Financial Management

Financial resources are essential to the delivery of UNEP's programmes and projects and should be properly managed throughout the Project Cycle. The Corporate Services Division (CSD) leads UNEP's management of financial resources. At the project-level, a Project/Task Manager holds the primary responsibility for ensuring that the desired results are delivered within the project's budget and agreed timeline. Administrative/Fund Management Officers (A/FMOs) in the Divisions/Regional Offices/MEAs are responsible for ensuring that proposed obligations, commitments, and expenditures are in accordance with the Financial Regulations and Rules.

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Subject Matter Experts: Kathleen Creavalle, Fadi Abou Elias, Mohamed Elharati, Nada Matta, Hanuel Lee, Aini Aini and Bakate Hall, Janice Golding

Focal Point: Kathleen Creavalle,

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UNEP's Funding

UNEP's work is supported by three main funding types:

The Environment Fund (EF)	The Environment Fund (EF) finances the essential capacity (Core functions) needed for implementing UNEP's Medium-Term Strategies (MTS) and Programmes of Work (PoW). All UN Member States are encouraged to make regular contributions to the Environment Fund.
The Regular Budget of the UN (RB)	The regular budget of the UN is core budget from the UN Secretariat. Funded by assessed contributions from Member States, it provides limited funding support to UNEP for executive and management functions.
Earmarked Funding (XB)	Extra-Budgetary (XB) describes resources that are earmarked in support of programme and project delivery under UNEP's PoW and MTS. This funding is aligned with regional, national, strategic, or thematic priorities of the funding partner. Some of UNEP's largest earmarked contributions come from Member States, and from multilateral financing mechanisms such as the Global Environment Facility (GEF), the Green Climate Fund (GCF), the European Union/Commission and the Multilateral Fund. Other sources include non-governmental partners, the private and business sector, and not-for-profit organizations.

Programme-Level Financial Management

Results-Based Budgeting (RBB)

Results-Based Budgeting (RBB) is a subset of Results-Based Management (RBM). It is a well-defined, results-orientated budgeting process in which

1. Programme formulation revolves around a set of time-bound pre-defined objectives and expected results
2. expected results would justify resource requirements which are derived from and linked to the outputs required to achieve such results and
3. actual performance in achieving results is measured by objective performance indicators.

In RBB:

Programme formulation revolves around a set of predefined objectives and expected Outcomes.	→	Expected Outcomes justify the resource requirements, which are derived from the outputs required to achieve Outcomes.	→	Actual performance in achieving results is measured by objective performance indicators.

The vision and direction for UNEP's work is provided by Four-year Medium-Term Strategies (MTS), implemented through two-year Programmes of Work (PoW) and Budgets. Once the RBB framework is formulated, the budget process is initiated through collaborations and interactions with various actors including Member States, NGOs, other UN agencies, multi-lateral bodies, research organisations, think-tanks, and strategic partners. The resource requirements are determined through a hybrid methodology of both top-down and bottom-up approaches. UNEP presents the proposed budget to the Committee of Permanent Representatives (CPR) by each funding source based on historical trends as well as the planned results of the biennium. The CPR members then deliberate and recommend the final budget envelopes as well as the allocation of the Environment Fund resources across the Sub-programmes, Executive Direction and Management, and Programme Support components.

Further, the Budget team works in collaboration with Divisions and Sub-programme Coordinators to derive the costing for the staff and non-staff resources. The human resource requirements are identified based on the proportion of staff time to be spent on different thematic areas and needs to deliver the outcomes targeted by the PoW. The non-staff requirements are also factored and integrated in the budgets to provide for travel, workshops, consultancies, and other operating expenses.

A simplified Results-Based Budgeting process described below is the basis for UNEP's estimation of likely resources needed to achieve its PoW outcomes:

1. UNEP's MTS and PoW are developed in consultation with the Committee of Permanent Representatives (CPR) and approved by the UNEA. The Results Framework in the PoW describes the Outcomes, Outputs targeted by UNEP and the Indicators that measure progress towards results.

2. Historical data on use of funds is reviewed to identify and estimate the level of funding required to achieve targeted Outcomes.

3. Information is gathered on funding to be allocated by the UN Secretariat to UNEP from the Regular Budget, based on their review of UNEP's PoW.

4. Resource requirements to deliver the Outcomes in the PoW under each sub-programme are estimated, considering both post and non-post costs.

This costing process constitutes the budget for the Programme of Work and is applicable to the Environment Fund, Regular Budget, Global Funds, Earmarked Funds, and Programme Support Cost. While the overall PoW budget estimates are endorsed by UNEA, only the Environment Fund resources are approved through a resolution.

Resources coming into UNEP are not entirely predictable and this means that programme (and project) managers often plan in an uncertain financing environment. The organization's results-based budget is therefore an informed estimate. Allocations from the Environment Fund take into account what resources are likely to be available from earmarked donor contributions and therefore seed funding that may need to come from the Environment Fund. The distribution of the overall budget from earmarked contributions is based on the actual use of funds within each programme on an annual basis. It also considers the potential income that could be generated through the GCF, the GEF and other global revenue streams.

