

HACT MICRO ASSESSMENT
PRE-BID MEETING
26 OCTOBER 2018



Management Support Unit

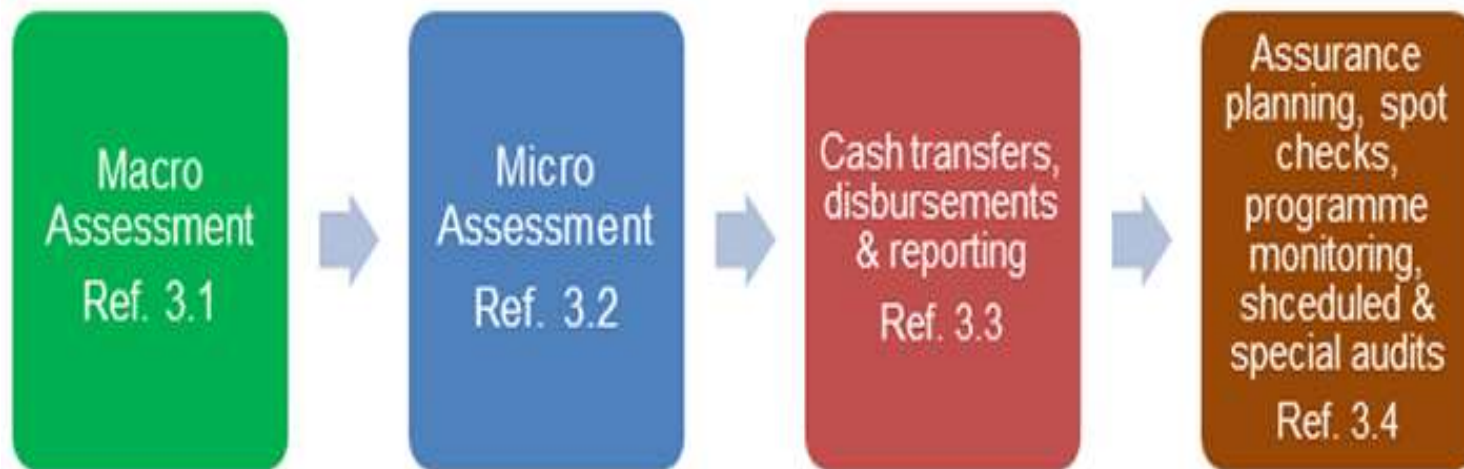
UNDG'S HACT FRAMEWORK

HACT: Harmonized Approach to Cash Transfer

Adopted in 2005 and revised in 2014, initially by 4 ExComm Agencies: UNDP, UNICEF, UNFPA, and WFP

Currently UNDP, UNICEF and UNFPA are aligned to the HACT Framework

HACT FRAMEWORK



Macro Assessment

Definition (What?)

- Desk Review of existing assessments of the Public Financial Management (PFM) system & country economic context

Responsibility (Who?)

- Review by (independent third party service provider)
- Resident Coordinator advocates for, coordinates and approves final Macro Assessment report

Timing (When?)

- Once per programme cycle, preferably during the Country Programme (UNDAF/CPAP) preparation phase

Use/Outputs of Assessment (What for?)

- Identification of risks associated with probable use of PFM for cash transfers to government IPs
- Input for the Country Programme Action Plan (CPAP) or the UNDAF Action Plan
- Decision on capacity of Supreme Audit Institution (SAI) to conduct audits of Government IPs

Macro-Assessment Topics/Checklist

Budget and Performance	Budget Execution	Internal Controls / Financial Procedures Adhered to	Bank Recs	Cash Transfers	SAI	Audit Standards	Transparency of Audit Processes	National Procurement Framework	Staff Qualification / Skills	Financial Systems	Environmental Conditions	Exchange Rate Volatility	Black Markets
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Micro Assessment

Definition (What?)

- Review of IP's financial management capacity (see below for subject areas) using standard questionnaire
- If done by third party, should include one or more visits to the IP

Responsibility (Who?)

- Performed by Independent 3rd Party Service Provider (IPs that meet threshold) and Desk-Review by Qualified UNDP Staff (Non-Assessed IPs)
- The final Micro Assessment must be signed off by the Head of Office

Timing (When?)

- Once per programme cycle, preferably during the Country Programme preparation phase. Results valid for length or duration of the programme cycle; results may be valid and spillover into next programme cycle.

Use (What for?)

- Determines overall IP risk rating (low, moderate, significant, high)
- Determines CTM, frequency and type of Assurance Activities & opportunities for Capacity Development

Micro-Assessment Subject Areas

Implementing Partner

Programme Management

Org. Structure & Staffing

Accounting Policies and
Procedures

Fixed Assets and
Inventory

Financial Reporting and
Monitoring

Procurement and Contract
Administration

Cash Transfer Modalities (CTM)

- Direct Cash Transfers:** Funds advanced to IP before the IP incurs obligations and expenditures;
- Direct Payments:** Funds are paid by the CO directly to vendors and other third parties. IP carries out the procurement actions and requests UNDP to make the payment.
- Reimbursements:** UNDP reimburses IP after IP has incurred expenditures and made disbursements.

