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Progress report on implementation of the recommendations of the Board of Auditors on the UNICEF accounts for the biennium 2008-2009

Summary

As requested by the Executive Board in its decision 2011/4, this report describes the further progress achieved by UNICEF towards implementing the recommendations of the Board of Auditors on the UNICEF accounts for the biennium 2008-2009. The report provides an update on implementation of the main recommendations, including an overview of the strategic implications of the recommendations for the management and strategy of UNICEF.



I. Introduction

1. At its first regular session of 2011, the Executive Board considered the Report of the Board of Auditors on the UNICEF financial report and financial statements for the biennium ended 31 December 2009 (A/65/5/Add.2), together with the report of the Secretary-General on the implementation of recommendations of the Board of Auditors (A/65/296/Add.1) and the report of the Advisory Committee on Administrative and Budgetary Questions (A/65/498).
2. In its decision 2011/4, on the UNICEF financial report and the audited financial statements for the biennium ended 31 December 2009 and the report of the Board of Auditors, the Executive Board requested the Executive Director to build on progress achieved and to continue to implement the recommendations of the Board of Auditors in a timely way. The Executive Board also requested UNICEF to provide the Executive Board with an update on implementation of the main recommendations at its second regular session of 2011.
3. This report describes further progress achieved by UNICEF towards implementing the recommendations of the Board of Auditors, including the main recommendations and their strategic implications for UNICEF.

II. Update on implementation of the main recommendations

4. UNICEF rigorously pursues implementation of audit recommendations made by both the Office of Internal Audit and the Board of Auditors. In this respect, UNICEF appreciates that the Board of Auditors classifies its recommendations into “main” and “other” recommendations, as this classification helps to identify how to prioritize activities and resources. Nevertheless, once they are discussed and accepted by management, UNICEF is committed to implementing to completion all recommendations made by the Board of Auditors.
5. Responsibility for implementation of the audit recommendations is regularly and closely monitored by the UNICEF Office of the Comptroller, using an Internet-based system, which forms the basis for reporting to the Board of Auditors.
6. The Report of the Board of Auditors (A/65/5/Add.2) contained 50 recommendations, of which 21 were classified as “main”. This report focuses on the status of the implementation of the main recommendations.
7. As of 30 April 2011, 10 of the 21 main recommendations were fully implemented and 10 were under implementation. UNICEF did not agree with one recommendation. Of the 10 under implementation, 6 will be completed by January 2012, with the roll-out of the single Enterprise Resource Planning virtual integrated system of information (VISION) and the adoption of International Public Sector Accounting Standards (IPSAS). The remaining four recommendations have a set target date by which UNICEF anticipates full implementation.
8. In compiling the 2008-2009 audit recommendations, the Board of Auditors considered the status of the 2006-2007 audit recommendations. Any recommendations not fully implemented were re-raised in the 2008-2009 report. Of the 21 main recommendations, 5 were re-raised from the 2006-2007 report. Of these five, three are under implementation and one UNICEF considers closed; UNICEF did not agree with the other one.

9. All reporting by UNICEF on the status of audit recommendations is subject to verification by the Board of Auditors at the end of the biennium.

10. Details of the 21 main recommendations and the actions taken to comply with them are provided in the annex.

III. Strategic implications of the recommendations for the management and strategy of UNICEF

11. Several of the main recommendations in the Report of the Board of Auditors on the UNICEF financial report and financial statements for the biennium ended 31 December 2009 (A/65/5/Add.2) involve improving management practices and information reporting with respect to non-expendable property, land and buildings; end-of-service liabilities; and cash transfers. Most of these recommendations will be implemented with the roll-out of VISION and the adoption of IPSAS by January 2012.

12. IPSAS will improve the quality of UNICEF financial reporting by requiring new information across a range of areas, thereby increasing the transparency of programmatic and operational management practices. This additional information will enable improved governance and accountability and will assist in ensuring that UNICEF employs current best-management practices and achieves more efficient and effective use of financial and human resources. Key areas of change for UNICEF resulting from IPSAS adoption relate to management of inventory, premises, equipment and revenue; accounting for cash transfers; recording of expenses on delivery of goods and services; and reporting information related to employee benefits.

