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Report to the United Nations Board of Auditors and the Advisory Committee on Administrative and Budgetary Questions

Summary

The present document reports on the steps taken or to be taken in response to the recommendations of the Board of Auditors on the UNICEF accounts for the biennium 2000-2001. The focus of this report relates to those recommendations that at the time of the previous report were either not implemented or only partially implemented.

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* E/ICEF/2003/11.

I. Introduction

1. As an ongoing practice, UNICEF has been submitting a report to the General Assembly, through the Advisory Committee on Administrative and Budgetary Questions (ACABQ), to advise the Assembly as to the measures that the organization takes to implement the recommendations of the United Nations Board of Auditors.

2. The present report reviews the implementation by UNICEF of the recommendations of the Board of Auditors on the UNICEF accounts for the biennium 2000-2001.

3. The administration wishes to reiterate that, to underline the importance that UNICEF places on audit recommendations from both the United Nations Board of Auditors and its own Office of Internal Audit, UNICEF has institutionalized the procedures for the review of audit matters through the Audit Committee. The Committee, which is composed of senior staff of the organization, including external representation of another United Nations organization, periodically reviews matters of critical concern raised during both external and internal audits. The Audit Committee, which is chaired by the Executive Director, has instituted an appropriate follow-up mechanism whereby the responsible and accountable officials are asked to provide explanations on audit matters pertaining to their offices. UNICEF has also put in place internal monitoring mechanisms for the implementation of external audit recommendations and is working within various forums to optimize coordination with United Nations partners.

4. As noted by the General Assembly in A/54/159 dated 2 July 1999, the administration has informed the United Nations Board of Auditors that one officer, the Executive Director, is responsible for overseeing the implementation of audit recommendations. This accountability is shared by the senior staff responsible for the specific areas covered in the audit recommendations.

5. The present document is submitted to the Board of Auditors and ACABQ for their evaluation.

II. Progress report on specific steps taken to implement the recommendations of the Board of Auditors on the UNICEF accounts for the biennium 2000-2001

Recommendation No. 14 (a)

6. Review, in conjunction with United Nations Headquarters, the funding mechanism and targets for end-of-service liabilities in line with other United Nations organizations.

Measures taken by UNICEF

7. UNICEF is consulting with other funds and programmes, and will establish a provision for After-Service Health Insurance in 2003.

Responsible officer: Comptroller

Recommendation No. 14 (b)

8. The Board recommends that UNICEF implement new procedures in order to provide files and documents allowing reliable information for management and control of contributions receivable.

Measures taken by UNICEF

9. Procedures for regular monitoring and reconciliation of National Committee receivables are in place. Funds transfer forecasts from National Committees are now received and are jointly monitored by the Division of Financial and Administrative Management and the Private Sector Division (PSD).

Responsible officer: Comptroller

Recommendation No. 14 (b)

10. Manage more proactively its accounts receivable from donors, National Committees and staff.

Measures taken by UNICEF

11. Ongoing. File procedures have been improved. Monitoring reports for receivables will be instituted by the third quarter of 2003, as planned.

Responsible officer: Comptroller

Recommendation No. 14 (c)

12. Disclose recovery charges as programme support and management and administration costs borne by other resources.

Measures taken by UNICEF

13. Review of underlying rules and regulations affirms that UNICEF reports expenditures in compliance with approvals made by its Executive Board. To ensure transparent disclosure, UNICEF reports expenditures in its financial statements against the same Board approvals.

14. Statement VII shows expenditure against Board approvals for Programme assistance, Programme support, and Management and administration. Statement I summarizes expenditures under the same headings.

15. The total recovery charge is identified in statement IV.

Responsible officer: Comptroller

Recommendation No. 14 (d)

16. In consultation with other United Nations agencies, finalize without further delay the review of its policy on contributions-in-kind with a view to fully disclosing those used in the normal course of activities, and for which a fair value can be reasonably estimated.

Measures taken by UNICEF

17. UNICEF anticipates bringing consultations to a conclusion by end-April 2003. The text will then be reviewed by the General Legal Division. The policy and guidelines would be promulgated before 30 August 2003.