Adjusted IP Risk Rating

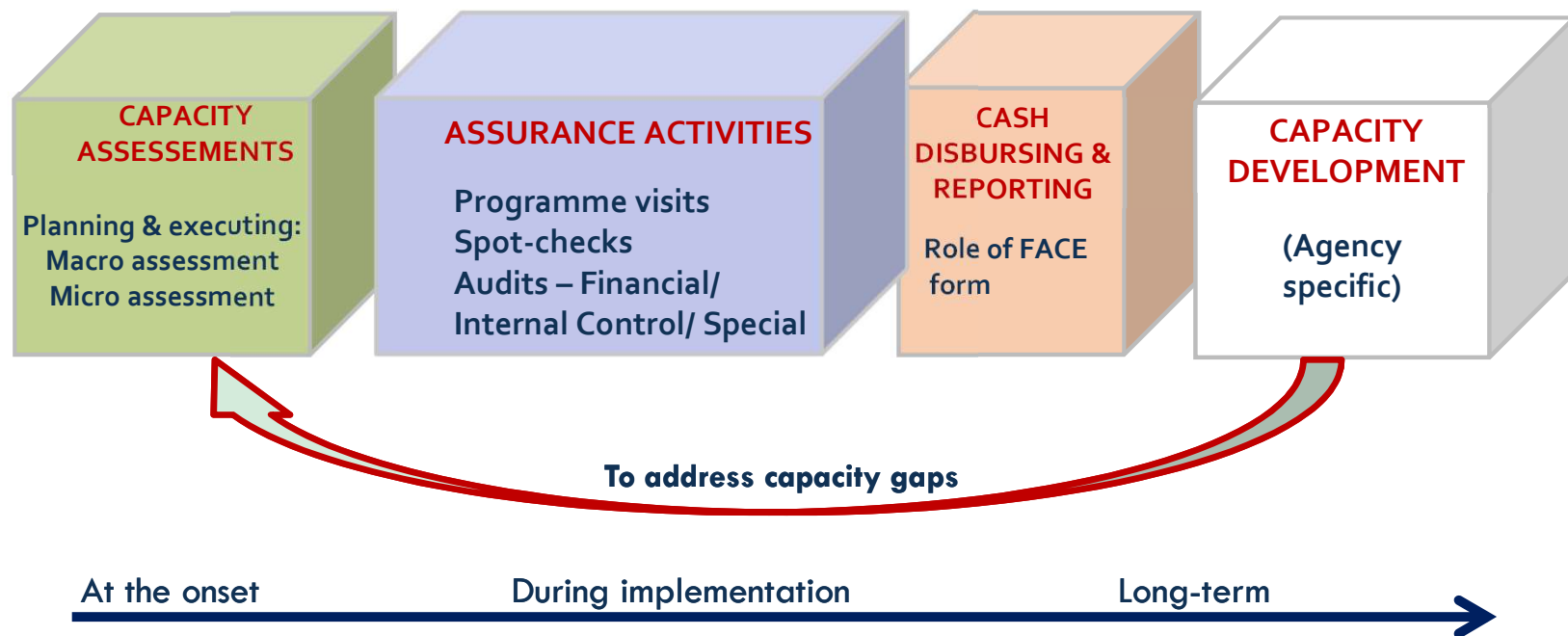
Cash Transfer Modality

Low	CTM choice should fit programme needs; direct cash transfers, reimbursements or direct payments, or a combination of the three
Moderate	Choice of CTM depends on the <u>specific findings that led to the Adjusted Risk Assessment</u> : <ul style="list-style-type: none"> • Direct Cash Transfers may be used only in specific areas where the IP's internal control framework was to be adequate, • Direct Payments or reimbursements applied in areas where internal controls were weak.
Significant	Because of the level of risk, <u>Direct Cash Transfers/Reimbursements to IP should be not made</u> . <ul style="list-style-type: none"> • Direct Payments may be used in areas where the IP internal control framework was deemed adequate. • Other activities should be implemented via DIM or Full Country Office support to NIM
High	Because of the high risk activities should be implemented via DIM or Full Country Office support to NIM.

TYPES OF ASSURANCE ACTIVITIES

	Spot Checks	Programming Visits	Scheduled/Special Audits
Definition (What?)	Sample review accuracy of financial records/information for cash transfers made to the IP by UNDP. This is NOT an audit.	Assess status of programme implementation against work plan.	<ul style="list-style-type: none"> • <u>Internal Control Audit</u>: Assessment of Financial Management internal controls performed for Low and Moderate risk IPs • <u>Financial Audit</u>: Independent examination of financial records performed for significant/high risk IPs with expenditure > \$100,000 in any year • <u>Special Audit</u>: Performed when significant issues/concerns are identified during spot checks or programme visits
Responsibility (Who?)	<u>Third party service provider</u> or by qualified UNDP staff on an exceptional basis (HQ Approval required)	Performed by UNDP staff (programme)	Performed by third party provider or SAI (if capacity deemed adequate during macro assessment)
Use (What for?)	Assurance on accuracy of financial information reported on FACE form and no significant changes to internal control; Confirm bank recs performed if separate accounts held	Identify implementation constraints and institute remedial actions.	Assurance that funds were used for the intended purpose and in accordance with the work plan and set procedures

RECAP



THIS EXERCISE

Covering programme period 2019-23

LTA for 1 year

Initial assessments of 7 partners to be completed by 31 December 2018

Micro Assessment Questionnaire

Micro Assessment Template

PARTNERS TO BE ASSESSED NOW-DEC 2018

1. Council for the Development of Cambodia
2. Ministry of Environment
3. National Council for Sustainable Development
4. Cambodian Mine Action and Victim Assistance Authority
5. Ministry of Women's Affairs
6. Ministry of Agriculture, Forestry and Fisheries
7. National Committee for Sub-national Democratic Development
8. Other partners - to be identified