



HANDBOOK

on the implementation of the

HARMONIZED APPROACH to CASH TRANSFERS (HACT)

FRAMEWORK

for UNDP-supported projects in the Cook Islands, Niue, Samoa

and Tokelau



Developed by UNDP Philippines & Bangkok Regional Hub, adapted for UNDP MCO for Cook Islands, Niue, Samoa and Tokelau

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INTRODUCTION

PART I: HACT FRAMEWORK: OVERVIEW OF PROCESSES

1. Macro Assessment
2. Micro Assessment
3. Transfer/ Disburse/ Report
4. Assurance Activities

PART II: STANDARD OPERATING PROCEDURES: CHECKLIST OF KEY ACTIONS

1. Micro Assessment:
 - Planning: Preparing and populating a Micro Assessment Plan
 - Implementation: Carrying out a Micro Assessment
 - Decision Making: Adjusting a Micro Assessment Risk Rating
2. Transfer/ Disburse/ Report:
 - Planning: Establishing prerequisites for Cash Transfers
 - Implementation: Carrying out the request, disbursement, reporting and recording of Cash Transfers
 - Reporting: Official Record of expenditure incurred
3. Assurance Activities:
 - Planning: Preparing and populating an Assurance Activities Plan
 - Implementation: Carrying out Assurance Activities

PART III: TEMPLATES

1. Annex 1: Micro Assessment Plan
2. Annex 2: Partner Risk Log and Action Plan
3. Annex 3: Note to File: Conclusion on Micro Assessment Report
4. Annex 4: Note to File: Conclusion on Partner's Adjusted Risk Rating
5. Annex 5: Funding Authorization and Certificate of Expenditure (FACE) Form
6. Annex 6: Itemized Cost Estimate (ICE) Form
7. Annex 7: List of mandatory supporting documentation for NIM/DIM Cash Advances, Direct Payments and Reimbursements
8. Annex 8: Assurance Activity Plan
9. Annex 9: Note to File: Conclusion on alternative verification procedures for invalid expenditure
10. Annex 10: Programme Output Verification: Back to Office Report
11. Annex 11: Project Monitoring Field Visit Report

INTRODUCTION

What is the HACT framework?

The HACT framework is a set of processes and procedures used by UN Agencies for disbursing funds to Implementing Partners and Responsible Parties who are responsible for delivering programme outputs:

- Implementing Partners (IPs) are entities responsible and accountable for UNDP-provided funds and implementation of the Annual Work Plan. Possible IPs include: (i) Government entities and other public institutions; (ii) Inter-Governmental Organizations (IGOs); (iii) Civil Society Organizations (CSOs)/ Non-Governmental Organizations (NGOs); and (iv) other UN agencies;
- Responsible Parties (RPs) are entities contracted under written agreement to carry out project activities and/or produce outputs using the project budget. Possible RPs include: (i) Government entities and other public institutions; (ii) IGOs; (iii) CSOs/ NGOs; (iv) private sector entities and corporate foundations; (v) State-Owned Enterprises, (vi) Academia; (vii) Foundations; and (viii) other UN agencies.

Specifically, in relation to RPs, the HACT Framework applies to:

- Partners contracted by UNDP where UNDP is providing Country Office Support Services to the National Implementation Modality (NIM) for Government IPs, which include the service of contracting RPs on behalf of the IP;
- Partners contracted by UNDP under Direct Implementation Modality (DIM) projects.

For the purposes of this Handbook, IPs and RPs are referred to as Partners.

The HACT procedures are focused on Partners (and not individual projects) and ensure fund disbursements are done using a risk-based methodology. The HACT framework was established by the UN to harmonize cash transfer procedures across UN Agencies, and across all Partners.

What is the advantage of using HACT?

For UNDP

HACT processes and procedures enable UNDP to proactively assess, identify and manage financial risks of project implementation; as part of UNDP's governance and oversight responsibilities in managing donor funds.

For Partners

The HACT processes help identify areas for improvement in the financial management systems of Partners and corresponding indirect capacity building initiatives.

What is the purpose of this Handbook?

