# Background and purpose

Under IPSAS, revenue is recognized on the accrual basis of accounting. Revenue is recognized based on the signed binding agreements and not upon the receipt of cash. The purpose of this document is to provide guidance to the Principal Recipients/Country Offices administering the Revenue Management Process for Global Fund Projects. In UNDP’s financial statements, Global Fund agreements are classified under Third Party Cost Sharing, therefore the requirements stipulated in the [Financial Resources Management Revenue Non-Core POPP](https://popp.undp.org/node/11161) section applies to the Global Fund (GF).

# Process for recording revenue

Revenue is recognized when the signed Grant Confirmation or Country Coordinating Mechanism (CCM) Funding Agreement is received regardless of whether or not the funds have been deposited into UNDP’s Contribution Account. The following business process steps occur during the revenue management process:

* 1. **Signing of Grant Confirmation Letter or CCM Funding Agreement –** UNDP acts as interim Principal Recipient (PR) in countries with capacity constraints, conflict, fragile governance or other exceptional circumstances. The arrangement is governed by a Framework Agreement (2016) and Grant Agreements signed between UNDP and the GF. UNDP as PR will engage responsible parties referred to as sub-recipients (SRs) and may further disburse funds to these SRs to support the implementation of the projects. SRs may also contract and further disburse funds to sub-sub-recipients to support them in project implementation. The Principal Recipient negotiates an agreement with Global Fund, the donor, and incorporates a Performance Framework and Summary Budget. Once both parties agree, the Global Fund Grant Agreement i.e. Grant Confirmation Letter is signed.

In addition to being one of the GF’s PRs, UNDP also receives funding in its role as the Country Coordinating Mechanism (CCM) Funding Recipient. As a CCM Funding Recipient, UNDP signs a CCM funding agreement with the Global Fund.

* 1. **Uploading of Grant Agreements –** Once the agreement is signed it should be submitted to GSSC **within 1 week** via the Service Request Portal: <https://undp.custhelp.com/app/main>. For greater clarity, the following table summarizes the documentation required, the revenue recognition trigger, as well as the submission timeline:

| **Supporting document upon which to notify GSSC for revenue recognition** | **Timeline for submission to GSSC** | **Revenue recognition criteria** |
| --- | --- | --- |
| * Grant Confirmation; OR
* Country Coordinating Mechanism (CCM) Funding Agreement (can be for multiple years).
 | 1 Week from signature of related document | * Revenue is recognized upon signature based on the amount stipulated in the Grant Confirmation/ CCM Funding Agreement.
* Revenue recognition excludes any contingent portion.
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* 1. **Recording revenue –** The entire amount of Global Fund grant agreement will be recognized upon the signature of grant agreement by both parties (I.e. UNDP and GF). This means that all instalments will be recognized as revenue upon signature of the agreement and not based on the dates in the schedule of payments of the agreement. For multi-year contributions, revenue is recognized based on the full amount of the grant agreement even if the schedule of payments is distributed over several reporting periods. GSSC, upon receiving the signed grant agreement, will record contribution revenue in Contract Management and Receivable with below accounting entries:

DR Unbilled Accounts Receivables (A/C 14081)

CR Revenue (A/C 51005)

* 1. **Request for Disbursement –** The Principal Recipient will submit a Progress Update and Disbursement Request (PUDR) to the Global Fund to initiate the disbursement of funds.

Once the PUDR has been received and approved, a Debit Notification Letter is received by the Principal Recipient from the Global Fund. This together with a scanned copy of the email cover letter from the Global Fund should immediately be uploaded to the UNITY/UNall by the COs Focal Point. GSSC will then mark the billing event as complete and generate the following accounting entries:

DR Accounts Receivable (A/C 14015)

CR Unbilled Accounts Receivables (A/C 14081)

* 1. **Application of Funds –** When the funds are received, GSSC will notify the Country Office to submit a receipt case request via UNall. Using the Invoice number, GSSC will apply the funds against the Accounts Receivable. The following accounting entries will be generated upon receipt and application of funds:

DR Clearing - Contributions Account (A/C 414XX)

CR Unapplied Deposits (A/C 14070)

(Accounting entries generated upon receipt of funds – Regular Cash Deposit)

DR Unapplied Deposits (A/C 14070)

CR Accounts Receivable (A/C 14015)

(Accounting entries generated upon application of the funds)

* 1. **Contract Management & Reports –** The GSSC will input the information from the Grant Confirmations/CCM Funding Agreement into the Contract Management and accounting entries will be generated based on the total contribution amount indicated in the Grant Confirmations/CCM Funding Agreement. UNDP Offices will be able to access reports which will contain detailed information of all contracts created in Contract Management Module and accounting entries processed.

# Amendments to Agreements

Any amendments to agreements, (for Global Fund this refers to Implementation Letters) must be communicated to the GSSC **within 1 week** of receiving such amendments in this case Implementation Letters (IL) so that the revenue can be recorded or adjusted accordingly. At the end of every year, the Head of Office should ensure that all signed agreements/amendments to agreements have been submitted to GSSC prior to the closure of the financial ledgers.

# Period End Procedures

The following procedures should be adhered to at each period end:

* + UNDP Office: Check that all Agreements, Amendments to Agreements and Disbursement Notification Letters signed/received by closing period-end date (e.g. December 31st for annual financial closure) have been uploaded to UNITY/UNall and submitted to GSSC.
	+ UNDP Office: Check that any amendments to Agreements have been updated in the Contracts Management Module by the GSSC.
	+ UNDP Office: Follow up with the GF on any outstanding amount (Accounts Receivable) for your Country Office.
	+ GSSC: Ensure timely application of all unapplied receipts at year-end.