Project-Level Financial Management

Key Principles

Results-Based Budgeting (RBB) for Projects

UNEP applies the Results-Based Budgeting (RBB) approach to project-level budget planning and management. In RBB, the desired results of a project (Outputs and Outcomes) drive the formulation of the budget, and financial performance is measured against the results achieved. Project budget development takes place during project concept development and project design. Once the targeted outcomes, outputs and activities of a project are defined, the Project Manager/Developer, or Task Manager identifies and aligns the required resources in terms of human resources, services, equipment, materials, to develop detailed cost estimates. Secured funds are then allocated against these costs. The total estimated cost reflects the project budget.

The basic rule is to ensure, in an ongoing manner throughout the life cycle, that all resources and costs needed for each identified activity are reflected in the budget. There must be a clear and direct connection between the budget and the activities, and the resources needed, and costs required to complete each activity. Using Results-Based Budgeting, resources and costs are identified based upon the activities planned and therefore support the RBM approach to delivering projects. The RBB Budget Template can be found on WeCollaborate.

Project-level RBB:

Outcomes Targetted

To achieve those **Outcomes,** what **Outputs** need to be delivered

To achieve those **Outputs**, what **Activities** must be completed successfully

To comeplete these **Activities,** what **Resources** are needed and what are the Costs

Co-Financing of Projects

Global Environment Facility (GEF) Funded Projects

- It is mandatory for UNEP and executing agencies to provide or generate co-financing, and the sources of co-financing can include, but are not limited to, the following: UNEP's own financing; government financing as counterpart commitments; contributions mobilized for the project from other multilateral agencies, bilateral development cooperation agencies, NGOs, the private sector and beneficiaries.
- For projects funded by the GEF, co-financing means project resources (cash or in-kind) committed from non-GEF resources to meet the GEF-funded project objectives.
- The GEF is not a donor organization; its purpose is to top up existing initiatives to achieve 'a global environmental benefit'. As such, the ratio of GEF funding to funding from other sources for a project is at least 1:1, and sometimes reaches 1:4 in UNEP projects (and higher in projects led by the multilateral banks). This, however, strongly depends on the country and the type of intervention proposed. For detailed guidance, see GEF Council's Document on Co-Financing.

European Commission (EC) Funded Projects

- It is mandatory for UNEP to provide or generate co-financing for projects funded by the EC.

Other Projects

- Co-financing is not a mandatory requirement for projects outside of GEF and EC, but increasingly donors are asking for co-financing as a condition of funding, to strengthen the commitment of partners, increase long-term sustainability of project outcomes, leverage additional resources from other donors, and improve the cost effectiveness of the project. Project Developers/Managers are advised to carefully check the expectations of donors.
- Co-financing refers to cash and/or in-kind contributions committed by governments, other multilateral or bilateral sources, the private sector, non-governmental organizations, and project beneficiaries, who are partially contributing to the delivery of project activities or outputs.

- Co-financing information is important in understanding the overall resources available for project delivery. However, funding administered directly by the partners, and not channeled through UNEP, should not be part of the total project budget calculation. Project Managers are encouraged to provide relevant information in budget tables, project documents and progress reporting. UNEP is increasingly being asked by donors and partners to report co-financing.

Programme Support Cost

Programme Support Cost (PSC) is the charge that the UN collects on extra-budgetary funding (except GEF funding). PSC revenue is used to ensure proper funding of corporate services in operational management, and that the indirect costs of support activities for extra-budgetary funding (e.g., project review and approval, administration, recruitment, procurement) is not borne by core UNEP resources.

The PSC rate for extra-budgetary funds is as follows:

- **13%,** on all voluntary contributions where the UN retains primary and overarching programmatic responsibility and is the first or primary recipient of these funds. This is the rate endorsed by the General Assembly. A part of this rate may be shared with implementing partners where their costs cannot be properly identified as direct.

- **7%** on all voluntary contributions in support of inter-agency and "Delivering-As-One" programmes and collaboration with other multi-lateral institutions where valid inter-agency arrangements apply. The scope of this rate includes the modalities of the UN Sustainable Development Group, Multi-Donor Trust Funds, and the Financial and Administrative Framework Agreement (FAFA) between the UN and the European Commission. A higher than 7% rate may still be accepted where inWter-agency arrangements allow but at no point shall the PSC charge on operations, programmes or projects exceed 13%.

- **3%** on all voluntary contributions for projects that are entirely (wholly) implemented by other UN organizations, NGOs, or government services (so-called "pass-through" arrangements). This rate will apply when the UN Secretariat's substantive responsibilities are restricted to project formulation and M&E, and its administrative responsibilities are restricted to acceptance and disbursement of funds and the recording of expenditures. Implementing Partners may in turn recover 7% but no more than 10% of their direct expenditure in order to ensure that the aggregate rate is no more than 13%.