This Handbook has been developed to provide a practical understanding of key HACT principles for Partners (including Project Management Unit staff, where applicable) and UNDP staff and its importance in the financial risk management of projects. This Handbook will facilitate the implementation of HACT in a systematic manner and should be used to inform Operations Manuals used at the project levels. The Guide has three parts:

Part I	HACT Framework: Overview of Processes
	<p>This section is intended to orient Partners and UNDP staff on the overall HACT framework:</p> <ul style="list-style-type: none">• provides a snapshot of the four main HACT processes, and how these processes are inter-related;• summarizes the key steps for each HACT process, in terms of roles and responsibilities;• introduces HACT principles, important considerations and key documentation required for each of the processes; and• illustrates the criteria for risk-based decision-making for each HACT process.
Part II	Standard Operating Procedures: Checklist of Key Actions
	<p>This section builds on Part I to provide both Partners and UNDP staff with a checklist of mandatory steps to be completed which covers:</p> <ul style="list-style-type: none">• procedures for compliance with the HACT framework and UNDP Programme and Operations Policies and Procedures;• Key Documentation required, including timelines for submission/ completion;• links to relevant UNDP policies and procedures and other guidance.
Part III	Templates: Key Documentation Requirements
	<p>This section builds on Part II to provide Partners and UNDP staff with standard templates for Key Documentation including:</p>

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| | <ul style="list-style-type: none">• “how-to” guidance on completing the templates. |
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This Handbook has been produced by the UNDP Philippines Country Office, with contributions from the UNDP Bangkok Regional Hub, and was adapted for use by the UNDP Multi-Country Office for Cook Islands, Niue, Samoa and Tokelau staff and projects.

This Handbook is aligned with the UNDP Programme and Operations Policies and Procedures (POPP), last updated 31 Mar 2021. Any relevant updates to the UNDP POPP will be reflected in the Handbook.

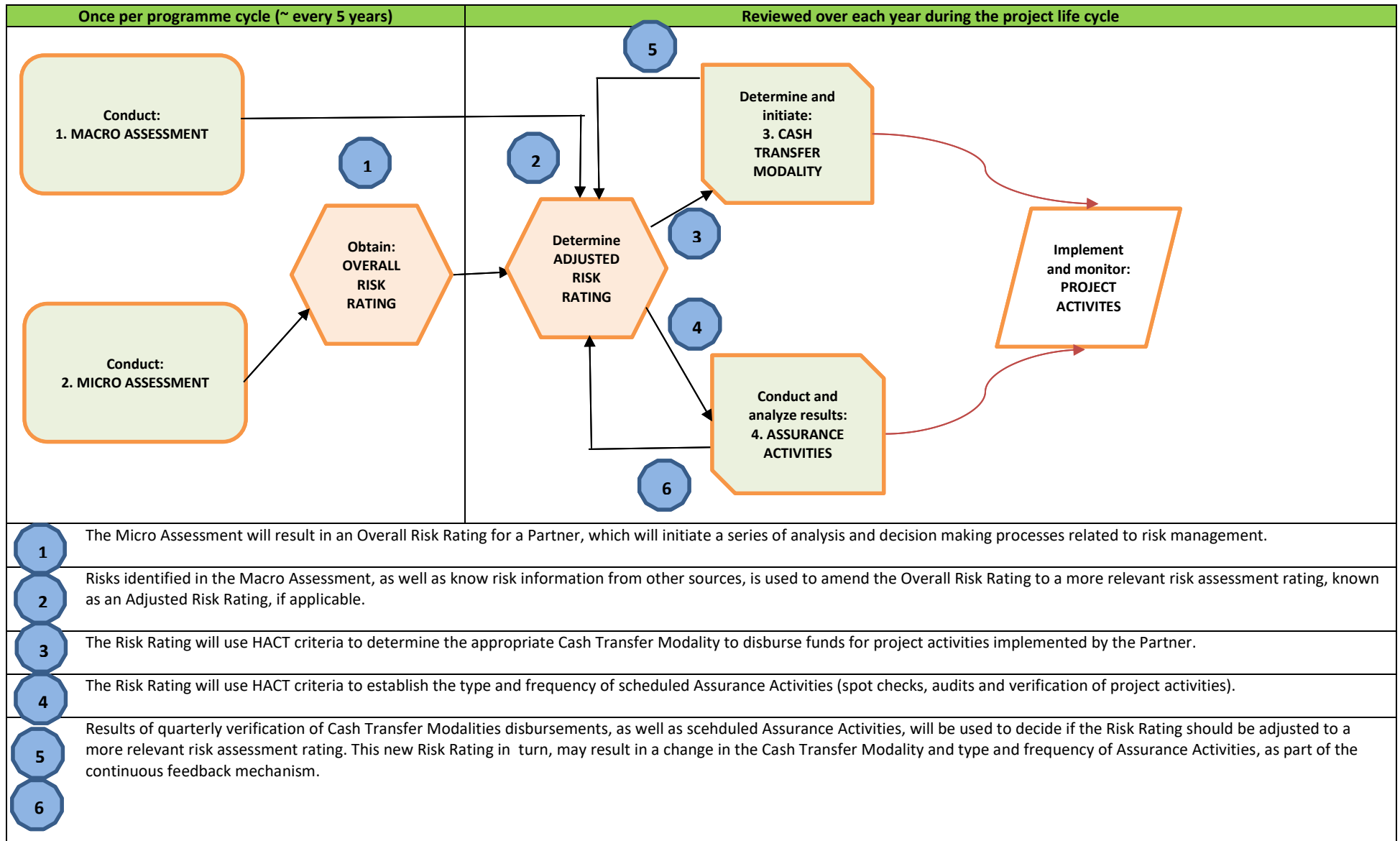
Snapshot of the HACT framework:

