

**Headquarters, Copenhagen
27 December 2018**

OPERATIONAL INSTRUCTION REF. OI.FG.2018.08

**ESTABLISHMENT AND APPROVAL OF WRITE-OFFS AND PROVISIONS FOR
WRITE-OFFS**

1. Authority

- 1.1. This Operational Instruction (OI) is promulgated by the Officer-in-charge, Chief Financial Officer, Finance Group, under Operational Directive Ref. EOD.ED.2017.04 – Financial Regulations and Rules.

2. Purpose

- 2.1. This OI is subject to the Financial Regulations and Rules of UNOPS, in particular Financial Regulation 23.11, and Financial Rules 123.09 and 123.12. The purpose of this OI is to provide instructions on the procedure for the establishment and approval of: (a) provisions for write-offs and (b) write-offs. The specific processes describing in detail how to operationalize this OI shall be included in the Processes and Quality Management System (PQMS).

3. Effective Date

- 3.1. This OI shall become effective immediately.

4. Consequential Changes

- 4.1. This OI shall supersede and replace OD 32 - Establishment and approval of write-offs and provisions for write-offs.

[signature redacted]

Marianne de la Touche, OIC, CFO

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1. Authority	1
2. Purpose.....	1
3. Effective Date	1
4. Consequential Changes.....	1
5. Introduction.....	3
6. Purpose and Scope	3
7. Procedures for write-offs	3
8. Procedures for provisions for write-offs	6
9. Accounting treatment of write-offs and provisions for write-offs.....	7
10. Reporting	7
11. Final Provisions Decisions	7
12. Record Retention	7
13. Forms and Templates.....	7

5. Introduction

- 5.1. Provision: a liability of uncertain timing or amount.
- 5.2. Provision for write-off: a liability recognized in UNOPS' accounts and financial statements, caused by (a) potential loss of cash or cash equivalents or (b) potential loss due to irrecoverable bad debt or project over-expenditures for which monetary estimates exists, but for which review, reconciliation, collection efforts and/or investigation are still ongoing at the time of year-end closure. Therefore, the final write-off is uncertain in terms of amount or timing.
- 5.3. Write-off: the act of cancelling a bad debt or worthless asset from a UNOPS account.
- 5.4. Investigation: adequate financial due diligence and establishment of facts (note that the definition of investigation for the purpose of this OI is generic and shall not be understood as the definition of investigations under the OD and OIs on internal audit and investigations, except in case of a request for provision for write-off or write-off relating to a theft or other form of misconduct).

6. Purpose and Scope

- 6.1. The purpose of this OI is to establish a uniform policy and procedure across UNOPS for the treatment of losses of cash and cash equivalents and losses due to irrecoverable bad debt or project over-expenditure and the approval and recognition in UNOPS' accounts and financial statements of write-offs and provisions for write-offs. This OI covers the write-offs and provision for write-offs of:
 - Losses of cash and cash equivalents;
 - Irrecoverable bad debts; and
 - Project over-expenditure.
- 6.2. The write-offs of losses of property, plant and equipment is governed by the OI on fixed and intangible asset management.
- 6.3. There is a distinction between “provisions for write-offs” and “write-offs”. “Provisions for write-offs” has an element of uncertainty associated with it in terms of timing and amount of the loss while, on the other hand, in cases of “write-offs” the amount and the timing of the loss are certain and the probability of recovery of any funds has been assessed by UNOPS, in accordance with this OI as zero.

7. Procedures for write-offs

- 7.1. In event of a loss the respective office needs to submit a request according to the related event. If a loss is caused by personnel misconduct as determined by the General Counsel or unsatisfactory work performance, attempt(s) must be made to recover from the individual(s) prior to requesting a write-off under this OI.

Request for write-offs of cash or cash equivalents (in the event of loss or theft)

- 7.2. In the event of a loss or theft of cash or cash equivalents, the extent and nature of the investigation depends on the value and the circumstances leading to the loss or theft, for example, loss resulting from fraudulent acts must be addressed in accordance with the OI setting out UNOPS policy to address fraud and corruption.

7.3. In the event the cash or cash equivalents are not recovered or only partially recovered, a request may be made to write-off the unrecovered balance of cash or cash equivalents.

7.4. Requests for write-offs originating from:

- Regional entities: shall be submitted by the Operations Centre (OC) Director, Project Centre (PC) Manager or Cluster Manager to the Financial Management Officer (FMO) using the “Request for write-offs and provisions for write-offs” forms available in PQMS.
- Headquarters units: shall be submitted by the responsible head of the business unit to the Finance Group (FG) using the “Request for write-offs and provisions for write-offs” forms available in PQMS.

