Policy and Guidance on
Physical Verification of Property

Approved by: Field Operations Finance Division (FOFD) / Global Asset Management Policy Service (GAMPS)
Date of Approval: 8 June 2020
Effective date: 8 June 2020
Contact: Global Asset Management Policy Service (GAMPS)
Table of Contents

I. Introduction ............................................................................................................................................. 3
II. Physical Verification Requirement ................................................................................................. 3
   Physical Verification Process .................................................................................................................. 4
   a) Planning Phase: .......................................................................................................................... 4
   b) Execution Phase: .......................................................................................................................... 5
   c) Data Reconciliation and Update Phase: .................................................................................... 5
III. Documentation ................................................................................................................................... 6
IV. Supporting Tools ................................................................................................................................ 7
I. Introduction

1. This Guidance outlines the requirements and processes for the physical verification of United Nations (UN) property.

II. Physical Verification Requirement

2. Physical verification is required to confirm the existence of property and validate the reliability and accuracy of property records. The scope of property subject to physical verification and frequency of physical verification is established by the Organization based on the type of property and mandatory requirements for financial and stewardship purposes.

3. As per UN Financial Rule 105.21, physical verification of property, plant and equipment, inventories and intangible assets must be undertaken in accordance with the established polices of the Organization. In this regard, the UN IPSAS policy framework establishes that capitalized property shall be physically verified at least once per year, and that the records in the asset register be reconciled with the physical verification findings to ensure that the information in the asset register is accurate and reliable. In addition, it is required that the physical verification process for capitalized property be undertaken well in advance of financial reporting deadlines in order to allow sufficient time for reconciliation of discrepancies and make adjustments to records prior to generation of the financial statements.

4. Further to Sections 3 and 4 of ST/AI/2015/4 entitled “Management of property” (4 June 2015) and Para.8 of ST/IC/2016/9 entitled “Recording and tracking procedure for non-capitalized property” (7 March 2016), non-capitalized property shall be physically verified on a regular basis and as deemed necessary to ensure adequate control and accountability of property.

   a) For non-capitalized property that is serialized for stewardship purposes, physical verification shall be performed in line with operational requirements, and at least once per year.

   b) For non-capitalized property that is serialized for reasons other than stewardship purposes, such as for maintenance, legal, and certification purposes, the requirement for mandatory annual physical verification does not apply, however physical verification shall be executed as deemed necessary by operational requirements.

5. Inventory is subject to physical verification to ensure the accuracy and reliability of inventory data for financial reporting purposes. Physical verification of inventory is performed through periodic cycle counts with an additional count for high-value inventory performed close to the end of the year.

---

1 ST/AI/2015/4 entitled “Management of property”, 4 June 2015, provides definition of property.
2 Identified in Umoja with serialized profile UN01.
3 Identified in Umoja with serialized profiles other than UN01.
4 For the cycle counting process, refer to the Centralized Warehousing Operations Manual, version 2.0, 1 November 2018, considered current at issuance of this Guidance document. Managers should periodically check for updates.
Physical Verification Process

6. During the physical verification process, property is checked for existence and the data details of the property, including description, location, end-user details, status of property, quantity, manufacturer serial number, barcode number, authorization group, focal point for physical verification, office responsible for shared property, and/or bin location are cross checked for accuracy and confirmed against system records. Any discrepancies between the data details from the physical verification and the data details in the system records are documented and subject to further review and reconciliation. The verification date and the name of the staff that performs the physical verification is documented as confirmation that the physical verification has occurred.

7. The physical verification process is comprised of three phases. Each phase is an integral part of the physical verification process and consists of its own processes and procedures. The timely implementation of, and due attention to, each phase contributes to the successful implementation and execution of the physical verification process.

8. The physical verification process is comprised of the following phases: a) Planning, b) Execution, and c) Data Reconciliation and Update.

a) Planning Phase:

9. The Planning Phase anticipates the actual execution of the physical verification and entails preparation of a detailed physical verification plan and extensive co-ordination with stakeholders, technical units, property focal points and personnel to whom the property are entrusted.

10. This preparatory phase is essential to inform stakeholders of the upcoming execution of the physical verification and solicit their involvement, support and co-operation for the smooth and successful execution of the physical verification.