The HACT framework consists of four main processes:

1. **Macro Assessment:** an independent assessment of the country's public financial management system capacity to manage donor funds, and the Supreme Audit Institution's capacity to conduct audits of UNDP's nationally implemented projects;
2. **Micro Assessment:** an independent risk assessment of the financial management and internal control systems of each Partner, to manage UNDP-provided funds;
3. **Cash Transfer/ Disbursement/ Reporting:** requests from Partners to UNDP (based on project activities in the approved Annual Work Plan) for cash transfers, disbursement of payments, and the financial reporting of expenditure incurred; and
4. **Assurance Activities:** independent scheduled checks and audits of the partner's financial management and internal control systems to assess if they are functioning as intended.

NOTE: independent assessments are carried out by qualified Third-Party Service Providers, contracted by UNDP.

The four HACT processes are interrelated and provide a continuous feedback mechanism to assess the level of risk of a Partner over each year during a project life cycle (including cumulative risks for a Partner implementing multiple projects):



1. MACRO ASSESSMENTS

1.1. Purpose: Why do a Macro Assessment?

What is UNDP's objective:

The process identifies risks in the public financial management and national procurement environment as well as country specific risks (eg: exchange rate volatility), within which funds will be disbursed to Partners; as well as an assessment of the capacity of the Supreme Audit Institution.

How will this impact the Partners:

Risks and issues identified from the Macro Assessment will be taken into consideration when determining:

- The appropriate cash transfer modality to Partners;
- Ability of the Supreme Audit Institution to carry out financial audits of government Partners on behalf of UNDP.

NOTE: This Section introduces the basic HACT principles of a Macro Assessment. As Macro Assessment planning and implementation do not involve individual Partners, this HACT process will not be covered in Part II and Part III.

1.2. Process: What are key steps in conducting a Macro Assessment?

The UN Country Team (or in some cases, UNDP) takes the lead in planning and implementing the Macro Assessment process on behalf of UN Agencies implementing the HACT Framework.

