



Project Manager Training by the Finance Practice Group (FPG)

Project Management Foundation Course

Objectives of this Session

- Understand role of Finance in each UNOPS project
- Understand importance of coding your project
- Know more about Advance Financing
- Learn about items to consider during Project closure

Agenda

- Introduction
- Over-expenditure on Projects
- Chart of Accounts
- Advance Financing
- Banking Options
- Project Closure
- Year-end closure



Case study

Case Study

How does one over-spend on a project?



Case Study... what went wrong...

- The Project Manager was spending against both a cash budget and a non-cash budget
- No formal agreement with donor to increased funding
- Lack of proper & sufficient supporting documents
- No information to Regional Office and/or HQ
- Was discovered 3 months later during year-end reporting
- Project resulted in over expenditure of **\$4 m**



Case Study...to Remember

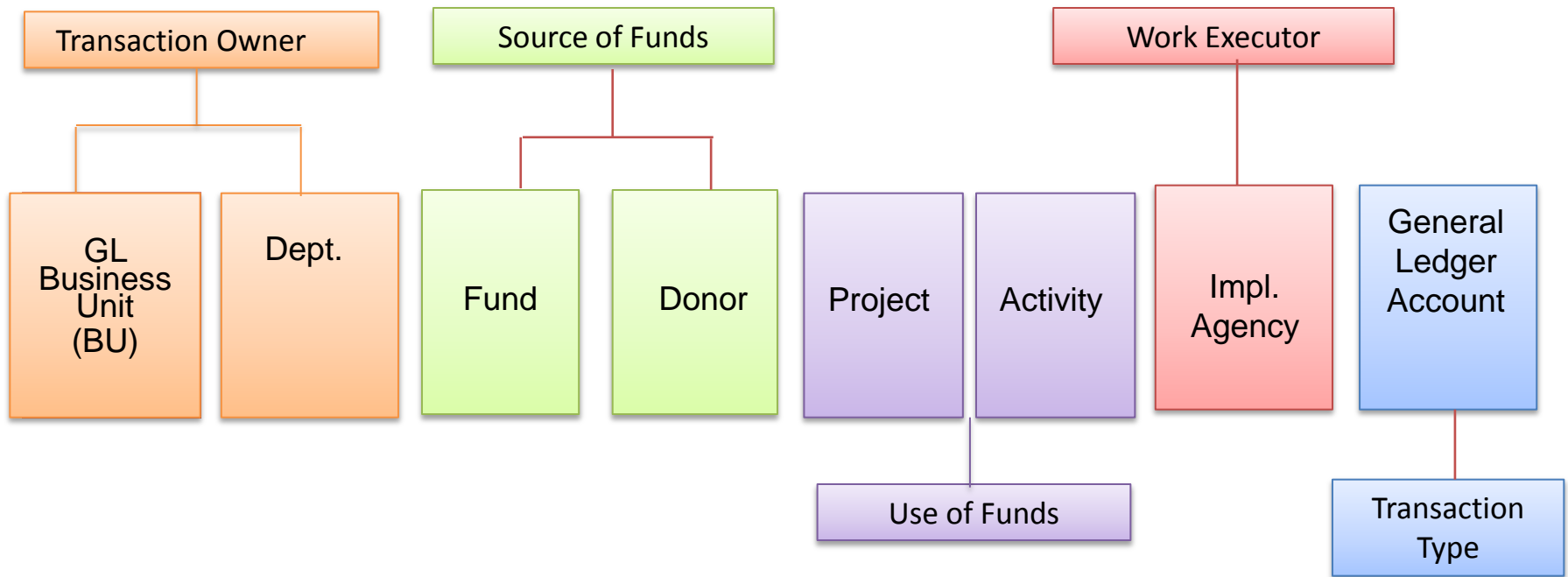


- Set up project budget correctly in Atlas
- Monitor actual results versus budget regularly
- Get formal agreement in writing with donor & stakeholders
- Maintain sufficient supporting docs on expenses
- Communicate with RO and HQ on the situation
- Keep project within budget (PM's responsibility)
- Act with accountability

Chart of Account – COA

(fundamental building block of all financial data in Atlas)

Chart Of Accounts – COA Structure



UNOPS-71305-KN002-05301-00079823-Activity2-PU0031-00015

Consequences of not using correct COA

- Failure of built in system controls
- Project may result in over expenditure
- Reporting issues
- Issues with Interest allocation
- Issues and delays with project closure



COA - Definitions

Sponsor is the party with whom UNOPS has signed the agreement.