11. The following steps summarize the core actions of the Planning Phase:

i. Creation of a physical verification plan that outlines the scheduling of the physical verification, property locations, tasks, assignment of tasks, and stakeholder communications. The plan should also take into consideration other requirements to execute the physical verification such as security clearances and permits to access property locations, communications with technical experts and focal points to support the physical verification, and preparation of any electronic tools to support and facilitate the physical verification;

ii. Generation of a list of property from the system of record subject to the physical verification. Property details such as descriptions, locations, barcode numbers, manufacturer serial numbers, end-user details, and any other relevant data details to support the identification of property should also be included in the list of property;
iii. Communication of the physical verification plan to all stakeholders impacted by the physical verification process, including property focal points and end-users of property. The communication should identify the requirement for property to be available for inspection and physical verification on its scheduled date.

b) Execution Phase:

12. During the Execution Phase, the actual physical verification of property is performed as per the physical verification plan.

13. The following steps summarize the core actions of the Execution Phase:

   i. Verification of the existence of each property identified as part of the planning phase, as well as confirmation of the accuracy of property data details;

   ii. Identification and recording of any discrepancies between the detailed list of property and the findings of the physical verification. The details of property not found, indicators of impairment, discrepancies related to data details, and differences in quantity shall be documented; and

   iii. Identification and recording of any property that is not included in the detailed list of property but is physically found during the physical verification.

14. The physical verification process entails visual verification as confirmation of the existence of property. In some instances, and for justifiable reasons, visual verification may not be achievable for security or safety reasons. In such exceptional cases, visual verification may be substituted with secondary evidence that confirms the existence of such property. Maintenance records indicating work performed on the property, vendor invoices demonstrating recent work done on the property or confirmation of signals obtained from the property by ways of electronic devices or output devices may be used as secondary evidence to confirm existence of property.

15. The execution phase should be completed as close as possible, and at least 30 days prior, to the end of the financial reporting period to allow sufficient time for review and reconciliation of discrepancies and to record any consequent data updates in the system of record.

c) Data Reconciliation and Update Phase:

16. During this phase, the results from the physical verification execution phase are reviewed and reconciled, and data details are updated to reflect the findings of the physical verification. Resolutions for some discrepancies may be straightforward and involve simple updates to property records, whereas other resolutions may be more complex and
involve the initiation of property management processes, such as the disposal process, the
creation of property records, the formal assignment of property to an end-user, or the
process to adjust the quantity of a property.

17. The following steps summarize the core actions of the Data Reconciliation and
Update Phase:

i. The review and reconciliation of discrepancies between property data details
from the system of record and the physical verification findings. The review
and reconciliation process includes follow-up of incomplete data in property
records, review of differences of quantity, correction of assignment to end-
users, and attempts to locate property not found; and

ii. The update of property records to reflect the results of the reconciliations,
including updates to property details and the creation of records for property
not listed in the system of record.

18. The findings from the physical verification are analysed and reviewed against the data
details for each property record and a reconciliation is performed where discrepancies are found.
Since the review and reconciliation of discrepancies is an iterative process that may require
significant time to complete, and involve multiple stakeholders, a reasonable period of time shall
be allocated for the timely resolution of discrepancies and the prompt update of property data for
the generation of financial statements.

19. Property that is not found shall be identified as a discrepancy against the system of record
and the disposal process shall commence immediately. Timely resolution of property not found is
particularly critical for capitalized property and inventory, as delays in updating property details
impact the accuracy of financial statement reporting. Although the case to affix responsibility for
property that is not found may be combined and submitted for review and approval along with the
case for the disposal of the property, the two cases are separate processes, and are independent
from each other in their executions and timelines. That is, the disposal process shall be completed
irrespective of the outcome of the process to affix responsibility.

III. Documentation

20. All activities related to the physical verification process, including all discrepancies and
reconciliations thereof, shall be documented and recorded in the system of record, and retained for
review and proof that the physical verification was performed as mandated.

21. Documentation includes retaining a comprehensive record of all property verified, any
discrepancies found, reconciliations, and updates to property records.

22. All documentation of actions taken should be readily available and retrievable for review
upon request by various bodies, including property survey boards, Global Asset Management
Policy Service, and Board of Auditors.
IV. Supporting Tools

23. Electronic tools, such as barcode scanner devices, if available, may be used to facilitate the Execution Phase of the physical verification process.

24. The Umoja job aid ‘Physical Verification Process’ provides step-by-step Umoja system guidance for generating equipment items subject to physical verification, identifying and recording data discrepancies, and uploading en masse physical verification results for equipment.