1.3. HACT principles: What are important elements in the Macro Assessment process?

HACT Process	HACT Requirement	Important Considerations	Results/ Key Documents
Planning	<ul style="list-style-type: none"> • A Macro Assessment should be done once every programme cycle; 	<ul style="list-style-type: none"> • Even if there are unforeseen reasons preventing a Macro Assessment from being done, the HACT framework will still apply for UNDP's Partners; • If a Macro Assessment is not completed, documented justification should be signed off by the UN Resident Coordinator and UNDP Resident Representative. 	
	<ul style="list-style-type: none"> • An independent Third-Party Service Provider with the required technical expertise, will be hired by the UN Country Team to conduct the Macro Assessments. 	<ul style="list-style-type: none"> • The cost of the Third-Party Service Provider fees should be shared among UN Agencies implementing the HACT Framework, in proportion to programme cycle funding. 	
Implementation	<ul style="list-style-type: none"> • Desk review of available Public Finance Management assessments eg assessments done by World Bank etc. 	<ul style="list-style-type: none"> • The risks identified should be tracked and monitored by UNDP, for overall Enterprise Risk Management and to inform Partner Micro Assessments; • The assessment of the Supreme Audit Institution (SAI) is required by UNDP's Office of Audit and Investigation (OAI) as evidence of the capacity of the SAI to conduct annual HACT financial audits for government projects. <p><i>Note: In addition to the assessment of the SAI as part of the Macro Assessment, completion of an additional more detailed SAI capacity assessment by a Third Party Provider is also required by UNDP OAI.</i></p>	<ul style="list-style-type: none"> • Macro Assessment Report for the country, which details: (i) risks related to the use of public financial management systems for cash transfers within the country to government Implementing Partners; (ii) country specific knowledge for non-governmental Partners; and (iii) assessment of Supreme Audit Institution capacity.
Decision Making	<ul style="list-style-type: none"> • Macro level risks of the public financial management system and country operating environment, should inform UNDP CO's decision on the modality of disbursement of funds to individual Partners. 		

2. MICRO ASSESSMENTS

2.1 Purpose: Why do a Micro Assessment?

What is UNDP's objective:

A Micro Assessment determines a Risk Rating for each partner based on an assessment of their financial/ procurement/ reporting and internal control systems. The Risk Rating is the basis for decision making on:

- the modality by which funds are disbursed for project activities implemented by Partners; and
- the type and frequency of checks, audits and monitoring activities that will be planned and conducted during the year.

How will this impact the Partners:

A Micro Assessment will impact the Annual Work Plan design and cash transfer modality; and identifies areas where UNDP can support the Partners in project implementation and indirect capacity building.

2.2 Process: What are key steps in conducting a Micro Assessment?

HACT Process	UNDP Role	National Project Director/ Project Manager/ Project Finance Role
Planning	<p>Step 1: Generate a Micro Assessment Plan that identifies and prioritizes Partners that will require a Micro Assessment during the programme cycle; and update this Plan semi-annually.</p> <p>Plan and include in project budgets, the cost of carrying out the Micro Assessment.</p>	
Implementation	<p>Step 2A: Conduct the Micro Assessment using independent third-party service providers, and review the results and quality of the report, to ensure the risk rating is commensurate with the evidence and issues identified.</p> <p>Document UNDP's decision on the Micro Assessment results including implications of the Risk Rating on the appropriate Project Implementation Modality, Cash Transfer Modalities and Assurance Activities; and an action plan with the Partner to resolve issues identified.</p>	<p>Step 2B: Participate in the assessment by facilitating access to records, documentation and key staff.</p> <p>Discuss the results of the assessment, as well as an action plan to resolve issues identified.</p>
Decision Making: Adjusting a Risk Rating	<p>Step 3A: Review all projects (if implementing multiple projects) implemented by the Partner, at least annually, to determine if there is a need to adjust the Micro Assessment's Risk Rating for known risk factors, to a more relevant Adjusted Risk Rating.</p> <p>Document UNDP's decision on the Adjusted Risk Rating.</p>	<p>Step 3B: Discuss implications of the Adjusted Risk Rating on changes in the annual work plan, cash transfer modality and type/ frequency of spot checks and audits in each year.</p>

2.3 HACT Principles: What are important elements in the Micro Assessment process?

HACT Process	HACT Requirement	Important Considerations	Key Documents prepared by UNDP to document, track and monitor results of HACT processes
Planning	<ul style="list-style-type: none"> • Micro Assessments should be done for any Partner who is expected to receive cash transfers of more than US\$ 150,000 per annum (including cumulative cash transfers if a Partner is implementing multiple projects). 	<ul style="list-style-type: none"> • The mandatory UNDP Partner Capacity Assessment Tool should be completed by Project Developers at the project design stage for all potential Partners, which in turn, should identify Partner's requiring Micro Assessments; • Micro Assessments should be completed before programme funding is provided for implementation of work plan activities (Important: For Global Environment Facility (GEF)/ Green Climate Fund (GCF) projects, micro assessments must be conducted before GEF/GCF budget approval); • A Micro Assessment Plan should be generated at the start of the year and 	<ul style="list-style-type: none"> • Micro Assessment Plan of Partner's qualifying for assessment, including the scheduled assessment dates.