4 **Annex**

Implementation of the main recommendations of the Board of Auditors on the financial statements of UNICEF for the financial period ended 31 December 2009

I. Recommendations fully implemented¹

<i>Para.</i>	<i>Recommendation (see A/65/5/Add.2)</i>	<i>Status of implementation</i>	<i>Division/Office responsible</i>
22	UNICEF agreed with the Board's recommendation to update its IPSAS communication and training plan according to the new timeline of full IPSAS adoption.	Training and communication plans have been updated based on the revised timeline for IPSAS adoption.	Division of Financial and Administrative Management (DFAM)
26	The Board recommends that UNICEF review its current practice of obtaining assurance on programme expenditures and take appropriate measures to obtain such assurance to ensure the validity of the programme expenditures.	UNICEF works jointly with the United Nations Development Programme, the United Nations Population Fund and the World Food Programme to apply the harmonized approach to cash transfers framework. This requires all implementing partners to submit regular certification of actual expenditures (via the FACE form, referring to Funding Authorization and Certification of Expenditures) and to conduct assurance activities commensurate with the assessed risks. UNICEF obtains audit reports at least once during the programme cycle if the harmonized approach to cash transfers criteria for audits are met.	Division of Policy and Practice (DPP)
123	UNICEF agreed with the Board's reiterated recommendation to intensify its efforts to settle long-outstanding cash transfers.	UNICEF has implemented a monitoring mechanism for long-outstanding cash transfers. Priority was also given to resolving these cash transfers, and they have decreased substantially. Due to the nature of the UNICEF working environment, this will continue to be an ongoing effort. Direct cash transfers outstanding for over nine months were 1.98 per cent of the \$493 million total at the end of the first quarter of 2011.	DFAM

¹ Although UNICEF considers these recommendations fully implemented, they will be officially closed only when the Board of Auditors verifies the status at the end of the 2010-2011 biennium.

<i>Para.</i>	<i>Recommendation (see A/65/5/Add.2)</i>	<i>Status of implementation</i>	<i>Division/Office responsible</i>
128	The Board reiterates its previous recommendation that UNICEF ensure that its field offices comply with the Financial Circular 15 on the issuance of official receipts by recipients of cash transfers.	UNICEF has implemented this recommendation in all concerned offices and will continue to work with them to ensure official receipts are received from recipients of cash assistance.	Country/regional offices
134	UNICEF agreed with the Board's recommendation to ensure that all the completed evaluation reports are submitted and rated in a timely manner in accordance with the provisions of the UNICEF Evaluation Policy (E/ICEF/2008/4).	A new strategy for evaluation reports was implemented, resulting in clearance of the rating backlog, and submission rates have increased significantly. For 2010 evaluation reports the submission rate was 82 per cent. All of the 2010 evaluation reports submitted will be reviewed/rated.	Evaluation Office
158	UNICEF agreed with the Board's recommendation to strictly comply with the provisions in the Supply Manual in relation to competitive bidding and to maintain written justifications in related files for exceptions.	UNICEF has improved procedures in the audited offices to ensure compliance with the provisions in the Supply Manual related to competitive bidding. Written justifications for exceptions are also being maintained in related files.	Country offices
177	The Board recommends that UNICEF take appropriate measures to improve its management of non-expendable property including ensuring the completeness and accuracy of the non-expendable property records.	UNICEF has reviewed and strengthened its non-expendable property management procedures in audited offices, while awaiting implementation of VISION in 2012. VISION includes an asset accounting module that will automate many of the processes currently performed manually. As part of the roll-out of this new system, non-expendable property policies and procedures are also being reviewed and revised to reflect system changes and new roles and responsibilities in purchasing divisions regarding accountability for assets they purchase.	Country/regional offices
185	UNICEF agreed with the Board's recommendation to ensure that the Supply Division adhere strictly to Supply Division Procedure 006 to deal with the stock materials nearing the end of their shelf life.	Following this audit recommendation, UNICEF revised Supply Division Procedure 006 and now ensures adherence to it. Monthly meetings have been held by the Property Survey Board since August 2010 to ensure proper handling of obsolete stocks. The number of days between the receipt of Property Survey Board meeting minutes and the date of sign-off by the director has also been reduced significantly for meetings held since August 2010.	Supply Division (SD)