- **0.6%** on all XB funds to fund the operations of UNEP's Evaluation Unit (applicable from January 2023) This is in a response to updates to the UN Secretariat evaluation requirements, notably ST/AI/2021/3. The UN policy will not support the complete waiver of PSC rates. Exceptions to the rates above must be referred to the in the Controller Office of Programme Planning, Budget and Accounts, Department of Management together with detailed information explaining the technical justification for a non-standard PSC rate. Further information on the PSC rates described above can be found in the UNEP Corporate Guidance Note on the Exceptions to the Established Programme Support Cost Rates memo and the Programme Support Costs Rates on WeCollaborate.

For all extra-budgetary funding, the PSC rate must be listed in the ProDoc. For co-financed projects, the rate should be indicated separately for each funding source unless they all have the same rate. PSC should be calculated only from the direct costs for the project's implementation.

Implementing Partner Budgets

Administrative costs related to engagements with Implementing Partners should be borne by the partner. In instances where the financial, administrative or management capacity of the partner is limited, such costs maybe included within the partner budget. Where administrative costs are included, every effort should be made to keep them to a minimum. The aggregate PSC, combining both UNEP and implementing Partner(s) PSC should not exceed 13% of the overall budget.

GEF Funded Projects

GEF Implementing Agencies (such as the Implementing Partners on GEF Funded UNEP projects) are charged Project Management costs of 9% as part of the project budget in lieu of PSC, to cover costs related to the fulfilment of corporate responsibilities related to a host of issues.

Budget Development

During the concept development and project design stages, the Project Developer/Manager or Task Manager, in collaboration with the A/FMO prepares a realistic project budget**.** They will quantify the level of resources that need to be mobilized and identify possible sources of funding for the project. This may include resources already available within the organization or additional resources that need to be solicited from potential donors.

When developing the budget for a UNEP project, the following important points need to be considered:

- **The currency of reference for UNEP is the United States Dollar (US$).** The value of budget items in other currencies can be determined by applying the UN operational rate of exchange in effect at the date of approval of the project.

- **A/FMOs will validate and sign off the Budget Table prepared** in collaboration with the Project Manager and will provide guidance for budget estimates and in-kind contributions including staff costs.

- **Co-financing is mandatory for GEF funded projects** and is strongly encouraged for all other projects to strengthen the commitment of partners.

- **The relevant PSC rate(s) should be included in the total budget and described** in the description of the funding source whether secured or non-secured.

- **Project Preparation**: Project Managers can use a portion of available Environment Fund (EF) resources or Extra-Budgetary (XB) resources (not exceeding 10% of the total project budget) to strengthen project quality (e.g., stakeholder consultations). If the Project Manager wishes to use funding for project preparation, it should be approved separately using the UNEP Project Preparation Proposal Template or appropriate donor template (See Chapter 3 – Project Cycle Management (PCM). Where funds for such use are requested from the EF, they must be secured within the Division's or Regional Office's process for internally distributing its Environment Fund allocation.

- **Secured Funding:** The budget table should split funds by cash (secured, and non-secured) and in-kind for core and XB. Project Developers/Managers are encouraged to design projects so that they can be rolled out using a phased approach if they anticipate challenges in securing project funding in full. Project Managers should at all times share up-to-date information on secured funding with the responsible A/FMO.

- **Environment Fund:** Any Environment Fund contribution to the project should be captured under the cash and/or in-kind contribution that forms part of the total resource requirement. However, Environment Fund resources (both cash and in-kind contributions) should be included in the Budget Summary table under the Environment Fund (EF) cash or in-kind category.

- **Communication:** All projects should include provisions (generally 5% of the total budget) for communication and outreach activities. The Communication Division should be consulted to help define their roles and responsibilities.

- **Monitoring:** Project budgets should include provisions for data collection and monitoring, determined by the Project Manager/Task Manager in consultation with his/her supervisor and, ideally, the project steering committee.
- **Evaluation:** The costs required to assess the performance of UNEP work should be identified at the point of project approval. In cases of jointly implemented projects and where UNEP is to lead for the evaluation, 100% of the evaluation budget should be allocated to the UNEP budget.

Project Budget Development and Funding Workflow

STAGE	ROLE	RESPONSIBILITY
Project Budget Development	**Project Developer/Manager or Task Manager & Fund Management Officer**	Develop the Project Budget using IPMR. Budget development takes place in the Business Planning and Consolidation (BPC) module. In the event that a partner organization uses a different budgeting format or template, both formats should be completed, and a cross-reference table should be developed between the two budget formats to identify where UNEP budget categories align with cost categories in the donor format and vice-versa. The staff member developing a project should: • Understand UNEP's funding structure; estimate costs for project delivery; prepare a project structure that captures the logic of the project intervention and responds to the donor reporting requirements and responds to the project's logical framework. This is done in consultation with the A/FMO. • Ensure the project has at least 25% of the total budget, or US$200,000 (whichever is larger), secured before submitting the ProDoc to the Quality Assurance Section for the review by the Project Review Committee (PRC). This rule applies to new projects and those subject to revision. The threshold of 25% or US$200,000 includes Environment Fund (EF) contributions and staff costs. The EF funds should be included in the total planned budget and are captured under the EF cash or in-kind categories. It should be noted that funding secured by Trust Funds or Earmarked Contributions includes Programme Support Cost (PSC).