	<ul style="list-style-type: none"> • Micro Assessments are valid for a period equivalent to the programme cycle period (eg: a micro assessment is valid for five years for a five year programme cycle, even if a new programme cycle has started). Hence, validity of micro assessments may extend across programme cycles. 	<p>updated semi-annually to identify and include Partners where project budgets have increased or operational reasons necessitate an assessment;</p> <ul style="list-style-type: none"> • In exceptional cases where the Micro Assessment cannot be done for reasons beyond the control of the Partner, approval by the UNDP Head of Office is required for transfers up to US\$ 150,000, and Regional Bureau approval for transfers above US\$ 150,000; • For Partners who receive less than US\$ 150,000, Micro Assessments are not required, but UNDP may elect to conduct a Micro Assessment if operational risk factors have been identified. 	
	<ul style="list-style-type: none"> • An independent Third-Party Service Provider with the required technical expertise, will be hired by UNDP CO to conduct Micro Assessments. 	<ul style="list-style-type: none"> • A Micro Assessment is considered invalid if there has been a significant change to the Partner's operational management systems/ processes or to the Partner's operating environment which invalidate the findings of the micro assessment (as evidenced from recent spot checks, audits, and project monitoring). 	
		<ul style="list-style-type: none"> • The cost of Third-Party Service Provider fees should be planned for and included within project budgets, as these activities directly contribute to the achievement of development results (Important: For GEF/GCF projects, the cost should not be from GEF/GCF funds). 	
Implementation	<ul style="list-style-type: none"> • Third-Party Service Provider will do an on-site review of the financial and internal control systems of Partners. 	<ul style="list-style-type: none"> • The results of the Micro Assessment (the Overall Risk Rating as well as specific areas that do not have adequate systems in place) should inform UNDP's decision on the implementation modality and degree of CO Support Services to NIM (for government implementing partners) required from UNDP, the appropriate Cash Transfer Modalities and type and frequency of Assurance Activities; • UNDP CO Support Services for government implementing partners must be agreed with the Partner and formalized in a Letter of Agreement: <ul style="list-style-type: none"> ▪ No cash is transferred, but the Partner retains full programmatic control and accountability over project activities; ▪ UNDP is responsible for the quality and timeliness of support services provided; ▪ The cost of UNDP Support Services should be included in the project budget (Important: For GEF projects, UNDP Support Services included in project budgets must be approved by GEF); • Issues/ action plan on recommendations from results of the Micro Assessment should be tracked in a Partner Risk Log and Action Plan for monitoring and decision making on adjusting Risk Ratings. 	<ul style="list-style-type: none"> • Micro Assessment Report with a Risk Rating for the Partner, including issues and recommendations; • Note to File documenting UNDP's conclusion of the Micro Assessment; • Letter of Agreement signed between UNDP and the Partner on the nature and scope of support services to be done by UNDP (where applicable). • Partner Risk Log and Action Plan to track and monitor issues/ action plan arising from all HACT processes.
Decision Making: Adjusting a Risk Rating (see 2.4)	<ul style="list-style-type: none"> • UNDP may adjust the Risk Rating to an Adjusted Risk Rating at any point during the programme cycle, based on risk factors identified from spot checks/ audits, programme visits, or operational reasons necessitate a change. 	<ul style="list-style-type: none"> • Downgrading a Risk Rating increases the frequency of Assurance Activities, which will have an impact on the project budget; • Downgrading a Risk Rating can have implications on the overall decision regarding the implementation 	<ul style="list-style-type: none"> • Note to File signed off by the UNDP Head of Office, documenting UNDP's decision for an Adjusted Risk Rating and the appropriate choice of Cash Transfer Modality and Assurance Activities.

		arrangements of the project (for IPs) or the contractual requirements (for RP); <ul style="list-style-type: none"> Downgrading a Risk Rating for government IPs increases the likelihood that Cash Transfer Modalities need to be supplemented with UNDP CO Support Services which will have implications on the project budget; The decision on downgrading a Risk Rating should take into account UNDP's office capacity and resources to implement the additional support services and oversight functions. 	
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2.4 HACT Criteria for Decision Making: How is a Risk Rating Determined?

a. Decision Criteria for determining a Risk Rating:

Overall, Partners' Risk Ratings are decided based on an assessment of their financial and internal control systems compared to international standards and best practices, to execute the programme in accordance with the Annual Work Plan. Under HACT, there are four possible Risk Ratings that can be assigned to a Partner:

TABLE 1: DECISION CRITERIA ON DETERMINING A PARTNER OVERALL RISK RATING			
LOW	MEDIUM/MODERATE	SIGNIFICANT	HIGH
<u>Well-developed financial management & internal control systems:</u> <ul style="list-style-type: none"> eg: key systems and processes in line with best practice, and well documented; Low likelihood and potential negative impact on Partner's ability to execute programme in accordance with Annual Work Plan 	<u>Developed financial management & internal control systems:</u> <ul style="list-style-type: none"> eg: majority of systems and processes in line with international best practices, and documented; Moderate likelihood and potential negative impact on Partner's ability to execute programme in accordance with Annual Work Plan 	<u>Under-developed financial management and internal control systems:</u> <ul style="list-style-type: none"> eg: some basic procedures and practices exist, but are poorly documented or not documented; internal controls are not consistently applied and/ or are not working as intended; Significant likelihood or potential negative impact on Partner's ability to execute programme in accordance with Annual Work Plan 	<u>Under-developed financial management and internal control systems:</u> <ul style="list-style-type: none"> (eg: weak or no procedures in place; procedures not consistently used, nor documented; no internal controls or controls are being intentionally by-passed); Significant likelihood and potential negative on Partner's ability impact to execute programme in accordance with Annual Work Plan

Within the overall risk ratings, the Micro Assessment identifies specific areas within the Partner that are assessed as stronger or weaker than others. All areas receive individual risk ratings which will further inform the use of the cash transfer modalities for strong and weak assessed areas.

b. Decision Criteria for adjusting an existing Risk Rating:

- i. Risk Ratings may be downgraded (eg: Low to Medium/ Significant/ High Risk) when "significant" issues are identified from results of assurance activities. Issues are deemed "significant" when:
- Internal control processes are not functioning as intended; or
 - Transactional or reporting errors occurred, where internal controls failed to detect or prevent such errors.

Significant issues are usually systemic and recurring across transactions; and are rated as High Risk by Third-Party Service Providers in the Management Letters of spot check and audit reports. Examples include:

Key Internal Control Processes for Financial Management; Programmatic Management; Procurement and	Examples of Internal Control Deficiencies

Contract Administration, Asset Management etc	
Verification	Transactions are not verified against agreed policies and procedures, approved budgets and annual work plans before processing
Authorization	Transactions not reviewed for validity and accuracy against approved budgets and annual work plans before authorization
Approval	Payments approved without adequate supporting documentation or are inconsistent with the Annual Work Plan and budget; payments made without approval; approvals done on a post-facto basis after payment was processed; or approvers are not authorized officials
Segregation of Duties	Single staff performing multiple finance roles (without compensating controls) which increase the likelihood of misuse of funds or fraud e.g.: payments made without being recorded, payments made more than once on the same invoice, banking details do not match vendor details, cash is collected but not recorded or banked, etc.
Supporting Documentation	Inadequate or lack of documented evidence that transactions are valid, e.g.: outstanding advances that are not accounted for; payments made without satisfactory evidence of goods or services received; payments that are not related to project outputs; payments made to wrong recipients; incorrect amounts paid to recipients; irregularities in the procurement process, etc.
Reconciliations	Inadequate or lack of comparing one set of data against another to identify, investigate, and explain exceptions (bank reconciliations, reconciliations of actual expenditure against budgets); and failure to take corrective action when necessary
Programme monitoring/ analysis/ review	Inadequate or lack of comparing output progress to indicators, targets, expenditure incurred, etc., to measure extent to which objectives are being achieved; and failure to identify unexpected or unusual conditions/ risks that require follow-up
Physical controls	Inadequate or no safeguarding of assets such as cash, equipment, etc., against inappropriate use, theft, damage or loss

- ii. Conversely, Risk Ratings can be upgraded (e.g.: Significant to Medium/ Low Risk) when there is adequate evidence from results of Assurance Activities that action has been taken by the Partners to resolve the issues i.e.:
- Two sequential audits with unqualified audit opinions; and
 - Satisfactory spot check results with no significant issues.