<i>Para.</i>	<i>Recommendation (see A/65/5/Add.2)</i>	<i>Status of implementation</i>	<i>Division/Office responsible</i>
205	UNICEF agreed with the Board's recommendation to: (a) adhere strictly to provisions of UNICEF Human Resources Manual in relation to performance evaluation; and (b) establish a mechanism to monitor the overall completion rate of the Performance Evaluation Reports.	Since launching e-PAS in 2010, UNICEF can report completion metrics in real time at each stage of the e-PAS process for the offices where this recommendation was raised and all offices for target groups (i.e., for international Professional staff in 2010). An in-depth review of the e-PAS system is also being conducted to ascertain its potential use for broader staff audiences in the near future. This will allow overall performance tracking and compliance metrics.	Division of Human Resources (DHR)
240	UNICEF agreed with the Board's recommendation to strengthen advocacy and communication with current and potential donors to increase regular resources and global thematic funds.	The UNICEF Public Sector Resource Mobilization Strategy and Implementation Plan have been approved and are currently being implemented and monitored by PARMO. These fundraising strategy documents for public- and private-sector donors focus on securing quality, predictable, multi-year and flexible funding. The overall aim is to achieve the financial targets set in the medium-term strategic plan.	Public Sector Alliances and Resource Mobilization Office (PARMO)

Recommendations under implementation

	<i>Recommendation (see A/65/5/Add.2)</i>	<i>Status of implementation</i>	<i>Timeframe for implementation</i>	<i>Division/Office responsible</i>
36	The Board recommends that UNICEF consider amending its Financial Regulations to ensure that the accounting treatment in relation to cash transfers provided in advance to the implementing partners are recorded as advances, and are only recognized as programme expenditure until the appropriate financial utilization reports are received.	In anticipation of the adoption of IPSAS in January 2012, UNICEF has amended its Financial Regulations to allow cash transfers provided in advance to implementing partners to be recorded as advances. The amended Financial Regulations and Rules are to be presented to the Executive Board for approval at its second regular session of 2011, in September, and to become effective in January 2012.	Q1/2012	DFAM

	<i>Recommendation (see A/65/5/Add.2)</i>	<i>Status of implementation</i>	<i>Timeframe for implementation</i>	<i>Division/Office responsible</i>
62	The Board recommends that UNICEF revise its accounting policy and disclose its end-of-service liabilities on the face of the financial statements in conjunction with the adoption of IPSAS.	UNICEF is in the process of drafting a Financial Statements policy that will require end-of-service liabilities to be disclosed on the face of financial statements, in accordance with IPSAS. This policy will be effective from 1 January 2012.	Q1/2012	DFAM
71	UNICEF agreed with the Board's recommendation to take appropriate measures to ensure the accuracy of the data used in computation of end-of-service liabilities (including ASHI) in the future financial periods.	Human Resources-SAP (Systems, Applications and Products) is undergoing roll-out throughout UNICEF, which will be completed by the end of 2011. This will allow UNICEF to provide accurate data to the valuation actuary for computation of end-of-service liabilities (including after-service health insurance) in future financial periods.	Q1/2012	DFAM
96	The Board recommends that UNICEF: (a) develop training courses for staff members in respect of results-based budgeting methodology;	Training/guidance materials to further strengthen results-based budgeting are being developed as part of the VISION training package and will also be included in the Programme Policy and Procedures Manual.	Q4/2011	DFAM
	(b) include in future budget submissions resources estimates as well as activities for each expected result; and	The 2012-2013 budget submissions to be approved by the Executive Board at its second regular session in September 2011 include resource estimates as well as activities for each expected result.	Q4/2011	
	(c) establish a monitoring mechanism to facilitate tracking of budget implementation as well as progress towards achievement of results.	Dashboards and a performance management tool will be established in VISION to facilitate tracking of budget implementation.	Q2/2012	

