



UNHCR

United Nations High Commissioner for Refugees
Haut Commissariat des Nations Unies pour les réfugiés

UNHCR

Guidance Note for Partners

Use of Pooled Bank Account Operated by Partner

BACKGROUND

UNHCR Project Agreement requires that a separate interest-bearing bank account be maintained for UNHCR project funding. Only the UNHCR Controller can approve the use of a pooled account or a non-interest bearing account. If such approval is granted, it must be reaffirmed in each Project Agreement (*pooled account – Art. 2.14.1; non-interest bearing account – Annex A, Project Description*).

The requirement to maintain separate bank account for project funding is one which has traditionally been mandatory by many funding agencies. The requirement aims to mitigate risks associated with: weak control environments, especially project cost accounting; the ability to more easily trace transactions associated with both project expense and revenue; the ability to detect improper use of funds; and, the ability to easily ascertain amounts recoverable in case of misuse of funds.

POLICY STATEMENT

Partners with a history of strong performance, sound control environments and financial health may be granted waiver for the use of pooled back accounts. Granting the use of pooled accounts to such partners supports their implementation of leading financial management practices and demonstrates partnership.

The use of non-interest bearing accounts will only be granted in exceptional circumstances. Where authorized, UNHCR Offices should seek to mitigate loss of potential interest revenue.

CRITERIA FOR ASSESSMENT AND APPROVAL

The assessment and approval for waiver to use a pooled account will be carried out with due diligence and take into account the following:

1. Partner's historical performance on UNHCR projects
 - a. Length of Partner-UNHCR partnership
 - b. No qualified audit opinions of UNHCR project implemented by the Partner in the past five implementation years (2008-2012)
 - c. No known performance issues related to implementation of UNHCR funded project.
2. Level of maturity of the partner's financial management framework and probity (especially project/cost accounting systems) at the entity level
 - a. The annual accounts of the Partner are audited by a qualified external auditor whom issued an unqualified audit opinion of the Partner accounts for the last two years (financial statements prepared in accordance with national or international accounting standards specific to non-governmental organizations/charities). Please provide copies
 - b. A review of the Partner's annual financial report demonstrating leading practices in financial management governance at the entity level, including an Audit Committee

(comprised of Trustees); internal audit department (with direct reporting to Audit Committee); annual management sign-off Control Environment Assurance reporting to Board of Trustees; whistleblowing procedures and fraud prevention; publicly accessible detailed accountability and complaints reporting.

- c. The Enterprise Resource Planning/Management system (ERP) used by Partner such as Peoplesoft. Custom configured modules in conjunction with the system used for project cost accounting, funding source and reporting.
- d. Provision by the Partner a satisfactory description of process for project accounting and reporting.
- e. Provision by the Partner a description on the method and approach of allocating interest to UNHCR provided funds if a pooled account was permitted (affix policy paper on managing interest rate).

3. Partner's financial health at the entity level for which the approval is being sought

(Provide audited financial statements for the two annual years)

- a. Total income – not less than 100 million, annually.
- b. Trend analysis of liquidity indicate adequate cash-on-hand for overall operations to mitigate the risk that the pooled UNHCR project funding would be used for temporarily for operational costs impacting on the rate of UNHCR project implementation.
- c. Core funding of the Partner and its method of generation.
- d. Major funding agencies/donors (percentage). Percentage of UNHCR funding
- e. Provision of a description whether all source of funding are pooled into one account or otherwise managed (affix policy paper)

Upon satisfactory review, the Partner, furthermore commits to:

- a) Actual interest earned on the pooled account will be apportioned and credited to UNHCR on a periodic basis based on surplus of instalment payments received over actual project expenditures incurred.
- b) Complete project records required of UNHCR funded for project control and audit will be made easily available at the country of project delivery, where operations and audit; including Partner facilitation of easy and full access to records and reconciliations of the pooled account used for UNHCR funding.
- c) Accept that UNHCR transfers the funds in the currency of budget same as the currency expenditure. Any bank charges related to the use of pool account will be borne by the partner.

PROCEDURE FOR REQUEST

Any requests for authorisation for the use of pooled account should be submitted to the Implementing Partnership Management Service, epartner@unhcr.org. A letter of response will be send to the Partner, upon the decision of the UNHCR Controller. The authorised use of pooled account is reaffirmed in each Project Agreement with the Partner.

For further details and clarification, please contact Ms Fatima Sherif-Nor, Head of Implementing Partnership Management Services, UNHCR HQ Geneva, at sherif@unhcr.org .

UNHCR, IPMS,

May, 2013.