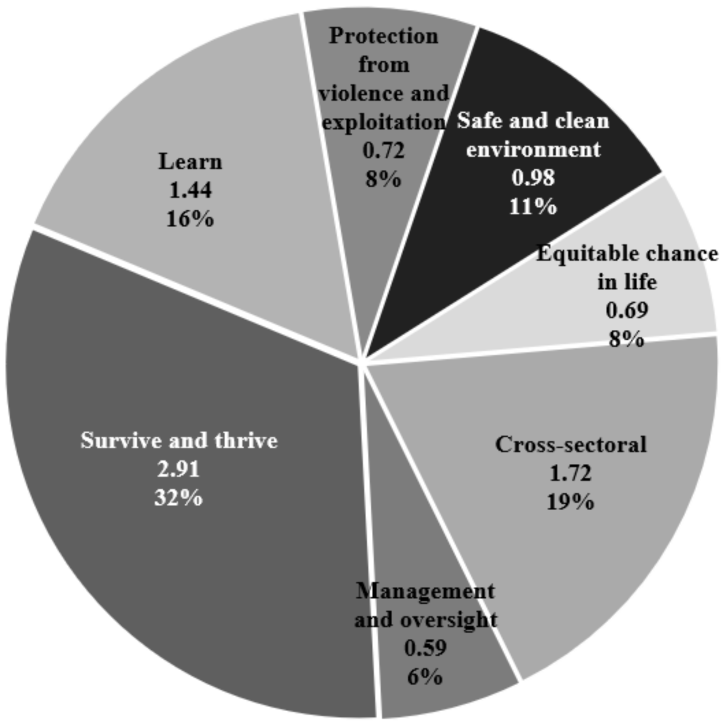


Table IV.3
Five-year trend for expenses
(Thousands of United States dollars)

	2019	*2020*	*2021*	*2022*	*2023*
Expenses					
Cash assistance	2 351 947	2 264 525	2 495 501	3 378 264	3 354 104
Transfer of programme supplies	981 634	1 145 741	1 293 167	1 559 581	1 807 858
Employee benefits	1 519 506	1 657 747	1 716 192	1 792 064	1 940 036
Programme-related expert services	472 859	421 904	454 427	583 793	573 264
Occupancy and related costs	400 311	395 761	428 464	482 033	542 898
Investment funds for development of private sector fundraising	117 288	96 344	113 463	130 584	141 956
Depreciation and amortization	23 890	25 076	24 260	22 246	21 700
Other expenses	394 188	398 735	610 457	592 654	654 846
Total expenses	**6 261 623**	**6 405 833**	**7 135 931**	**8 541 219**	**9 036 662**

54. Total expenses increased by 44 per cent ($2.77 billion) from 2019 to 2023, as programmatic implementation in response to humanitarian activities and emergencies rose significantly over the period. The addition of the COVID-19 pandemic in 2020 and 2021 and the refugee crisis in Ukraine in 2022 required a significant increase in the response from UNICEF, while the organization continued to implement its programmes in countries with the highest needs. The average annual increase in total expenses was 2 per cent in 2020, with further increases of 11 per cent in 2021 and 20 per cent in 2022, reflecting the increased scope of UNICEF operations. The increase of 6 per cent in total expenses in 2023 was a continuation of programme implementation to tackle the existing and emerging humanitarian crisis.

55. The transfer of cash assistance increased the most over the five-year period, recording the most significant increase of 35 per cent ($882.76 million) in 2022, driven primarily by humanitarian response transfer activities in Afghanistan and Ukraine. A large increase of 10 per cent ($230.98 million) was also recorded in 2021 owing to humanitarian response activities, driven by the significant amount of cash transfers to beneficiaries in Yemen and transfers to implementing partners in Mozambique and Zimbabwe. During 2023, the transfer of cash assistance remained almost at the same level as in 2022 and Afghanistan and Yemen represented the countries with the highest cash transfers (21 per cent of total cash transfers).

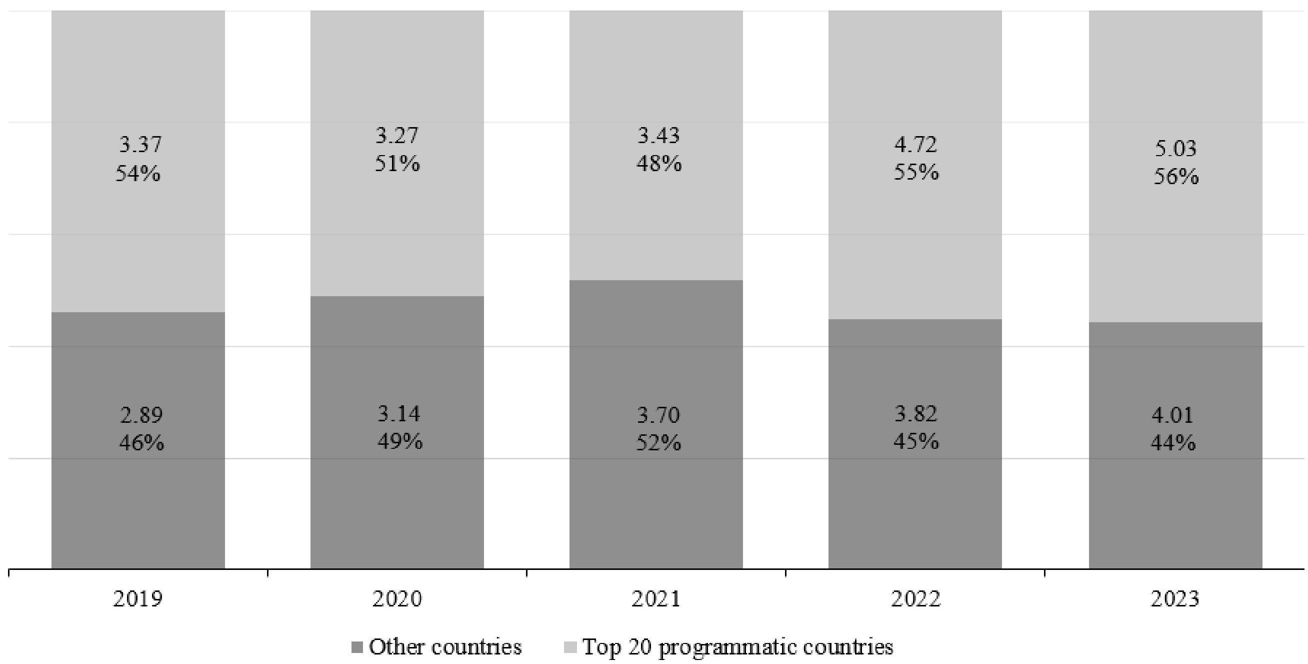
56. The transfer of programme supplies recorded significant increases of 17 per cent ($164.11 million) and 13 per cent ($147.43 million) in 2020 and 2021, driven by COVID-19 pandemic response activities globally and emergency response programmes such as the response to health and nutrition. In 2022 and 2023, the transfer of programme supplies increased by a further 21 per cent ($266.41 million) and 16 per cent ($248.28 million), respectively, with growth mainly driven by programmes related to the Ukraine refugee response and programmes in Afghanistan. In addition, UNICEF continued to construct public sanitation facilities, drinking and wastewater networks and infrastructure, and schools and classrooms; to implement safe school programmes; and to construct regional warehouses (hubs) and vaccine cold chain stores, as well as health-care facilities and shelters.

57. The employee benefits and occupancy and common services expenses increased by an annual average of 7 per cent from 2019 to 2023, in line with the increased scope of UNICEF operations.

58. Other expenses increased by 53 per cent in 2021, as the demand for the third-party procurement services increased significantly with the onset of the COVID-19 pandemic. As the pandemic came to an end in 2023, demand for third-party procurement services decreased while travel costs exceeded pre-pandemic levels.

59. The largest 20 programmatic countries have accounted for between 54 and 56 per cent of total annual expenses over the past five years. From 2019 to 2021, the majority of expenses were incurred in Yemen (average expenses of $574.40 million), and from 2022 to 2023 they were incurred in Ukraine (average expenses of $443.20 million). In addition, large programmes, such as for polio eradication in Nigeria and Pakistan, also contributed to the significant expenses, recording five-year average expenses of $251.35 million and $184.82 million, respectively. During 2022 and 2023, overall expenses increased in Afghanistan by $174.68 million and $148.62 million, respectively, to $797.28 million, to tackle the deteriorating economic circumstances.

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



UNICEF surplus and net assets

60. The accumulated surplus represents guaranteed funding available for programmatic activities in future years in line with donor agreements. Reserves consist mainly of Board-approved funds that are restricted in their use and not available for programmatic activities.

61. UNICEF net assets were $12.79 billion (2022: $12.36 billion), consisting of $10.89 billion in accumulated surpluses and $1.90 billion in reserves. Net assets increased by $431.64 million, or 3 per cent, compared with 2022.

62. In 2023, total expenses of $9.04 billion exceeded the total revenue of $8.93 billion, as UNICEF continued to implement its programmes, including utilization of multi-year funding received in previous years. However, owing to net gains of $155.79 million, UNICEF recorded a surplus of $51.26 million (2022: $1.86 billion).

Net assets

63. Regular resources net assets were $1.78 billion and were comprised mainly of IPSAS reserves of $519.97 million and Board-approved reserves, including $788.97 million for the after-service health insurance fund, $259.07 million for the medical insurance plan and $165.11 million for the separation fund. These reserve balances must be maintained and are not available for use in programmatic activities.

64. Other resources net assets are funded by earmarked contributions and totalled $10.88 billion (2022: $11.22 billion), consisting of $7.90 billion for other resources – regular (2022: $7.43 billion) and $2.98 billion for other resources – emergency (2022: $3.79 billion). These net assets include $4.28 billion of revenue recognized but not yet received and thus not available for spending. The remaining other resources net assets are scheduled to be spent in 2024 and onwards, in accordance with donor agreements.

Revolving funds

65. UNICEF maintains revolving funds that are approved by the Executive Board to be set aside from regular resources for specific purposes, to be used by the country offices on a temporary basis. The funds are then replenished by the country offices in accordance with the procedures specific to each fund. UNICEF operates a working capital fund, a capital assets fund and a Dynamo fund. The aim of the Dynamo fund is to provide a targeted and sustainable investment mechanism for UNICEF country and regional offices to drive private sector fundraising growth. During the year, allocations to revolving funds from regular resources amounted to $66.45 million, while utilizations, including repayments from country offices of $8.12 million, amounted to $39.04 million.

Financial position

66. As at the end of 2023, the total assets of UNICEF were $17.38 billion (2022: $18.98 billion), as shown in table IV.4.

Table IV.4
Statement of financial position: assets
(Thousands of United States dollars)

			Variance	
	2023	*2022*	*United States dollars*	*Per cent*
Assets				
Cash and cash equivalents	1 112 057	1 008 802	103 255	10
Receivables (current and non-current)	4 813 407	4 858 034	(44 627)	(1)
Advances of cash assistance	902 923	1 047 874	(144 951)	(14)
Inventories	650 019	684 272	(34 253)	(5)
Investments (current and non-current)	8 684 722	8 958 688	(273 966)	(3)
Other assets (current and non-current)	276 733	232 911	43 822	(19)
Procurement services-related assets	704 842	1 956 041	(1 251 199)	(64)
Property, equipment and intangible assets	236 995	233 993	3 002	1
Total assets	**17 381 698**	**18 980 615**	**(1 598 917)**	–

Cash and investments

67. A significant portion of the assets that UNICEF manages in support of its institutional and programmatic activities comprises cash and investments of $9.80 billion (2022: $9.97 billion). Most of the cash and investment assets are low-risk investments in fixed-income instruments, such as bonds, certificates of deposit and term deposits.

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

69. UNICEF manages its investment portfolio risk using various short- and long-term financial instruments. The short-term investment strategy is designed to focus on safety and liquidity while capturing reasonable rates of return by investing in

highly rated financial assets in cash and cash equivalents, short-term investments and emerging markets. The longer-term strategy is based on investing primarily in highly rated traded bonds.

70. The UNICEF Financial Regulations and Rules indicate that, to ensure liquidity, the Comptroller should maintain cash balances at the levels approved by the Executive Board. UNICEF holds reserves for long-term employee liabilities, such as after-service health insurance, the working capital fund and other Board-approved reserves, which amounted to $1.36 billion (2022: $1.15 billion) at year end. These reserves represent restricted funds that are not available for utilization in programmatic activities.

71. The cash available for regular resources (available cash), after taking into consideration accounts payable and other commitments as well as cash reserves, was $917.39 million (2022: 479.98 million). The available cash was $2.80 billion (2022: $2.77 billion) for other resources – regular, after considering commitments, and $458.08 million (2022: $531.99 million) for other resources – emergency.

Procurement services-related assets

72. Procurement services-related assets represent the funds received from procurement partners in advance and are drawn down when disbursements to suppliers have been made. These assets recorded a significant decrease of 64 per cent ($1.25 billion) to $704.84 million (2022: $1.96 billion; or 39 per cent) mainly due to Gavi, the Vaccine Alliance, as COVID-19 vaccines were procured and distributed for the COVID-19 Vaccine Global Access (COVAX) Facility utilizing these funds.

Receivables and other assets

73. The funding partners of UNICEF provide multi-year agreements that are essential for forward planning and demonstrate the long-term commitment of donors to achieve results for children. These balances mainly comprise multi-year contributions for programmatic activities in 2023 and subsequent years and represented 61 per cent of total contributions, an increase from the prior year (2022: 54 per cent).

74. Other assets of $276.73 million (2022: $232.91 million) pertained mainly to downpayments to vendors that at year end comprised $142.69 million (2022: $87.72 million) and value-added tax receivables that comprised $51.82 million (2022: $65.38 million) net of related impairment. A higher balance for prepayments to vendors is in line with the expansion of programmatic activities in many countries. As for value-added tax receivables, while most government reimbursement schemes are based on quarterly submission cycles, delays in processing are typical and lead to the accumulation of receivables.

Cash advances

75. Cash advances to implementing partners for which implementation reports had not been received at year end decreased by $144.91 million to $902.92 million in 2023. There are no significant old outstanding cash advances either individually or in total. Balances over nine months decreased further in composition and account for less than 1 per cent, consistent with the prior year.

Inventories

76. UNICEF holds inventory for programmatic purposes, to distribute to beneficiaries and implementing partners. The total UNICEF inventory held worldwide decreased by $34.25 million to $650.02 million, driven mainly by a decrease in goods in transit

inventories as global supply chains have gradually recovered from the impacts of the pandemic and transit times have gradually reverted to normal.

77. UNICEF tracks goods in transit both from suppliers and from UNICEF controlled warehouses to implementing partners separately, as this additional information provides relevant insight into the location of UNICEF-controlled commodities. Of the total inventory, $140.26 million (2022: $219.42 million) was in transit from the suppliers to UNICEF-controlled locations, and $41.05 million (2022: $44.50 million) to implementing partners and between UNICEF warehouses and plants.

78. Supplies worth $80.34 million (2022: $80.14 million) were held as "pre-positioned" in readiness for the sudden onset of an emergency.

79. Included as part of the inventory at year end were costs of incomplete programme construction for new facilities that had not yet been handed over to Governments and communities. This included an increase of $3.76 million to $45.52 million, driven mainly by the construction of water supply, hygiene and sanitation systems and schools and childhood development centres.

Liabilities

80. 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 $4.59 billion (2022: $6.62 billion) at year end, largely relating to funds held on behalf of third parties of $2.12 billion (2022: $3.35 billion) and employee benefits liabilities of $1.50 billion (2022: $1.64 billion). Liabilities are detailed in table IV.5 and the paragraphs that follow.

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

			Variance	
	2023	*2022*	*United States dollars*	*Per cent*
Liabilities				
Accounts payable	378 878	1 028 525	(649 647)	(63)
Funds held on behalf of third parties	2 117 909	3 347 601	(1 229 692)	(37)
After-service health insurance and other employee benefits (current and non-current)	1 496 375	1 641 507	(145 132)	(9)
Other liabilities and provisions (current and non-current)	595 474	601 555	(6 081)	(1)
Total liabilities	**4 588 636**	**6 619 188**	**(2 030 552)**	**(31)**

Funds held on behalf of third parties

81. Total liabilities include $2.12 billion (2022: $3.35 billion) representing funds held on behalf of third parties, primarily Governments and organizations that requested UNICEF to procure supplies for activities that benefit children and complement UNICEF programmes.

Accounts payable and other liabilities and provisions

82. Accounts payable and accrued liabilities decreased by $649.65 million, owing mainly to lower accrued liabilities for procurement services. Other liabilities and provisions stayed fairly stable compared with the prior year.

83. Other liabilities include contract liabilities that are recorded where UNICEF has committed to procure minimum order quantities for vaccines under firm long-term agreements. Such liabilities decreased by $15.22 million compared with the prior year and amounted to $225.74 million (2022: $240.97 million). This and other reductions in leases, unearned revenue and contributions received in advance were offset by the $34.81 million increase in forward exchange and other derivative contracts in loss, given that 31 December 2022 had no open internally managed forward exchange contracts in loss.

84. Also included within other liabilities is a $50.00 million forward flow arrangement with the World Bank representing a five-year agreement with 1.909 per cent effective interest rate to be paid semi-annually. There are no call provisions, conversion privileges, restrictions or assets pledged as security for the arrangement, and the balance is not due for repayment until March 2026. The purpose of the arrangement is to support investment in fundraising activities in emerging market countries to expand the base for raising core funding for UNICEF. Since the forward flow arrangement's inception, $685.72 million (2022: $432.16 million) of cumulative unearmarked contributions have been recognized as revenue relating to donations from private individuals from those emerging market countries.

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

85. UNICEF provides its staff with after-service health insurance benefits and other employee benefits. A valuation carried out by an external firm for the 2023 year end estimated employee benefit liabilities at $1.30 billion (2022: $1.45 billion), and this has been recognized as a liability in full in the financial statements (see note 17, Employee benefits liabilities).

86. A decrease of 11 per cent related to after-service health insurance and other employee benefits was driven mainly by the financial assumptions update for per capita claims cost under the Medical Insurance Plan to reflect the historical trend of actual claims. The financial gains from using historical actual per capita claims was $129.32 million and was recorded directly in net assets.

87. UNICEF has $1.21 billion (2022: $1.09 billion) in its after-service health insurance, separation and other reserves for meeting these obligations and continues to set aside funds to meet these liabilities as they fall due. The funded balance of after-service health insurance as a percentage of long-term employee benefits liabilities increased to a record 93 per cent (75 per cent in 2022), owing to a decrease in the employee benefits liabilities from $1.45 billion in 2022 to $1.30 billion as at 31 December 2023, the result of a change in financial assumptions, specifically, updated per capita claim data.