Responsible officer: Comptroller

Recommendation No. 14 (e)

18. Consolidate summary performance indicators, at the regional and global levels, possibly through an automatic data extraction from the UNICEF Programme Manager System (ProMS).

Measures taken by UNICEF

19. The Division of Policy and Planning (DPP) has prepared the country office annual report guidelines for 2002 (see Executive Directive CF/EXD/2002-021 of 9 October 2002), which contains a provision for the consolidated indicator reporting table referred to under this recommendation.

20. Based on the analysis provided by the 2002 country office annual report, UNICEF will update the guidelines by June 2003.

Responsible officer: Director, DPP

Recommendation No. 14 (f)

21. The Board notes that the triennial comprehensive policy review will enable UNICEF to further compare its cash assistance policies with that of other United Nations funds and programmes and the Specialized Agencies. The Board recommends that UNICEF take this opportunity to consider again the option of changing its financial regulations, as requested by the Advisory Committee, to the effect that cash advances do not become programme expenditure until the appropriate financial utilization reports have been received.

Measures taken by UNICEF

22. Ongoing. UNICEF is actively participating in the United Nations Development Group (UNDG) initiative on simplification and harmonization.

23. The report on cash assistance to Government (CAG) in the context of UNICEF programme cooperation modalities (E/ICEF/2002/AB/L.5) was presented to the Executive Board in September 2002. Overall, the responses of Board members during the discussions were very positive regarding the reasons the secretariat believes that its current treatment is in conformity with the substance of its modus operandi within the framework of the country programme of cooperation. Thus far, in the course of the work of UNDG on simplification and harmonization, the UNDG Executive Committee agencies (World Food Programme, United Nations Development Programme, United Nations Population Fund, UNICEF) have shown high interest in the overall modalities of the UNICEF country programme cooperation, including its policy, process and procedures on the practice of CAG. Resource transfer modalities and their financial management implications feature prominently in the 2003 United Nations Simplification and Harmonization Work

Plan. Progress on this area of work will be reported to the Economic and Social Council in July 2003.

Responsible officer: Comptroller

Recommendation No. 14 (g)

24. Integrate supply planning in the programme planning process by using an automatic data extraction and establish clear directives to obtain more realistic and accurate supply plans from country offices.

Measures taken by UNICEF

25. Supply planning has been integrated in the programme planning process of the new version of ProMS. The following activities have taken place to address the recommendation:

(a) The Cognos cube was tested in February 2003 and is now an online tool that is updated weekly;

(b) A global consultation (Consulting) on integrating supply planning in the programming process was held by the Supply Division. The full report is posted at <http://www.intranet.unicef.org/supply/sdvisionting.nsf>.

26. A supply directive (CF/SD/2003/002) describing the ProMS-based process for the planning of supply inputs for UNICEF country programmes and the accountabilities of country offices, regional offices and Supply Division was issued in late-February 2003.

Responsible officer: Director, Supply Division

Recommendation No. 14 (h)

27. (1) Adopt a consolidated Treasury Manual, (2) review the opportunity to include external members to its Financial Advisory Committee (FAC), (3) consider investing in a more diversified portfolio, and (4) using external fund managers.

Measures taken by UNICEF

28. (1) A second draft of the consolidated Treasury Manual is being refined.

(2) Survey questionnaires on the matter of including external members in FAC are being analysed. A report on this will be finalized by 30 April 2003.

(3) Survey questionnaires on the matter of considering the possibility of investing in a more diversified portfolio are being analysed. A report on this will be finalized by 30 April 2003.

(4) Survey questionnaires on the matter of using external fund managers are being analysed, with a report on this expected by 30 April 2003.

Responsible officer: Comptroller

Recommendation No. 14 (i)

29. Improve its information technology security by finalizing its corporate information security policy and, in consultation with other United Nations organizations, complete its disaster recovery plan as soon as possible.

Measures taken by UNICEF

30. The draft information security policy was submitted to the Business Process Systems Management Groups in September 2002. The top layers of the policy (Policy, Data Classification, and Standards of Electronic Conduct) are in finalization stages with the Senior Legal Adviser and the Division of Human Resources (DHR). This report will be finalized by 30 April 2003.

