**Core Contributions Policy**

1. Core revenue is unearmarked funding received as voluntary contributions primarily from donor governments. The formal arrangements with each donor vary: multi-year agreements, annual letters of intent/ commitment, or cash receipt prior to formal agreement/ communication. This policy covers the accounting treatment of core contributions in the financial statements.
2. Core contributions are recorded based on the following scenarios:

*2.1 Where no agreement exists:*

1. Where no agreement exists for core contributions or cash is transferred prior to an agreement being signed by both parties, revenue will be recorded on a cash basis at the time that funds are received in the UNDP bank account.
2. Letters of intent/exchange are considered binding documents and revenue is recognized only upon signature of the letter.

*2.2 Where agreements exist for core contributions:*

1. Where a binding agreement exists, revenue will be recognized in the financial statements upon signature of the agreement.
2. For multi-year core contributions, the full amount of contribution agreements is recognised in year one, if the schedule of payments is distributed over several future reporting periods.

*2.3 Where agreements exist with specific conditions:*

1. Certain agreements may include a clause with a condition that must be fulfilled before an agreement can become binding or before revenue can be recognized. Such agreements could include conditions requiring parliamentary approval or prior approval of reports
2. Parliamentary approval - Some agreements (usually those with donor governments) include a clause that disbursements are subject to parliamentary/ government approval. While it may appear that this clause limits control of the asset since it is not certain that the agreement amount will be honoured, in UNDP’s experience, donor governments have a history of transferring agreed resources pertaining to core contributions. Often, the clause refers to the donor’s general annual process for its overall budget and is not specific to its particular commitment to UNDP. For the majority of cases, revenue asset recognition is appropriate.
3. The exception to this is where the agreement expressly reflects the contribution as an intention by the donor to transfer resources subject to parliamentary approval but the actual commitment would be communicated formally to UNDP when parliamentary approval is granted. In this case, revenue recognition is deferred until the formal communication is received by UNDP.
4. For cases requiring formal communication of parliamentary approval, GSSC will submit a report of pending parliamentary approval milestones regularly to UNDP Offices for follow-up with the respective donors.
5. Availability of Funds – Agreements may include a general clause on the availability of funds. In UNDPs pas experience, funding has not been withheld as a result of the existence of this clause, therefore, asset recognition is appropriate.
6. Variable/performance-related portion - Certain agreements may include variable or performance-related payment amounts, linked to specific targets (performance/ expenditure/ reporting) being met.
7. The achievement of targets is not always under the control of UNDP and may require the involvement and assessment of targets for other partners, including other UN Agencies. Consequently, only the fixed portion (i.e. not the variable or performance-related payment amount) meets the definition of an asset since it is under UNDP’s control. The variable or performance-related portion is considered a contingent asset and is recognised as an asset only once the specific targets are met.
8. In certain instances, a formal documented pledge (i.e. exchange of letters) exists at financial year-end which provides a clear indication from the donor about the transfer of funds for the following financial period. In such cases, revenue recognition is based on the full amount per the binding formal document letter of exchange/commitment when received by UNDP.
9. Upload of agreements to UNITY/UNALL
10. The signed agreement/letter of exchange must be scanned and uploaded to Unity/UNALL by the UNDP Office for submission to the Global Shared Services Centre (GSSC) **within 1 week** of the agreement being signed.
11. At the end of every year, the Head of Office will be required to certify in the annual representation that all signed agreements/amendments to agreements have been submitted to GSSC in compliance with this policy prior to the closure of the financial ledgers. This will help ensure that UNDP revenue is captured in a timely manner as any late submission of these documents poses a significant financial and audit risk as revenue will not be reported accurately in the UNDP financial statements, including quarterly financial statements.
12. The Global Shared Service Centre (GSSC):
13. The GSSC is responsible for recording all voluntary contributions for both core and non-core contributions.
14. UNDP Offices should submit the signed agreement and amendments to legal agreements to GSSC via Unity/UNALL, **within 1 week of signature**.
15. The Contract Management Module:
16. The Contract Management Module in Quantum will be used for the recording of contributions. Information will be entered relating to the agreement and the necessary accounting information to ensure that revenue is recorded in the General Ledger and reflected correctly in the accounts. The system is set up to ensure that all IPSAS conditions relating to agreements have been identified by the GSSC and appropriately entered.
17. Key information to be entered in Contract Management Module by the GSSC will be as follows:

|  |  |
| --- | --- |
| **Contract Management Information to be entered** | |
| Overview | Includes all the general information relating to the agreement |
| Accounting  Distribution | This is the full chart of account information relating to the revenue and accounts receivable provided by the UNDP Office to GSSC. |
| Agreement date | ​Is the date that the agreement came into effect and is the key trigger that is set-up in the Contract Management Module for revenue recognition. These are dependent on type of agreements and interpretation of relevant IPSAS policy. |
| Invoice event | The invoice event includes the event type that needs to be achieved to create the billing and generate the Accounts Receivable entries in the General Ledger. |
| Revenue event | The revenue event will be created upon signing the relevant contribution agreement as revenue entries are generated upon signature of the contribution agreement. |
| Amendments | Amendments can be made to original contracts that have already been entered in the Contract Management Module using the amend function. |

