Operational Directive Ref. OD.FG.2018.01
Finance and Asset Management

Authority:

This Operational Directive (OD) is promulgated by the Director, Finance Group, on the basis of a delegation of authority from the Executive Director.

Purpose:

The purpose of this OD is to define the principles for UNOPS financial and asset management.

Effective Date:

This OD shall become effective immediately.

Promulgation Date:

15 Mar 2018

[signature redacted]

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Director, Finance Group

1. Introduction

1.1 This OD provides an overview of the organizational framework and define key principles that underpin UNOPS management of funds and assets.

2. Responsibility and accountability

2.1 According to UNOPS Financial Regulations and Rules (FRR), the Executive Director is responsible and directly accountable to the Executive Board for UNOPS financial and asset management.

2.2. The Executive Director may further delegate authority to individuals at appropriate levels, in which case delegation will come with accountability hereof.

2.3. In this context, the Executive Director has delegated to the Director, Finance group the function of Chief Financial Officer (CFO) and the authority to establish UNOPS policies and procedures related to finance and asset management to support UNOPS in achieving its objectives in accordance with the FRR.

2.4. The Executive Director has also delegated the responsibility for planning and allocating the resources made available to UNOPS to the Deputy Executive Director, who has in turn delegated the responsibility to coordinate the planning of UNOPS management and other administrative budgets, including annual budget reviews and revisions, to the CFO.

2.5. In addition, the Executive Director has delegated to the CFO the authority to provide oversight of UNOPS overall financial and operational performance.

2.6. The Executive Director has further delegated to all heads of business units and other relevant personnel the responsibility and accountability for implementation of UNOPS finance and asset management policies, including the implementation of effective internal controls.

2.7. The CFO hereby further delegates the responsibility for the production of engagement related uncertified financial reports to all heads of business units as pertaining to the management of the engagement agreements under their supervision.

2.8. All personnel are deemed responsible and accountable to the Executive Director for the regularity of their official duties and may be held personally responsible and financially liable for any consequences of violating the FRR.

3. Role of the Finance Group

2.1 The Finance Group provides financial stewardship for UNOPS, and serves as a strategic partner to UNOPS management and finance units.

3.2. The responsibilities of the Finance Group include:

- Setting financial policies and procedures.

- Serving as custodian of UNOPS financial resources.
- Coordinating UNOPS administrative budgeting processes.
- Enabling financially compliant project implementation.
- Overseeing UNOPS corporate financial performance.
- Reporting to support management decision-making processes.

4. Overall principles

4.1. UNOPS financial activities are performed in accordance with UNOPS mission, vision and the FRR, and reflect UNOPS values, in particular accountability for results, transparency, strong partnerships and excellence.

4.2. UNOPS financial activities are carried out in a strictly risk controlled manner that upholds the highest standards of effectiveness, competence and integrity.

4.3. The objectives for UNOPS financial activities include:

- The definition, implementation, and maintenance of internal control mechanisms to provide effective and efficient monitoring and oversight of financial management and operating activities. This should ensure regularity and consistency in the performance of such activities, their compliance with policies, and appropriate and purposeful economic use of financial resources.
- A transparent and accountable custody of entrusted funds, managing investment portfolios in a risk-controlled manner that allows appropriate liquidity of funding for effective project implementation and ensures UNOPS' financial stability and viability.
- Safeguarding UNOPS monetary assets against loss or devaluation whilst providing efficient and effective banking and cash management solutions.
- Safeguarding UNOPS fixed and intangible assets under IPSAS compliant processes, ensuring efficient and effective management of all assets.
- Coordinating processes for planning and allocating UNOPS financial resources to enable UNOPS achieve its objectives.
- Financial implementation of engagements within the budget agreed with the partner(s) and funds provided.
- Integrity and timeliness of the financial information included in UNOPS financial statements and production of reliable management reporting to support UNOPS internal and external stakeholders' decision-making processes.

4.4. The following sections set out key principles for the above objectives, which are to be elaborated on in separate Organizational Instructions (OI) to be promulgated by the CFO, under this OD.

4.5. Exceptions to any of the principles shall be managed in accordance with the FRR.

5. UNOPS internal control principles

5.1 UNOPS internal control system are managed according to the following principles:

5.2. Control environment:

UNOPS management shall enforce the highest levels of integrity and professional standards throughout all financial activities and contribute to setting an internal control environment ensuring that UNOPS financial activities are carried out in compliance with UNOPS financial regulations, rules and policies.

5.3. Financial risk monitoring and management:

UNOPS internal controls are put in place to ensure effective prevention and/or timely detection of financial risks, irregular and/or fraudulent financial activity, so that to provide reasonable assurance of the validity of all transactions and effectively safeguard against unauthorized acquisition, use or disposition of UNOPS assets and assets under UNOPS custody.