31. Disaster recovery: ongoing. Specific actions have been implemented to increase bare bones redundancy between the two UNICEF locations (633 Third Avenue and 3 United Nations Plaza). Further actions will be defined based on resource availability in 2004.

32. UNICEF is a member of the United Nations Information and Communication Technology Advisors Group which will meet in June 2003. UNICEF looks forward to discussions of these issues and others in this forum.

Responsible officer: Director, Information Technology Division

Recommendation No. 14 (j)

33. Review and monitor more closely the appropriateness of its Private Sector Division means to reach its strategic targets, such as the recovery of sale proceedings and the development of fund-raising.

Measures taken by UNICEF

34. Ongoing. During the strategic planning and annual budgeting - with procedures revised for the 2004 budget preparation - PSD is closely analysing achievements and lessons learned. Actions are taken and procedures are in place to efficiently recover sales proceeds. Through the joint strategic plans and active participation of PSD Brand Groups in planning and monitoring, resource mobilization plans with National Committees have contributed to the very encouraging results for 2002.

Responsible officer: Director, PSD

Recommendation No. 28

35. The Board recommends that UNICEF record differences in exchange rates in the financial period in which they arise, while terminating the present \$20.9 million provision.

Measures taken by UNICEF

36. Ongoing. Delays in the receipt of cash from National Committees have resulted in shortfalls in income relating to previous years. UNICEF needs to consult further with the Board of Auditors and analyse more data in order to determine the

necessity of providing for this shortfall in a prudent manner. A decision is expected by end-May 2003.

Responsible officer: Comptroller

Recommendation No. 30

37. The Board recommended, and UNICEF agreed, that its classification of convertible and non-convertible currencies should be revised, which it could do in consultation with other United Nations organizations.

Measures taken by UNICEF

38. UNICEF has consulted with the United Nations and International Monetary Fund regarding currency convertibility. The United Nations practice relies on field offices to categorize the nature of bank accounts and use this as the basis for splitting convertible and non-convertible currencies. UNICEF's practice is in line with this process.

Responsible officer: Comptroller

Recommendation No. 32

39. The Board recommended, and UNICEF agreed that, for consistency, bank charges and fees should be recorded and categorized under "bank charges" in the general ledger.

Measures taken by UNICEF

40. A budget line will be established for the biennium budget 2004-2005 against which bank charges will be recorded. Charges will then reflect against bank charge General Ledger.

Responsible officer: Comptroller

Recommendation No. 35

41. The Board recommended, and UNICEF agreed, that its pension calculation should be improved to further reduce discrepancies with the United Nations Joint Staff Pension Fund statements.

Measures taken by UNICEF

42. Ongoing. Calculation continues to improve as more offices implement the Personnel and Payroll module of ProMS.

Responsible officer: Comptroller

Recommendation No. 44/14 (b)

43. The Board recommended, and UNICEF agreed, to (i) review the recoverability of all outstanding advances and endeavour to implement it; and (ii) reduce the volume of personal advances recoverable outstanding for more than 24 months.

Measures taken by UNICEF

44. Ongoing. Clearing work continues. Some improvements will result from Standing Travel Advances and amended interface from the ProMS Hub. The entire work process will be reviewed by the end of the second quarter of 2003.

Responsible officer: Comptroller

Recommendation No. 49

45. The Board recommended, and UNICEF agreed, to consult with other United Nations entities to determine a common accounting treatment of Central Emergency Revolving Fund (CERF) expenditures.

Measures taken by UNICEF

46. Ongoing. UNICEF will complete its consultations with United Nations agencies in April 2003 to determine a common accounting treatment for CERF.

Responsible officer: Comptroller

Recommendation No. 51

47. The Board recommended, and UNICEF agreed, to establish clear guidelines within the Operations Emergency Manual that is being drafted to distinguish when the Emergency Programme Fund (EPF) or CERF should be used.

Measures taken by UNICEF

48. As part of the Emergency Operations Manual, UNICEF will establish guidelines for the use of EPF and CERF resources by May 2003.