*Note: UNDP Offices should submit their signed agreements and/or amendments to legal agreements to the GSSC via Unity/UNALL,* ***within 1 week of signature****.*

1. Application of receipts:
2. Application of funds against accounts receivable is handled by the GSSC for both receipts received in HQ and local offices’ bank accounts. The GSSC will review the unapplied receipts report and regularly check the unit’s email inbox to identify cash received that needs to be applied.
3. HQ Bank accounts:
4. The GSSC will review the unapplied receipts report and check if adequate information is provided in the remittance advice to identify the funds deposited. It is the responsibility of the respective CO or Business Unit to communicate the deposit/s via UNALL. The respective CO or Business Unit should follow-up with the GSSC on whether the receipt/s has/ve been received. It is the responsibility of the relevant CO or Business Unit to upload all receipt information to the portal even if funds are received at HQ. The GSSC will apply the funds against the accounts receivable.
5. If adequate information is not provided in the remittance advice identifying the funds deposited, GSSC will liaise with programme and finance officers to confirm the intention of these funds and release the relevant event.
6. CO Bank accounts:
7. The CO finance units will review the unapplied receipts report (for CO bank accounts) and identify all receipts for those contracts entered with event type signature.
8. The CO finance units will complete a receipt confirmation sheet to be uploaded to UNALL, to enable the GSSC to release the relevant event.
9. The GSSC will apply the funds that are received in local bank accounts.
10. Foreign currency differences:

In certain instances, payments may be received in currencies different from those specified in the signed agreement. When funds are being applied, this may result in a foreign exchange difference that generates under application. These differences should be adjusted using the invoice adjustment function by the GSSC and documenting the adjustment reason as a write off.

1. Amendments to Agreements:
2. In the case when an agreement has been amended with the approval of the donor (e.g. change of agreement amount, change of period), such amendment needs to be communicated to GSSC staff via Unity/UNALL **within 1 week**. The GSSC will then reflect these amendment(s) in the Contract Management Module. A copy of the amended agreement should be uploaded to Unity/UNALL for the GSSC to process the amendment. All hardcopies of amendments should be stored and centrally filed by COs/UNDP Units.
3. UNDP Offices should submit the updated changes to Unity/UNALL to inform GSSC staff and provide relevant information on a timely basis on the following:

* Amendments, including increase or decrease in contribution amounts
* Reversals
* Change of chart of accounts
* Re-allocation of funds
* Revision of schedule of payments

1. In all of these cases, the original agreement should be accessed and the amendment information, including the relevant supporting documents e.g. signed amendment/communication from the donor, entered/uploaded in Unity/UNALL. The addition of the details of the amendment will trigger a notification to the GSSC staff to process the update and, once completed, a notification to the requestor that the activity is complete.
2. Monitoring of Pending and Past Due Events:
3. UNDP Offices have access to the report of contracts with pending and past due events and should regularly review this report and proactively follow up with donors on events with expired due dates. GSSC will also access the Report of contracts with pending and past due events to review these events for which the due dates have expired and, where an issue is identified, will notify the respective UNDP Office.
4. Accounts receivable and unapplied receipts:
5. UNDP Offices must perform the following tasks on a regular basis:

* Follow up on outstanding contributions receivable;
* Follow up on past due events;
* Clean up unapplied receipts;