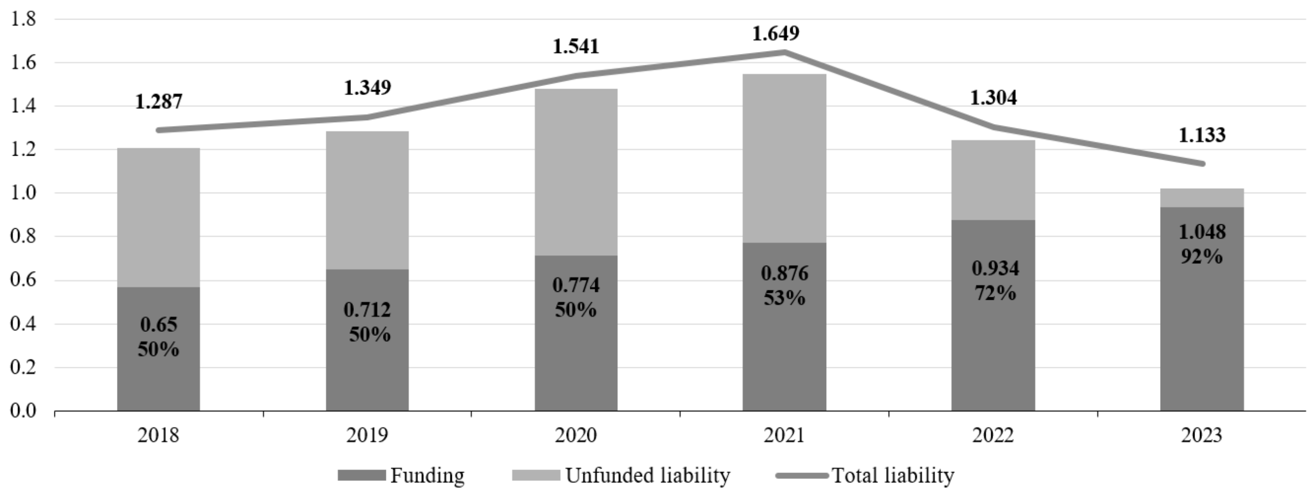
88. Benefit payments net of participant contributions for after-service health insurance for the next 9 to 10 years have been estimated in table IV.6.

Table IV.6
Estimated benefit payments net of participant contributions for after-service health insurance
(Thousands of United States dollars)

	2024	*2025*	*2026*	*2027*	*2028*	*2029 to 2033*	*Total*
After-service health insurance	19 748	22 485	25 277	28 199	31 239	199 731	321 198
Total	**19 748**	**22 485**	**25 277**	**28 199**	**31 239**	**199 731**	**321 198**

89. Benefit payments net of participant contributions are estimated to be $321.20 million for the above period. In the light of this, the current funding rate is comfortably sufficient to sustain the organization's expected benefit payments for the long term.

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



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

91. At the end of the year, the total value of the investments managed by the external fund managers was $768.12 million (2022: $673.20 million). The change in the investments at year end was driven primarily by the fair value increases of $46.23 million in equity instruments and of $48.45 million in fixed-income instruments at year end.

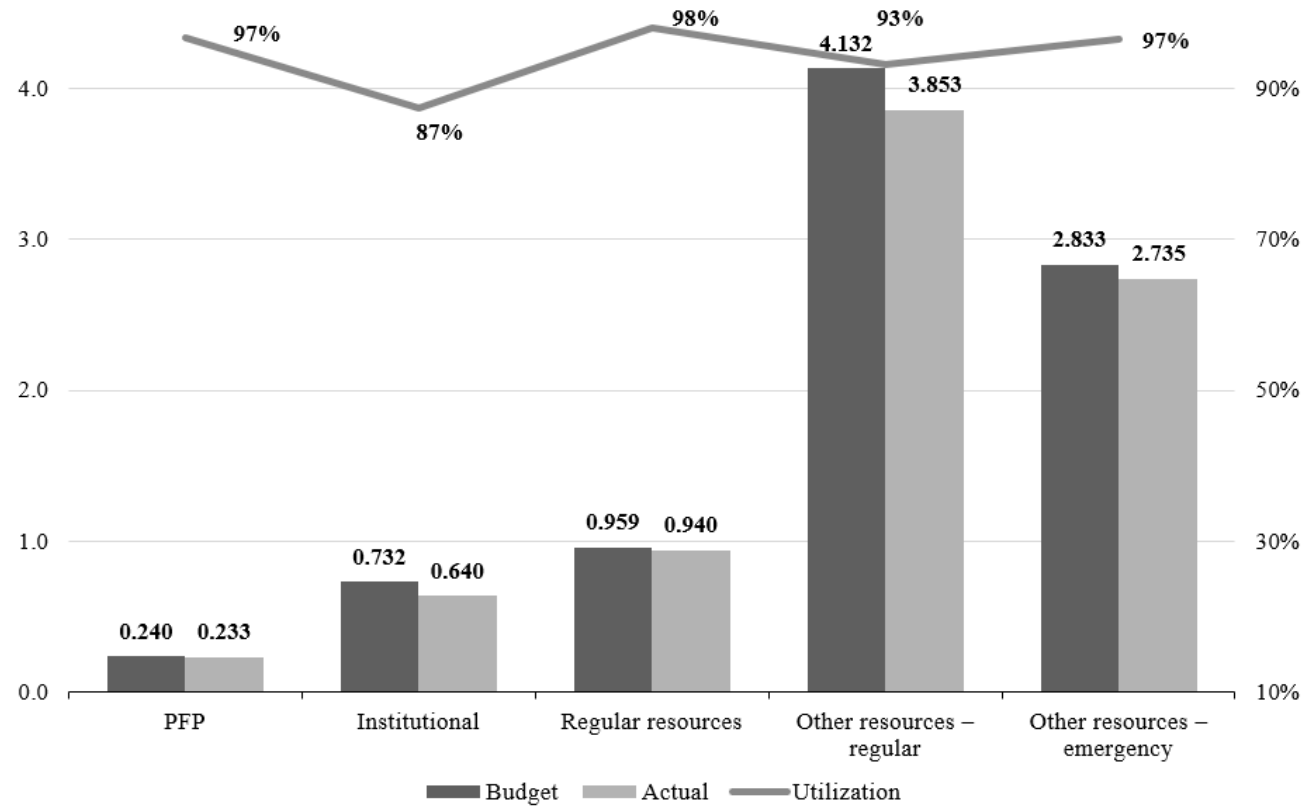
Budgetary performance

92. The statement of comparison of budget to actual allocated amounts spent for the year ended 31 December 2023 (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 of the financial statements contains the definitions of the various budget classifications.

Changes from the original to the final budget

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

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



Abbreviations: PFP, private fundraising and partnerships.

Actual budget expenditures

94. The total utilized in 2023 was $8.40 billion, or 94 per cent of the final budget; the implementation rate was lower by 1 per cent compared with the prior year. Despite the challenges of operating in countries with political unrest and the impact from major natural disasters, the implementation of UNICEF programmes in 2023 was high, ranging from 93 per cent for other resources – regular to 97 per cent for other resources – emergency, and to 98 per cent for regular resources.

95. 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 $75.00 million at any given time. The amount utilized in 2023 was $69.65 million.

96. The variance in the institutional budget of $91.81 million was driven by multi-year capital projects that were aligned with the strategic plan and scheduled.

Procurement services

97. UNICEF procurement services is a crucial programmatic and development platform that serves as a strategic tool for Governments and other partners to meet essential supply needs effectively. The platform leverages the immense scale and expertise of the organization’s procurement operations to bridge gaps in national supply systems until they can fully function independently. The ultimate goal of

UNICEF is to achieve a world where every child has sustainable access to essential vaccines and supplies that are vital to their growth and development. This requires working closely with countries to help them build their own domestic resources and strengthen their national systems to deliver better outcomes for children.

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

99. Throughout the year, UNICEF collaborated with a diverse range of partners to address the pressing needs of children in emergencies, while also making strides in improving supply systems for the future.

100. The total disbursements under procurement services decreased to $2.01 billion from $4.23 billion in 2022, as the COVID-19 pandemic was declared over and the related procurement services also decreased. Given that these transactions are agency-related, they are not considered a part of the organization’s own programme delivery and are therefore not included as UNICEF expenses in the financial statements.

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

102. As at 31 December 2023, UNICEF held funds on behalf of its procurement services partners totalling $1.80 billion (2022: $3.12 billion) to cover the commitments to suppliers. For Gavi-related procurement activities, UNICEF received the drawing rights from special escrow accounts, and those rights are recorded as procurement services-related assets of $704.84 million (2022: $1.96 billion).

103. The total procurement services handling fees earned by UNICEF were $71.45 million (2022: $100.76 million). The decrease of $29.30 million, or 29 per cent, was driven mainly by a reduction in procurement demand for vaccine and related supplies on behalf of third parties.

Sustainability and diversity

104. In line with the organization’s commitment to helping every child realize their right to a healthy environment, UNICEF has embraced environmental sustainability as one of its core values and is strategically implementing it across its operations. UNICEF is expanding its use of renewable energy, minimizing waste, incorporating effective sustainability measures into its procurement and supply chains and ensuring that its programmes for children are climate resilient so that it can continue to deliver sustainable results.

105. In 2023, UNICEF launched the Sustainability and Climate Change Action Plan, which provides a comprehensive blueprint to achieve its ambitious vision by 2030. As part of the Plan’s objectives, UNICEF will reduce the emissions and environmental footprint within UNICEF, support its global network of partners to do the same and advocate for the fulfilment of ambitious international sustainability and climate change agreements.

106. UNICEF continues to be climate neutral and offsets 100 per cent of its unavoidable greenhouse gas emissions through data reporting, evaluation of individual and collective performance and implementation of applicable initiatives. While offsetting is an important factor in managing unavoidable emissions, the priority for UNICEF remains emissions reductions and elimination.

107. The unwavering commitment of UNICEF to a greener and more sustainable environment is driving the organization's ambitious goal of reducing its greenhouse gas emissions by 45 per cent by 2030. UNICEF has made significant strides; in 2023, emissions decreased by 29 per cent compared with the 2010 baseline. UNICEF is implementing green building certifications for all new constructions and owned premises. This enhances the progress achieved by UNICEF offices and validates the offices' greening status.

108. The volume, diversity and reach of the global procurement of UNICEF, which accounts for one quarter of overall United Nations procurement, underlines the opportunity for the organization to make a significant contribution to overall United Nations sustainability and set a flagship example across the supply community and the wider United Nations. A number of sustainability initiatives related to the upstream and downstream supply and logistics operations of UNICEF are under way.

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

Outlook for 2024 and beyond

110. Just past the midpoint of implementation of the 2030 Agenda for Sustainable Development, the world is at a pivotal juncture. The midterm review found that accelerated progress remains possible, but multiple complex, interrelated challenges continue to threaten children's survival and well-being. A wave of conflicts is driving violations of children's rights, with far-reaching regional and global consequences. Geopolitical shifts and a fragmented multilateral system thwart concerted global action to address these crises, while structural inequities hamper developing economies from making critical investments in children.

111. UNICEF is operationalizing the groundbreaking analytical work done for the midterm review in 2023 to gain a more sophisticated and actionable understanding of progress towards the Sustainable Development Goals across country typologies and regions and support the broader United Nations system and partner countries in addressing data gaps and using evidence to drive action at scale. The next strategic plan, for the period 2026–2029, will advance this work by identifying game-changing strategies and approaches for different kinds of results in different operating contexts.

112. Given the constraints identified during the midterm review on progress towards sectoral system strengthening and systemic change, UNICEF will refine the strategy, definition and measurement of system strengthening in fragile contexts and build learning on proven approaches, while clarifying and better communicating how programmes on the ground can instigate outcome-level change.

113. Building on the midterm review and its work to better understand the correlation between funding types, country typologies, interventions and results, UNICEF is pivoting towards a whole-of-organization approach to raising regular resources and flexible other resources, including by communicating the value of flexible funding in leveraging the world's resources for children. With its sister agencies, UNICEF will advocate for a new, more effective funding compact, to raise more flexible resources to address the underlying causes of inequalities, including through support for peacebuilding and strengthening social cohesion. UNICEF will further diversify its funding, seeking out investment funds that are responsive to economic conditions and the private sector landscape, as key to generating additional regular resources locally and globally.

114. Looking ahead, UNICEF will further refine its approaches in response to the evolving situation of children and the findings of its midterm review. It will support countries to fill Sustainable Development Goal data gaps, define ambitious yet realistic targets and identify game-changing, context-specific strategies, including financing for investments in children, to deepen the focus on the root causes of development and accelerate progress.

Chapter V

Financial statements for the year ended 31 December 2023

United Nations Children's Fund

I. Statement of financial position as at 31 December

(Thousands of United States dollars)

	Note	*2023*	*2022*
Current assets			
Cash and cash equivalents	6	1 112 057	1 008 802
Contributions receivable	7	3 567 088	3 719 003
Advances of cash assistance	8	902 923	1 047 874
Inventories	9	650 019	684 272
Investments	10	4 794 676	5 345 561
Procurement services-related assets	11	704 842	1 956 041
Other assets	12	272 484	229 820
Total current assets		**12 004 089**	**13 991 373**
Non-current assets			
Contributions receivable	7	1 246 319	1 139 031
Investments	10	3 890 046	3 613 127
Property and equipment	13	236 995	233 993
Other assets	12	4 249	3 091
Total non-current assets		**5 377 609**	**4 989 242**
Total assets		**17 381 698**	**18 980 615**
Current liabilities			
Accounts payable and accrued liabilities	14	378 878	1 028 525
Funds held on behalf of third parties	15	2 117 909	3 347 601
Other liabilities	16	424 429	405 728
Employee benefits liabilities	17	190 669	187 015
Provisions	18	49 576	48 098
Total current liabilities		**3 161 461**	**5 016 967**
Non-current liabilities			
Other liabilities	16	121 469	147 729
Employee benefits liabilities	17	1 305 706	1 454 492
Total non-current liabilities		**1 427 175**	**1 602 221**
Total liabilities		**4 588 636**	**6 619 188**
Accumulated surpluses	19	10 894 370	11 032 556
Reserves	19	1 898 692	1 328 871
Net assets		**12 793 062**	**12 361 427**

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	*2023*	*2022*
Revenue			
Voluntary contributions	20	8 494 397	10 019 576
Other revenue	21	140 698	194 641
Investment revenue	22	297 028	114 838
Total revenue		**8 932 123**	**10 329 055**
Expenses			
Cash assistance	23	3 354 104	3 378 264
Transfer of programme supplies	23	1 807 858	1 559 581
Employee benefits	24	1 940 036	1 792 064
Programme-related expert services	25	573 264	583 793
Occupancy and related costs	26	542 898	482 033
Investment funds for development of private sector fundraising		141 956	130 584
Depreciation and amortization		21 700	22 246
Other expenses	27	654 846	592 654
Total expenses		**9 036 662**	**8 541 219**
Gains, net	28	155 794	67 079
Net surplus		**51 255**	**1 854 915**

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	*2023*	*2022*
Net assets as at 1 January	19	12 361 427	10 327 849
Actuarial gains recognized directly in net assets	19	249 613	487 831
Changes in fair value of financial assets	19	130 767	(309 168)
Net surplus for the period	19	51 255	1 854 915
Net assets as at 31 December	**19**	**12 793 062**	**12 361 427**

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	*2023*	*2022*
Operating activities			
Net surplus	19	51 255	1 854 915
Adjustments to reconcile surplus to net cash flows			
Depreciation and amortization		21 700	22 246
Net gain on sale or disposal of property and equipment	28.A	(1 755)	(1 533)
Unrealized (gain)/loss on foreign exchange		(176 694)	101 560
Impairments and write-downs	27.C	55 111	(1 843)
Write-offs	27.C	6 022	17 720
Investment revenue presented as investing activities	22	(297 028)	(114 838)
Contributions in kind	20.A	(105 585)	(104 858)
Actuarial gain on employee benefits liabilities	17	249 613	487 831
Unrealized gain/(loss) through net assets	19	130 767	(309 168)
Other adjustments		234 045	14 912
Changes in assets			
Decrease/(increase) in inventories	9	34 253	(97 698)
Decrease/(increase) in contributions receivable	7	44 627	(846 937)
(Increase)/decrease in other assets	12	(43 822)	55 511
Decrease/(increase) in advances of cash assistance	8	144 951	(218 755)
Decrease in procurement services-related assets	11	1 251 199	1 234 728
Changes in liabilities			
(Decrease)/increase in accounts payable and accrued liabilities	14	(649 647)	15 054
Decrease in funds held on behalf of third parties	15	(1 229 692)	(1 606 522)
Decrease in employee benefits liabilities	17	(145 132)	(380 894)
Increase in provisions	18	1 478	13 630
Decrease in other liabilities	16	(7 559)	(125 916)
Net cash (used in)/generated from operating activities		**(431 893)**	**9 145**
Investing activities			
Purchases of investments		(14 323 581)	(13 281 397)
Maturities and sale of investments		14 597 547	13 603 847
Interest revenue	22	292 195	109 826
Dividend revenue	22	4 833	5 012
Purchases of property and equipment	13	(25 513)	(16 740)
Proceeds on sale of property and equipment	13	2 669	2 222
Net cash from investing activities		**548 150**	**422 770**
Financing activities			
Payment of finance lease liabilities	16	(6 728)	(6 728)
Net cash used in financing activities		**(6 728)**	**(6 728)**

United Nations Children's Fund

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

(Thousands of United States dollars)

	Note	*2023*	*2022*
Effect of exchange rate changes on cash and cash equivalents		(6 274)	(20 763)
Net increase in cash and cash equivalents		**103 255**	**404 424**
Cash and cash equivalents			
Beginning of year	6	1 008 802	604 378
End of year	6	1 112 057	1 008 802

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

United Nations Children's Fund

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

(Thousands of United States dollars)

	Note	*Original budget*	*Final budget*	*Actual on comparable basis*	*Difference between final budget and actual*
Regular resources					
Country programmes	5	771 000	814 468	801 167	13 301
Global and regional programmes	5	59 000	73 410	69 379	4 031
Emergency programme fund		75 000	70 830	69 650	1 180
Total regular resources		**905 000**	**958 708**	**940 196**	**18 512**
Other resources – regular					
Country programmes		3 598 392	3 858 363	3 630 814	227 549
Global and regional programmes		358 000	273 854	222 413	51 441
Total other resources – regular		**3 956 392**	**4 132 217**	**3 853 227**	**278 990**
Total country programmes		**4 369 392**	**4 672 831**	**4 431 981**	**240 850**
Total global and regional programmes		**417 000**	**347 264**	**291 792**	**55 472**
Other resources – emergency	**5**	**1 901 000**	**2 833 207**	**2 734 695**	**98 512**
Total programmatic		**6 762 392**	**7 924 132**	**7 528 118**	**396 014**
Institutional budget					
Development effectiveness		189 645	222 984	185 884	37 100
Management		422 665	425 449	398 303	27 146
Special purpose: capital investments		28 750	44 560	23 026	21 534
United Nations development coordination		9 996	11 357	10 837	520
Independent oversight and assurance activities		22 554	27 462	21 954	5 508
Total institutional budget		**673 610**	**731 812**	**640 004**	**91 808**
Private fundraising and partnerships		**226 300**	**240 430**	**232 553**	**7 877**
Grand total		**7 662 302**	**8 896 374**	**8 400 675**	**495 699**

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

United Nations Children's Fund
Notes to the 2023 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 works in over 190 locations that include countries, territories and headquarters offices in Belgium, Denmark, Finland, Hungary, Italy, Japan, Kenya, the Republic of Korea, Spain, Sweden, Switzerland and Türkiye and 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 28 March 2024 as required by the UNICEF Financial Regulations and Rules and transmitted for issue by the Executive Director on 29 May 2024.