STAGE	ROLE	RESPONSIBILITY
Donor Scoping (if necessary)	**Project Developer/Manager, Division, Regional Office, Sub-Programme Coordinator, Donor Partnerships Section (CSD).**	In collaboration with relevant staff in the Division or Regional Office managing the project, the Project Developer/Manager explores funding possibilities, focusing on extra-budgetary (XB) funding sources, identifying potential donors who have been interested in supporting similar activities in the past, and engaging with them. The Project Developer/Manager should also engage with the relevant Sub-Programme Coordinator to ascertain the project's relationship to other projects in the organization's portfolio, potential linkages to these projects, and to the organization's Programme-level resource mobilization strategies. The Sub-Programme Coordinator and Project Manager work in coordination with the Resource Mobilization Unit in the Corporate Services Division. If a donor wishes to fund a new project or new activities within an existing project, the Project Developer/Manager must discuss the new activities/project with his/her supervisor, the Head of Branch or Unit and relevant Sub-Programme Coordinator to ensure the new work delivers on the organization's Programme of Work outcomes.
Due Diligence and Partnership Approval (if necessary)	**Project Developer/Project Manager, A/FMO, Partnership Committee and DoA**	In all cases when UNEP enters into a Donor Partnership with an organization that is not a UN Agency, government, or inter-governmental entity, Partner Validation and Due Diligence must take place, and the new partnership must be approved. No legal agreement can be signed if the donor or contributing partner has not been approved as a partner. See module on Partnerships for further information.
Project Review and Approval	**Project Developer/Manager, A/FMO, Project Review Committee (PRC), Programme Coherence and Assurance Unit (PCAU)**	Prior to negotiating and signing a legal agreement with a Donor, the project(s) to be funded must pass UNEP's concept and project approval processes. See module on Project Cycle Management (PCM) for further information. Once a Project Document and Budget has been internally approved by UNEP's Project Review Committee (PRC) The Project Developer/Project Manager must verify that any required changes are in line with the donor's recommendations and format. As far as possible, this should be done without making substantial modifications to activities, budget or timeline, as such changes would require a project revision.

STAGE	ROLE	RESPONSIBILITY
IPMR Creation and WBSE Approval	**A/FMO Project/Task Manager**	Once the project is approved, the Project manager creates the project in the IPMR including project basic information including title, programme of work linkage, objective, outcomes, outputs, activities, and a separate Work Breakdown Structure (WBS) for staff and evaluation costs. The project is then handed over to the A/FMO in the Division managing the project to create the different levels of the WBSE that map out the logic of the project intervention in terms of its outputs, responsibility, and nature of activity. The Division or Regional Office in charge of project implementation then takes over and creates the next levels of the WBSE. These should capture the project's intervention logic and division of responsibilities; they should also be sure to meet any donor reporting requirements. Further information on opening Work Breakdown Structure Elements (WBSE) can be found on the Project Structure - Work Breakdown Structure Elements (WBSE) page on WeCollaborate.
UMOJA Budget Approval	**Finance and Budget Team (CSD)**	Project budgets are approved by the A/FMO in the Divisions. There are instances where the Finance and Budget team of the Corporate Services Division approves projects in UMOJA.
Legal Agreement Negotiation	**Project Developer/Manager, Fund Management Officer, Financial Management Services (FMS) Section, Legal Unit, (CSD)**	Legal agreements should be negotiated and agreed according to the processes outlined in Chapter 3 – Legal Agreements. The A/FMO of the Division or Regional Office managing a project clears the financial provisions contained in the proposed legal agreement and sends it to the Financial Management Services (FMS) Section in the Corporate Services Division if financial clearance is required. If deviations from standard clauses exist, the legal agreement may need review by the Legal Unit, see Chapter 8: Legal Agreements for more information.

STAGE	ROLE	RESPONSIBILITY
Income Grant Creation	**FMS Section (CSD)**	Once signed, copies of legal agreements are sent to all parties involved. The finance staff in the relevant divisions create all income grants and request for receivable billing in Umoja. The staff uploads the agreements as part of the grant creation and billing in Umoja for the approval by UNON Accounts (UNON Trust Fund Unit-TFU). The TFU is the only entity authorized to approve the creation and receivable billing in Umoja for contributions from donors and member states. The finance staff in the divisions also confirms whether the contribution is subject to the UN Sustainable Development Group 1% levy. This is done based on the UNSDG 1% Coordination Levy Operational Guidance. FMS is responsible for the processing and issuance of invoices for all kind of contributions. Once FMS confirms that grant and billing has been approved, then the invoice is generated from the Umoja BI tool and reviewed and cleared by the unit supervisor. The is shared with the relevant division staff for onward dispatch to the donor. Invoices are sent by encrypted email to donors to mitigate the risk of online sharing of banking details. FMS monitors the receipt of funds on daily basis with the use of UNEP bank statement. The unit maintains an encrypted TEAM shared file with UNON Trust Fund Unit, such that all identified funds for various grants are submitted by FMS to UNON Trust Fund Unit to be applied (credited to the donor account) to the appropriate grants. FMS sends out weekly deposit report to A/FMOs to assist in identifying deposits with minimal information. The A/FMOs also confirms if their respective deposits have been duly applied to the appropriate grants. FMS issues an acknowledgement of receipt to be sent to the donor after the funds have been applied to the appropriate grants.
UMOJA Budget Creation	**A/FMO**	Divisions, Regional Offices and Other offices then proceed to unreleased and released approved budgets in line with the cash available on the grant and the project requirements which forms the basis of entering commitments and expenses in the system.