1. GSSC regularly monitors unapplied receipts, past due events and open accounts receivable.
2. Billed accounts receivable are those receivables where the payment milestone is reached and payment is due from the donor, whereas unbilled or future accounts receivable includes receivables where payment is not yet due from the donor.
3. Financial year-end closing requirements:
   1. It is important that the Bureau of External Relations (BERA) promptly submits to GSSC via Unity/UNALL by financial year end, all signed contribution agreements or completion of events conditions, to ensure that revenue and accounts receivable are accurately and completely recorded in UNDP’s financial statements. This will ensure that any notification is logged and timely action is taken by the GSSC.
   2. At year-end, BERA should review the report of contracts with pending events and, if an issue is identified, communicate to the GSSC via Unity/UNALL any events that have been completed.
4. Important year-end steps:
5. Completeness of agreements – all agreements and amendments to agreements should be uploaded to Unity/UNALL.
6. Review of past due events – follow-up on events that should have been completed by year-end, e.g. submission and approval of progress/final reports.
7. Accounts receivable – follow-up with donors on outstanding amounts (see POPP content on Accounts Receivable).
8. Unapplied receipts – ensure timely application of all unapplied receipts at year-end.
9. Funds received in advance – review funds received in advance account and verify accuracy and completeness.
10. Reports should be generated and signed as evidence of review.
11. Reconciliation of accounts receivable to the general ledger
12. On a quarterly basis, GSSC will perform a reconciliation of the Accounts Receivable for Contributions sub-ledger to the General Ledger and follow-up on differences with UNDP Offices, Business Units and the GSSC where necessary.
13. Reports:
14. Listing of all contracts created, status and overview per operating unit
15. Report of contracts with pending events
16. Monitoring of events with past due events
17. Monitoring of upcoming events (within 45 days)
18. Customer contract overview report- Overview of contracts and amendments
19. Report of unapplied receipts

# Annex 1 - ICF Roles

|  |  |
| --- | --- |
| **Procedure Step** | **Responsible Party** |
| Sign Contribution Agreements | Head of Office |
| Entry into Unity/UNALL | UNDP Office staff assigned by the Head of Office/Unit |
| Review and follow-up of accounts receivable | First authority (Project Manager) |
| Sign off as evidence of review of accounts receivable | Approving Manager or Program Manager |
| Recommend write-off or doubtful debts provision with the appropriate justification | Head of Office |
| Approve provision for write-off[[1]](#footnote-2) | Chief FPMR/OFM |
| Approve write-off | Assistant Administrator BMS or Administrator based on thresholds established in the UNDP FR&R  Write-off request is routed through to OFM/ FPMR/CFRA and the CFO |
| Monitor unapplied receipts | GSSC Treasury and GSSC Deposits (GSSC Finance Function) |
| Entry into Contract Management Module and activate contract | Revenue Specialist (GSSC Finance Function) |
| Review contract in Contract Management Module | GSSC Manager (GSSC Approving Manager) |
| Record receipt of Contributions | GSSC Treasury and GSSC Deposits (GSSC Finance Function)  Record the receipt of contributions against the invoice number, provided that the following documents are available:  - Notification of receipt into UNDP bank account from the bank; or  - Receipt of a cheque. |
| Application of funds | Revenue Specialist (GSSC Finance Function) |
| Approval of invoice adjustment | GSSC Manager (GSSC Approving Manager) |

**Annex 2 - Revenue Management Process**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Revenue Management Process** | **CO/BU Programme** | **RR/BU Approval** | **LO/BMS** | **BU/CO Finance** | **GSSC Rev Specialist** | **GSSC Manager** |
| Negotiate agreements/amendments | √ | √ |  |  |  |  |
| Clear non-standard agreements/amendments |  |  | √ |  |  |  |
| Sign all agreements/amendments |  | √ |  |  |  |  |
| Set up and finalize project budget | √ |  |  | √ |  |  |
| Upload signed agreements/amendments within 1 week |  |  |  | √ |  |  |
| Enter Agreements/ Process Amendments in Contract Management Module and activate contract |  |  |  |  | √ |  |
| Review contract and notify BUs of contract activation |  |  |  |  |  | √ |
| Record Contributions Received in Bank Acct. |  |  |  |  | √ |  |
| Create and release event (Generate GL Entries) |  |  |  |  | √ | √ |
| Apply Cash using AR Report to Identify Invoice number |  |  |  |  | √ |  |
| Review Report on Outstanding Receivables | √ |  |  | √ | √ |  |
| Review Report on Pending/Past Due Event | √ |  |  | √ | √ |  |
| Follow Up with Donor on Outstanding Payments | √ |  |  |  |  |  |
| Follow Up with Donor on Pending/Past Due Events | √ |  |  |  |  |  |
| Access Reports on Financially Closed Projects |  |  |  |  | √ |  |
| Close Agreements in Contract Management Module |  |  |  |  |  | √ |
| Review Aging of Receivables |  |  |  | √ | √ |  |
| Communicate to OFM on Outstanding AR for Doubtful Debt Provision and Write-offs | √ | √ |  | √ | √ |  |
| Review and Approve Provisions and Write-offs Submission |  |  |  |  | √ |  |
| Reconcile GL to AR and Balance Accounts |  |  |  |  | √ |  |

# UNDP Revenue Recognition policy paper

* [IPSAS 23 Policy paper](https://popp.undp.org/node/2931)

1. This role is not included in the ICF but included in this table as it is considered a necessary step. [↑](#footnote-ref-2)