Note 3
Basis of preparation

A. Basis of measurement

1. The financial statements have been prepared on a full-accrual basis 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 measured at fair value through surplus or deficit and financial assets measured at fair value through net assets/reserves;

(c) Defined-benefit plan liabilities that are appraised using an actuarial valuation method.

2. The 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. Changes in accounting policies and disclosures – adoption of IPSAS 41: Financial instruments

5. UNICEF applied IPSAS 41: Financial instruments, for the first time with effect from 1 January 2023. IPSAS 41: Financial instruments, replaces IPSAS 29: Financial instruments: recognition and measurement. The new standard is more principles-based and establishes requirements for classifying, recognizing and measuring financial instruments.

6. UNICEF has not restated the comparative information, which continues to be reported under IPSAS 29. The application of IPSAS 41 is driven by the facts and circumstances at the date of initial application, and the review of the business model under which financial assets were held and whether the instruments were held solely for payments of principal and interest. The outcomes of the classification determination and changes to classifications and measurement bases are presented in the table below. Transition date balances and further disclosures are presented in note 29, Financial instruments.

Financial statement line	*Classification and measurement before 31 December 2022*	*Classification and measurement after 1 January 2023*
Assets		
Investments: externally managed	Available-for-sale with fair value changes recognized through net assets	Financial assets measured at fair value through surplus or deficit
Investments: internally managed	Available-for-sale with fair value changes recognized through net assets	Financial assets measured at fair value through net assets
Forward exchange contracts in gain/loss	Held for trading with fair value changes recognized through surplus or deficit	Financial assets measured at fair value through surplus or deficit
Cash and cash equivalents Contributions receivable Other receivables Procurement services-related assets	Loans and receivables recognized at amortized cost	Financial assets measured at amortized cost

7. UNICEF reclassified its externally managed portfolio at the date of initial application of IPSAS 41 in accordance with the classification and measurement categories under the new standard. Upon adoption, these externally managed

investments were classified as held for trading, consistent with the management model's objective to achieve returns sufficient to fund the organization's future after-service health insurance costs. Accordingly, these investments are measured at fair value through surplus or deficit beginning 1 January 2023. As a result, UNICEF reclassified the $31.06 million in accumulated net losses of the externally managed investment portfolio from IPSAS revaluation reserves to accumulated surpluses (Note 19, Net assets). From 1 January 2023, fair value changes are recognized through net gains and losses (Note 28, Net gains and losses). There are no other significant changes in the classification or measurement of UNICEF financial assets.

8. There are no changes in the classification and subsequent accounting of UNICEF financial liabilities.

9. IPSAS 41 provides a single forward-looking model for the estimation of expected credit losses on the financial assets that eliminates the threshold for impairment recognition. It is no longer necessary for a trigger event to occur prior to recognizing a credit loss, as was the convention under the IPSAS 29 impairment model, which was based on incurred credit losses. The impact of transition to the expected credit losses model under IPSAS 41 was not material and no opening adjustment was recorded.

10. UNICEF does not apply hedge accounting and accordingly the related accounting requirements introduced by IPSAS 41 were not applicable.

D. Reclassification of comparative financial information

11. In 2023, UNICEF revised the classification of all externally managed financial assets to current, which better reflects the nature of the investments and results in consistent comparative information. Accordingly, $122.55 million in bonds previously reported as non-current in the financial statements for the year ending 31 December 2022 was reclassified to current investments.

E. New and revised standards issued but not yet effective

12. In May 2023, the IPSAS Board adopted IPSAS 47: Revenue, which is a new single standard to account for revenue transactions in the public sector, and IPSAS 48: Transfer expenses, which provides guidance on a major area of expenditure for Governments and other public sector entities. Both IPSAS 47 and IPSAS 48 will be effective from 1 January 2026. UNICEF is currently assessing the impact of the application of these standards.

13. The IPSAS Board published IPSAS 43: Leases, in January 2022, with an effective date of 1 January 2025. IPSAS 43 supersedes IPSAS 13: Leases, and introduces the right-of-use model for lessees, improves the transparency of lease accounting in the public sector and is aligned with International Financial Reporting Standard 16: Leases. Assessment of the impact of the application of these standards is currently ongoing. In January 2023, the IPSAS Board approved Exposure draft 84: Concessionary leases and right-of-use assets in-kind (amendments to IPSAS 43 and IPSAS 23). The Board agreed to measure the right-of-use asset under such arrangements at the present value of the payments at market rates. Formal assessment will be completed by the mandatory adoption date.

14. The IPSAS Board issued IPSAS 44: Non-current assets held for sale and discontinued operations, with an effective date of 1 January 2025. IPSAS 44 includes additional public sector requirements, in particular the disclosure of the fair value of assets held for sale that are measured at their carrying amounts, when the carrying amount is materially lower than their fair value. IPSAS 44 is not expected to have an

impact on UNICEF financial statements. Formal assessment will be completed by the mandatory adoption date.

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

16. IPSAS 45: Property, plant and equipment, approved in May 2023, replaces IPSAS 17: Property, plant and equipment, adding public sector guidance on heritage assets, infrastructure assets and measurement of property, plant and equipment. IPSAS 45 will become effective on 1 January 2025. Formal assessment will be completed by the mandatory adoption date.

F. Use of significant estimates and critical judgments

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

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

(a) Note 30, Financial risk management: The measurement of impairment losses as per expected credit losses under IPSAS 41 for UNICEF financial assets requires the estimation of a default probability, where practicable, and the amount and timing of future cash flows that are expected to be recovered and the assessment of a significant increase in credit risk. As contributions receivable are contractual amounts agreed to be paid by donors such as Governments, intergovernmental organizations and other United Nations agencies, expected credit losses on contributions receivable were estimated to be immaterial. Other receivables are principally with United Nations agencies and the expected credit loss was also estimated to be immaterial. Procurement services-related assets are cash balances held by UNICEF in escrow with non-material credit risk. For the purposes of determining expected credit losses on assets measured at fair value through net assets, UNICEF assesses the related credit risk and expected credit losses of such instruments based on a default probability model at the issuer level. It was concluded that expected credit losses on internally managed assets are immaterial. UNICEF applies the low credit risk exception in applying impairment requirements to investments.

(b) Note 17, Employee benefits liabilities: UNICEF participates in a defined-benefit pension plan and other benefit plans. IPSAS requires that management measure the defined-benefit obligations and annual costs under such plans, using assumptions that are long-term in nature and reflect the organization's best judgment and estimates. UNICEF reviews key assumptions on an annual basis with its independent actuaries using relevant experience, in conjunction with market-related data. The key assumptions include demographic and financial assumptions.

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

(d) 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.

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

19. Information on critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described below:

(a) The classification and measurement of financial assets under IPSAS 41 depends on the characteristics of the contractual cash flows and the management model of UNICEF for a particular financial asset. UNICEF determines the management model at a level that reflects how financial assets are managed together to achieve a particular management objective. For further details on the management model assessment policy, see note 4, Significant accounting policies.

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

Note 4
Significant accounting policies

Financial instruments: financial assets
(Significant accounting policy from 1 January 2023)

Recognition and initial measurement

1. UNICEF initially recognizes receivables and debt securities when they are originated. All other financial assets and financial liabilities are initially recognized when UNICEF becomes a party to the contractual provisions of the instrument.

2. A financial asset or financial liability is initially measured at fair value plus, for an item not at fair value through surplus or deficit (for which the transaction costs are expensed), transaction costs directly attributable to its acquisition or issue. At initial

recognition, UNICEF measures receivables and payables at the original invoice amount if the effect of discounting is immaterial.

Financial assets: classification and measurement

3. On initial recognition, a financial asset is classified as measured at amortized cost, fair value through net assets or fair value through surplus or deficit. Financial assets are not reclassified after their initial recognition unless warranted by a change in their management model, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the management model.

4. UNICEF assesses the objective of the management model in which its financial assets are held at a portfolio level, as it best reflects the way in which operations are managed and information is provided to management.

5. Depending on the objective of the management model, the contractual terms of the financial assets are reviewed to determine whether they give rights to cash flows that are solely payments of principal and interest that is, cash flows that are consistent with a basic lending arrangement. In making this assessment, UNICEF considers the contractual terms of the instrument and whether the terms impact the timing or amount of contractual cash flows such that it is determined that the cash flows are not solely payments of principal and interest.

6. A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as measured at fair value through surplus or deficit:

- It is held within a management model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

7. A financial asset is measured at fair value through net assets if it meets both of the following conditions and is not designated as measured at fair value through surplus or deficit:

- It is held within a management model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

8. Financial assets not classified as measured at amortized cost or fair value through net assets are measured at fair value through surplus or deficit.

9. Financial assets with maturities in excess of 12 months at the reporting date or otherwise expected to be realized subsequent to 12 months are categorized as non-current assets in the financial statements.

Financial assets at amortized cost

10. Financial assets at amortized cost are subsequently measured using the effective interest rate method. The amortized cost of the asset is reduced by any impairment losses. Interest income, foreign exchange gains and losses, impairment and any gain or loss on derecognition are recognized in surplus or deficit.

11. Cash and cash equivalents includes cash and short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

12. Contributions receivable represent amounts due based on dates indicated in signed contribution agreements, including multi-year contributions, recognized in full at the time the agreement is signed, except for agreements that have performance conditions beyond the control of UNICEF.

13. Procurement services-related assets primarily comprise funds in escrow accounts for which UNICEF has sole drawing rights and acts as an agent of third parties. Other receivables included under other current assets are primarily receivables from other United Nations organizations.

Financial assets at fair value through net assets

14. These assets are subsequently reported at fair value with any resulting fair value gains or losses recognized directly in net assets through the statement of changes in net assets. Interest income, foreign exchange gains and losses and impairment are recognized in the statement of financial performance.

15. UNICEF internally manages investments other than after-service health insurance funds. Internally managed investments are considered on a collective basis and the management model is both to collect cash flows and sell financial assets with the primary objectives of preserving capital (risk management) while ensuring sufficient liquidity and generating a competitive market rate of return.

16. On derecognition, the cumulative gain or loss previously recognized in net assets is reclassified in surplus or deficit. Fair values are based on quoted market prices.

Financial assets at fair value through surplus or deficit

17. Financial assets at fair value through surplus or deficit are so designated on initial recognition or are assets that are not classified as measured at amortized cost or fair value through net assets. These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in surplus or deficit.

18. UNICEF engages external investment managers to manage the after-service health insurance portfolio set aside in the after-service health insurance reserve. These externally managed investments are considered on a collective basis and the management model's objective is to achieve returns that are consistent with adequately funding the after-service health insurance liability, subject to the risk tolerance stated in the investment management agreement and investment manager guidelines. Accordingly, these externally managed investments are classified as held for trading.

19. UNICEF holds foreign exchange forward contracts (free-standing derivatives) which are valued with reference to the prevailing United Nations operational rate of exchange. UNICEF uses derivatives only to manage foreign exchange risk. UNICEF further expanded its strategy to hedge against currency volatility through investment in foreign exchange options. UNICEF has not designated derivative financial instruments as hedge instruments and does not apply hedge accounting to its derivative instruments.

20. If forward exchange contracts or spot contracts are not closed out, derivatives with a positive fair value are reported as derivative instruments within current investments while derivatives with a negative fair value are reported as derivative instruments within other current liabilities.

21. UNICEF may hold structured deposits that are hybrid financial instruments that have an embedded option along with a fixed-term deposit. UNICEF designates such hybrid financial instruments at fair value through surplus or deficit in their entirety.

Financial assets: summary

Financial asset class	*Sub-class*	*Classification and measurement*
Cash and cash equivalents	Cash at bank and on hand	Financial asset measured at amortized cost
	Term deposits with original maturities of three months or less	
	Cash at bank in money market demand accounts	
Receivables	Contributions receivable	Financial asset measured at amortized cost
	Other receivables (included under other assets)	
	Procurement services-related assets	
Internally managed investments	Term deposits	Financial asset measured at fair value through net assets
	Certificates of deposit	
	Traded bonds	
Internally managed investments	Foreign currency options and spot contracts	Financial asset measured at fair value through surplus or deficit
Externally managed investments	Certificates of deposit	Financial asset measured at fair value through surplus or deficit
	Traded bonds	
	Equities	
	Forward exchange contracts	

Derecognition of financial assets

22. UNICEF derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which UNICEF neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Impairment of non-derivative financial assets

23. IPSAS 41 provides a single forward-looking model for estimation of expected credit losses on financial assets measured at amortized cost or at fair value through net assets. In accordance with the general approach for expected credit losses under IPSAS 41, UNICEF considers loss allowances on its financial assets, except where not material, at an amount equal to:

(a) 12-month expected credit losses: if the credit risk is determined to be low at initial recognition, or for the financial instruments whose credit risk has not increased significantly since initial recognition.

(b) Lifetime expected credit losses: if the credit risk on the financial instrument has increased significantly since initial recognition. Internally managed investments measured at fair value through surplus or deficit are assessed as being low credit risk, that is, investment grade at the reporting date. For subsequent measurement of low credit risk financial assets, UNICEF assumes that credit risk has not increased significantly since initial recognition.

24. If material, loss allowances for contributions receivable and receivables under exchange and non-exchange transactions are measured by UNICEF at an amount equal to lifetime expected credit losses, in accordance with the simplified approach.

25. Expected credit losses are a probability-weighted estimate of credit losses. Where material, credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that UNICEF expects to receive) discounted at the effective interest rate of the financial asset.

26. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, UNICEF considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the organization's informed credit assessment and including forward-looking information where available. UNICEF assumes that the credit risk on its financial asset has increased significantly if there is a significant deterioration in the credit rating of the instrument.

Write-offs and write-downs

27. A write-off of a financial asset is a recognition of a permanent loss. The gross carrying amount of a financial asset may be written off when UNICEF has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

28. Write-downs are changes in estimates of contractual cashflows that do not represent credit losses, including changes to the agreement by the donor, those allowable under the agreement and those that result in a reduction of the contribution receivable.

Financial instruments: financial assets
(Significant accounting policy up to 31 December 2022)

29. UNICEF classified 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.

30. UNICEF did 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
Procurement services-related assets	Loans and receivables
Promissory notes	Loans and receivables

Major financial asset type	*Classification*
Certificates of deposit	Available-for-sale
Traded bonds	Available-for-sale
Equities	Available-for-sale
Foreign currency options, forward exchange and spot contracts	Held for trading (fair value through surplus or deficit)

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

Financial assets at fair value through surplus or deficit

32. A financial asset was classified at fair value through surplus or deficit if it was designated as such upon initial recognition or was classified as held for trading (including forward exchange contracts in gain). Financial assets at fair value through surplus or deficit were measured at fair value on each reporting date, and changes therein were recognized as surplus or deficit in each period.

33. Furthermore, UNICEF holds foreign exchange forward contracts (free-standing derivatives) which were valued with reference to the prevailing United Nations operational rate of exchange.

34. UNICEF does not apply hedge accounting to its derivative instruments. If they were 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.

Loans and receivables

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

Available-for-sale financial assets

36. Available-for-sale financial assets were non-derivative financial assets composed of traded bonds (both internally and externally managed), certificates of deposit and externally managed equities and investment funds. They were initially recorded at fair value and subsequently 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 was derecognized, the accumulated gain or loss accumulated was reclassified as surplus or deficit.

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

Impairment of financial assets – assets carried at amortized cost

38. At the end of each reporting period, UNICEF assessed whether there was objective evidence that a financial asset or a group of financial assets was impaired. UNICEF considered impairment of financial assets at a specific asset level.

39. A financial asset or a group of financial assets was impaired and impairment loss incurred only if there was 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 had 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 was made.

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

41. If, in a subsequent period, the amount of the impairment loss decreased and the decrease could 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 was recognized in the statement of financial performance.

42. 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 were rare and considered on a case-by-case basis.

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

43. 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 was also evidence that assets were impaired. If any such evidence existed 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 – was removed from accumulated surplus (deficit) and recognized in the statement of financial performance.

Financial instruments: financial liabilities

(Significant accounting policy applicable for periods before 1 January 2023 and after 1 January 2023)

44. Financial liabilities are initially recognized at fair value, less transaction costs, and, apart from those measured at fair value through surplus or deficit, are subsequently measured at amortized cost.

45. Financial liabilities classified as measured at amortized cost are measured using the effective interest rate method. Interest expense is recognized in surplus or deficit. 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.

46. Financial liabilities due within 12 months of the reporting date or where UNICEF does not have an unconditional right to defer settlement for at least 12 months are classified as current liabilities. All other liabilities are classified as non-current liabilities.

47. Forward exchange contracts in a loss position are designated as classified at fair value through surplus or deficit and 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.

48. UNICEF derecognizes a financial liability when its contractual obligations are discharged, or cancelled or expire. UNICEF also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. Upon derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in surplus or deficit.

Offsetting of financial instruments

49. Financial assets and financial liabilities are offset, and the net amount presented in the statement of financial position, when, and only when, UNICEF has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Advances of cash assistance

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

51. 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).

Other current assets

52. 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.

53. Prepayments are issued where agreements with UNICEF and the supplier or service provider requires payment up front. Prepayments and similar deposits are recorded as an 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.

54. Value-added and other tax receivables are statutory receivables reflecting reimbursements of indirect taxes from Governments. Unused transfers of cash

assistance due from implementing partners represent the organization's claims to the unused cash assistance funds remaining with the implementation partners after completion or termination of a project.

Inventory

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

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

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

Cryptocurrencies

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

Property and equipment

59. 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.

60. 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.

61. 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.

62. 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.

63. 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.

64. 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

65. 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.

66. 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.

Impairment of non-cash generating assets

67. 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.

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

Funds held on behalf of third parties

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

70. 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.

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

Employee benefits

72. 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

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

Post-employment benefits

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

Post-employment benefits – defined-contribution plan

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

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

Post-employment benefits – defined-benefit plans

77. 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.

78. 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.

79. 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.

80. 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.

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

Other long-term employee benefits

82. 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.

Termination benefits

83. 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

84. 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.

85. 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.

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

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

Provisions

88. 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.

89. 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.

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

Revenue recognition

Voluntary contributions

91. 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.

92. Voluntary contributions are received from Governments, intergovernmental agencies, National Committees for UNICEF, other United Nations organizations, other NGOs and individuals.

93. 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).

94. 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.

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

96. Revenue from voluntary contributions is shown net of:

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

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

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

Contributions in kind

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

98. 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. The expenses in cryptocurrencies are recognized by nature of expenses as incurred.

99. 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

100. 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.

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

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

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

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

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

Recognition of expenses

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

Cash assistance and transfer of programme supplies

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

Commitments

104. 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

105. 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

106. 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

107. 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.

108. 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).

Joint operations

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

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

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

Budget

112. 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.

113. 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.

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

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

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

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

(c) Special purpose. This covers activities and associated costs of a cross-cutting nature that (i) are mandated by the General Assembly (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.

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

116. 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.

117. 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.

118. 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.

119. 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.

120. 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.