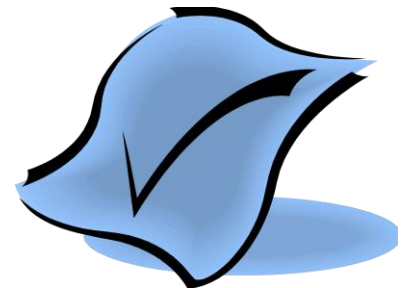
Fund is defined as party that channels/pools funds from original donors to UNOPS, as Implementing or Executing Agent.

Donor is defined as the party with who originally made the funds available.

UNOPS Project Chart Fields – Case study

Assign the Project with appropriate COA

| | | |
|------------|-------|---------------------|
| Sponsor | 10006 | Govt of Afghanistan |
| Fund | KN013 | Recipient Govt |
| Department | 05101 | EMO AFG |
| Donor | 00141 | Govt of Japan |



Advance Financing

Why consider advance financing?

Advance financing modality :

- where projects have insufficient funds
- provides operational flexibility
- occurs in exceptional circumstances where UNOPS agrees to advance its own cash resources
- Does not mean relaxation of standards for project budgeting or project cash flow management.

Exceptional circumstances when advance funding can be granted:

- In emergencies which justify the commencement or continuation of project activities; or
- Where transfer of funds by the funding source is conditional upon completion of certain activities by UNOPS; or
- Where the funding source will reimburse UNOPS at an agreed date

Pre-requisites for advance funding

Cash based project

- Review the risk/credit/worthiness of the engagement by OC Director
- Signed project agreement
- Acceptance by the partner/funding source of UNOPS' interest charges and administration fee
- Note: interest charges and administration fees **do not** apply in cases **where** the project is partially advance financed.

Delegations of Authority to approve advance financing requests for cash-based projects:

- up to \$250,000 - Regional Directors
PM – PC/OC Director – RD (approves)
- \$250,001 to \$1,000,000 – UNOPS Comptroller
PM-PC/OC Director – RD – Comptroller (approves)
- in excess of \$1,000,000 – Deputy Executive Director
PM-PC/OC Director – RD– DEP (approves)

Banking Options

UNOPS Banking Options – Exercise

As PM of UNOPS project you need to arrange a workshop to train journalists on reporting on climate change issues .

Number of external participants : 22

Number of trainers: 2 (UNOPS IICA's)

Number of days : 3

Venue : Hotel A

Participants are traveling from various locations to a centrally located venue (hotel) for the workshop and will be due DSA and travel costs incurred

Part of your task is to make all the necessary financial arrangements to ensure successful workshop.

What UNOPS cash modality/ies would best suit this situation ?

External participants
Pay DSA & Travel costs

UNOPS IICA

Hotel or Conference
facilities

Operational
Advance

Regular Atlas
Payments

Regular Atlas
Payments

Operational Advance
with proper justification

What is important to remember when requesting an OA?

- Custodian should have at least 3 months left on his/her contract
- Custodian **personally responsible** and liable for funds received
- Custodian does not have any previous outstanding OA
- If \$10,000 and above need RFMO clearance and CFO approval – may take a few days
- Below \$10,000 RFMO approval

How does OA get recorded in Atlas ?