Responsible officer: Director, Office of Emergency Programmes

Recommendation No. 54

49. The Board recommended, and UNICEF agreed, to (i) review more thoroughly its unliquidated obligations at year-end, in compliance with financial regulations; and (ii) amend the report to the donors where appropriate.

Measures taken by UNICEF

50. A more thorough review of outstanding budgetary obligations has been completed by headquarters for 2002, and UNICEF will draw lessons from this exercise.

Responsible officer: Comptroller

Recommendation No. 56

51. The Board recommended, and UNICEF agreed, to (i) issue a consolidated field accounting manual; and (ii) evaluate the cost-effectiveness of having its ProMS documentation translated in languages widely used by its staff.

Measures taken by UNICEF

52. Ongoing. It has been agreed to update the ProMS On Line Help and, in conjunction with this, UNICEF will evaluate the need for a separate accounting

manual and the cost-effectiveness of translating the Help into other languages. Work is anticipated to begin in 2003 for completion in 2004.

Responsible officer: Comptroller

Recommendation No. 67

53. The Board recommended, and UNICEF agreed, to disclose all the non-expendable property (NEP) under its custody, regardless of their source of funding, and expand the note on its policy regarding non-expendable property disclosure.

Measures taken by UNICEF

54. For the 2002 closure, all NEP have been collated regardless of source funding. The note corresponding to the financial statement will show all NEP.

Responsible officer: Comptroller

Recommendation No. 73

55. The Board recommends that UNICEF review all funds provided by the Alliance and not recorded as income to make sure that they are made available for “purposes other than those related to implementing programme commitments approved or noted by the Board”.

Measures taken by UNICEF

56. As per the UNICEF Financial Regulations and Rules, funds from the Alliance are considered properly recorded as Trust Accounts.

Recommendation No. 78

57. The Board recommends that UNICEF compute and disclose the value of its in-kind contributions to the vaccine Alliance and, when applicable, in other similar cases.

Measures taken by UNICEF

58. UNICEF will make such disclosures in the future.

Recommendation No. 82

59. The Board recommended, and UNICEF agreed, to consult with other United Nations organizations as to their standard procedures and establish a formal standardized procedure for contribution pledge write-offs, so as to reflect the “full investigation” requirement and timing criteria.

Measures taken by UNICEF

60. Consultations have been initiated and are still ongoing. Results to be documented by the end of the second quarter of 2003, along with a recommendation for a new internal procedure.

Responsible officer: Comptroller

Recommendation No. 89

61. The Board recommended, and UNICEF agreed, to undertake a review of the financial rate of implementation in order to prevent a pattern of excessive concentration of expenditures during the last quarter.

Measures taken by UNICEF

62. An analysis of quarterly trends is being prepared, to be shared with regional offices. The ongoing analytical work will contribute to diagnosing and remediating any undue seasonal concentration of disbursements.

Responsible officer: Comptroller

Recommendation No. 119

63. The Board recommended, and UNICEF agreed, to monitor the use of the future quality assurance checklist, in particular the inclusion of standard rates in the Master Plan of Operations (MPO), and regularly provide feedback to regional and field offices on the best practices relating to cash assistance procedures.

Measures taken by UNICEF

64. UNICEF issued a memorandum on this subject to all regional directors (CF/DFAM/2002/04 of 25 June 2002). A follow-up memo (CF/DFAM/2003/04 of 31 March 2003) on Cash Assistance to Government - Monitoring and Oversight has been sent out.

65. Regional offices have been requested to include the discussion of the CAG issues during Regional Management Team (RMT) meetings and provide feedback to the Comptroller on the status of implementation. CAG procedures and best practices are shared at regional workshops. Some country offices with country programmes starting 2002 have already incorporated the mandatory provisions relating to CAG in their MPOs; other country offices are in the process of negotiating with their respective government counterparts the inclusion of the same.

Responsible officer: Comptroller

Recommendation No. 125

66. The Board recommended, and UNICEF agreed, to strengthen the analysis of patterns of disbursements by field offices as part of its oversight responsibility.