121. 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 amounts on a 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*	*2023*	*2022*
Total actual amount on comparable basis as presented in the budget and actual comparative statement	(8 400 675)	–	–	–	(8 400 675)	(9 158 947)
Basis differences	266 351	548 150	(6 728)	–	807 773	861 601
Exchange rate changes on cash and cash equivalents	–	–	–	(6 274)	(6 274)	(20 763)
Entity differences	(1 229 692)	–	–	–	(1 229 692)	(1 606 522)
Presentation differences	8 932 123	–	–	–	8 932 123	10 329 055
Net cash flows from the statement of cash flows	**(431 893)**	**548 150**	**(6 728)**	**(6 274)**	**103 255**	**404 424**

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 2023, the total final programmatic budget of $7.92 billion was higher by $1.16 billion than the total original budget of $6.76 billion, owing in large part to a $0.93 billion increase in other resources – emergency. The original budget for other resources – emergency represents a planned financial estimate as included in the four-year strategic plan. The final budget is updated each year to reflect the humanitarian emergency appeals issued during the year. During 2023, the final budget for other resources – emergency was higher compared with the initial estimate, owing mainly to humanitarian emergency appeals related to the crisis in Ukraine and the earthquake in Türkiye, comprising $0.43 billion and $0.12 billion, respectively.

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 $70.83 million for the Fund represents resource requirements for humanitarian actions for which contributions had not yet been raised.

Comparison of budget to actual on a comparable basis

6. UNICEF continued to deliver, and achieved high utilization, of budgeted expenditures. Total programmatic budgets were implemented at a rate of 95 per cent, as in the prior year.

7. Regular resources – actual comprised 98 per cent of the final budget. Implementation of the other resources – regular and other resources – emergency was 93 per cent and 97 per cent, respectively. However, spending under the institutional budget was 87 per cent of the final budget.

8. The other resources budgets are determined by donor contributions to country programmes and humanitarian action. They are received throughout the year, including in the last three months of the financial year. These contributions are added to the final budget when agreements are entered into. These programmes are implemented in the final quarter of the year and in future years; hence, variances occur. The variance for this budget category with actual expenditures was also affected by challenges in the operating environment faced by UNICEF staff. In addition, political unrest in certain countries negatively affected the progress of programme implementation.

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

Note 6
Cash and cash equivalents

(Thousands of United States dollars)

	2023	*2022*
Cash at bank and on hand – convertible	247 217	219 797
Cash at bank and on hand – non-convertible	177 800	135 228
Cash at bank in money market demand accounts	125 893	176 638
Term deposits (90 days or less)	561 147	477 139
Total cash and cash equivalents	**1 112 057**	**1 008 802**

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

2. Included within cash at bank and on hand – convertible is $18.05 million (2022: $28.04 million) of cash managed by the external investment manager for the after-service health insurance investment portfolio.

Note 7
Contributions receivable

(Thousands of United States dollars)

	Governments and inter-governmental agencies	*Inter-organizational arrangements*	*National committees*	*Country office private sector fundraising*	*2023*	*2022*
Current receivables						
Regular resources	174 222	98	228 298	2 030	404 648	333 247
Other resources	2 585 111	305 442	204 040	67 847	3 162 440	3 385 756
Total current contributions receivable	**2 759 333**	**305 540**	**432 338**	**69 877**	**3 567 088**	**3 719 003**
Non-current receivables						
Regular resources	127 260	–	2 230	880	130 370	203 881
Other resources	976 021	44 204	60 912	34 812	1 115 949	935 150
Total non-current contributions receivable	**1 103 281**	**44 204**	**63 142**	**35 692**	**1 246 319**	**1 139 031**
Total contributions receivable	**3 862 614**	**349 744**	**495 480**	**105 569**	**4 813 407**	**4 858 034**

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.

Note 8
Advances of cash assistance

(Thousands of United States dollars)

	2023	*2022*
Advances of cash assistance by region		
East Asia and the Pacific	48 069	59 951
Europe and Central Asia	91 146	149 317
Eastern and Southern Africa	245 945	263 629
Latin America and the Caribbean	45 896	67 343
Middle East and North Africa	143 712	155 870
South Asia	170 216	178 726
Western and Central Africa	196 053	220 789
Transfers to United Nations agencies and other organizations at Headquarters	5 187	27 777
Adjustment	(43 301)	(75 528)
Total advances of cash assistance by region	**902 923**	**1 047 874**

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

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

Note 9
Inventories

(Thousands of United States dollars)

	2023	*2022*
Programme supplies held in UNICEF controlled warehouses	422 509	378 309
Programme supplies in transit	181 306	263 920
Programme construction in progress	45 521	41 756
Cryptocurrencies	683	287
Total inventories	**650 019**	**684 272**

Cryptocurrency fund

1. Cryptocurrencies are stated at the lower of cost or current replacement cost using the weighted average cost formula (see note 4, Significant accounting policies). The fair value of the cryptocurrencies held in inventory was $0.04 million higher (2022: $0.18 million, lower) compared with the book value. The fair value of cryptocurrencies held approximated the carrying amount at the date of approving these financial statements. The cryptocurrencies held are largely ether, with a minimal quantity of bitcoin.

Note 10
Investments

(Thousands of United States dollars)

	2023	*2022a*
Current investments		
Term deposits (greater than 90 days)	1 370 764	1 969 754
Traded bonds[a]	2 408 546	1 641 022
Certificates of deposit	481 805	1 285 011
Equities	385 168	338 942
Forward exchange and other derivative contracts in gain	148 393	110 832
Total current investments	**4 794 676**	**5 345 561**
Non-current investments		
Traded bonds[a]	3 854 990	3 365 286
Certificates of deposit	35 056	147 729
Term deposits	–	100 112
Total non-current investments	**3 890 046**	**3 613 127**
Total investments	**8 684 722**	**8 958 688**

[a] Traded bonds as of 31 December 2022 include reclassification of $122.55 million balance from non-current traded bonds to current traded bonds (see note 3, Basis of preparation).

1. UNICEF invests some of its funds held in reserves for after-service health insurance liabilities with external fund managers. The $768.12 million (2022: $673.20 million) in externally managed funds is all current investments and comprises $271.88 million (2022: $223.43 million) in bonds, $385.17 million (2022: $338.94 million) in equities and $111.07 million (2022: $110.83 million) in forward exchange contracts in gain. Externally managed forward exchange contracts in loss presented under other liabilities in note 16 comprises $115.35 million (2022: $117.76 million).

2. Internally managed derivatives in gain are $37.33 million (2022: nil) and internally managed derivatives in loss presented in note 16 are $37.22 million (2022: nil). The net position of all internal and external forward exchange and other derivative contracts is a net loss of $4.18 million (2022: net loss of $6.93 million).

Note 11
Procurement services-related assets

(Thousands of United States dollars)

	2023	*2022*
Procurement services-related assets	704 842	1 956 041
Total procurement services-related assets	**704 842**	**1 956 041**

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

Note 12
Other assets

(Thousands of United States dollars)

	2023	*2022*
Current other financial assets		
Receivables from other United Nations agencies	39 644	42 805
Other current assets	3 725	5 557
Unused transfers of cash assistance due from implementing partners	13 405	9 618
Impairment of unused transfers	(11 490)	(8 770)
Subtotal	**45 284**	**49 210**
Current other assets		
Value-added and other tax receivables	128 873	98 154
Prepaid expenses and other assets	142 685	87 715
Education grant advances to staff members	24 523	22 162
Other advances to staff members	8 169	5 350
Impairment of other assets	(77 050)	(32 771)
Subtotal	**227 200**	**180 610**
Total current	**272 484**	**229 820**

	2023	*2022*
Non-current other assets		
Intangible assets	39	149
Other non-current assets	4 210	2 942
Total non-current	**4 249**	**3 091**
Total other assets	**276 733**	**232 911**

1. Prepaid expenses and other assets of $142.69 million (2022: $87.72 million) represent mainly prepayments and advances to vendors for procurement services-related transactions.

Note 13
Property and equipment

(Thousands of United States dollars)

	Land	*Buildings*	*Leasehold improvements*	*Furniture, fixtures and equipment*	*Infrastructure, information technology and communications equipment*	*Office information technology and computer equipment*	*Transportation equipment*	*Total*
Cost								
Balance as at 1 January 2023	81 097	144 014	40 071	23 386	20 053	10 303	119 334	438 258
Additions	–	7 475	3 689	1 677	159	173	12 340	25 513
Disposals	–	(121)	–	(1 099)	(881)	(470)	(5 459)	(8 030)
Balance as at 31 December 2023	**81 097**	**151 368**	**43 760**	**23 964**	**19 331**	**10 006**	**126 215**	**455 741**
Accumulated depreciation and impairment								
Balance as at 1 January 2023	–	52 972	22 523	19 393	16 304	9 748	83 325	204 265
Depreciation[a]	–	5 088	4 213	1 494	880	320	9 602	21 597
Change in impairment	–	191	(9)	6	71	(8)	223	474
Disposals	–	(50)	–	(1 039)	(854)	(463)	(5 184)	(7 590)
Balance as at 31 December 2023	**–**	**58 201**	**26 727**	**19 854**	**16 401**	**9 597**	**87 966**	**218 746**
Carrying value as at 31 December 2023	**81 097**	**93 167**	**17 033**	**4 110**	**2 930**	**409**	**38 249**	**236 995**

[a] Depreciation of property and equipment has been presented in the statement of financial performance together with the amortization of intangible assets of $103,000.

(Thousands of United States dollars)

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

[a] Depreciation of property and equipment has been presented in the statement of financial performance together with the amortization of intangible assets of $1.277 million.

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

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

3. The Three United Nations Plaza complex is recorded on the statement of financial position at its estimated fair value as at the date of the adoption of IPSAS. The annual lease payments of $6.73 million (2022: $6.73 million), exclusive of operating expense escalations, are allocated between the finance charges and the repayment of the finance lease obligation to achieve a constant rate of interest on the remaining balance of the obligation. While the building and plaza are depreciated over their remaining useful lives, the underlying land is not depreciated. Finance charges on the Three United Nations Plaza complex are recorded within finance costs, while depreciation expense on the building and plaza are recorded within depreciation and amortization expense in the statement of financial performance.

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

(Thousands of United States dollars)

	2023	*2022*
Land	80 000	80 000
Buildings	60 195	62 326
Total	**140 195**	**142 326**

5. UNICEF has approximately 700 operating lease agreements for land, office, warehouse and residential space. The majority of lease agreements are under commercial terms. In 2023, 185 agreements were for office and warehouse space provided to UNICEF by host Governments on a free-of-charge basis, for which fair value of annual rent was estimated and recognized as an expense of $28.85 million (2022: $28.02 million) as well as in-kind contributions revenue (see note 20, Revenue from voluntary contributions). Rent for all operating leases is reported within rent and utilities (see note 26, Occupancy and related costs).

Note 14
Accounts payable and accrued liabilities

(Thousands of United States dollars)

	2023	*2022*
Accounts payable	203 877	182 051
Accrued liabilities	175 001	846 474
Total accounts payable and accrued liabilities	**378 878**	**1 028 525**

1. Accrued liabilities, where supplier invoices were received after the year end, include $85.67 million (2022: $697.42 million) related to procurement services on behalf of Gavi, the Vaccine Alliance, and other partners (see note 15, Funds held on behalf of third parties).

Note 15
Funds held on behalf of third parties

(Thousands of United States dollars)

	Balance as at 1 January 2023	*Net funds received*	*Funds utilized/returned*	*Balance as at 31 December 2023*
Procurement services				
Governments	1 146 949	800 058	(986 918)	960 089
Inter-organizational arrangements	132 095	122 838	(154 874)	100 059
Non-governmental organizations	1 835 978	17 263	(1 112 357)	740 884
National Committees	5	16	(16)	5
Total procurement services	**3 115 027**	**940 175**	**(2 254 165)**	**1 801 037**
Other arrangements				
UNICEF-hosted funds	166 627	249 758	(240 804)	175 581
No-fault compensation trust fund	8 560	7 886	(335)	16 111
Others	81 300	192 083	(135 065)	138 318
Total other arrangements	**256 487**	**449 727**	**(376 204)**	**330 010**
Accruals	(23 913)	–	10 775	(13 138)
Total funds held on behalf of third parties	**3 347 601**	**1 389 902**	**(2 619 594)**	**2 117 909**

Procurement services

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

2. UNICEF undertakes these procurement service activities for Governments, NGOs, United Nations agencies and other international organizations and foundations, acting as an agent on behalf of the partner entities. As a result, the activities are not reflected as UNICEF revenue except for handling fees earned (see note 21, Other revenue). Funds are received from or made available by procuring partners in advance to cover UNICEF commitments to suppliers. Funds utilized for procurement arrangements amounted to $2.01 billion (2022: $4.23 billion), representing the value of the supplies and services provided to the procurement services partners.

Other arrangements

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

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

5. **Others**. Others comprise liabilities held by or for UNICEF under agency agreements such as joint programmes for which UNICEF is an administrative agent and custodian arrangements, such as the Vaccine Independence Initiative revolving fund, a revolving trust fund bridge financing facility or the Middle-Income Countries Financing Facility.

Note 16
Other liabilities

A. Other liabilities

(Thousands of United States dollars)

	2023	*2022*
Current other financial liabilities		
Firm contracts and other financial liabilities	174 965	197 956
Forward exchange and other derivative contracts in loss	152 568	117 761
Finance lease liabilities	5 927	5 570
Total current other financial liabilities	**333 460**	**321 287**
Current other liabilities		
Unearned revenue	58 441	67 685
Contributions received in advance	32 528	16 756
Total current other liabilities	**90 969**	**84 441**
Total current	**424 429**	**405 728**
Non-current other financial liabilities		
Firm contracts and other financial liabilities	109 929	129 921
Finance lease liabilities	9 611	15 539
Total non-current other financial liabilities	**119 540**	**145 460**
Non-current other liabilities		
Contributions received in advance	1 929	2 269
Total non-current other liabilities	**1 929**	**2 269**
Total non-current	**121 469**	**147 729**
Total other liabilities	**545 898**	**553 457**

1. The unearned revenue of $58.44 million (2022: $67.69 million) represents the organization's handling fees received in advance for the provision of procurement services and trust fund activities.

2. Forward exchange and other derivative contracts in loss of $152.57 million (2022: $117.76 million) comprised $115.35 million (2022: $117.76 million) in externally managed after-service health insurance investments and $37.22 million (2022: nil) in internally managed investments. Forward exchange and other derivative contracts in gain are presented separately under note 10, Investments, and at year end were $148.40 million (2022: $110.83 million).

3. **Firm contracts and other financial liabilities**. Firm contracts represent liabilities related to the agreements where UNICEF has committed to procuring minimum order quantities for vaccines under firm long-term agreements. The other financial liability is the $50.00 million (2022: $50.00 million) World Bank forward flow arrangement that represents a five-year loan agreement with a maturity date of 4 March 2026. A 1.909 per cent effective interest rate is applicable and paid semi-annually. There are no call provisions, conversion privileges, restrictions or assets pledged as security.

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

(Thousands of United States dollars)

	2023	*2022*
Undiscounted minimum lease payments		
Not later than one year	6 728	6 728
Later than one year and not later than five years	10 093	16 822
Total undiscounted minimum lease payments	**16 821**	**23 550**
Present value of minimum lease payments		
Not later than one year	5 927	5 570
Later than one year and not later than five years	9 611	15 539
Total present value of minimum lease payments	**15 538**	**21 109**
Future finance charges	**1 283**	**2 441**

Note 17
Employee benefits liabilities

(Thousands of United States dollars)

	2023	*2022*
Current employee benefits liabilities		
Home leave	9 721	15 169
Annual leave	172 803	167 181
Workers' compensation	933	859
Other end-of-service entitlements	909	909
Other employee benefits	6 303	2 897
Total current employee benefits liabilities	**190 669**	**187 015**

	2023	2022
Non-current employee benefits liabilities		
Home leave	6 405	1 951
Workers' compensation	14 129	12 730
Other end-of-service entitlements	151 866	135 378
After-service health insurance[a]	1 133 306	1 304 433
Total non-current employee benefits liabilities	**1 305 706**	**1 454 492**
Total employee benefits liabilities	**1 496 375**	**1 641 507**

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

A. Defined-benefit plans

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

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

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

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

5. The death benefit is a post-employment defined-benefit plan. The obligation to provide this entitlement is generated when eligible employees report for service. The payment is made upon the death of an employee who leaves behind a surviving spouse or a dependent child.

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

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

Defined-benefit obligation	*After-service health insurance*	*End-of-service entitlements*	*Medical Insurance Plan*	*Death benefit*	*Workers' compensation*	*2023 total*	*2022 total*
Balance as at 1 January	765 878	131 130	538 555	4 248	13 589	1 453 400	1 828 271
Current service cost	25 078	9 525	20 842	188	1 308	56 941	95 058
Interest cost on benefit obligation	37 049	6 422	26 150	204	594	70 419	53 178
Actuarial losses/(gains) on benefit obligation	17 292	10 463	(278 800)	1 018	414	(249 613)	(487 831)
Benefits paid (net of participant contributions)	(13 344)	(10 896)	(5 394)	(436)	(843)	(30 913)	(35 276)
Balance as at 31 December	**831 953**	**146 644**	**301 353**	**5 222**	**15 062**	**1 300 234**	**1 453 400**

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

UNICEF contributions	*After-service health insurance*[a]	*End-of-service entitlements*	*Death benefit*	*Workers' compensation*	*2023 total*	*2022 total*
Current retirees	506 071	–	–	–	506 071	491 344
Active employees – fully eligible	250 467	73 637	5 222	15 062	344 388	371 818
Active employees – not yet eligible	376 768	73 007	–	–	449 775	590 238
Balance as at 31 December	**1 133 306**	**146 644**	**5 222**	**15 062**	**1 300 234**	**1 453 400**

[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*
2023 actual contributions	46 738	45 427	81 439	173 604
2022 actual contributions	43 686	41 464	29 107	114 257

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*
2023 actual contributions	n/a	n/a	10 579	10 579
2022 actual contributions	n/a	n/a	6 916	6 916

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*	*2023*	*2022*
Current service cost	25 078	9 525	20 842	188	1 308	56 941	95 058
Interest cost on benefit obligation	37 049	6 422	26 150	204	594	70 419	53 178
Total expenses	**62 127**	**15 947**	**46 992**	**392**	**1 902**	**127 360**	**148 236**

Table A.6
Actuarial (gains)/losses recognized directly in net assets
(Thousands of United States dollars)

Actuarial (gains)/losses on benefit obligation	*After-service health insurance*	*End-of-service*	*Medical Insurance Plan*	*Death benefit*	*Workers' compensation*	*2023*	*2022*
Due to changes in financial assumptions	87 716	2 350	(219 620)	98	135	(129 321)	(488 218)
Due to changes in demographic assumptions	(20 309)	(94)	(14 892)	119	–	(35 176)	–
Due to experience adjustments	(50 115)	8 207	(44 288)	801	279	(85 116)	387
Total current period	**17 292**	**10 463**	**(278 800)**	**1 018**	**414**	**(249 613)**	**(487 831)**

8. In 2023, the net actuarial gains recognized in equity comprised $249.61 million (2022: net actuarial gains of $487.83 million). The gains recognized in 2023 related mainly to financial assumptions for per capita claims cost under the Medical Insurance Plan, which was updated to reflect the historical trend of actual claims.