Additional Budget Contributions

Whenever an additional contribution is secured within the limits of a project that has been reviewed by the Project Review Committee (PRC), the contribution is reflected in the next budget revision. In case secured contributions are over and above the budget of the initial PRC-reviewed project, the increase is approved by either the Division Director or the Officer they have further delegated their authority to.

A/FMO should ensure that the Environment Fund allotment in UMOJA is aligned with the Environment Fund allocation for the Division or Regional Office within the programme, and that extra-budgetary allotments in Umoja are based on funding already received by UNEP.

Monitoring Financial Performance

It is the responsibility of the Project/Task Manager and A/FMO to monitor financial performance of a project, analyze any gap(s) between the actual expenditure and planned budget on a regular basis, and review the financial analysis against activity, Output and Outcome delivery and attainment of project milestones. Based on this review and analysis, the Project/Task Manager should direct the project to be delivered within the threshold of the total budget.

Approved projects are implemented using UMOJA's ECC/IP module, and grantor modules. Upon approval of new donor funding, a grant is created in UMOJA to record the revenue and any conditions that may be stipulated by the donor.

Managing and recording relevant expenditure information is critical for monitoring financial performance. Commitments and expenditures are incurred against approved allotments or released budgets for all funding sources. Divisions and Regional Offices process transactions in UMOJA and run reports both in the Business Intelligence (BI) and Enterprise Central Component (ECC) to view budget balances. For more information on UMOJA transactional processing, please refer to the job aid.

Project Financial Monitoring Roles and Responsibilities

ROLE	RESPONSIBILITY
A/FMO	In close collaboration with the Project Manager, the responsible FMO: • Ensures that staff working on the project are charged to the correct programme(s)/project(s). • Ensures the activities happen within the project duration. • Reviews requests for cash advances made by the Project Manager, certifying the availability of funds, and approving cash advances to the appropriate partners for implementation, ensuring compliance with UN Financial Rules and Regulations. • Manages provision of funding to Implementing Partners. FMOs create applications in the Grantor Management Module (also called Implementing Partner Module) of Umoja, approve grantor applications and clear Agreements/claims/and Payments and manage appropriate approval workflows depending on entity type and agreement size. Once approved these applications become 'agreements' in Umoja. All financial commitment, disbursement, monitoring, expenditure recording related to IPs is carried out within this 'agreement' object in the Implementing Partner module of Umoja. • Prior to the implementation of the Grantor Module in 2018, UNEP managed funding to Implementing Partners though Passthrough Grants (P1), use of which will be phased out in 2022. • Records expenditures based on reports submitted by Implementing Partners after validation by the Project Manager and A/FMO. • Monitors the project's financial performance and takes necessary management actions such as budget revisions or adjustments if necessary. • Requests intervention from the Project Manager to correct a contractual, financial, or accounting instance with Implementing Partners should there be a particular financial risk or in instances of non-compliance with rules. Once the project reaches its end date, it will be considered operationally closed. At this stage no additional financial commitments can be made, nor new expenditures can be incurred. During operational closure, the project team follows up with partners and contractors for final deliverables and reports, and ensures that all project activities are completed, liquidating open commitments, and clearing open advances.

ROLE	RESPONSIBILITY
A/FMO	• Once operational closure has taken place, the FMO initiates the financial closure of the project. At this stage the full accounts of the projects are reviewed, and actions taken to close all open items, process adjustments produce final financial reports to donors and deal with any unused balances.
A/FMO	• Prepare and certify financial reports to Donors in collaboration with UNON and CSD.
Project Manager/Task Manager	The Project or Task Manager: • Monitors the project budget and project expenditure, ensuring correct use of project funds for the delivery of targeted outputs and outcomes. • Monitors the financial performance of Implementing Partners and validates partner financial reports. As the project nears its completion, the Project Manager should contact the organization's Evaluation Office to schedule an end-of-term evaluation. The Project Manager, should liaise with the Fund Management Officer and the Evaluation Office to ensure that a budget allocation is provided from the project funds to the Evaluation Office to carry out the evaluation.