Measures taken by UNICEF

67. Ongoing. A memo from the Deputy Executive Director to regional offices was issued in June 2002 requesting regional offices to review the trend of quarterly CAG disbursements in country offices and analyse the reasons for the year-end concentration of CAG, and recommend measures for a more even flow over the year.

68. Analysis of 2002 CAG quarterly disbursements is in process. This will be shared with regional and country offices.

Responsible officer: Comptroller

Recommendation No. 128

69. The Board recommended, and UNICEF agreed, to collect information on the quality standards developed by other international institutions; identify best practice, provide guidance to field offices and monitor the application of the guidance.

Measures taken by UNICEF

70. Ongoing. In the framework of the work plan of the Task Force on Simplification and Harmonization, it has been agreed to base harmonization on a common UNDG Financial Accountability assessment tool. Guidelines for this tool will benefit from similar tools developed within the Organisation for Economic Cooperation and Development/Development Assistance Committee harmonization work. Timeframe: guidelines are expected by end-2003.

Responsible officer: Comptroller

Recommendation No. 130

71. The Board recommends that UNICEF reinforce the submission of explanatory notes and closely monitor the requirement for the submission of explanatory notes, including the quality of the information provided.

Measures taken by UNICEF

72. Ongoing quarterly monitoring. Follow-up reminders are being sent to regional and country offices. Regional offices have been requested to remind country offices to comply with the requirement during RMT meetings.

Responsible officer: Comptroller

Recommendation No. 135

73. The Board recommended, and UNICEF agreed, to include, as part of its headquarters oversight responsibilities, the country office implementation of internal audit recommendations related to cash assistance.

Measures taken by UNICEF

74. Ongoing. Regional offices have been requested to strengthen their support to country offices in implementing agreed audit recommendations and in monitoring corrective actions. UNICEF is working to improve information retrieval mechanisms to facilitate monitoring the status of implementation of audit recommendations relating to CAG and enhance headquarters oversight in this area.

Responsible officer: Comptroller

Recommendation No. 141

75. The Board recommended, and UNICEF agreed, to continue to improve the monitoring of key Supply Division performance indicators.

Measures taken by UNICEF

76. Completed. There is continuous improvement in the monitoring of key supply division performance indicators.

Recommendation No. 143

77. The Board recommended, and UNICEF agreed, to establish proper guidelines on outsourcing decisions, and take action to ensure that outsourcing decisions are properly documented in compliance with United Nations regulations.

Measures taken by UNICEF

78. Outsourcing as a procurement strategy has been put on hold. A thorough review of the commodity range procured by UNICEF is under way; after which appropriate procurement strategies (including outsourcing) for the different commodities will be examined.

79. The commodity range review mentioned above will be finalized by the end of June 2003.

Responsible officer: Director, Supply Division

Recommendation No. 146

80. The Board recommends (i) that UNICEF review the present rules, with a view to raising them to the most demanding standards on ethics, gifts and offers of hospitality; (ii) that a declaration of existing interests be obtained from the professional staff of the Supply Division; and (iii) that staff members be reminded of existing rules and regulations regarding interest in supplier companies.

Measures taken by UNICEF

81. Ongoing. (i) DHR facilitated two ethics workshops in November 2002 with the participation of 36 staff members. (ii) and (iii) All new staff members are given a set of UNICEF Staff Rules, including the Code of Conduct. During orientation workshops, they are reminded of these rules and the Code of Conduct.

Responsible officer: Director, DHR

Recommendation No. 152

82. The Board recommended, and UNICEF agreed, to ensure strict compliance with rules and that one Treasury Unit professional be available on a daily basis.

Measures taken by UNICEF

83. Adequate arrangements are in place.

Recommendation No. 167

84. The Board recommended, and UNICEF agreed, to review its banking needs in order to streamline the number of operatives, and to develop banking agreements.

Measures taken by UNICEF

85. Treasury closed 10 investment banking relationships in October 2002 and 40 Demand Deposit Accounts between the third quarter of 2000 and the third quarter of 2002. An account rationalization review is under way with all field offices, to be completed by the third quarter of 2003.