9. The Task Force on Accounting Standards authorized the use of mortality tables in the same manner as the 2017 United Nations Joint Staff Pension Fund tables but weighted by headcount rather than by annuity size. It was agreed that headcount-weighted tables may be a suitable refinement in the estimate for use in after-service health insurance, given that the benefits are more closely aligned with a per capita formula. The Pension Fund mortality assumptions were formally reviewed in 2023. In 2023, the improvement period for the longevity improvement scales was reset to 20 years, with the effect of mortality improvement up to 2043. The base mortality tables are expected to be used until at least 2027, when the next full mortality study is expected to be undertaken by the Pension Fund. The improvement period for valuation of after-service health insurance and Medical Insurance Plan liabilities is also extended to 2043.

10. There have been no changes to assumptions for withdrawal rates or disability rates. The probability of retiring remains at 100 per cent from 65 years old and above to reflect the United Nations mandatory age of separation at 65 years old.

11. Market-based inflation rates are provided for the eurozone and the United States. For Switzerland, the inflation rates are based on published Consensus Economics data (Consensus Forecasts). Separate inflation rates are used for the eurozone, Switzerland and the United States.

12. Separate ultimate medical trends are used for the eurozone, Switzerland and the United States. These medical trend rates factor in long-term inflation, real per capita gross domestic product (GDP) growth and the expected increase in costs in the medical sector. These rates are ultimate after a long-term trend period of 5 to 15 years.

13. UNICEF funds its liabilities for the defined-benefit plans, including after-service health insurance, that it offers to its employees through the use of reserves. Reserves, like other savings plans, are mechanisms for earmarking funds for future expenses of a designated nature. The unfunded amount of the after-service health insurance reserve and reserves for other defined-benefit plans fluctuate based on actuarial gains and losses, as the liability is highly sensitive to the key actuarial assumptions, namely, discount rate, medical trend rate, life expectancy and length of service.

14. The funding deficit for the aggregate of the defined-benefit plans and other liabilities is presented in table A.7, and the details of the reserve are included in note 19, Net assets. The table includes liabilities and earmarked funds for actuarially determined defined-benefit plans (e.g. after-service health insurance, end-of-service entitlements, the Medical Insurance Plan and death benefits) and for other liabilities.

Table A.7
Funding of liabilities
(Thousands of United States dollars)

	2023	*2022*
Actuarial liabilities recognized in the statement of financial position	1 300 234	1 453 400
Other liabilities and provisions recognized in the statement of financial position	173 755	168 133
Funding	(1 213 150)	(1 085 199)
Funding deficit	**(260 840)**	**(536 334)**

15. Effective 2016, UNICEF moved some of the after-service health insurance funds it had held to an external fund manager in conjunction with other United Nations agencies (see note 10, Investments).

B. Actuarial valuation

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

17. UNICEF carried out a full actuarial valuation as at 31 December 2023. The next formal full valuation is expected to take place as at 31 December 2025.

18. 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

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

20. **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 2.30 per cent was used for the 31 December 2023 valuation (2022: 2.50 per cent). This inflation assumption rate is used as a proxy for the long-term inflation expectations over the next 20 years, which is consistent with the expected duration of the obligations.

21. **Discount rate**. The discount rate should reflect the time value of money and the estimated timing of future benefit payments. In accordance with IPSAS 39: Employee benefits, the discount rate used to determine the defined-benefit obligations should be based on market rates for high-quality corporate bonds that match the currency and estimated term of the obligations. The United Nations has used the yield curves issued by Aon Hewitt for the United States (USD), the eurozone (EUR) and Switzerland (CHF) for determining the discount rate for the actuarially valued defined-benefit plans.

22. Based on the analysis for 2023, the single weighted discount rate is 4.71 per cent as at 31 December 2023 (2022: 4.91 per cent), and a discount rate, rounding to the nearest 25 basis points, would equal 4.75 per cent (2022: 5.00 per cent).

23. **Per capita claim costs and health-care cost trends**. Per capita claim costs are based on actual claims and the demographic experience of participants. Per capita costs for each experience period are adjusted to an incurred basis and trended to the date of update using medical inflation assumption. This adjustment helps to ensure that the costs are current and reflect the actual incurred expense of medical claims. The estimation of medical inflation assumptions is harmonized across United Nations agencies and incorporates long-term inflation, real per capita GDP growth and an expected cost increase within the medical sector.

24. **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.

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

26. **After-service health insurance participation and election assumption**. It is assumed that 95 per cent of future retirees who are expected to meet the eligibility requirements for after-service health insurance benefits will participate in the plan in retirement and that 75 per cent of future male retirees and 75 per cent of future female retirees will be married at the time of retirement and will elect to cover their spouse under the same medical arrangement that they have elected. The medical claims cost assumption was calculated based on actual claims and enrolment experience for calendar years 2016, 2017 and 2018 provided by the various third-party administrators.

27. The impact of inflation in the current economic environment leads to additional uncertainty, notably around whether the current rate of inflation is transitory or if there is a potential for a persistently high inflation period. The estimates relied upon for the cost-of-living adjustments and discount rates are influenced by inflation expectations. The effects of inflation on the estimates have not been modelled, but the sensitivity tests on cost-of-living adjustments and discount rates provide some insight on potential impacts related to changes in inflation.

Table B.1
Principal actuarial assumptions

	2023 (percentage)	*2022 (percentage)*
Discount rate		
Rate at 1 January	4.91	2.97
Rate at 31 December	4.71	4.91
Rate of inflation	2.30	2.50
Expected rate of medical cost increase		
Medical inside the United States[a,b]	7.40	6.50
2031 and onwards medical inside the United States[c]	3.65	3.85
United States dental[b]	7.80	6.50
2031 and onwards United States dental[c]	3.65	3.85
United States non-Medicare	8.00	6.50
2031 and onwards United States non-Medicare	3.65	3.85
Non-United States – Switzerland	8.00	4.25
2028 and onwards non-United States – Switzerland	2.35	2.55
Non-United States – eurozone	7.70	5.20
2033 and onwards non-United States – eurozone	3.95	4.15
Expected rate of salary increases (declining from age 20 to age 65)	**9.17–4.07**	**9.07–3.97**

[a] United States Medicare (United States non-Medicare is slightly higher).
[b] Rates for the following respective year.
[c] For 2023, rate extended to 2031 (2022: rate extended to 2031).

Table B.2
Current rates of death underlying the values of United Nations Children's Fund liabilities
(Thousands of United States dollars)

	2023		*2022*	
Rate of death: pre-retirement	*At age 20*	*At age 65*	*At age 20*	*At age 65*
Male	0.00062	0.00495	0.00062	0.00495
Female	0.00034	0.00263	0.00034	0.00263
Rate of death: post-retirement	*At age 20*	*At age 70*	*At age 20*	*At age 70*
Male	0.00062	0.01113	0.00062	0.01113
Female	0.00035	0.00570	0.00035	0.00570

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

	2023		*2022*	
Rate of retirement	*At age 55*	*At age 62*	*At age 55*	*At age 62*
Male	0.05	0.65	0.16	0.73
Female	0.05	0.65	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	(78 640)	–	(5 150)	(29 241)	–	(164)	(776)
Impact of: 0.5 per cent decrease	91 021	–	5 506	33 790	–	174	953
Health-care cost trend rates							
Impact of: 0.5 per cent increase	88 343	9 501	–	33 021	3 893	–	–
Impact of: 0.5 per cent decrease	(77 159)	(7 849)	–	(28 860)	(3 410)	–	–
Cost-of-living adjustment							
Impact of: 1 per cent increase	–	–	–	–	–	–	2 025
Impact of: 1 per cent decrease	–	–	–	–	–	–	(1 669)

Sensitivity analysis

28. Table A.4 outlines the potential impact of changes in certain key assumptions used in measuring defined-benefit obligations and benefit costs. The sensitivity analysis contained in the table is hypothetical and should be used with caution. If the assumptions about the discount rate, the health-care cost and cost-of-living adjustment trends described above were to change, this would have an impact on the measurement of the obligation and expense, as shown in the table. 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 2023 valuations, with Aon Hewitt long-term assumptions for the different currencies provided by the United Nations.

29. 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

30. The average duration of after-service health insurance (including the Medical Insurance Plan), end-of-service entitlements, death benefit and workers' compensation is, respectively, 21 years, 8 years, 7 years and 15 years.

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

	2024	*2025*	*2026*	*2027*	*2028*	*2029 to 2033*	*Total*
After-service health insurance[a]	19 748	22 485	25 277	28 199	31 239	199 731	326 679
End-of-service entitlements	15 758	13 683	12 354	11 501	10 882	51 641	115 819
Death benefit	540	509	487	469	454	2 404	4 863
Workers' compensation	939	935	927	919	911	4 371	9 002
Total	**36 985**	**37 612**	**39 045**	**41 088**	**43 486**	**258 147**	**456 363**

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

C. Multi-employer pension plans

31. 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.

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

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

34. 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. The primary purpose of the actuarial valuation is to determine whether the current and estimated future assets of the Fund will be sufficient to meet its liabilities.

35. The financial obligation of UNICEF to the Fund consists of its mandated contribution, at the rate established by the General Assembly (currently at 7.9 per cent for participants and 15.8 per cent for member organizations) together with any share of any actuarial deficiency payments under article 26 of the Regulations of the

Pension Fund. Such deficiency payments are only payable if and when the Assembly has invoked the provision of article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Fund as at the valuation date. Each member organization shall contribute to this deficiency an amount proportionate to the total contributions which each paid during the three years preceding the valuation date.

36. The most recent actuarial valuation for the Fund was completed as at 31 December 2021, and the valuation as at 31 December 2023 is currently being performed. A roll-forward of the participation data as from 31 December 2021 to 31 December 2022 was used by the Fund for its 2022 financial statements.

37. The actuarial valuation as at 31 December 2021 resulted in a funded ratio of actuarial assets to actuarial liabilities of 117.0 per cent. The funded ratio was 158.2 per cent when the current system of pension adjustments was not taken into account.

38. After assessing the actuarial sufficiency of the Fund, the consulting actuary concluded that there was no requirement, as at 31 December 2021, for deficiency payments under article 26 of the Regulations of the Fund as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the plan. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as at the valuation date. At the time of reporting, the General Assembly has not invoked the provision of article 26.

39. Should article 26 be invoked owing to an actuarial deficiency, either during the ongoing operation or owing to the termination of the Fund, deficiency payments required from each member organization would be based upon the proportion of that member organization's contributions to the total contributions paid to the Fund during the three years preceding the valuation date. Total contributions paid to the Fund during the preceding three years (2020, 2021 and 2022) amounted to $8.94 billion, of which 12.05 per cent was contributed by UNICEF.

40. During 2023, contributions paid to the Fund amounted to $390.63 million (2022: $352.37 million). Expected contributions due in 2024 are approximately $415.55 million.

41. Membership in the Fund may be terminated by decision of the General Assembly, upon the affirmative recommendation of the Pension Board. A proportionate share of the total assets of the Fund at the date of termination shall be paid to the former member organization for the exclusive benefit of its staff who were participants in the Fund at that date, pursuant to an arrangement mutually agreed between the organization and the Fund. The amount is determined by the Pension Board based on an actuarial valuation of the assets and liabilities of the Fund on the date of termination; no part of the assets that are in excess of the liabilities are included in the amount.

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

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

	2023	*2022*
UNICEF contributions	259 241	233 735
Participants' contributions	131 389	118 632
Total contributions	**390 630**	**352 367**

Note 18
Provisions

(Thousands of United States dollars)

	Returns of unused funds	*Write-downs*	*Total*
Balance as at 1 January 2023	32 001	16 097	48 098
Increase in provision	14 399	23 300	37 699
Utilization or release of provision	(11 562)	(24 659)	(36 221)
Balance as at 31 December 2023	**34 838**	**14 738**	**49 576**

1. Provisions for unused funds to be returned to donors are estimated for all projects where the related grants have a return clause and in which the contribution agreements require the return of unused funds.

2. A "write-down provision" is estimated for donors where past experience indicates that the donor contribution has previously been reduced at the grant expiration date.

Note 19
Net assets

(Thousands of United States dollars)

		IPSAS reserves		*Employment entitlement funding reserves*			*Revolving funds and other reserves*			
	Accumulated surpluses	*Actuarial gains/ (losses)*	*Investment revaluation*	*After-service health insurance fund*	*Separation fund*	*Medical Insurance Plan fund*	*Revolving funds*	*Other reserves*	*Total reserves and funds*	*Total net assets*
Balance as at 1 January 2022	**9 324 074**	**(126 197)**	**56 062**	**724 133**	**138 800**	**151 718**	**25 626**	**33 633**	**1 003 775**	**10 327 849**
Surplus	1 838 134	–	–	–	–	16 781	–	–	16 781	1 854 915
Actuarial gains	–	487 831	–	–	–	–	–	–	487 831	487 831
Changes in fair value of available-for-sale financial assets	–	–	(309 168)	–	–	–	–	–	(309 168)	(309 168)
Utilization of reserve	69 591	–	–	(12 485)	(29 425)	(18 580)	(9 101)	–	(69 591)	–
Transfers to/(from) the fund	(199 243)	–	–	43 686	41 464	29 107	46 443	38 543	199 243	–
Balance as at 31 December 2022	**11 032 556**	**361 634**	**(253 106)**	**755 334**	**150 839**	**179 026**	**62 968**	**72 176**	**1 328 871**	**12 361 427**
Adjustment on adoption of IPSAS 41: Financial instruments (note 3)	(31 064)	–	31 064	–	–	–	–	–	31 064	–
Surplus	32 360	–	–	–	–	18 895	–	–	18 895	51 255
Actuarial gains	–	249 613	–	–	–	–	–	–	249 613	249 613
Changes in fair value of financial assets	–	–	130 767	–	–	–	–	–	130 767	130 767
Utilization of reserve	103 583	–	–	(13 104)	(31 152)	(20 292)	(39 035)	–	(103 583)	–
Transfers to/(from) the fund	(243 065)	–	–	46 738	45 427	81 439	66 448	3 013	243 065	–
Balance as at 31 December 2023	**10 894 370**	**611 247**	**(91 275)**	**788 968**	**165 114**	**259 068**	**90 381**	**75 189**	**1 898 692**	**12 793 062**

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. Net assets relating to the other resources segment total $10.88 billion (2022: $9.69 billion) and are presented in note 36, Segment information.

1. Net assets represent the value of UNICEF assets, less its outstanding liabilities at the reporting date. UNICEF net assets comprise accumulated surpluses and reserves.

2. Accumulated surpluses represent the accumulated surpluses and deficits from UNICEF operations over the years. IPSAS reserves represent financial reporting reserves presented in accordance with IPSAS requirements. From the initial adoption date of IPSAS 41 of 1 January 2023, externally managed investments were classified as measured at fair value through surplus or deficit (rather than fair value through net assets). An opening balance adjustment is reflected in the table above (see note 3, Basis of preparation). Accumulated surpluses also include a cost recovery fund that was created in 2023 to retain the cost recoveries in excess of the planned amount in the institutional budget. These funds are to be used to cover the costs related to programme implementation.

3. Employment entitlement funding reserves comprise the following funds that were approved by the Executive Board:

(a) *Reserve for after-service health insurance*. This reserve is used to fund the after-service health insurance liability included in employee benefits liabilities and recorded on the statement of financial position;

(b) *Reserve for separation fund*. This fund is used to cover separation and termination liabilities. It comprises the net accumulation of total contributions from the funding source of current eligible staff members less payments made to staff members upon separation;

(c) *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.

4. Revolving funds are funds that have been approved by the Executive Board to be set aside from the regular resources for specific purposes for country offices to use temporarily. The offices will replenish the revolving funds in accordance with procedures specific to each fund. These funds remain part of the regular resources-related net assets and can be used as part of regular resources if the need arises. The revolving funds are as follows:

(a) *Working Capital Fund*. The purpose of the fund is to address the funding gaps for UNICEF country cooperation programmes while fundraising pipelines mature and to allow programmatic activities to commence without loss of implementation time. This is funded from a portion of treasury earnings. Transfers to the fund included payments of $4.93 million. The fund had a balance of $57.02 million (2022: $41.59 million);

(b) *Capital Assets Fund*. The fund has approved transfers from regular resources to facilitate the renovation and future purchases of capital assets such as office buildings and staff housing in the field. As at 31 December 2023, the fund had a balance of $1.23 million (2022: $1.38 million);

(c) *Dynamo fund*. The fund was established as a revolving fund to provide sustainable financial capacity for investment in private sector fundraising. The fund provides an additional and more predictable source of investment for fundraising growth in country and regional markets. In 2023, $38.7 million (2022: $20 million) was transferred to the fund to be used for country offices' fundraising activities, as approved by the Executive Board. The repayments to the fund comprised $3.19 million (2022: nil). As at 31 December 2023, the fund had a balance of $32.13 million (2022: $20.0 million).

5. Other reserves consist of two Board-approved procurement and insurance reserves as well as funds that relate to procurement services-related trust fund activities that are not available for use by UNICEF. A reserve for procurement services of $2.0 million was set up in 2021 to absorb possible future shortfalls. As at December 2023, the fund had a balance of $75.08 million (2022: $72.06 million). An insurance reserve of $0.11 million was established to absorb losses of UNICEF programme supplies and equipment not covered by commercial insurance.

Note 20
Revenue from voluntary contributions

A. Voluntary contributions

(Thousands of United States dollars)

	2023	*2022*
Public sector contributions		
Governments and intergovernmental agencies	5 411 815	6 233 072
Inter-organizational arrangements	1 036 738	1 156 910
Total public sector contributions	**6 448 553**	**7 389 982**
Private sector contributions		
National Committees	1 621 099	2 231 680
Country office private sector fundraising	448 270	433 930
Total private sector contributions	**2 069 369**	**2 665 610**
Total voluntary contributions	**8 517 922**	**10 055 592**
Refunds, provision for returns to donors of unused contributions and write-downs	(23 525)	(36 016)
Total voluntary contributions	**8 494 397**	**10 019 576**

1. The revenue includes $3.77 billion (2022: $3.96 billion) in multi-year contributions where programme implementation is expected over a period of more than two years.

National Committees

2. Included within the private sector fundraising are the contributions from the National Committees, which comprised $1.62 billion (2022: $2.23 billion). Total contributions from the National Committees during the year, excluding proceeds from licensing cards and products, were $2.09 billion (2022: $2.70 billion). Of that amount, $518.62 million (2022: $466.26 million) was retained by the National Committees to cover the costs of fundraising, advocacy and management and administration activities or as reserves (see note 34, Related parties, for additional information on the relationship between UNICEF and the National Committees).

Country office private sector fundraising

3. Included within in-country private sector fundraising are voluntary cash contributions from individuals.

4. UNICEF is investing in fundraising activities in emerging market countries to expand the base for raising core funding for the organization. Proceeds from the $50 million forward flow arrangement with the World Bank have been invested in fundraising activities. Since the inception of that arrangement, $583.05 million (2022: $432.16 million) in cumulative unearmarked contributions have been recognized as revenue relating to donations from private individuals from those countries.