Implementing Partner Monitoring

Managing and recording relevant expenditure information is critical when the project involves implementation by partners. Advances to Implementing Partners (IPs) on the basis of approved Project Cooperation Agreements (PCAs) or Small-Scale Funding Agreements (SSFAs) are processed using the Grantor Management Module/Implementing Partner Module of Umoja. Instructions and guidelines for types of transactions carried out in this module can be found on https://ilearn.umoja.un.org/

Expenditure reports from Implementing Partners, should be certified by authorized officials from the partner institution In the event of an audit of implementing partner expenditure, supporting documentation is also required. For Implementing partners recognized as potentially high-risk, project staff should consider including arrangements for mandatory on-site financial reviews, follow up and spot checks to mitigate delays in project implementation and ensure accountability.

Financial Records: Partners are not required to submit supporting documents for financial expenditure unless requested as part of an audit but should maintain records of all expenditures supported by receipts and/or documents that include the amount, description of the cost, the date of payment, and the name and address of the person or vendor receiving the money. These records must be maintained for eight (8) years for EC funded projects and for at least five (5) years for all other funding.

Variance: UNEP will only accept expenditures that are in line with the approved budget. In general, up to 10% variation in actual expenditure on budget lines by implementing partners is considered acceptable, provided the expenditure does not exceed the overall allocation to the implementing partner. Variations above 10% should be reflected in an amendment to the relevant legal instrument.

Retention: UNEP normally retains 10% of the project value given to implementing partners until it has received expense reports for 100% of the agreed final expenditure of the implementing partners. For high-risk partners, it is prudent to keep 20% or more for the final payment.

Financial Monitoring of Implementing Partners - Roles and Responsibilities

ROLE	RESPONSIBILITY
Implementing Partner	Prepares and submits expenditure reports to the Project Manager using the UNEP template. These should be certified by authorized officials from the partner institution attesting to the accuracy of expenditures reported. For projects that are externally executed and involve Project Cooperation Agreements (PCAs), the Implementing partner needs to provide UNEP with a certified expenditure report as of 31 December of each year, and an annual audit report including at the time of the project's closure.
Project Manager/Task Manager/FMO	Reviews expenditures for alignment with targeted results. In the review of expenditures, the Project Manager/Task Manager and Fund Management Officers should ensure that • The cost is in accordance with the project aims and the results-based budget. • The cost is processed with sound business practices. • The cost is free of either a real or perceived conflict of interest with respect to any project team member or partner organizations. • The cost does not deviate from the UNEP's established practices or procedures; and • The cost is in compliance with local legal and regulatory requirements. Once the Project Manager/Task Manager is confident that the expenditure report reflects actual expenditure, and is line with the project aims, budget and obligations of the partner, they issue a written authorization to the Fund Management Officer.

ROLE	RESPONSIBILITY
Project Manager/Task Manager/FMO	For Implementing partners recognized as potentially high-risk, the Project/Task Manager should consider additional financial reviews and spot-checks to ensure financial accountability.
Fund Management Officer (FMO)	• Certifies advance payments to IPs in UMOJA in line with signed IP agreement. • Accepts expenditure reports submitted by IPs and certifies related claims in UMOJA.
UNON Accounts	• Approves and disburses advance payments to IPs, • Approves claims for IPs expenditure and refunds unused balances, after FMO certification. • Approves the closure of agreements upon completion

Financial Reporting

Expenditure reports should be reviewed in tandem with performance reports. The frequency of requirements for expenditure reports should be defined in the planning stage in consultation with A/FMO. The minimum requirement is the submission of expenditure reports every six months, one of which should be issued as of 31 December of each year. Quarterly expenditure reports can be requested if necessary, and FMOs can propose different reporting dates based on funding sources and reporting accountabilities, project duration and agreement duration.

The Budget Unit in CSD monitors expenditure incurred of umbrella/softly earmarked funds, Regular Budget, and OTA by Divisions and Regional Offices to verify adherence with approved budget, regulations and financial rules.. The Financial Management Services Section (FMS) in CSD monitors expenditure of earmarked funds. Using the UMOJA Business Intelligence (BI) module reports are extracted on a regular basis to monitor trends and identify irregular postings for corrective action.

Financial Reporting to Donors

Timely and accurate financial reporting to donors is extremely important to maintain confidence in UNEP's programmes and projects. Roles and responsibilities are described below:

ROLE	RESPONSIBILITY
FMO	• Holds primary responsibility for ensuring that the reporting is provided at the frequency agreed/described in the project funding agreement, and that the information provided is accurate and in the agreed format. • Requests UNON to produce financial reports and receives the signed Financial Report cleared by the Chief of Accounts Section, certifies, and sends to the Head of Finance in CSD for final signature (approval). • Using the established standard template in UMOJA BI, the FMO can generate donor financial reports, or request UNON to produce financial reports cleared by the Chief of Accounts Section. • Certifies donor financial reports.
UNON	• Responsible for clearing (reviewing and approving) financial reports to donors and submitting reports to the Head of FMS for final approval.
Head FMS	• Responsible for final approval of donor financial reports before these are submitted to donors.