5.4. Segregation of duties:

In order to prevent errors, collusion and fraud, UNOPS will continuously maintain and ensure segregation of duties, by separating roles who may/can:

- enter into commitments and verify payments,
- verify payments and disburse resources,
- receive funds and register the deposit of funds, and/or
- execute accounting or financial related transactions and record these in UNOPS systems.

5.5. Authorization and approval:

Authority is to be delegated in accordance with the FRR to the appropriate level in order to ensure effective management oversight and a chain of accountability as well as efficient operational execution.

6. UNOPS financial investment management principles

6.1 UNOPS financial investment portfolios are managed according to the following principles:

6.2. Prudent person principle:

In its trustee role, UNOPS needs to operate according to the basic rules of the prudent person principle and act with utmost duty of care for both its donors and recipients.

6.3. Investment approach:

Investments undertaken by or on behalf of UNOPS are, in the following order of importance, guided by preserving capital, ensuring sufficient liquidity of funds to meet operating cash requirements, whilst providing reasonable returns on investments within defined risk parameters and limits.

6.4. Portfolio risk profile:

Entrusted funds are invested in a risk controlled manner with the aim of mitigating the inherent risks associated with the liabilities flowing from the different activities.

6.5. Working capital portfolio and cash management:

The primary objective for working capital portfolio and cash management activities is to preserve capital in nominal terms over a one-year rolling period thus ensuring the provision of liquidity in multiple currencies for UNOPS operations.

6.6. Reserves portfolio:

UNOPS reserves serve as an insurance mechanism against operational risks and provide cash liquidity in case of adverse circumstances. Their purpose is to support the long-term operations of UNOPS, including providing funds for internal, external, and innovative investments in support of UNOPS strategic objectives.

6.7. After service healthcare insurance (ASHI) and repatriation grant portfolio:

UNOPS healthcare portfolio is managed in a manner to cover the future liabilities pertaining to the provision of after service health-care benefits of UNOPS retirees and staff.

6.8. UNOPS provident fund:

UNOPS provident fund is to be managed with the view to provide a savings scheme for personnel with reasonable returns on the combined UNOPS and personnel contribution to the fund within defined risk parameters and limits.

7. UNOPS fixed and intangible asset management principles

7.1 UNOPS fixed and intangible assets are managed according to the following principles:

7.2. Management of the asset life cycle:

UNOPS shall acquire, maintain and dispose fixed and intangible assets to support business needs and operations, thus contributing to the realization of UNOPS objectives.

7.3. Accounting for assets:

Assets shall be managed in a transparent manner and in accordance to IPSAS compliant instructions and processes as defined in the OI on fixed and intangible asset management.

8. UNOPS treasury and cash management principles

8.1. UNOPS treasury and cash management is managed according to the following principles:

8.2. Banking and cash management activities:

UNOPS secures bank arrangements and agreements as well as cash management operations with the view to provide secure and effective transfer of funds to projects, when possible through electronic systems.

8.3. Treasury risk management:

UNOPS treasury management aims at effectively mitigating counterparty, credit, and foreign exchange risks through a continuous monitoring of cash balances exposure to these risks.

8.4. Cash forecasting:

UNOPS aims at ensuring appropriate and timely flow of incoming and outgoing cash by forecasting operational needs.

8.5. Operational cash management:

UNOPS will only commence activities after receipt of cash from partners, unless otherwise specified in a signed agreement with the partner, and only disburse cash after receipt of related goods/services, unless under exceptional circumstances where expected benefits surpass the perceived risks.

9. UNOPS budgeting principles

9.1 Coordination of planning and allocation of UNOPS financial resources is managed according to the following principles:

9.2. All UNOPS budgets are to be managed on basis of full cost recovery, and linked to clear objectives.

a. UNOPS project budgets should be based on signed partner agreement(s).

b. UNOPS management budget should be informed by revenue projections and allotments should be reviewed annually.

c. Cost recovery budgets should be informed by reliable projections for services to be provided and allotments should be reviewed annually.

9.3. Budgets should be issued for the organizational structure(s) responsible for achieving the objectives.

9.4. Revisions to annual budget allotments can be made to support operations and corporate priorities.

10. UNOPS engagement finance management principles

10.1. UNOPS production of financial reports for partner engagements is managed according to the following principles:

10.2. Compliant financial engagement management: UNOPS strives to set up, implement and close engagement accounts reliably, timely and in accordance with engagement agreements and with UNOPS regulations, rules and policies, using financial systems, project(s) budgeting, controls, accounting and reporting.

11. UNOPS financial and management reporting principles

11.1 UNOPS financial and management reporting is managed according to the following principles:

11.2. Financial reporting:

- UNOPS financial statements shall comply with IPSAS reporting requirements and provide relevant and reliable information that reflects economic substance of transactions and events.
- UNOPS financial statements shall provide a neutral, fair and prudent representation of UNOPS financial position and performance and be complete in all material aspects.

11.3. Management reporting:

- UNOPS management reporting aims at monitoring and overseeing UNOPS performance and progress against corporate performance targets defined during the budgeting and business planning cycles to support internal stakeholders' decision-making processes.