In-kind contributions

5. Total contributions also included in-kind contributions of $105.59 million (2022: $104.86 million), such as goods and right-to-use assets received. Major types of goods received include ready-to-use therapeutic food, vitamins, resilience supplies and transportation of supplies. In-kind contributions also include right-to-use property, such as office and warehouse space provided by host Governments free of charge, valued at $28.85 million (2022: $28.02 million), with the corresponding expense included within "rent and utilities" in note 26, Occupancy and related costs.

6. UNICEF also accepts contributions in cryptocurrencies for the purpose of funding the programmatic implementation activities of the UNICEF innovation fund team. One contribution was received in 2023, of $0.57 million (2022: nil). Related expenses are included in note 23, Cash assistance and transfer of programme supplies.

7. In-kind services are also provided free by other parties to UNICEF offices in fulfilling the organization's mandate. Services in-kind received by UNICEF during 2023 include mainly volunteer services.

B. Classification of voluntary contributions

(Thousands of United States dollars)

	2023	*2022*
Unearmarked voluntary contributions		
Regular resources – programme	1 211 493	1 248 025
Foreign exchange gains/(losses)	18 156	(43 493)
Total regular resources – programme	**1 229 649**	**1 204 532**
Regular resources – non-programme	123 621	115 171
Foreign exchange gains	32	7
Total regular resources – non-programme	**123 653**	**115 178**
Total regular resources	**1 353 302**	**1 319 710**
Earmarked voluntary contributions		
Other resources – regular	4 535 956	4 414 909
Foreign exchange gains/(losses)	39 246	(69 749)
Total other resources – regular	**4 575 202**	**4 345 160**
Other resources – emergency	2 562 370	4 370 564
Foreign exchange gains/(losses)	3 523	(15 858)
Total other resources – emergency	**2 565 893**	**4 354 706**
Total other resources	**7 141 095**	**8 699 866**
Total voluntary contributions	**8 494 397**	**10 019 576**

Note 21
Other revenue

(Thousands of United States dollars)

	2023	2022
Procurement services handling fees	71 452	100 756
Warehouse goods transfers revenue (see note 27)	24 480	58 189
Miscellaneous revenue	42 685	30 809
Licensing revenue	2 081	4 887
Total other revenue	**140 698**	**194 641**

1. UNICEF undertakes procurement services for Governments, NGOs, United Nations agencies and other international organizations and foundations. UNICEF recognized revenue of $71.45 million (2022: $100.76 million) related to the provision of services.

2. The warehouse goods transfers revenue of $24.48 million (2022: $58.19 million) is related to reimbursement of direct sales of goods to third parties. The corresponding expense related to such arrangements is included in note 27, Other expenses.

3. Through the licensing of the UNICEF brand, UNICEF generates additional funds for cooperation programmes in developing countries. Proceeds from licensing are accrued on the basis of revenue and expenditure reports received at year end. In 2023, total licensing revenue was $2.08 million (2022: $4.89 million).

Note 22
Investment revenue

(Thousands of United States dollars)

	2023	2022
Investment revenue from internally managed investments	284 336	103 445
Investment revenue from externally managed investments	12 692	11 393
Total investment revenue	**297 028**	**114 838**

1. UNICEF generated $297.03 million (2022: $114.84 million) in investment revenue from term deposits and money market demand deposits, certificates of deposits, fixed-income securities, equities and bank accounts.

Note 23
Cash assistance and transfer of programme supplies

(Thousands of United States dollars)

	2023	2022
Cash assistance		
Transfer of cash to implementing partners	2 891 892	2 451 361
Transfer of cash to beneficiaries directly by UNICEF	366 093	725 114
Co-funding activities	77 012	124 178
Jointly financed activities	31 424	35 470
Subtotal	**3 366 421**	**3 336 123**

	2023	*2022*
Movement in accrual	(12 317)	42 141
Total cash assistance	**3 354 104**	**3 378 264**
Programme supplies		
Transfer of programme supplies	1 807 858	1 559 581
Total transfer of programme supplies	**1 807 858**	**1 559 581**
Total cash assistance and transfer of programme supplies	**5 161 962**	**4 937 845**

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 24
Employee benefits

(Thousands of United States dollars)

	2023	*2022*
Salaries and wages	1 169 859	1 071 781
Contribution to the United Nations Joint Staff Pension Fund	259 241	233 735
After-service health insurance expenses	60 730	70 868
Other post-employment employee benefits	17 935	13 751
Other long-term employee benefits	29 475	18 518
Other personnel expenses	402 796	383 411
Total employee benefits	**1 940 036**	**1 792 064**

Note 25
Programme-related expert services

(Thousands of United States dollars)

	2023	*2022*
Programme-related expert services	573 264	583 793
Total programme-related expert services	**573 264**	**583 793**

1. Programme-related expert services comprise activities such as research studies, surveys, evaluations, assessments, technical support in specific programme areas and other programmatic services, conducted by third-party providers in implementation of UNICEF programmes.

Note 26
Occupancy and related costs

(Thousands of United States dollars)

	2023	*2022*
Supplies and consumables	100 513	76 908
Rent and utilities	142 535	135 066
United Nations common services	32 427	30 732
Repairs and maintenance	56 820	48 479
Information, communications and technology	74 260	71 508
Professional fees	126 008	114 629
Insurance	10 335	4 711
Total occupancy and related costs	**542 898**	**482 033**

Note 27
Other expenses

A. Non-employee compensation

(Thousands of United States dollars)

	2023	*2022*
Individual and corporate consultants	146 222	141 470
United Nations Volunteers and interns	27 514	22 542
Total non-employee compensation	**173 736**	**164 012**

B. Warehouse and related overhead costs

(Thousands of United States dollars)

	2023	*2022*
Procurement services cost of goods (note 21)	24 538	58 502
Other warehouse and logistical services	71 802	60 273
Total warehouse and related overhead costs	**96 340**	**118 775**

C. General expenses

(Thousands of United States dollars)

	2023	*2022*
Impairment and write-downs (net of reversals)	55 111	(1 843)
Write-offs	6 022	17 720
Travel	178 959	145 158
Advertising, promotion and media services	51 019	58 087
Distribution expenses	30 511	30 885
Miscellaneous expenses	61 034	57 411
Total general expenses	**382 656**	**307 418**

D. Finance costs

(Thousands of United States dollars)

	2023	2022
Finance lease obligations	1 159	1 494
Finance cost on forward flow arrangement	955	955
Total finance costs	**2 114**	**2 449**
Total other expenses	**654 846**	**592 654**

1. Included within impairment and write-downs for 2023 are the impairments for non-financial other assets and inventories.

Note 28
Net gains and losses

A. Net gains and losses

(Thousands of United States dollars)

	2023	2022
Net foreign exchange gains	82 226	66 683
Net fair value gains/(losses) on investments	71 813	(1 137)
Net gains on sale of property and equipment	1 755	1 533
Total net gains	**155 794**	**67 079**

1. Included in net fair value gains/losses on investments for 2023 are fair value changes of $68.41 million for externally managed financial instruments. Before the adoption of IPSAS 41 (see note 3, Basis of preparation), these fair value changes were recorded directly through net assets.

B. Net foreign exchange gains and losses

(Thousands of United States dollars)

	Unrealized	*Realized*	*2023*	*2022*
Gains	8 565	103 812	112 377	126 119
Losses	(2 018)	(28 133)	(30 151)	(59 436)
Total net gains	**6 547**	**75 679**	**82 226**	**66 683**

2. Realized foreign exchange losses of $31.86 million (2022: losses of $60.34 million) and unrealized gains of $92.81 million (2022: losses of $68.75 million), related primarily to other resources receivables, are included within voluntary contributions in note 20, Revenue from voluntary contributions.

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.

2. The following tables detail the value of financial assets and financial liabilities by class of instrument and by category, as defined in the accounting policies.

A. Financial assets as at 31 December

(Thousands of United States dollars)

Financial assets	*Amortized cost*	*Fair value through net assets*	*Fair value through surplus/deficit*	*Total carrying value*	*Total fair value 2023*	*Total fair value 2022*
Cash and cash equivalents (note 6)	1 112 057	–	–	1 112 057	1 112 057	1 008 802
Investments (note 10)						
Term deposits	–	1 370 764	–	1 370 764	1 370 764	2 069 866
Traded bonds	–	5 991 655	271 881	6 263 536	6 263 536	5 006 308
Certificates of deposit	–	516 861	–	516 861	516 861	1 432 740
Equities	–	–	385 168	385 168	385 168	338 942
Forward exchange and other derivative contracts in gain	–	–	148 393	148 393	148 393	110 832
Receivables and other financial assets						
Contributions receivable (note 7)	4 813 407	–	–	4 813 407	4 813 407	4 858 034
Procurement services-related assets (note 11)	704 842	–	–	704 842	704 842	1 956 041
Other financial assets (note 12)	45 284	–	–	45 284	45 284	49 210
Total financial assets	**6 675 590**	**7 879 280**	**805 442**	**15 360 312**	**15 360 312**	**16 830 775**

3. The carrying value of financial assets and financial liabilities is considered to be a reasonable approximation of fair value.

B. Financial liabilities as at 31 December

(Thousands of United States dollars)

Financial liabilities	*Amortized cost*	*Fair value through surplus/deficit*	*Total carrying value*	*Total fair value 2023*	*Total fair value 2022*
Accounts payable and accrued liabilities (note 14)	378 878	–	378 878	378 878	1 028 525
Funds held on behalf of third parties (note 15)	2 117 909	–	2 117 909	2 117 909	3 347 601
Finance lease liabilities (note 16)	15 538	–	15 538	15 538	21 109
Forward exchange and other derivative contracts in loss, firm contracts and other liabilities (note 16)	284 894	152 568	437 462	437 462	445 638
Total financial liabilities	**2 797 219**	**152 568**	**2 949 787**	**2 949 787**	**4 842 873**

Fair value – valuation method

4. 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.

5. 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).

6. The majority of the organization's financial assets 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, foreign exchange spot contracts, derivative contracts, term deposits and certain fixed-income instruments in the externally managed portfolio. As at the reporting date, there were no financial assets in level 3.

C. Financial instruments by valuation method

(Thousands of United States dollars)

	Level 1	*Level 2*	*2023*	*2022*
Assets				
Fair value through surplus or deficit	494 552	310 890	805 442	110 832
Fair value through net assets	6 508 516	1 370 764	7 879 280	–
Available-for-sale financial assets	–	–	–	6 777 990
Liabilities				
Fair value through surplus or deficit	–	(152 568)	(152 568)	(117 761)
Total	**7 003 068**	**1 529 086**	**8 532 154**	**6 771 061**

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. Non-material credit risk arises from cash and cash equivalents, investments, procurement services-related assets, contributions receivable and other receivables.

2. UNICEF considers the expected credit losses for financial instruments on an asset class basis and, if material, recognizes expected credit losses. In its analysis, UNICEF concluded that there are no significant credit risk exposures or significant credit risk concentrations. Expected credit losses for cash and cash equivalents, investments, procurement services-related assets, contributions receivable and other financial assets at 1 January 2023 and 31 December 2023 are not material.

3. **Cash and cash equivalents**. Cash and cash equivalents have low credit risk. The majority of balances are held with institutions with investment grade risk ratings (equal to Moody's Baa rating or above). As at year end, UNICEF held bank accounts in 146 countries and territories with insignificant exposure to credit risk. UNICEF has established a risk assessment process that is completed before bank accounts are opened at any bank with which UNICEF has not had a prior business relationship. 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. In addition, UNICEF cash is centrally managed by the Treasury at UNICEF headquarters in New York and the amount of cash maintained in house banks overseas is limited.

4. **Investments**. UNICEF mitigates its exposure to credit risk by imposing certain restrictions, including, but not limited to, a minimum credit rating for 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, which renders advice to the Comptroller on matters of investments of funds not needed for immediate requirements, preapproves each new counterparty, including for forward exchange and other derivative contracts, before any investments are made. To minimize counterparty risk, UNICEF enters into transactions with counterparties that are of investment grade as classified by the major rating agencies. 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. UNICEF considers that its investments have low credit risk.

5. UNICEF utilizes the credit ratings from three leading credit rating agencies, Moody's, S&P Global Ratings and Fitch, to categorize and monitor credit risk on its financial instruments.

6. 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.

7. Procurement services-related assets. Procurement services-related assets have non-significant credit risk as UNICEF holds these funds (see note 15, Funds held on behalf of third parties) in escrow accounts for which UNICEF has sole drawing rights.

8. Contributions receivable. UNICEF exposure to credit risk from receivables from contributions and other receivables is influenced mainly by the type of donor. Contributions receivable from Governments, intergovernmental organizations, interorganizational arrangements and National Committees are 97.8 per cent (2022: 97.9 per cent) of total contributions receivable and have a very low default risk.

9. UNICEF does not hold any collateral for financial assets. The carrying value of all financial instruments represents the organization's maximum exposure to credit risk.

A. Financial assets: concentration of credit exposure by UNICEF credit rating

(Thousands of United States dollars)

UNICEF credit rating	*AAA*	*AA*	*A*	*B*	*Below B*	*Non-rated*	*2023*	*2022*
Cash and cash equivalents								
Cash at bank and on hand	–	41 587	296 018	15 405	9 090	62 917	425 017	355 025
Term deposits and other	9 486	251 001	426 553	–	–	–	687 040	653 777
Subtotal	**9 486**	**292 588**	**722 571**	**15 405**	**9 090**	**62 917**	**1 112 057**	**1 008 802**
Investments								
Term deposits	–	633 927	736 837	–	–	–	1 370 764	2 069 866
Traded bonds	1 555 168	2 528 543	2 123 739	34 391	21 695	–	6 263 536	5 006 308
Certificates of deposit	–	204 056	312 805	–	–	–	516 861	1 432 740
Equities	–	–	–	–	–	385 168	385 168	338 942

UNICEF credit rating	*AAA*	*AA*	*A*	*B*	*Below B*	*Non-rated*	*2023*	*2022*
Forward exchange and other derivative contracts in gain	–	–	–	–	–	148 393	148 393	110 832
Subtotal	**1 555 168**	**3 366 526**	**3 173 381**	**34 391**	**21 695**	**533 561**	**8 684 722**	**8 958 688**
Contributions receivable, procurement services and other financial assets								
Contributions receivable	–	–	–	–	–	4 813 407	4 813 407	4 858 034
Procurement services-related assets	–	–	676 470	–	–	28 372	704 842	1 956 041
Other financial assets	–	–	–	–	–	45 284	45 284	49 210
Subtotal	**–**	**–**	**676 470**	**–**	**–**	**4 887 063**	**5 563 533**	**6 863 285**
Total	**1 564 654**	**3 659 114**	**4 572 422**	**49 796**	**30 785**	**5 483 541**	**15 360 312**	**16 830 775**

10. Non-rated cash and cash equivalents represent cash and cash equivalents held in various country office operating accounts. UNICEF credit ratings are based on credit ratings by Moody's and S&P Global Ratings and are summarized as follows:

B. UNICEF credit rating summary

Moody's credit rating		*UNICEF credit rating*
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

11. Expected credit losses for financial instruments measured at amortized cost and fair value through net assets are not significant.

Exposure to liquidity risk

12. Liquidity risk is the risk that UNICEF will encounter difficulty in meeting its obligations associated with its accounts payable, other liabilities and promised transfers of cash to programmes.

13. 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.

14. In 2021, UNICEF entered into a five-year (to March 2026) forward flow financing arrangement with the World Bank. Fundraising revenue is collected from private sector fundraising for the interest and final loan repayment. These are monitored and regular reporting is done in a timely manner to ensure compliance. The agreement does not contain a breach of covenant clause and any unpaid amounts shall be cancelled in full immediately following the maturity date.

15. Cash for programmatic activities and to meet employee benefit obligations is invested in a range of financial assets, including money market demand accounts, term deposits, certificates of deposits, time deposits and fixed-income securities, which seek to ensure the security and liquidity of investments while optimizing yield. In all cases, investments are permitted only in high-credit-quality institutions and issues, with diversification of investment supported by maintaining counterparty credit limits.

C. Contractual maturities of financial liabilities

(Thousands of United States dollars)

	Less than 12 months	*1 to 5 years*	*2023*	*2022*
Accounts payable and accrued liabilities	378 878	–	378 878	1 028 525
Funds held on behalf of third parties	2 117 909	–	2 117 909	3 347 601
Forward exchange and other derivative contracts in loss	152 568	–	152 568	117 761
Firm contracts	174 965	59 929	234 894	277 877
Forward flow arrangement	–	50 000	50 000	50 000
Finance lease liabilities	5 927	9 611	15 538	21 109
Total	**2 830 247**	**119 540**	**2 949 787**	**4 842 873**

16. 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

17. 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.

18. 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.

19. Risk in the emerging markets portfolio is mitigated by way of a limit of $30.00 million in functional emerging market currencies and by transacting only with partners preapproved by the Financial Advisory Committee. In addition, UNICEF transacts in emerging markets only investments for currencies where it has large spending needs, thereby reducing foreign exchange risk.

Currency risk

20. Currency risk (or foreign exchange risk) arises with financial instruments that are denominated in a foreign currency. UNICEF is exposed to currency risk on revenues, expenses, assets and liabilities that are denominated in a currency other than the United States dollar. The currencies in which these transactions are primarily denominated are as follows:

(a) Regarding voluntary contributions: the euro, Norwegian krone, Swedish krona, Canadian dollar, pound sterling, Australian dollar, New Zealand dollar, Swiss franc, Danish krone, and Japanese yen and many others;

(b) Regarding expenses: all currencies used across all operating UNICEF countries, including the Ukrainian hryvnia, Nigerian naira, Afghan afghani, Lebanese pound, Turkish lira, Indian rupee, Pakistani rupee, Ethiopian birr and many others;

(c) Regarding assets and liabilities: all currencies used across all operating UNICEF countries, including the euro, Swedish krona, Canadian dollar, pound sterling, Swiss franc, Norwegian krone, Japanese yen and many others.

21. UNICEF has not implemented hedge accounting, although it applies "natural hedges" by holding foreign currencies in order to cover forecasted foreign currency cash outflows in revenue-side currencies, in addition to entering into foreign exchange forward contracts on revenue-side currencies. UNICEF uses derivative financial instruments to mitigate currency risk and hedge some of its risk exposures or minimize deviations from benchmark allocations as set out in the agreement with the Investment Fund Managers. UNICEF has further expanded its strategy to hedge against currency volatility through investment in foreign exchange options.