- Initial OA payment recorded as a “advance receivable” in Atlas
- All invoices certified as received and paid by custodian are submitted to RO/OC
- OA reconciliation sheet is completed and submitted with all supporting doc’s
- RO/OC reviews and passes entries clearing the “advance receivable” and booking expenditure to the project or recording of the returning of unspent funds to UNOPS bank account – “settling the OA”

What are the consequences of not settling the OA?

Delivery not recorded

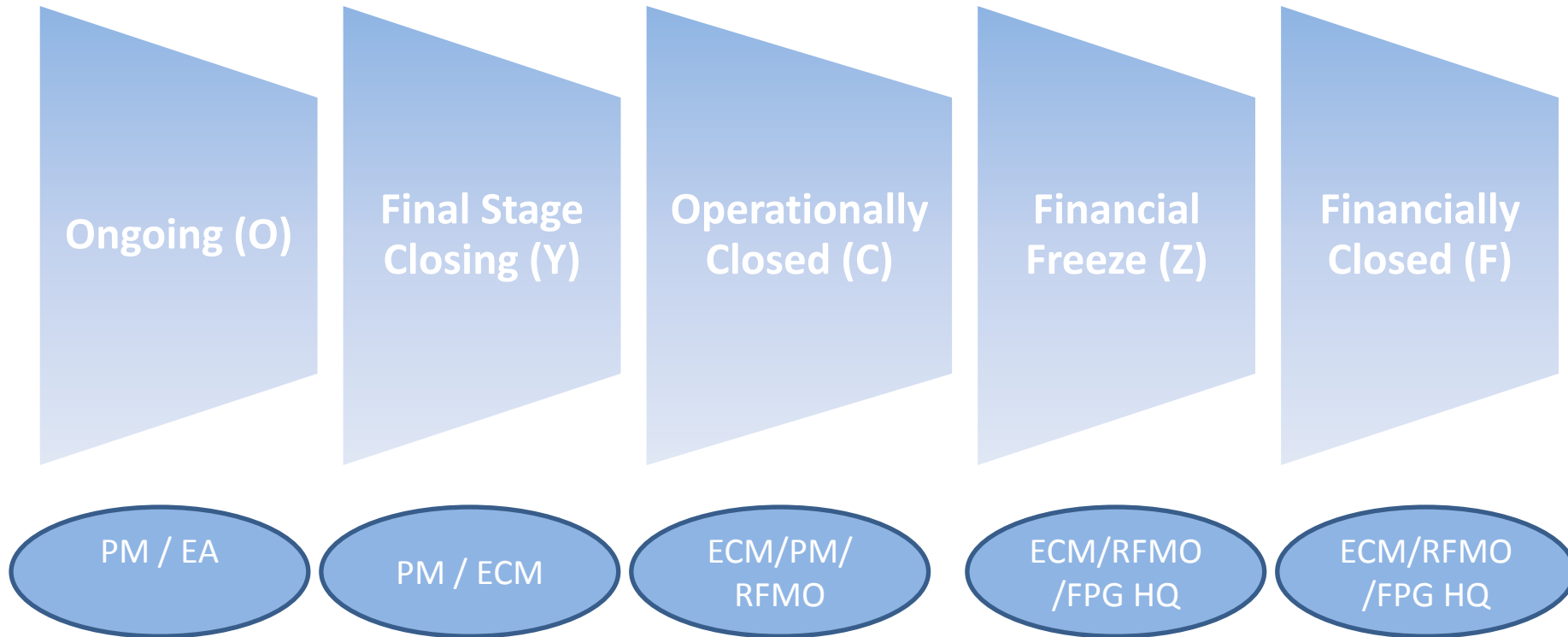
No fee earned

Possibility of project being over-spent

Delays in project closure

Project Closure

What are the Project Implementation Stages?



Click here to access [Project Closure tool](#)

What items PM signs under the Operational closure?