	<i>Recommendation (see A/65/5/Add.2)</i>	<i>Status of implementation</i>	<i>Timeframe for implementation</i>	<i>Division/Office responsible</i>
102	UNICEF agreed with the Board's recommendation to: (a) provide necessary support to the offices with higher extension rates to improve programme implementation; and (b) put in place measures to monitor the timeliness of submission of requests for programme budget allotments extension from field offices.	As part of VISION, the grants reporting schedule has been redesigned to enable fund recipient offices to log their requests for extension in the VISION system. Thus the date of submission can be tracked along with the rationale for the extension request and date of request approval or rejection. This solution allows electronic collection of data, analysis of trends and identification of gaps in performance. It will also lead to recommendations for corrective action.	Q1/2012	PARMO
195	UNICEF agreed with the Board's recommendations to: (a) review the necessity for posts that had been vacant for a long period; and (b) take appropriate measures to fill the remaining vacancies.	UNICEF has implemented a vacancy monitoring mechanism by which DHR will follow up with individual hiring units on all posts exceeding 90 days' vacancy. This process has already led to closure of some positions and acceleration of the process to fill others. This monitoring will continue until December 2012, the target date for resolving the backlog.	Q4/2012	DHR
226	The Board recommends that UNICEF expedite the implementation of the One ERP project in accordance with its project plan.	VISION is on schedule for roll-out to all UNICEF locations by end of 2011.	Q4/2011	VISION team
233	UNICEF agreed with the Board's recommendation to accelerate the implementation of the internal audit recommendations stemming from Headquarters and regional office audits.	UNICEF has introduced a quarterly Office of Internal Audit activity report that is used to monitor and follow up on outstanding internal audit recommendations. All recommendations older than 18 months are also reported regularly to the Audit Advisory Committee and annually to the Executive Board, as requested.	Q4/2011	Office of Internal Audit

	<i>Recommendation (see A/65/5/Add.2)</i>	<i>Status of implementation</i>	<i>Timeframe for implementation</i>	<i>Division/Office responsible</i>
245	The Board reiterates its previous recommendation that the Private Fundraising and Partnerships Division adhere strictly to the provision of UNICEF FRR [Financial Regulations and Rules] in relation to the retention of income by National Committees.	UNICEF is working with the National Committees for UNICEF to achieve appropriate remittances as stipulated in the Financial Regulations and Rules and has just concluded a new cooperation agreement to this effect.	Q1/2012	Private Fundraising and Partnerships
252	UNICEF agreed with the Board's reiterated recommendation to determine the cause of the delays in donor reporting by field offices and institute measures to ensure that reports are submitted in accordance with donor agreements.	As part of the VISION project, the grants reporting schedule has been redesigned to improve the capture of information on the timely submission of donor reports. The system redesign and reports will enable improved monitoring and identification of the issues related to timely submission of reports.	Q1/2012	PARMO

Recommendation not agreed by UNICEF

<i>Para.</i>	<i>Recommendation (see A/65/5/Add.2)</i>	<i>Division/Office responsible</i>	<i>Status of implementation</i>
163	The Board reiterates its previous recommendation that UNICEF ensure that all offices include in purchase orders a penalty clause for late delivery in accordance with the provisions in the UNICEF Supply Manual.	SD	UNICEF notes that its Supply Manual does not require offices to include a penalty clause in purchase orders for late delivery; rather, liquidated damages are optional. UNICEF notes that the cases mentioned thus comply with the Supply Manual. Reference is made to chapter 8 of the Supply Manual, which lists optional contract remedies.