22. The following table summarizes UNICEF foreign currency positions in financial instruments.

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

(Thousands of United States dollars)

	United States dollar	*Euro*	*Swedish krona*	*Pound sterling*	*Canadian dollar*	*Other*	*2023*	*2022*
Cash and cash equivalents	888 968	(36 068)	(450)	(33 881)	(8 118)	301 606	1 112 057	1 008 802
Term deposits	1 370 764	–	–	–	–	–	1 370 764	2 069 866
Traded bonds	6 164 417	69 921	–	18 607	8 216	2 375	6 263 536	5 006 308
Certificates of deposit	516 861	–	–	–	–	–	516 861	1 432 740
Equities	292 098	33 945	2 751	26 407	926	29 041	385 168	338 942
Forward exchange contracts and other derivatives in gain	148 393	–	–	–	–	–	148 393	110 832
Contributions receivable	3 087 591	955 493	203 039	166 504	84 879	315 901	4 813 407	4 858 034
Procurement services related-assets	704 842	–	–	–	–	–	704 842	1 956 041
Other financial assets	(36 242)	25 408	7 575	3 377	232	44 934	45 284	49 210
Total financial assets	**13 137 692**	**1 048 699**	**212 915**	**181 014**	**86 135**	**693 857**	**15 360 312**	**16 830 775**
Accounts payable and accrued liabilities	(219 632)	(18 702)	(35)	(595)	(74)	(139 840)	(378 878)	(1 028 525)
Funds held on behalf of third parties	(2 069 811)	(47 102)	–	(286)	(36)	(674)	(2 117 909)	(3 347 601)
Forward exchange contracts and other derivatives in loss	(109 144)	(6 202)	–	–	–	(37 222)	(152 568)	(117 761)
Other financial liabilities	(216 065)	(79 387)	–	–	–	(4 980)	(300 432)	(348 986)
Total financial liabilities	**(2 614 652)**	**(151 393)**	**(35)**	**(881)**	**(110)**	**(182 716)**	**(2 949 787)**	**(4 842 873)**
Net exposure	**10 523 040**	**897 306**	**212 880**	**180 133**	**86 025**	**511 141**	**12 410 525**	**11 987 902**

Sensitivity analysis: foreign currency

23. The following table, calculated by reference to carrying amounts of assets and liabilities denominated in the above currencies at year end, shows the sensitivity of net assets and surplus/deficit to the strengthening and weakening of these currencies. This analysis is based on foreign currency exchange rate variances that UNICEF considered to be reasonably possible as at the reporting date. The analysis assumes

that all other variables, in particular interest rates, remain constant and ignores any impact of forecasted contributions and expenditures.

E. Financial instrument currency sensitivity analysis

(Thousands of United States dollars)

	Surplus/(deficit)	
As at 31 December 2023	*Strengthening of United States dollar by 10 per cent*	*Weakening of United States dollar by 10 per cent*
Euro	(95 570)	95 570
Swedish krona	(21 288)	21 288
Pound sterling	(18 023)	18 023
Canadian dollar	(8 604)	8 604
Total	**(143 485)**	**143 485**

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. Derivatives are entered into with bank and financial institution counterparties that are rated as investment grade, as classified by the major rating agencies.

25. Losses arising from changes in the fair values of forward exchange contracts amounted to $2.75 million (2022 losses: $9.28 million).

Interest rate risk

26. 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)

	2023	*2022*
Fixed rate instruments	9 097 476	9 324 995
Other financial assets	5 549 493	5 548 890
Total financial assets	**14 646 969**	**14 873 885**

27. Investments in traded bonds and certificates of deposit include those that have a call-option feature agreed to with the issuer at the time of purchase. This call-option feature gives the issuer the right to call on pre-agreed dates throughout the life of the investment. Given that the investments are callable at par value (their stated or face value), there is no risk of loss to the principal. Bonds held by external investment managers as at 31 December 2023 that included a call-option feature had a par value of $43.29 million (2022: $25.74 million). Bonds managed internally that included a call-option feature had a par value of $2.37 billion (2022: $1.79 billion). Certificates

of deposit managed internally at the end of 2023 that included a call-option feature had a par value of $10.0 million (2022: $9.29 million).

Sensitivity analysis: interest rates

28. The following table presents the sensitivity of net assets and surplus/deficit to a change in interest rates in the range of minus 30 basis points and plus 100 basis points, given outstanding positions as at 31 December 2023.

G. Sensitivity of net assets and surplus/deficit to changes in interest rates

(Thousands of United States dollars)

	Impact on portfolio value	*Percentage of portfolio value*	*Net assets impact*	*Surplus/deficit impact[a] (externally managed investments)*
Portfolio value	6 780 397	–	–	–
Plus 100 basis points	6 681 349	(1.46)	(99 048)	(14 440)
Minus 30 basis points	6 810 208	0.44	29 811	4 601

[a] While the fair value of internally managed investments is subject to fair value changes as a result of interest rates changes, these financial instruments are classified as fair value through net assets. Externally managed bonds are classified as measured at fair value through surplus/deficit and the interest risk sensitivity analysis therefore shows the surplus/deficit effect for externally managed investments.

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.

Management of non-financial instruments-related risks: cryptocurrency fund

31. UNICEF established a fund that accepts donations and makes disbursements exclusively denominated in cryptocurrencies, in order to finance early stage, open-source technology benefiting children and young people. Cryptocurrencies and blockchain technology can help organizations such as UNICEF to benefit from additional funding sources and enhance the transparency of operations. UNICEF manages the risks that come with the establishment of the cryptocurrency fund, including volatility risks, reputational risks, cybersecurity risks (such as hacking, loss of information and malicious activity) and regulatory risks.

Cryptocurrencies

Volatility risk

32. The cryptocurrency fund is 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 into the wallets and related private keys to manage the security risks around the cryptocurrency fund.

Note 31
Capital management

1. UNICEF defines the capital it manages as the aggregate of its net assets, which comprises accumulated surpluses and reserve balances. This definition of capital is used by management and may not be comparable to measures presented by other United Nations organizations. UNICEF does not have any long-term borrowings outside of its finance lease liabilities and the forward flow arrangement with the World Bank to either bridge its cash requirements or leverage its cash position. Various reserves are established by management in order to provide funding of future expenses (see note 19, Net assets).

2. The objectives of UNICEF in managing capital are to:

(a) Safeguard its ability to continue as a going concern;

(b) Fulfil its mission and objectives as established by its strategic plan;

(c) Ensure sufficient liquidity to meet its operating cash requirements;

(d) Preserve capital;

(e) Generate a competitive market rate of return on its investments.

3. It should be noted that risk and liquidity management are emphasized over absolute rate of return for the investment portfolio.

4. A four-year medium-term strategic plan and integrated budget are proposed by the Executive Director and submitted to and approved by the Executive Board. The plan and the budget outline a recommended apportionment and utilization of existing and anticipated resources of UNICEF over the plan period, determining affordability while maintaining fund balance to ensure liquidity. The plan also includes a financial plan. The financial plan provides detailed financial projections of:

(a) Estimated future financial resources for each year of the plan period;

(b) Estimated yearly levels of costs;

(c) Working capital levels required for the liquidity of UNICEF.

Other resources: regular and emergency

5. For other resources: regular and emergency, the objective is to ensure programme implementation while remaining within the available fund balance. Management to that end is carried out on an individual programme budget basis. The cash component of these resources is commingled with other institutional resources and managed as a portfolio (the opening and closing balances for net assets is disclosed in note 19, Net assets).

6. The ability of UNICEF to obtain additional capital is subject to:

(a) Its ability to raise financial resources and generate revenue;

(b) Market conditions;

(c) The provisions of its Financial Regulations and Rules, and investment guidelines.

Restriction

7. UNICEF is subject to an Executive Board-imposed liquidity requirement. The requirement does not constitute an external restriction. The UNICEF Financial Regulations and Rules indicate that, in order to ensure liquidity, the Comptroller should maintain cash balances at the levels approved by the Executive Board. In 1987, the Executive Board established the minimum year-end cash balance of regular resources as 10 per cent of projected regular resources income for the following year (decision 1987/14). There have been no changes in the way UNICEF manages its capital in 2023.

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 2023. In most cases, UNICEF has the right to cancel these open purchase orders prior to the date of delivery.

(Thousands of United States dollars)

	2023	*2022*
Commitments for purchase of property and equipment		
Buildings	134	28
Transportation equipment	8 281	10 656
Furniture, fixtures and equipment	1 605	794
Communications and information technology equipment	510	207
Total capital commitments	**10 530**	**11 685**

	2023	*2022*
Operating commitments		
Contracts for purchase of supplies and other goods	532 449	944 860
Contracts for purchase of services	931 458	956 358
Commitments to transfer cash to implementing partners	138 201	146 124
Commitments to transfer supplies to implementing partners	602 981	667 449
Total operating commitments	**2 205 089**	**2 714 791**
Total commitments	**2 215 619**	**2 726 476**

1. 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

2. 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 2023.

(Thousands of United States dollars)

	2023	*2022*
Long-term agreements for goods	5 050 186	6 055 878
Long-term agreements for services	387 479	466 534
Total long-term agreements	**5 437 665**	**6 522 412**

Note 33
Contingencies

Contingent assets

1. During the year, UNICEF concluded contribution agreements where the total contribution value did not meet the definition of an asset. Those amounts are disclosed in these notes as contingencies until the asset recognition criteria are met or cash is received from the donor. The total amount of these contingent assets was $648.52 million as at 31 December 2023 (2022: $792.96 million).

Contingent liabilities

2. UNICEF has an irrevocable standby letter of credit of $3.00 million (2022: $3.00 million) that is held as a security deposit by the landlord of a leased property in New York. The letter of credit is not collateralized with any UNICEF investments. UNICEF does not expect this letter of credit to be used by the third party.

3. UNICEF is subject to a variety of claims that arise in the ordinary course of its operations. These claims are segregated in two main categories: third-party claims and human resources claims.

4. UNICEF has an insignificant outstanding legal claim against it as at 31 December 2023. No provision has been recognized in these financial statements because it is not possible to assess the likelihood of success of that claim.

Note 34
Related parties

National Committees

1. National Committees, which constitute a unique category of UNICEF partners, were established for the purposes of advancing children's rights and well-being globally through resource mobilization, advocacy and other activities. Working as partners of UNICEF in their respective countries, National Committees are independent NGOs registered under the laws of their respective countries as charities, trusts, foundations or associations. National Committees are required by their statutes to have governing boards that have control over the resources that they raise. The relationship between the National Committees and UNICEF, as well as their use of its name and logo, are regulated by the recognition and cooperation agreements signed between UNICEF and each National Committee. National Committees are currently established in 33 countries.

2. As stipulated in the cooperation agreements, National Committees provide UNICEF with annual certified revenue and expenditure reports. These reports indicate the total contributions received by the National Committee, the amount withheld to cover the costs of National Committee activities or as reserves, and the net due to UNICEF.

A. Voluntary contribution revenue and receivables from National Committees

(Thousands of United States dollars)

	2023		*2022*	
	Revenue	*Receivables*	*Revenue*	*Receivables*
Voluntary cash contributions	1 609 273	490 011	2 214 105	439 849
Voluntary in-kind contributions	11 826	5 469	17 575	10 994
Total	**1 621 099**	**495 480**	**2 231 680**	**450 843**

3. Of the total voluntary cash contributions recorded as revenue in 2023, $703.05 million was from regular resources (2022: $680.33 million), $375.11 million was from other resources – emergency (2022: $1.02 billion), and $531.12 million was from other resources – regular (2022: $516.19 million). The voluntary in-kind contributions of $11.83 million (2022: $17.58 million) are composed of $5.09 million (2022: $13.95 million) in other resources – emergency and $6.73 million (2022: $3.63 million) in other resources – regular.

4. According to the revenue and expenditure reports submitted by the National Committees, total contributions received by the National Committees in 2023, excluding proceeds from licensing activities, were $2.09 billion (2022: $2.70 billion). Of that amount, $518.62 million (2022: $466.26 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 $1.57 billion (2022: $2.24 billion) in net cash contributions was either transferred or due to be transferred to UNICEF from the National Committees.

5. In addition to the revenue and expenditure reports, National Committees prepare annual financial statements that are audited by independent certified auditors and are publicly available on the websites of the National Committees. These financial statements provide additional detail on the financial performance and financial position of the National Committees.

6. In accordance with the terms of the respective cooperation agreement with UNICEF, National Committees may establish reserves in order to comply with national laws and statutes as well as for other purposes. In the event of the liquidation of a National Committee, net assets, including reserves, would be transferred to UNICEF, subject to the provisions of the cooperation agreement, if legally permitted, or otherwise in accordance with national law and the statute of the Committee. The National Committees reported to UNICEF through their revenue and expenditure reports that the retained reserves as at 31 December 2023, based on their local accounting standards, stood at $274.37 million (2022: $259.32 million).

B. Supported deliveries

7. During the reporting period, UNICEF handled supported deliveries on behalf of third parties of $160.99 million (2022: $156.41 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*	*2023*	*2022*
Key management personnel	33	9 405	5 324	14 729	11 388
Close family members	4	324	223	547	394
Total	**37**	**9 729**	**5 547**	**15 276**	**11 782**

Actuarially valuated employee benefits are presented in para. 10.

9. The remuneration paid to key management personnel includes salary, post adjustment and other entitlements, such as assignment grants, the employer contribution to health insurance and the pension fund, dependency allowances, education grants, hardship, mobility and non-removal allowances, real estate agency reimbursements and representation allowances.

10. Key management personnel are also eligible for post-employment employee benefits such as after-service health insurance, end-of-service benefits and payment of unused annual leave. Actuarially valuated long-term and post-employment benefits obligations related to after-service health insurance, the repatriation grant and the

death benefit, specific to key management personnel, comprised $9.44 million (2022: $7.99 million).

11. Contributions by UNICEF for key management personnel to the United Nations Joint Staff Pension Fund, a defined contribution plan, were $1.34 million (2022: $1.41 million).

12. Loans are referred to as "salary advances" at UNICEF. Salary advances are available to all UNICEF staff, including key management personnel, for specific purposes. At 31 December 2023, salary advances were nil (2022: nil).

13. There were no loans or advances granted to key management personnel that were not available to other categories of staff in accordance with the Staff Regulations and Rules of the United Nations.

D. United Nations programmes, funds and specialized agencies

14. UNICEF and other United Nations organizations work for and towards the enhancement of the efforts of the United Nations to achieve a better world for all. UNICEF is engaged extensively in the inter-agency financial and operating mechanisms of the United Nations, such as joint funding arrangements (multi-donor trust funds and joint programmes) and common services arrangements. Within joint funding mechanisms, United Nations organizations work together on activities to achieve a set of objectives. Each participating organization assumes its share of responsibilities related to planning, implementing, monitoring and evaluating activities.

E. Other related parties

Global Partnership for Education

15. The Global Partnership for Education, previously the Education for All – Fast Track Initiative, is a global programme partnership involving bilateral donors, regional and international agencies, including UNICEF, development banks and civil society organizations on the one hand, and low- and lower middle-income countries on the other. Its overall aim is to strengthen international efforts to ensure equitable, inclusive and resilient education systems fit for the twenty-first century. 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 90 countries/regions and the grant agent in 29 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 $240.63 million (2022: $80.84 million).

Global Fund to Fight AIDS, Tuberculosis and Malaria

16. The Global Fund to Fight AIDS, Tuberculosis and Malaria was established in 2002 as a public-private partnership with the goal of raising, managing and disbursing additional resources to prevent and treat HIV and AIDS, tuberculosis and malaria. In addition to the Global Fund's disease-specific funding, the Global Fund provides resources for the strengthening of health systems. Since the Global Fund's inception in 2002, UNICEF has been an active partner at the global and country levels. The funds provided by the Global Fund to Fight AIDS, Tuberculosis and Malaria, which are recorded in voluntary contributions in support of global and country-specific programmes, amount to $56.42 million (2022: $24.29 million).

Gavi, the Vaccine Alliance

17. Gavi, the Vaccine Alliance, was launched in 2000 as a public-private global health partnership committed to increasing access to immunization in low-income

countries. UNICEF holds 1 permanent seat, out of 28, on its Board of Directors and can also appoint 1 alternate Board member. UNICEF plays an important role in the provision of vaccines and immunization supplies for countries through the UNICEF Supply Division and provides technical assistance to Governments in the preparation of applications to the Alliance and the implementation of Alliance-supported programmes. A handling fee for the management of these procurement services is included within note 21, Other revenue.

18. In 2023, payment terms with Gavi, the Vaccine Alliance, were updated to enhance operational efficiency and management of balances in escrow. Under the new terms, payment of advances to UNICEF for procurement activities increased from 10 business days to 90 calendar days. In addition, Gavi, the Vaccine Alliance, agreed to maintain a minimum balance of $25.00 million with UNICEF in escrow to cover any payment obligations that become due.

19. As also disclosed in note 11, Procurement services-related assets, UNICEF holds funds of $0.68 billion (2022: $1.96 billion), which represent amounts deposited into an irrevocable escrow account for which UNICEF has security of interest and sole drawing rights based on the terms of the agreements. A corresponding liability is recorded in note 15, Funds held on behalf of third parties, and in note 16, Other liabilities, until UNICEF has fulfilled its obligations as agent of the partner.

20. UNICEF also 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 $270.03 million (2022: $358.44 million).

People that Deliver

21. People that Deliver is a global coalition established to strengthen the capacity of the health supply chain, including management of the Strategic Training Executive Programme (STEP 2.0) offered by Gavi, the Vaccine Alliance, the Global Fund to Fight AIDS, Tuberculosis and Malaria and the United States Agency for International Development (USAID) to increase supply chain efficiency and improve health outcomes for many countries struggling to access medicines and other health commodities. People that Deliver is governed by its coalition members, who represent Governments, international donors, multilateral agencies, NGOs, academic institutions, professional associations and private companies. UNICEF hosts the coalition's secretariat at the UNICEF Supply Division in Copenhagen, and is also a coalition member.

Education Cannot Wait

22. Education Cannot Wait was established during the World Humanitarian Summit in 2016 by international humanitarian and development aid actors, along with public and private donors, to help reposition education as a priority on the humanitarian agenda, usher in a more collaborative approach among actors on the ground and foster additional funding to ensure that every crisis-affected child and young person is in school and learning. UNICEF holds 1 seat, out of 33, in the Education Cannot Wait high-level steering group. Funds provided by Education Cannot Wait, which are recorded in voluntary contributions in support of global and country-specific programmes, amount to $55.58 million (2022: $72.15 million).

Global Partnership to End Violence against Children

23. The Global Partnership to End Violence against Children was established in 2016 to provide financial support to programmes to achieve a world in which every child grows up free from violence. UNICEF holds 1 seat, out of 22, on the Board of

Directors of the Global Partnership. Funds provided by the Global Partnership, which are recorded in voluntary contributions in support of global and country-specific programmes, amount to $4.55 million (2022: $7.03 million).

Sanitation and Water for All

24. Sanitation and Water for All is a multi-stakeholder partnership of Governments and their partners, whose mission is to eliminate inequalities in realizing the human rights to water and sanitation. The partnership focuses on the hardest-to-reach and most vulnerable individuals, communities, countries and regions. The Global Leadership Council is the high-level group of appointed Sanitation and Water for All leaders who advocate for and mobilize wider political commitment to the guiding principles and aims of the partnership. UNICEF has 1 seat, out of 6, on the Global Leadership Council and holds 2 seats, out of 30, on the Sanitation and Water for All steering committee.

Education Outcomes Fund

25. The Education Outcomes Fund was established to provide results-based financing in education, with the aim of improving the effectiveness of spending and transforming the lives of 10 million children and young people. UNICEF holds 1 seat, out of 15, in the Education Outcomes Fund high-level steering group, which acts as a steward for strategic decisions, and 1 seat, out of 7, on the Executive Committee, which provides advice and oversight, and governs key decisions regarding operational strategy and programmes.

The Global Muslim Philanthropy Fund for Children

26. 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 Fund.