Y -> C

- **Narrative Report**
 - Objectives achieved
 - Statistics completed
 - Perf'ce v/s budget
- **Project Deliverables accepted**
- **All final receipts created**
- **Checklist for Operational closure certified**
- **PM changes status to C**



C -> Z

- OA & Petty Cash are closed
- Payroll & alloc. charge posted
- Quarter is closed
- Balance Sheet A/Cs are clean
- Interest postings completed
- **RFMO Certifies Financial Closure Check List**
- **FFS certified by Comptroller**
- **FPG HQ changes status to Z**



RFMO's & FPG HQ's Responsibilities

Financial Freeze (Z)

- FFS submitted to Client
Client Acceptance of balance
Client provides bank details for refund
FPG HQ processes refund
Project Balance is 0
Project is financially closed
- FPG HQ changes status to F

Financially Closed (F)

- Project completed, and GL balance is zero

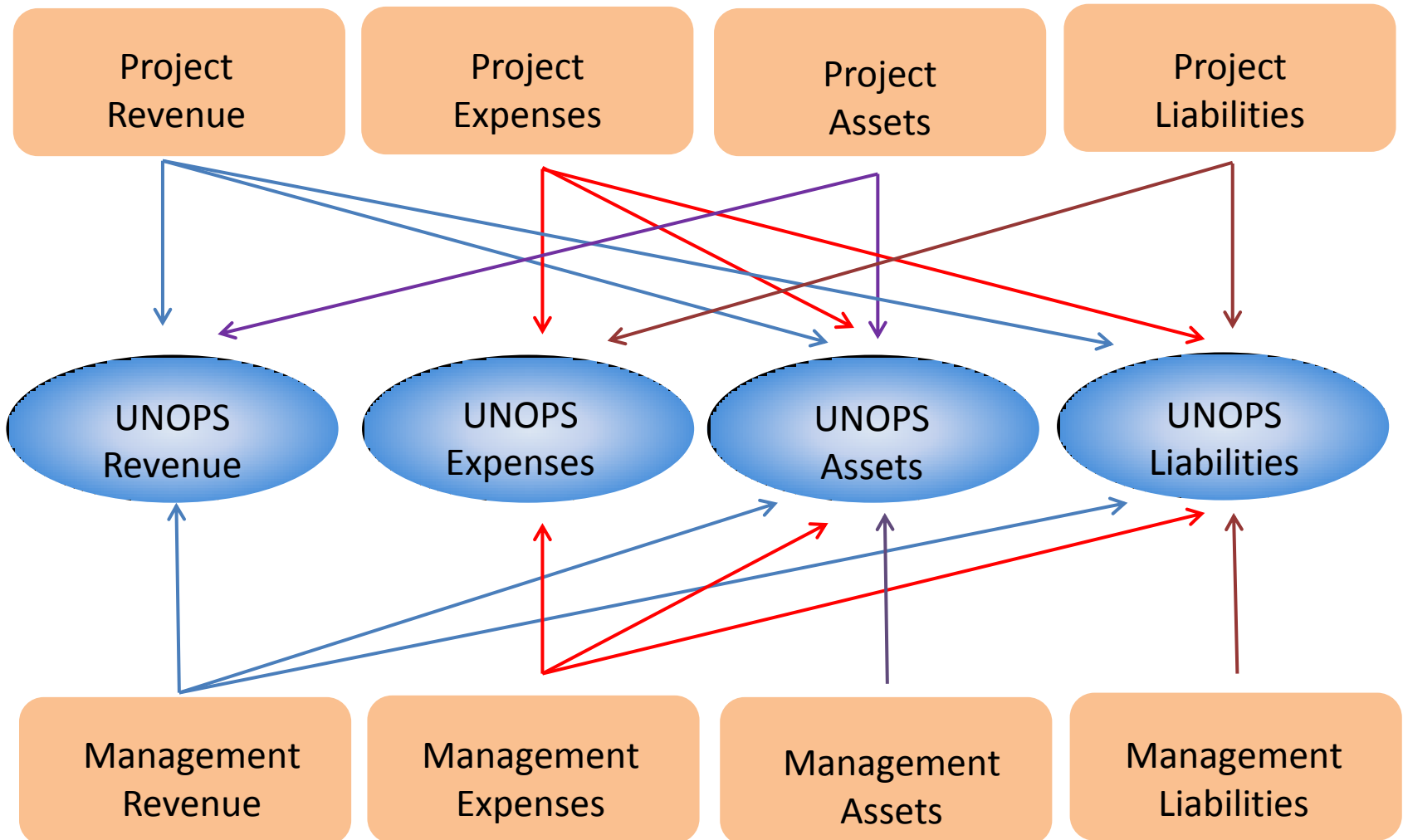
Consequences of not closing a Project on time