Responsible officer: Comptroller

Recommendation No. 169

86. The Board recommended, and UNICEF agreed, to consider the cost-effectiveness of raising the number of offices relying on Zero Balance Accounts, where appropriate.

Measures taken by UNICEF

87. Ongoing activity; will implement where and when appropriate to the individual requirements and circumstances.

Responsible officer: Comptroller

Recommendation No. 172

88. The Board recommended, and UNICEF agreed, to improve its bank reconciliation procedures.

Measures taken by UNICEF

89. The necessary changes will be included in ProMS 4, due for release in the third quarter of 2003. In line with the ProMS 4 release, new guidance pertaining to bank reconciliation procedures will be made available to field offices.

Responsible officer: Comptroller

Recommendation No. 187

90. The Board recommended, and UNICEF agreed, to pursue its efforts to sign the new cooperation agreements with all National Committees and sales partners by the end of 2002.

Measures taken by UNICEF

91. Of 37 eligible National Committees, a total of 27 have signed the Recognition and Cooperation Agreement to date. Four additional Committees (Australia, Canada, France, New Zealand) will sign their agreements during the Annual National Committee meeting, 12-14 May 2003. This will bring the total signatories to 31 by end-May 2003. Five other Committees (Austria, Greece, Hungary, Switzerland, Luxembourg) aim to conclude statute and organizational revisions, which will permit the signing of the Cooperation Agreement before the end of 2003.

Responsible officer: Director, Regional Office for Europe

Recommendation No. 190

92. The Board recommends that UNICEF pay more attention to qualified opinions by local external auditors and to obtaining the desirable improvements from the concerned National Committees.

Measures taken by UNICEF

93. Ongoing. Review of the audited statements is now included in the accountabilities of PSD, and responsibilities and actions both by Finance and Brand Groups are defined, accordingly. Review results and comments by auditors are included in the financial indicators for National Committees.

Responsible officer: Director, PSD

Recommendation No. 192

94. The Board recommended, and UNICEF agreed, to pursue efforts to receive on time audited financial statements by every National Committee, so they can be of use, to the extent possible, for a reconciliation with final cash accounting report for the record of PSD revenue.

Measures taken by UNICEF

95. Ongoing. UNICEF is vigorously pursuing its intent to get audited statements for 2001 and 2002. This is a regular agenda item at the National Committee Standing Group meetings.

Responsible officer: Director, PSD

Recommendation No. 194

96. The Board recommended, and UNICEF agreed, to secure a quarterly remittance of sales proceeds from National Committees.

Measures taken by UNICEF

97. Ongoing. UNICEF is pursuing this aim vigorously. In this framework, cash flow projections have been obtained and are followed up. Brand Groups are bringing the matter up during meetings with National Committees, and it is included also into the financial monitoring report.

Responsible officer: Director, PSD

Recommendation No. 198

98. The Board recommended, and UNICEF agreed, to strengthen its stock management procedures, which may include more precise forecasts and deliveries in order to reduce destruction costs.

Measures taken by UNICEF

99. Ongoing. Various initiatives have been introduced in PSD to minimize excess inventories both in National Committees and PSD, and to enhance inventory management and forecasting. Additionally, PSD is reviewing possible changes to record National Committee stock movement in the PSD accounting system.

Responsible officer: Director, PSD

Recommendation No. 200

100. The Board recommended that UNICEF implement its plan to integrate the country office PSD and support budget processes.

Measures taken by UNICEF

101. Ongoing. Budget synchronization is taking place in 2003. PSD budget guidelines for ongoing budget preparation have been issued to ensure full integration for reviewing proposed staff structures. Recent budget guidelines (CF/EXD/2003-006) take into account this integration process.

Responsible officer: Director, PSD

Recommendation No. 202

102. The Board recommended, and UNICEF agreed, to design standard, cost-effective procedures for the legal, operational, and financial review of fund-raising contracts.

Measures taken by UNICEF

103. UNICEF is in the process of reviewing the option of developing a standard private sector contribution agreement. UNICEF will need to complete in-house consultations and work with the General Legal Division in finalizing a text. Expected completion date is July 2003.

Responsible officer: Deputy Executive Director for Operations