Petty Cash

Petty cash is a convenient method to pay for day-to-day small, local expenditure items, where it is impractical to use other means of payment. It is also open to abuse, unless there are proper and effective controls in place. The operation of petty cash is governed by the UN Financial Rules. In UNEP rules and procedures for establishing and managing a petty cash account are described in the UNEP Standard Operating Procedure on Operation of Petty Cash Accounts. In summary, the following rules apply to the use of petty cash:

- All payments must be properly authorized, and they should not be used for:
    - Regular payments to vendors, which should be set up as Business Partners in Umoja (e.g., monthly office rental payments, cell phone bills, utility bills, training, online software purchases, etc.).
    - Payment of instalments or a series of individual bills to bypass the UN Maximum Expenditure Rules.
- The maximum funding of a Petty Cash Account should not exceed US$25,000, or equivalent in the currency of operation. The maximum overall cash advance limit to be authorized for individual Petty Cash Accounts is approved the Head, FMS.
- A Petty Cash Account can be established in local currency or US dollars, but only one currency can be used per Petty Cash Account.
- The maximum single transaction may not, under any circumstances, exceed US$1,000.
- The maximum aggregated (multiple accounts) petty cash limit, per Regional / Outposted office / MEA Secretariat, is US$25,000.
- Petty Cash expenditure may be recorded using different funding sources (coding blocks).

Further information is available on the Petty Cash Use and Management page of WeCollaborate.

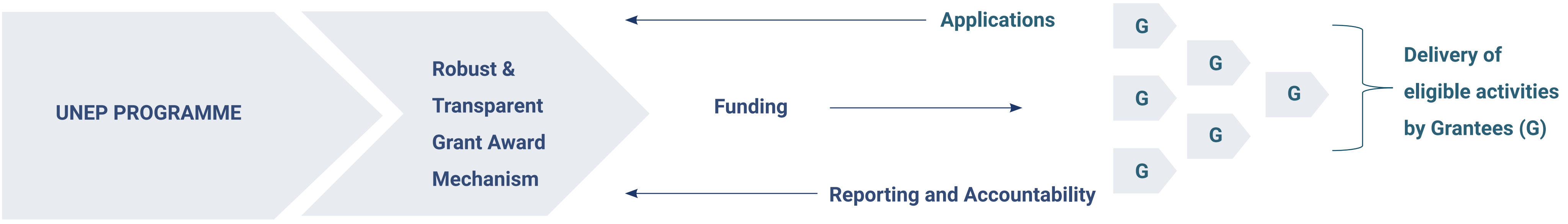
Equipment Management

In the management and inventory control of equipment and property, UNEP projects should follow UN definitions and management requirements as described in the table below: Further information regarding equipment management and procurement can be found on the Financial Management pages of WeCollaborate

Equipment Type	Definitions	Management Requirements
Serialized vs. Non-Serialized Property	Serialized Property is property that is assigned a unique identifier code for tracking thereof in Umoja. Property is serialized to meet physical verification requirements, to fulfil any legal requirements, for maintenance tracking purposes and for tracking of property of a sensitive nature. Any other property that does not meet these requirements are considered as Non - Serialized Property. The basic difference is that all Serialized Property is assigned a UNEP unique identified code for tracking and reporting purpose in Umoja. The basis of Serializing any Property is to confirm if UNEP has control over the property based on the legal agreement and the control criteria in listed in IPSAS 17 Property, Plant, and Equipment.	The basic idea is that UNEP has control over the property based on the on the legal agreement and the control criteria listed in IPSAS 17 Property, Plant, and Equipment (PPE). The PPE register is enriched with newly acquired control property as and when acquisitions are done which can either be project property or not provided UNEP has control over the property. At the end of a project, and depending on the stipulations in the project agreement, the ownership of any Serialized Property can either be either be transferred to a partner or recipient, or other project or disposed. For projects implemented by UNEP: • Disposal of Serialized Property purchased with project funds should be reviewed by the Local Property Survey Board (LPSB). • The disposal case approved by the LPSB should be part of the project closure documents. If transferring items to an external partner or another project, the signed letter of agreement or transfer should also be attached. • If any project property is non-serialized, the property is tracked at the project level by the project manager. The Head of FMS has delegated authority to approve the transfer of property to project partners after the transfer letter is approved by the A/FMOs and the project manager.

Managing Grant Award Mechanisms

Programmes can be designed with grant award mechanisms to disburse funds for eligible activities, to be implemented through eligible recipients. Projects or Programmes with grant award mechanisms must implement transparent and robust vetting and award processes, project governance structures, and monitoring practices to ensure compliance with UN Financial Regulations, Rules and procedures.



Further information and guidance on the requirements for establishing grant award mechanisms, along with examples of UNEP programmes with grant award mechanisms in place, can be found on the Managing Grant Award Mechanism Projects page on WeCollaborate.

Anti-Fraud and Anti-Corruption

The United Nations takes a zero-tolerance approach to fraud and corruption involving its staff members, other personnel and third parties in relation to their work with the United Nations. The promotion and maintenance of a culture of integrity and honesty is a basic requirement for combating fraud and corruption and a primary responsibility of all staff.