- Over expenditure may occur
- Client may not accept the expenses incurred after the agreed dates
- Business continuation with the same client might under question
- UNOPS Reputation
- It costs us to keep projects open when there is no revenue from it
- More?

IPSAS and Project management

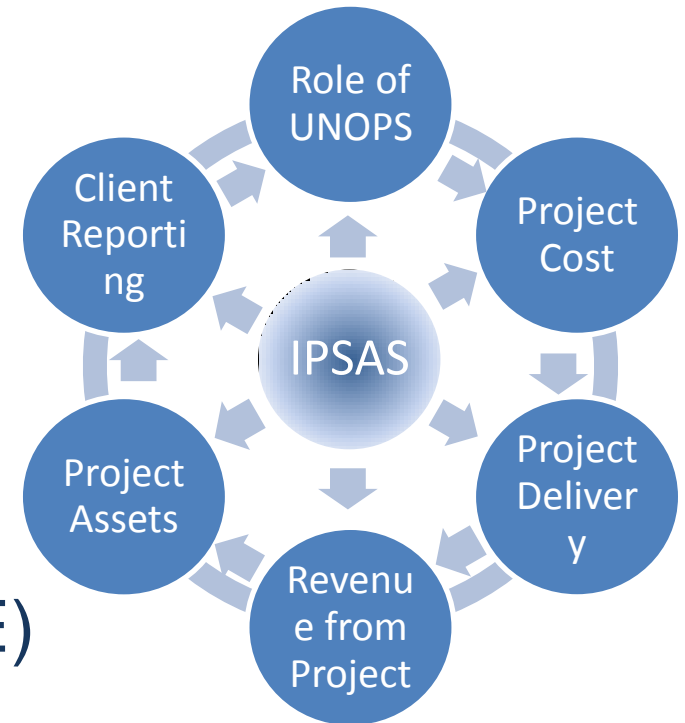


Project data impacts UNOPS financials



Impact of IPSAS

- Role of UNOPS in a project
- Impact on Project cost
- Impact on Project Delivery
- Impact on Revenue
- Impact on Project Assets (PPE)
- Impact on Reporting

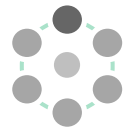




Quick test to assess UNOPS's role

1. Does UNOPS bear most of the risks regarding performance and delivery against the project agreement?
2. Is UNOPS signing most contracts – for example with vendors, sub-contractors or suppliers, including personnel – under its own name? (The alternative would be that the contracts state that UNOPS is signing on behalf of the client)
3. If the project struggles financially, will UNOPS's liability to complete the project potentially exceed the management fee that UNOPS is due to receive? (The alternative would be that UNOPS' financial liability is limited or capped to the UNOPS' actions, with the client bearing the majority of the risks for the project's success).

If the response was NO to all the above, UNOPS is acting as an agent. E.g. Admin agent for Trust Funds, Webbuy procurement , contract administration for UN client.



