Headquarters, Copenhagen

07 Apr 2025

Operational Instruction Ref. OI.FG.2025.01

Engagement Financial Management and Reporting

1. **Authority**

1.1. This Operational Instruction (OI) is promulgated by the Chief Financial Officer, Finance Group, under Operational Directive Ref. OD.FG.2018.1 – Finance and Asset Management.

2. **Purpose**

2.1. The purpose of this OI is to provide instructions regarding the financial management of and reporting for engagements.

2.2. The specific processes describing in detail how to implement UNOPS financial engagement management shall be included in the Policy and Process Portal.

3. **Effective Date**

3.1 This OI shall become effective on 07 May 2025

4. **Consequential changes**

4.1 This OI abolishes and supersedes OI.FG.2018.04. as of the effective date of this OI. The main purpose of the update is to remove the reference to the Engagement Acceptance Committee in section 1.3, replace the reference to the Chief Financial Officer/Director of Administration in section 3.10 with a reference to the Deputy Executive Director for Management & Policies, and slightly modify section 6.10.

[signature redacted]

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Chief Financial Officer Finance Group

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1. Financial review of framework and engagement agreements

1.1. Before a framework or an engagement agreement may be entered into by UNOPS, all financial matters, if any, shall be reviewed and cleared by the Chief Financial Officer (CFO), or his/her delegate.

1.2. Financial matters in framework agreements shall be reviewed by the Finance Group, with input from the finance team of the Shared Service Centre.

1.3. Financial matters in engagement agreements shall be reviewed by the finance team in the Finance Group. The Finance Group shall maintain a list of criteria upon which an escalation of an engagement to the appropriate authority shall be made.

1.4. Financial matters to be reviewed shall include but shall not be limited to the correct application of UNOPS policies and system requirements for:

i. Costing and pricing

ii. Budget setup and management

iii. Cash receipt, disbursement and foreign exchange rate exposure

iv. Accounting requirements including asset treatment

v. Reporting requirements

vi. Audit requirements

vii. Closure and refund timelines

1.5. Any financial requirements of an engagement agreement that will require a separate approval shall obtain such approval before the signature of the engagement agreement, i.e. if an engagement agreement will require advance financing, such approval in principle should be obtained before the agreement is signed.

2. Engagements and projects financial setup

2.1. UNOPS shall establish dedicated project accounts, reflective of the agreements entered into with its partners. Project accounts shall at the latest be established upon approval of the relevant engagement agreement. Separate project accounts under one engagement may be established as required by UNOPS project activities for the management and/or reporting on engagement agreements. Multiple engagement agreements may support one project as required by UNOPS project activities for the management and/or reporting on engagement agreements.

2.2. To ensure cost-effective administration of engagements the ED may determine a minimum engagement level below which UNOPS may refuse to accept the contribution.

2.3. Long-term agreements that exceed the financial resources that a partner can commit at the time of signature, shall be documented in a single engagement agreement. Such agreement shall reflect the

overall estimated timeline of the services to be provided, while limiting the financial commitment of the partner and UNOPS. Once additional resources become available to the partner, these shall be reflected through an amendment of the engagement agreement.

2.4. All head of business units and other relevant personnel shall be accountable for the management of UNOPS activities, including engagement agreements for which they have delegated authority, for ensuring that records are created and updated to best reflect the nature and status of engagements and that costs do not exceed approved allocations.

3. Engagements and projects budget management

Engagement and project budgets

3.1. To provide for continuity in the implementation of projects, the project period, for the purpose of the proposed utilization of project funds and of entering into commitments in respect of project funds, shall be the duration of each project as specified in the project agreement. The project period, for the purpose of incurring and accounting for expenses, costs and disbursements in respect of projects and reporting thereon, shall normally be defined as a single calendar year.

3.2. Each engagement agreement shall specify those services which UNOPS shall render. The budget shall be structured in such a way that facilitates the delivery of said services.

3.3. UNOPS shall not render any services without a project budget approved by the Executive Director or his/her delegate.

3.4. UNOPS shall record the overall agreed budget at engagement level. Detailed budgets for the control of commitments and expenditures shall be established at project level.

3.5. Whenever a project budget ceases to reflect actual circumstances or most recent estimates in any significant respect, it shall be revised accordingly.

Project commitments and expenditures

3.6. Resources administered by UNOPS must be committed by means of a written document as soon as a contract or undertaking of any nature has been entered into.

3.7. Commitments to be charged to the project budget of a future period may be assumed, provided they are for authorized activities expected to continue beyond the end of the current financial period.

3.8. Charges to project budgets shall be authorized through and subject to the terms of an engagement agreement.

3.9. Commitments shall not be made under an engagement agreement prior to the receipt of funds except in cases of a formalized exception to rule 4.1 above or in the cases of approved advance financing activities.

3.10. For commitments or changes in commitments above the amounts specified by the Deputy Executive Director for Management & Policies and apart from the recruitment of employees under an authorized employee table and consequential commitments under the United Nations Staff

Regulations and Rules, no contract or undertaking of any nature shall be entered into until resources have been reserved in the accounts. Exceptions to this provision shall conform to section 4 on advance funding.

4. Engagements and projects receipt of contributions and other revenue

4.1. Engagement agreements shall stipulate that the provision of services by UNOPS shall in each instance be subject to the availability of the necessary resources provided by the client and/or funding source for such services. Exceptions shall be approved by the ED or his/her delegate and formalized through agreements with the related funding source.

4.2. UNOPS shall establish project accounts that require cash to be received from the funding source(s) before activities can commence (cash based projects).