7.5. The FMO and FG may request any additional supporting documentation to facilitate the review and clearance by the relevant Regional Director or Headquarter Director. The request for write-offs shall thereafter be sent by the FMO or FG to the Regional Director/Headquarter Director for clearance.

7.6. The duly signed “Request for write-offs and provisions for write-offs” form together with the results of the investigation referred to in paragraph 3.2 above shall be submitted to:

- **For single request of USD 2,500 or less:** the Comptroller, by email. The Comptroller may, after receiving a request for write-off:

(a) Request further review, reconciliation or collection efforts;

(b) Determine that the request does not fully meet the criteria for write-offs and instead include it as a provision in the UNOPS financial statements in accordance with section 4 of this OI; or

(c) approve the request and record the write-offs in UNOPS’ general ledger.

- **For write-off requests of more than USD 2,500:** the Headquarters Contracts and Property Committee (HQCPC), using the on-line HQCPC system on the intranet, for review and recommendation to the Executive Chief Procurement Officer (ECPO). (Note: i.e. the cumulative amount of the request and previously approved write-off(s) (for the same project and regardless of the nature of the write-off requests), excluding previously approved write-off(s) for which written advice was rendered by HQCPC, is more than USD 2,500)

(a) The on-line HQCPC submission form must be completed as follows:

i. Submitting Officer: (from Regional entities) OC Director, PC Manager or Cluster Manager; and (from Headquarters units) head of the business unit.

ii. Pre-clearance Officer: as determined by the Regional or Headquarters Directors

iii. Clearing Authority: relevant Regional or Headquarters Director.

(b) HQCPC shall after appropriate review make its recommendation to the ECPO.

(c) Upon receipt of HQCPC’s recommendation, the ECPO shall:

i. for requests valued at USD 100,000 or less: approve (with or without conditions) or reject the request.

ii. for requests exceeding USD 100,000: submit the case with his/her recommendations to the Executive Director for approval.

(d) Upon receipt of the ECPO’s or Executive Director’s approval, the Comptroller shall record the write-offs in UNOPS’ general ledger.

Requests for write-offs of irrecoverable bad debts (receivables) or project over-expenditure

- 7.7. Before write-offs can be requested, reasonable review, reconciliation and collection efforts should be undertaken by the head of the business unit of the requesting Headquarters unit or Manager/Director of the requesting Cluster, PC, OC or regional office in consultation with the relevant project support officer, portfolio manager, project manager and finance officer for the project. The extent of the review depends on the value of the write-offs
- 7.8. However, in cases of request of more than USD 2,500, full internal investigation must be conducted as required by Financial Rule 123.12.
- 7.9. If, in the view of the head of the business unit of the requesting Headquarters unit or Manager/Director of the requesting Cluster, PC, OC or regional office, there is a possibility of personnel misconduct, he or she shall refer the matter to the Internal Audit and Investigations Group (IAIG) in accordance with applicable UNOPS legislative instruments (including, but not limited to the OI setting out UNOPS policy to address fraud and corruption).
- 7.10. Request for write-offs originating from:
- Regional entities: shall be submitted by the OC Director, PC Manager or Cluster Manager to the FMO using the “Request for write-offs and provisions for write-offs” forms available in PQMS.
 - Headquarters units: shall be submitted by the responsible head of the business unit to the FG using the “Request for write-offs and provisions for write-offs” forms available in PQMS.
- 7.11. The request for write-offs shall:
- document:
 - (a) amount requested with detailed description of the nature of the write-off;
 - (b) how long the amount has been outstanding;
 - (c) the recovery efforts undertaken;
 - (d) (if applicable) the debtor’s complete inability and/or unwillingness to pay/reimburse UNOPS; and
 - (e) the mechanisms which have been put into place in order to ensure that such a situation does not occur again, and,
 - include:
 - (a) a copy of the report detailing the results from efforts undertaken in paragraph 3.7 above;
 - (b) (if applicable) certification from the Regional/Headquarters legal officer that there is no legal basis to expect third party(ies) (e.g. clients/funding sources) to pay/reimburse UNOPS; and
 - (c) (for write-off requests made to HQPC only): the latest certified financial report from the Comptroller, if applicable, or a signed statement from the Comptroller, or his/her delegate, confirming the amount requested including a detailed breakdown of the said amount.
- 7.12. The FMO and FG may request any additional supporting documentation to facilitate the review and clearance by the relevant Regional Director or Headquarter Director.
- 7.13. The request for write-off shall thereafter be sent by the FMO or FG to the Regional Director/Headquarter Director for clearance.

7.14. The duly signed “Request for write-offs and provisions for write-offs” form together with the documentation referred to in paragraph 3.11 above shall finally be submitted to:

- **For single request of USD 2,500 or less:** the Comptroller, by email.