Impact on Principal Agency relationship

| Financial transactions | Principal | Agent |
|------------------------------------|--------------------|--------------|
| Revenue recognition (by UNOPS) | Gross Revenue | UNOPS fee |
| Expenditure recognition | Gross Expenses | Nil |
| PPE (Assets) | Capitalize assets | N/A |
| Liabilities eg Employment benefits | All personnel cost | N/A |



Applying theory to practice

After analysing over 300 project agreements, FPG made the below conclusions. Awaiting UNBOA's validation of the approach and the conclusions reached.

| Type of services provided | Agent | Principal |
|---|-------|---------------|
| 1. HR contract administration | x | (x) Dual role |
| 2. Financial Management services | x | (x) Dual role |
| 3. Procurement services | x | (x) Dual role |
| 4. Construction contracts (Infrastructure projects) | | x |
| 5. Project management (other implementation projects) | | x |

In general, UNOPS operates as an agent in providing services like HR contract administration, Fund management and Procurement services.

Relating to Construction and other implementation projects, UNOPS is acting as Principal.

Any query in identifying role of UNOPS in your project, contact your RFMO or FPG-HQ.



To remember while setting up budgets

- Project type – keep it to a single type if possible
- When more than one type, try to distinguish by separate ‘activities’
- Construction cost – easily identifiable
- Procurement cost – easily separable
- Distinguish cost of UNOPS supervised ICAs from Client supervised ICAs





Basic concept of IPSAS - Delivery Principle

Under Delivery principle, the transactions and other events are recognised when they occur and not when cash or its equivalent is received or paid



Ex: POs/Commitments are not recorded as Expenses. But its recognised when the goods/services are delivered/received.



Employee benefits are recognised as and when the staff member earns the benefit by providing the related services and not when the benefit is paid out





Impact of IPSAS – Increase in Staff costs

- Annual leave, Home leave, Ed grant are charged MONTHLY
- Over a period of time, the total staff cost remains the same with regard to these benefits
- End of Service benefits like Ashi, Repatriation grant will increase cost by about 10%
- Funding plan for the unfunded share of End Service Liabilities for Project staff will be thro' additional recovery in future years



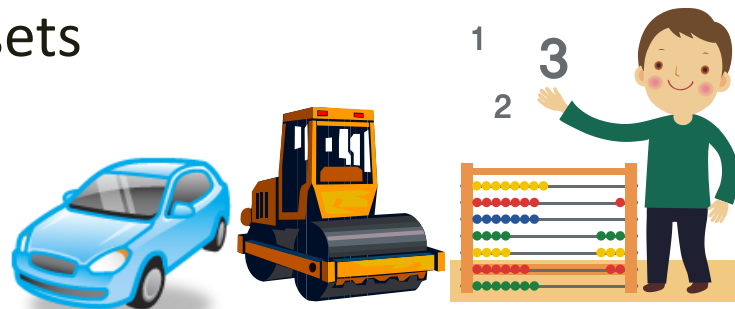
Impact of IPSAS – Delay in recognising Expenses

- Cost of Goods and Services are charged to project only when they are delivered/received
- Delivery as per INCOTERMS and not physical delivery
- The following are not considered as project expenses
 - POs for goods/Services
 - Advance payments (Prepayments, OA, Petty cash)
- Hence there is a delay in recognising project expenses



Impact of IPSAS – Recognise Project Assets?

- Possibility for a change in the earlier decision
- UNBOA takes the view that UNOPS has control over assets
- Hence project assets are to be capitalised and depreciated
- Final decision expected by end of Nov 2012
- Accordingly detailed instructions will be issued by CSG/FPG
- Year-end Physical verification of assets