Revenue realized from other related parties as at 31 December

(Thousands of United States dollars)

	2023	*2022*
Global Partnership for Education	240 634	80 836
Global Fund to Fight AIDS, Tuberculosis and Malaria	56 419	24 285
Gavi, the Vaccine Alliance	270 026	358 441
Education Cannot Wait	55 579	72 149
Global Partnership to End Violence against Children	4 548	7 028
Total	**627 206**	**542 739**

Note 35
Joint operations

1. UNICEF is a 50 per cent partner in Giga, a global activity established to connect every school to the Internet and every young person to information, opportunity and choice. Giga is not a separate legal entity but a joint activity co-led by UNICEF and the International Telecommunication Union through a memorandum of understanding.

Note 36
Segment information

1. A segment is a distinguishable activity or group of activities for which it is appropriate to report financial information separately. At UNICEF, segment information is based on the principal activities and sources of financing of the organization. For UNICEF, the relevant segments are labelled “Institutional”, “Regular resources – programme”, “Regular resources – non-programme”, “Other resources – regular”, “Other resources – emergency” and “Trust funds”.

2. The segment report contains additional information on revenue and expenses incurred on an IPSAS accrual basis. UNICEF budgets are prepared and managed on a modified cash basis and expenditures incurred against approved budgets are presented in statement V on the same modified cash basis.

Institutional and regular resources segments

Revenue

3. Revenue included in these segments is defined as regular resources in the UNICEF Financial Regulations and Rules. Regular resources include unrestricted contributions, licensing income, management type contributions, allocations to the Working Capital Fund and proceeds from other revenue-producing activities and miscellaneous revenue.

4. The regular resources – programme segment includes voluntary contributions (non-exchange revenue) and the retention for private sector fundraising. Contributions towards management initiatives such as greening and accessibility and contributions towards UNICEF local costs, contributions towards the repayment of the forward flow arrangements with the World Bank, and the cost of private sector fundraising are presented under regular resources – non-programme.

5. The institutional segment includes internal inter-segment cost recovery and direct attribution, such as warehouse overhead and centrally managed costs. Also included is investment revenue, licensing income, exchange revenue, such as interest, and proceeds from sales.

Activities

6. The institutional segment includes UNICEF headquarters and central support functions. Headquarters and central functions provide business support in a number of areas, including communications, finance and accounting, treasury services, management of after-service health insurance, human resources, information technology, legal services, travel, asset management and security, and donor-related activities. The central functions also process transactions, manage data and provide other services.

7. The major categories of expenses within the institutional segment include salaries and other employee benefits, occupancy and related costs, depreciation of assets and expenses related to the after-service health insurance, and investment funds for the development of private sector fundraising activities.

8. The institutional segment includes assets and liabilities that are linked to the overall UNICEF mandate and are not easily allocated to other segments. The main categories of assets included in this segment are cash, investments and centrally managed land and buildings. Also included is the inventory maintained in the central warehouses. The main liability is for after-service health insurance.

9. The regular resources – programme segment includes activities described in programme documents. These activities are funded from the country programmes and the advocacy, programme development and intercountry programme.

10. The majority of categories of expense within this segment include the utilization of cash assistance transferred to implementing partners, programme supplies delivered to implementing partners, programme-related expert services, employee benefits and local country office rental costs.

11. Major categories of assets are regular resources contributions receivable, inventories and advances of cash assistance, which are funded from the country programmes and the advocacy, programme development and intercountry programme.

12. The regular resources – non-programme segment includes country office fundraising activities and UNICEF management costs, such as the Junior Professional Officers working in headquarters divisions and funded from the headquarters initiatives, greening and accessibility activities and local costs of UNICEF offices that are not programme-related.

13. The combined net assets of the institutional and regular resources segments represent the total regular resources fund balance. This is presented combined, as the regular resources fund is managed as one pool from which allocations are made to institutional and programmatic activities based on affordability. Unused funds from the institutional segment are returned to regular resources.

Other resources – regular and other resources – emergency segments

Revenue

14. The other resources – regular segment includes funds contributed to UNICEF by Governments, intergovernmental organizations, NGOs and the United Nations system for specific purposes within the programmes approved by the UNICEF Executive Board.

15. The other resources – emergency segment includes humanitarian emergency contributions and contributions from development agencies received for specific humanitarian programmatic activity.

Activities

16. These segments include activities described in programme documents. The majority of categories of expense within these two segments include the utilization of cash assistance transferred to implementing partners, programme supplies delivered to implementing partners, programme-related expert services and employee benefits. In addition, these segments are charged a cost recovery fee, which is eliminated in the "inter-segment" column in the report on the segment.

17. Major categories of assets are earmarked contributions receivable, advances of cash assistance to implementing partners and inventories of programme supplies held for distribution, which are funded from the country programmes and the advocacy, programme development and intercountry programme.

18. The fund balance is recorded at the level of individual donor agreements within the accounting records of UNICEF and represents unused funds to be used in a future period for programme implementation activities. At the conclusion of the activities, unspent balances are either returned to the donor or reprogrammed, as permitted under the donor agreement.

Trust fund segment

19. The trust fund segment includes activities defined by the Financial Regulations and Rules as special accounts. The fund balance is maintained separately and is accounted for as funds held on behalf of third parties. Procurement services represent the primary component of activities within the trust fund segment. In addition to special accounts, the trust fund segment includes UNICEF-hosted funds where UNICEF is providing management services as an agent and assets of the funds are held in trust.

20. For each trust fund, a determination is made as to whether UNICEF has control over the activity as determined by the organization's accounting policy. Where control is established, the accounting policy for exchange revenue and recording of expense is applied. Otherwise, they are accounted for as agency arrangements, and all cash inflows and outflows are netted together in a liability account. The fee charged by UNICEF to manage the activities is recorded as other revenue within the trust fund segment.

21. This segment also contains other smaller grants managed in similar fashion to trust funds, such as guesthouses managed for UNICEF staff members and contractors in volatile locations where commercial alternatives are not available. Revenue from these guest houses is used solely for maintenance and upkeep of the mentioned guests houses.

A. Segment information on assets and liabilities by fund type

(Thousands of United States dollars)

	Regular resources			*Other resources*			
	Institutional	*Non-programme*	*Programme*	*Regular programme*	*Emergency programme*	*Trust funds*	*2023*
Segment assets							
Current segment assets							
Cash and cash equivalents[a]	1 112 057	–	–	–	–	–	1 112 057
Inter-segment activity[b]	(7 170 054)	90 176	–	4 101 756	1 136 654	1 841 468	–
Contributions receivable	–	1 135	403 513	1 999 083	1 163 357	–	3 567 088
Advances of cash assistance	–	–	86 108	521 862	294 953	–	902 923
Inventories	–	–	115 453	240 852	293 714	–	650 019
Investments	4 794 676	–	–	–	–	–	4 794 676
Procurement services related-assets	–	–	28 371	–	–	676 471	704 842
Other assets	687	2 511	79 732	108 518	45 303	35 733	272 484
Total current segment assets	**(1 262 634)**	**93 822**	**713 177**	**6 972 071**	**2 933 981**	**2 553 672**	**12 004 089**
Non-current segment assets							
Contributions receivable	–	615	129 755	1 011 150	104 799	–	1 246 319
Investments	3 890 046	–	–	–	–	–	3 890 046
Property and equipment	177 426	2 333	30 978	11 647	14 138	473	236 995
Other assets	4 002	–	218	12	17	–	4 249
Total non-current segment assets	**4 071 474**	**2 948**	**160 951**	**1 022 809**	**118 954**	**473**	**5 377 609**
Total segment assets, 2023	**2 808 840**	**96 770**	**874 128**	**7 994 880**	**3 052 935**	**2 554 145**	**17 381 698**
Total segment assets, 2022	**2 005 635**	**71 929**	**868 058**	**7 556 113**	**3 913 989**	**4 564 891**	**18 980 615**

[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*	*2023*
Segment liabilities							
Current segment liabilities							
Accounts payable and accrued liabilities	72 108	3 409	19 297	64 294	57 568	162 202	378 878
Funds held on behalf of third parties	–	–	–	–	–	2 117 909	2 117 909
Other liabilities	199 325	342	10	1 192	–	223 570	424 429
Employee benefits	190 669	–	–	–	–	–	190 669
Provisions	–	–	–	32 715	16 861	–	49 576
Total current segment liabilities	**462 102**	**3 751**	**19 307**	**98 201**	**74 429**	**2 503 671**	**3 161 461**
Non-current segment liabilities							
Other liabilities	59 613	1 927	–	–	–	59 929	121 469
Employee benefits	1 305 706	–	–	–	–	–	1 305 706
Total non-current segment liabilities	**1 365 319**	**1 927**	**–**	**–**	**–**	**59 929**	**1 427 175**
Total segment liabilities, 2023	**1 827 421**	**5 678**	**19 307**	**98 201**	**74 429**	**2 563 600**	**4 588 636**
Total segment liabilities, 2022	**1 913 649**	**5 417**	**19 392**	**123 903**	**124 810**	**4 432 017**	**6 619 188**

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*	*2023*
Net assets, 1 January 2023	**1 007 164**	**7 432 210**	**3 789 179**	**132 874**	**12 361 427**
Surplus/(deficit) for the year	390 642	464 454	(810 673)	6 832	51 255
Actuarial gains recognized directly in the reserves	249 613	–	–	–	249 613
Changes in fair value of financial assets	130 767	–	–	–	130 767
Net assets, 31 December 2023	**1 778 186**	**7 896 664**	**2 978 506**	**139 706**	**12 793 062**
Net assets, 31 December 2022	**1 007 164**	**7 432 210**	**3 789 179**	**132 874**	**12 361 427**

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*	*2023*
Segment revenue								
Voluntary contributions	–	123 653	1 229 649	4 575 202	2 565 893	–	–	8 494 397
Other revenue	8 551	–	–	4 583	4 860	122 704	–	140 698
Investment revenue	297 028	–	–	–	–	–	–	297 028
Internal cost recovery	496 556	–	–	–	–	–	(496 556)	–
Procurement services cost recovery	5 715	–	–	–	–	–	(5 715)	–
Internal direct attribution	148 862	–	–	–	–	–	–	(148 862)
Total segment revenue, 2023	**956 712**	**123 653**	**1 229 649**	**4 579 785**	**2 570 753**	**122 704**	**(651 133)**	**8 932 123**
Total segment revenue, 2022	**785 603**	**115 178**	**1 204 532**	**4 345 819**	**4 355 536**	**181 628**	**(659 241)**	**10 329 055**
Segment expenses								
Cash assistance	–	–	213 719	1 768 880	1 371 505	–	–	3 354 104
Transfer of programme supplies	–	–	94 685	811 315	901 858	–	–	1 807 858
Employee benefits	692 795	22 754	352 745	478 939	340 902	51 901	–	1 940 036
Programme-related expert services	–	–	64 679	343 925	164 660	–	–	573 264
Occupancy and related costs	136 897	34 648	86 178	142 516	121 852	20 807	–	542 898
Investment funds for development of private sector fundraising	80 235	61 721	–	–	–	–	–	141 956
Depreciation and amortization	9 684	349	6 592	1 731	3 230	114	–	21 700
Other expenses	62 812	18 483	136 716	568 491	476 414	43 063	(651 133)	654 846
Total segment expenses, 2023	**982 423**	**137 955**	**955 314**	**4 115 797**	**3 380 421**	**115 885**	**(651 133)**	**9 036 662**
Total segment expenses, 2022	**981 510**	**93 597**	**955 597**	**3 613 597**	**3 413 988**	**142 171**	**(659 241)**	**8 541 219**
Gains and (losses), net 2023	154 109	227	1 984	466	(1 005)	13	–	155 794
Gains and (losses), net 2022	63 716	(26)	721	(26)	2 778	(84)	–	67 079
Net surplus/(deficit), 2023	**128 398**	**(14 075)**	**276 319**	**464 454**	**(810 673)**	**6 832**	**–**	**51 255**
Net surplus/(deficit), 2022	**(132 191)**	**21 555**	**249 656**	**732 196**	**944 326**	**39 373**	**–**	**1 854 915**

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*	*2023*
Cash assistance								
East Asia and the Pacific	–	–	6 149	83 741	40 385	–	–	130 275
Europe and Central Asia	–	–	(1 312)	87 978	384 578	–	–	471 244
Eastern and Southern Africa	–	–	63 627	384 659	235 436	–	–	683 722
Headquarters	–	–	5 959	16 545	10 951	–	–	33 455
Latin America and the Caribbean	–	–	(103)	56 435	83 526	–	–	139 858
Middle East and North Africa	–	–	17 938	469 008	279 755	–	–	766 701
South Asia	–	–	37 880	389 686	164 842	–	–	592 408
Western and Central Africa	–	–	83 581	280 828	172 032	–	–	536 441
Total cash assistance	**–**	**–**	**213 718**	**1 768 880**	**1 371 506**	**–**	**–**	**3 354 104**
Transfer of programme supplies								
East Asia and the Pacific	–	–	4 408	47 069	28 144	–	–	79 621
Europe and Central Asia	–	–	2 792	35 037	202 806	–	–	240 635
Eastern and Southern Africa	–	–	20 123	169 317	172 910	–	–	362 350
Headquarters	–	–	(10 452)	28 076	23 337	–	–	40 961
Latin America and the Caribbean	–	–	3 660	11 786	49 837	–	–	65 283
Middle East and North Africa	–	–	20 505	165 012	149 417	–	–	334 934
South Asia	–	–	21 994	182 495	121 746	–	–	326 235
Western and Central Africa	–	–	31 655	172 523	153 661	–	–	357 839
Total transfer of programme supplies	**–**	**–**	**94 685**	**811 315**	**901 858**	**–**	**–**	**1 807 858**

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*	*2023*
Employee benefits								
East Asia and the Pacific	30 422	6 626	25 936	51 427	14 422	–	–	128 833
Europe and Central Asia	31 688	959	17 572	20 464	49 361	14	–	120 058
Eastern and Southern Africa	49 765	9	78 418	90 602	56 954	393	–	276 141
Headquarters	429 149	691	36 384	62 497	28 326	50 652	–	607 699
Latin America and the Caribbean	37 078	12 740	16 381	29 160	23 762	20	–	119 141
Middle East and North Africa	41 514	–	25 340	79 858	83 448	–	–	230 160
South Asia	22 874	1 668	52 736	61 183	36 150	–	–	174 611
Western and Central Africa	50 305	61	99 978	83 748	48 479	822	–	283 393
Total employee benefits	**692 795**	**22 754**	**352 745**	**478 939**	**340 902**	**51 901**	–	**1 940 036**
Programme-related expert services								
East Asia and the Pacific	–	–	4 278	17 717	8 884	–	–	30 879
Europe and Central Asia	–	–	2 283	11 100	18 401	–	–	31 784
Eastern and Southern Africa	–	–	14 644	102 022	30 840	–	–	147 506
Headquarters	–	–	4 870	20 866	9 149	–	–	34 885
Latin America and the Caribbean	–	–	3 321	16 040	10 438	–	–	29 799
Middle East and North Africa	–	–	4 694	33 787	33 408	–	–	71 889
South Asia	–	–	16 216	86 511	31 798	–	–	134 525
Western and Central Africa	–	–	14 373	55 882	21 742	–	–	91 997
Total programme-related expert services	–	–	**64 679**	**343 925**	**164 660**	–	–	**573 264**

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*	*2023*
Occupancy and related costs								
East Asia and the Pacific	3 553	2 620	5 192	9 135	4 559	(133)	–	24 926
Europe and Central Asia	4 510	1 498	3 266	20 777	29 918	295	–	60 264
Eastern and Southern Africa	7 587	2 356	19 067	30 699	25 780	7 867	–	93 356
Headquarters	94 161	13 826	1 488	10 299	3 364	5 591	–	128 729
Latin America and the Caribbean	4 936	5 665	4 174	8 902	8 486	574	–	32 737
Middle East and North Africa	5 891	1 641	9 955	21 051	26 569	3 425	–	68 532
South Asia	4 490	603	8 761	21 883	10 738	1 728	–	48 203
Western and Central Africa	11 769	6 439	34 275	19 770	12 438	1 460	–	86 151
Total occupancy and related costs	**136 897**	**34 648**	**86 178**	**142 516**	**121 852**	**20 807**	–	**542 898**
Investment funds for development of private sector fundraising								
East Asia and the Pacific	–	24 717	–	–	–	–	–	24 717
Europe and Central Asia	–	1 190	–	–	–	–	–	1 190
Eastern and Southern Africa	–	60	–	–	–	–	–	60
Headquarters	–	67	–	–	–	–	–	67
Latin America and the Caribbean	80 235	26 801	–	–	–	–	–	107 036
South Asia	–	8 886	–	–	–	–	–	8 886
Total investment funds for development of private sector fundraising	**80 235**	**61 721**	**–**	**–**	**–**	**–**	**–**	**141 956**

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*	*2023*
Depreciation and amortization								
East Asia and the Pacific	823	5	427	255	22	1	–	1 533
Europe and Central Asia	351	2	111	16	360	–	–	840
Eastern and Southern Africa	909	–	1 795	324	670	16	–	3 714
Headquarters	3 882	342	15	2	6	43	–	4 290
Latin America and the Caribbean	683	–	196	107	197	–	–	1 183
Middle East and North Africa	862	–	621	346	1 124	19	–	2 972
South Asia	988	–	1 293	394	443	13	–	3 131
Western and Central Africa	1 186	–	2 134	287	408	22	–	4 037
Total depreciation and amortization	**9 684**	**349**	**6 592**	**1 731**	**3 230**	**114**	–	**21 700**
Other expenses								
East Asia and the Pacific	2 083	2 573	7 817	38 349	19 603	(1)	–	70 424
Europe and Central Asia	3 014	765	6 246	33 063	87 364	68	–	130 520
Eastern and Southern Africa	3 172	72	19 605	107 063	80 226	192	–	210 330
Headquarters	43 398	4 040	50 268	115 416	83 485	42 422	(651 133)	(312 104)
Latin America and the Caribbean	3 430	9 964	7 420	35 008	29 593	38	–	85 453
Middle East and North Africa	2 491	519	9 438	77 776	87 114	156	–	177 494
South Asia	1 931	550	9 941	90 872	42 435	127	–	145 856
Western and Central Africa	3 293	–	25 981	70 944	46 594	61	–	146 873
Total other expenses	**62 812**	**18 483**	**136 716**	**568 492**	**476 414**	**43 063**	**(651 133)**	**654 846**

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*	*2023*
Segment expenses by region								
East Asia and the Pacific	36 881	36 541	54 207	247 693	116 019	(133)	–	491 208
Europe and Central Asia	39 563	4 414	30 958	208 435	772 788	377	–	1 056 535
Eastern and Southern Africa	61 433	2 497	217 279	884 686	602 816	8 468	–	1 777 179
Headquarters	570 590	18 966	88 532	253 701	158 618	98 708	(651 133)	537 982
Latin America and the Caribbean	126 362	55 170	35 049	157 438	205 839	632	–	580 490
Middle East and North Africa	50 758	2 160	88 491	846 838	660 835	3 600	–	1 652 682
South Asia	30 283	11 707	148 821	833 024	408 152	1 868	–	1 433 855
Western and Central Africa	66 553	6 500	291 977	683 982	455 354	2 365	–	1 506 731
Total segment expenses by region	**982 423**	**137 955**	**955 314**	**4 115 797**	**3 380 421**	**115 885**	**(651 133)**	**9 036 662**