4.3. UNOPS can establish project accounts that do not require cash to be received before activities can commence if an agreement with a partner has been established to ensure UNOPS will receive cash in a timely manner and/or against a global account (non-cash based projects).

4.4. Transfer of contributions between different engagements, whether or not such engagements are funded by the same funding source, shall not be permitted without the prior written authorization of said funding source, unless stated otherwise in the engagement agreement.

Advance financing of contributions

4.5. Advance financing shall be understood as the authorization to incur expenses and costs pursuant to a project agreement prior to the receipt of project funds. The possibility shall apply to cash based projects only under exceptional circumstances.

4.6. Exceptional circumstances that justify the application of advance financing shall be defined as follows:

i. Constraints which justify the commencement or continuation of project activities immediately;

ii. Engagement agreements where transfer of funds by the partner is conditional upon prior action by UNOPS; or

iii. Where the partner and UNOPS both advance cash resources to fund project disbursements. The partner agrees to reimburse UNOPS for its share of the cash resources advanced by an agreed date or completion of certain activities.

4.7. As an exceptional process, UNOPS shall seek consent from its partners for advance financing as well as recovery of all associated costs related to the issuance and management of the advance.

4.8. Further guidance on how to apply for advance financing requests and related approval thresholds will be issued by the Chief Financial Officer (CFO) in the Policy and Process Portal.

Application of interest to engagements and projects

4.9. Any interest earned on engagement funds shall be credited to the UNOPS other operating revenue account, unless otherwise agreed with the partner in the respective engagement agreement.

4.10. UNOPS shall establish a regular process to assess the interest eligible at donor level and to allocate such interest to the donor's engagements. Where the application of interest is increasing the cash balance of a project beyond the available budget, UNOPS shall increase the budget. This should be done through an amendment if the engagement agreement does state that the interest can be used for project activities and the intended activities are not part of the engagement agreement.

5. Engagements and projects financial records and reporting

Project financial records

5.1. Separate accounting records shall be maintained to document all financial transactions relating to engagement agreements.

5.2. The amount included in the engagement agreement for reimbursement of UNOPS direct, indirect and shared services costs shall be charged to the related projects.

5.3. The Project Manager shall be responsible to ensure that the expenditure recorded against a project will be in line with the engagement agreement and in line with the available cash and approved budget.

Project financial reporting

5.4. UNOPS reporting on engagement and project financial information shall be done using a standard template.

5.5. If an engagement agreement stipulates financial reporting requirements different from UNOPS standard template, dedicated reporting specifications shall be established and documented by the authority responsible for the engagement. An identification of the cost and required recovery for this additional services shall be performed. To ensure full cost recovery, these additional costs shall be included in the project budget.

5.6. Funds returned by suppliers related to project expenses which are received before a project is operationally closed, shall be credited to the project account originally charged. Returns subsequently received shall be credited to other operating revenue.

6. Engagements and projects financial closure

Project Financial closure

6.1. As soon as project activities have ceased they shall be declared operationally completed and a financial report shall be prepared, in conformity with established procedures and reflecting actual expenditures to date.

6.2. After the implementation end date of a project, Project Managers shall start the operational closure process and close all open transactions. It is the responsibility of the project manager to proceed with these activities without delay to ensure timely project closure and reporting to partners. Specific instructions for the activities required from a financial point of view for the closure process shall be issued by the Finance Group as a guidance note.

6.3. Once a project is operationally closed the financial closure process shall be implemented by the Project Finance team in Finance Group. It is the responsibility of FG to proceed with these activities without delay and on a periodical basis (preferably on a monthly basis) to ensure timely project closure and reporting to partners. Specific instructions for the activities required from a financial point of view at this step are issued by the Finance Group as a guidance note.

6.4. Once a project is prepared for financial closure and the draft Final Financial Statement has been prepared, it is also the responsibility of the Project Finance Team in the Finance Group to verify that all actions have been implemented and that the Final Financial Statement is correct and can be issued. It is the responsibility of the Project Finance Team in the Finance Group to proceed with these activities without delay to ensure timely project closure and reporting to partners.

6.5. Should the Project Finance Team in the Finance Group encounter material items that have not been addressed during the operational closure of a project they shall revert back to the project manager and request closure of these items. Should non-material items be encountered with a total value of less than USD 100, the team shall have the authority to close these items, if required using administrative funds from the related office to ensure timely closure. The office shall be informed of such decisions post facto.

6.6. Project activities shall be considered financially completed when they have been operationally completed or terminated, and if all transactions have been recorded, the relevant project accounts closed, and a final financial report approved.

6.7. The financial completion of project activities shall be accomplished no later than eighteen months after the month in which they are operationally completed or terminated.

Project Refunds

6.8. After the Final Financial Statement has been shared with the Project Manager of the project it is the responsibility of the Project Manager to share the report without further delay with the partners and if required to seek for a swift decision on provision of additional funds or for confirmation that a refund can be processed.

6.9. Once a final financial report has been approved by the partner, the related project records shall be requested for closure by the Project Finance Team in the Finance Group. Required write-offs and refunds shall be processed in accordance with the final financial report. Any other postings that might occur after the issuance of a final financial report shall be absorbed by UNOPS.

6.10. Should UNOPS not be able to receive confirmation from a partner about additional funds to be received or a refund to be processed within three months after a first communication was shared with the partner, the project should be closed in accordance with the applicable process that is in the Policy and Process Portal. The related accounting entries should be decided based on IPSAS requirements, considering materiality and likelihood.