Impact of IPSAS – Client reporting

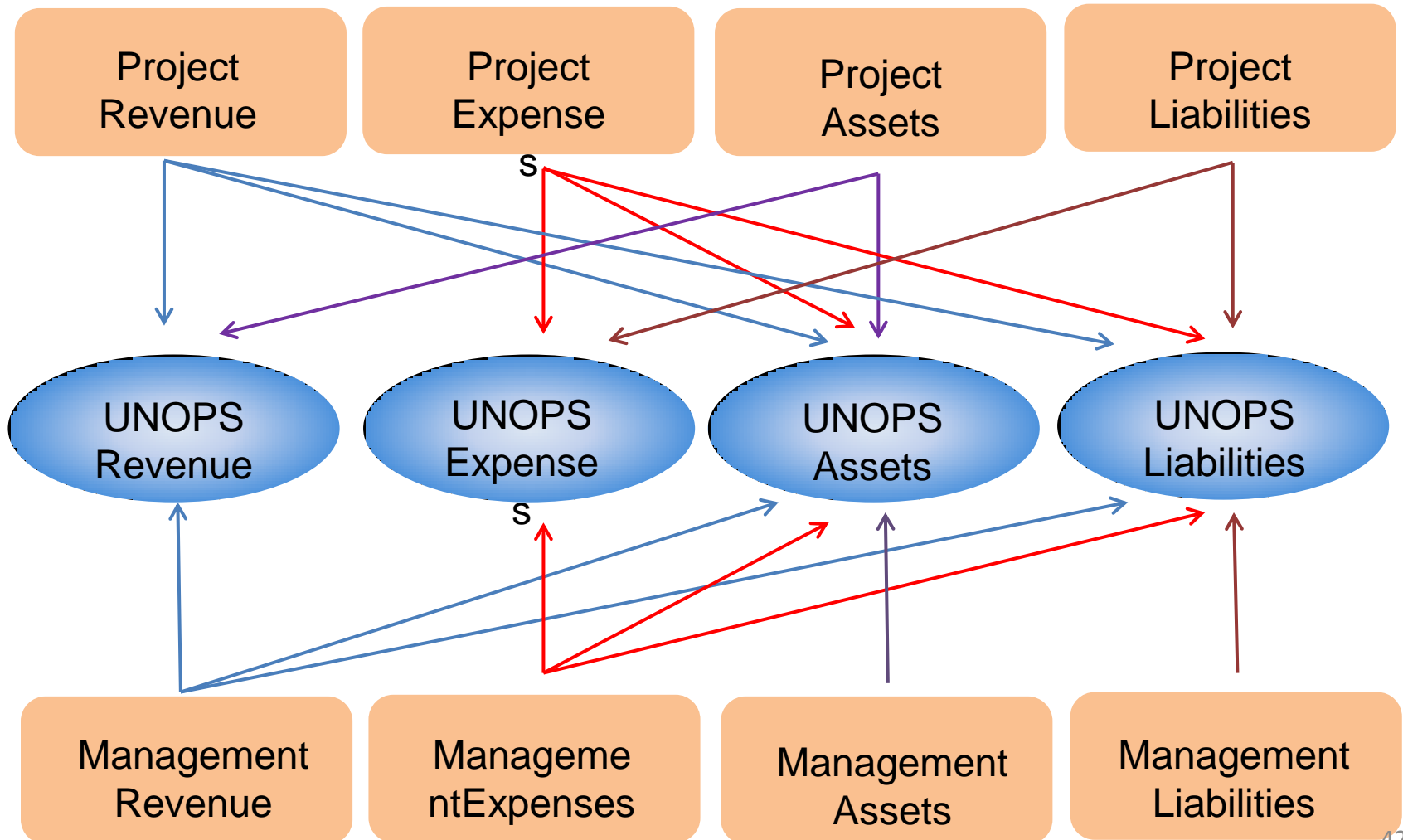
| UNSAS | IPSAS |
|--|--|
| <ul style="list-style-type: none">• Expenditure Report<ul style="list-style-type: none">- ULO Accrual (Pos)- Includes Prepayment, Operational Advance and Petty cash • Interest on project cash balance included • Asset Report | <ul style="list-style-type: none">• Expenditure Report<ul style="list-style-type: none">- Includes Receipt Accrual- Excludes POs, Prepayment, Operational Advance and Petty cash • Interest on project cash balance included • Asset Report (UNBOA's decision in Nov 2012 could have some impact) |



Impact of IPSAS – Client reporting

| UNSAS | IPSAS |
|--|--|
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Project data impacts UNOPS financials



Delivery Principle

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