UNEP's Anti-Fraud and Anti-Corruption Guidelines, effective as of 1 December 2020, apply to all UNEP activities and operations at all organizational levels, from headquarters to regional, sub-regional, country and field offices and, from the programme, project to transaction levels. Staff members, other UN personnel and third parties engaged in operations on behalf of UNEP must be aware of their responsibility to prevent, detect, deter, respond to and report on fraud and corruption promptly.

UNEP's Anti-Fraud and Anti-Corruption Guidelines strengthen UNEP's prevention and response to incidents of fraud and corruption by:

- Providing concrete and practical advice to UNEP staff members in identifying potential risks areas
- Providing a clear and user-friendly guide and reference for both external and internal audiences for awareness of controls put in place by UNEP which are aimed at monitoring fraud and corruption
- Providing a consolidated procedure for sanctioning fraud and corruption UNEP's approach

The guidelines identify three additional actions that constitute, when established, misconduct, collusion, coercive practice, and obstructive practice.

Staff members are expected to abide by the standards and codes of conduct established for staff members and other UN Secretariat personnel. UNEP staff members must be guided by the standards of conduct prescribed in the UN Charter, the UN Staff Regulations and Rules, the ICSC Standards of Conduct for the International Civil Service, and the Status, Basic Rights and Duties of United Nations Staff Members (ST/SGB/2016/9). UNEP's Corporate Services Division (CSD) has developed specific guidance on Conduct and Discipline to provide information to staff and non-staff personnel on their rights and obligations, how to identify fraudulent acts and the necessary action to be taken.

Managing Fraud and Corruption Risks

Managing the risk of fraud and corruption is a critical part of UNEP's day-to-day activities. While it is the responsibility of all staff to assist in preventing and combating fraud and corruption, managers and supervisors have the added responsibility of establishing and maintaining proper internal controls to protect the Organization's resources from misuse. Staff members, particularly managers, including Project and Task Managers, and supervisors, should be familiar with the risks and exposures in their areas of responsibility and be alert to any indications of fraud and corruption.

Where a high risk of fraudulent acts has been identified within the general risk assessment of programmes/projects, an additional and specific fraud risk assessment may be necessary. The aim is to help management to identify and evaluate areas of the programme/project that are most susceptible to fraudulent acts and prioritize where UNEP should focus its resources for fraudulent acts' prevention and mitigation. Such prevention and mitigation measures should be monitored for effectiveness over time, and the fraudulent acts risk assessment process may be repeated periodically, utilizing lessons learned.

ROLE	RESPONSIBILITY
All Staff	• Uphold the standards of conduct prescribed in the Charter of the United Nations, the Staff Rules and Regulations, and UNEP's Anti-Fraud and Anti-Corruption Guidelines. • Complete the mandatory online training Preventing Fraud and Corruption at the United Nations. • Report any and all possible cases of fraudulent acts (OIOS has a dedicated hotline). • Ensure UNEP's resources are used for valid and authorized purposes. • Ensure there is no conflict of interest in your engagement with implementing partners. • Not engage in any outside activities, occupation or employment, whether remunerated or not, without the approval of the Secretary-General. • Assist in identifying, assessing, and responding to risks, including known fraud risk factors, potential fraud schemes, control gaps, red flag identification and mapping
UNEP Executive Director (ED)	The ED is responsible for promoting a culture of integrity and honesty within the Organization by ensuring staff members at all levels understand how the Secretariat acts to prevent, detect, deter, respond to and report on fraud and corruption. The ED is the Responsible Official for the investigation functions in UNEP. The ED is responsible for providing an annual report to UNEP's legislative body on the overall situation with regard to fraud and corruption.
Office of Internal Oversight Services (OIOS)	OIOS is responsible for conducting preliminary assessments of complaints of alleged fraudulent acts and to carry out fact-finding investigations.

ROLE	RESPONSIBILITY
Corporate Services Division (CSD)	CSD is the primary custodian of UNEP Anti-Fraud and Anti-Corruption Guidelines, and is responsible for conducting preliminary assessments of complaints of alleged fraudulent acts and carrying out fact-finding investigations. The Division is responsible for the management of the fraud/corruption risks and for monitoring the implementation of the Guidelines, through ensuring appropriate internal control mechanisms and customized training.
Assistant Secretary -General, Human Resources Management (ASG-OHR)	The ASG-OHR is responsible for assessing the investigation reports transmitted by OIOS or the Executive Director and making a decision on whether to initiate a disciplinary process, take managerial action or close the matter. The ASG-OHR also makes recommendations to the Under-Secretary-General for Management for action to be taken when a disciplinary process is initiated

The four internal and external oversight bodies that cover the United Nations Secretariat are: Office of Internal Oversight Services (OIOS), the Board of Auditors, the Joint Inspection Unit and the Independent Audit Advisory Committee. They assist in promoting a culture of compliance and integrity and in deterring fraudulent acts by independently assessing the adequacy and effectiveness of the internal control systems and, in the case of OIOS, undertaking investigations into possible cases of fraudulent acts.