(a) The Comptroller may, after receiving a request for write-off:

- i. request further review, reconciliation or collection efforts;
- ii. determine that the request does not fully meet the criteria for write-offs and instead include it as a provision in the UNOPS financial statements in accordance with section 4 of this OI; or
- iii. approve the request and record the write-offs in UNOPS’ general ledger.

- **For write-off requests of more than USD 2,500:** HQCPC, using the on-line HQCPC system on the intranet, for review and recommendation to the Executive Chief Procurement Officer (ECPO). (Note: i.e. the cumulative amount of the request and previously approved write-off(s) (for the same project and regardless of the nature of the write-off requests), excluding previously approved write-off(s) for which written advice was rendered by HQCPC, is more than USD 2,500):

(a) The on-line HQCPC submission form must be completed as follows:

- i. *Submitting Officer:* (from Regional entities) OC Director, PC Manager or Cluster Manager; and (from Headquarter units) head of the business unit.
- ii. *Pre-clearance Officer:* as determined by the Regional or Headquarters Directors.
- iii. *Clearing Authority:* relevant Regional or Headquarters Director

(b) HQCPC shall after appropriate review make its recommendation to the ECPO

(c) Upon receipt of HQCPC’s recommendation, the ECPO shall:

- i. for requests valued at USD 100,000 or less: approve (with or without conditions) or reject the request.
- ii. for requests exceeding USD 100,000: submit the case with his/her recommendations to the Executive Director for approval.

(d) Upon receipt of the ECPO’s or Executive Director’s approval, the Comptroller shall record the write-offs in UNOPS’ general ledger.

8. Procedures for provisions for write-offs

Request for provisions for write-offs

- 8.1. On an annual basis and as part of the year-end closure process, the Comptroller shall determine the level of financial provisions which shall be reflected in the organization’s corporate financial statements.
- 8.2. To allow the Comptroller to accurately determine the level of financial provisions, Regional Directors and Headquarters Directors should submit requests for provisions for write-offs to the Comptroller.
- 8.3. Such requests shall be submitted using the “Request for write-offs and provisions for write-offs” forms available in PQMS, clearly indicating the intention to request a provision for write-off.
- 8.4. The request shall document the review, reconciliation and/or collection efforts undertaken to-date by the OC Director, PC Manager, Cluster Manager or head of business units in Headquarter.

- 8.5. Unlike a request for write-off, there is no need for HQCPC review and recommendation prior to requesting a provision for write-off.
- 8.6. After thorough review of the received requests, the Comptroller may:
- Include the requested provision in UNOPS' corporate financial statements, in compliance with applicable accounting standards; or
 - Require that the submitting officer submits the request for write-offs pursuant to section 3 of this OI; or
 - Disregard the request in the absence of sound justification or basis and demonstrated efforts to recover.
- 8.7. Complex cases of provisions for write-offs maybe referred to UNOPS Legal Department in HQ for necessary advice and assessments.
- 8.8. The Regional Directors or HQ Directors or their delegated authority shall ensure the recorded provisions against the respective business unit are valid and relevant. Any increase / decrease to the provided amounts according to reality of the each case will be communicated to FG on regular basis for necessary adjustments in the books.

9. Accounting treatment of write-offs and provisions for write-offs.

- 9.1. When a write-off or provision for write-off is approved, the appropriate reserve account with full GLA or expense account with full GLA will be identified by FG and a General Ledger journal entry shall be posted to record the write-offs or the provisions.
- 9.2. Both provisions for write-offs and write-off transactions will be recorded and reported against the respective region and business unit.

10. Reporting

- 10.1. A statement of all write-offs and provisions for write-offs, including explanation and justification, shall be prepared by the Comptroller for the Executive Director's signature and submission with UNOPS' financial statements to the external auditors.

11. Final Provisions Decisions

- 11.1. The Comptroller is hereby authorized to issue supporting guidance to facilitate review and approval by the Comptroller in accordance with this OI. The Comptroller is further authorized to amend, as he/she deems fit, the "Request for write-offs and provisions for write-offs" form referred in this OI on the intranet/PQMS without further OI
- 11.2. The Chair, HQCPC is hereby authorized to issue supporting guidance to facilitate review by HQCPC in accordance with this OI.

12. Record Retention

- 12.1. The complete record of a write-off, including the authorization of the write-off and all documentation attesting to due diligence in the review, reconciliation and collection efforts, shall be retained in accordance with the OI on UNOPS document retention.

13. Forms and Templates

13.1. Template forms for write-off and provisions for write-off will be maintained in PQMS.