NOTE: Significant issues from all HACT processes should be tracked and monitored in a Partner Risk Log and Action Plan which will serve as a decision-making tool for determining if and when Risk Ratings should be adjusted.

3. TRANSFER/ DISBURSE/ REPORT: CASH TRANSFER MODALITIES

3.1 Purpose: Why have Cash Transfer Modalities?

What is UNDP's objective:

Cash Transfer Modalities give options to UNDP on methods of disbursing funds for an approved Annual Work Plan implemented by Partners, whilst mitigating financial risks identified from Macro, Micro Assessments and Assurance Activities.

How will this impact the Partners:

Cash Transfer Modalities allow Partners to implement UNDP projects or specific project activities based on their mandates and core areas of expertise, regardless of their Risk Ratings.

What are Cash Transfer Modalities:

Under the HACT Framework, there are three Cash Transfer Modalities:

- I. Direct Cash Transfers: UNDP pre-funds activities through an advance to a Partner;
- II. Reimbursements: UNDP refunds a Partner after disbursements have already been made, where the Partner has sufficient funds to pre-finance project activities;
- III. Direct Payments: UNDP performs banking services to disburse funds to third-parties upon request and certification from the Partner that services have been completed.

Cash Transfer Modalities are used only for specific areas of the Partner's procurement and financial systems that have been assessed as adequate by the Micro Assessment/ Assurance Activities processes:

I. Direct Cash Transfer		II. Reimbursements		III. Direct Payments	
<u>UNDP Systems</u>	<u>Partner Systems</u>	<u>Partner Systems</u>	<u>UNDP Systems</u>	<u>Partner Systems</u>	<u>UNDP Systems</u>
1. UNDP advances cash to the Partner on a three-month basis or less, based on agreed activities in the annual work plan.	2. Procurement of goods & services and disbursements are processed using the Partner's procurement and financial systems.	1. Procurement of goods & services and disbursements are processed using the Partner's procurement and financial systems.	2. UNDP reimburses the funds after the Partner has made the disbursements.	1. Procurement of goods & services are processed using the Partner's procurement systems.	2. Disbursements to vendors and third parties are processed on behalf of the Partner, based on a request made by the Partner after procurement process has been completed.

How Cash Transfer Modalities are implemented:

Cash Transfer Modalities are implemented using two standard documents: (i) the Funding Approval and Certification of Expenditure (FACE) form, which is supported by; (ii) an Itemised Cost Estimate (ICE) form. These forms are used by Partners for the dual purposes of both documenting the processes of cash transfer request; and subsequently the reporting of expenditure. UNDP uses the Forms to authorize the requests and expenditure:

- Separate FACE forms are initiated by Partners, each time a new request for Direct Cash Transfers or Reimbursement or Direct Payment is made, and again when the corresponding expenditure is reported. FACE forms must reconcile from one reporting period to another, i.e. FACE forms with approved cash transfer requests, must reconcile to new FACE forms where the corresponding expenditure incurred is being reported;
- ICE forms support FACE forms by providing a detailed breakdown of expenditure that is being requested for authorization, and subsequently to report the actual expenditure incurred; along with justifications where there is a material variance between the authorized amount and the actual expenditure.

The FACE form is aligned with the Annual Work Plan by activity and budget account code and consists of the following Sections (not all sections will be used at the same time):

FACE Form Area	Purpose	
	Used by Partners to: Request Cash Transfers and Report Expenditure Incurred	Used by UNDP to: Verify and Approve Cash Transfer Requests and Expenditure Incurred
Header Area (complete on all FACE forms):	Indicate project information, and the type of cash transfer modality being requested/ reported	Verify accuracy of project information and cash transfer request/ report
Activity Description Area (complete on all FACE forms):	List of relevant activities from the approved Annual Work Plan and ProDoc	Verify accuracy of activities in line with the Annual Work Plan and ProDoc

Coding Column (complete on all FACE forms):	Record Atlas chart of accounts and budget lines aligned to the Annual Work Plan	Verify accuracy of Atlas chart of accounts and budget lines in line with the Annual Work Plan
Request/ Authorization Area (complete only when requesting a Cash Transfer):	Request the amount of: (i) cash advance for the next quarter; or (ii) future direct payment disbursements after activities have been completed; or (iii) future reimbursement after activities have been completed and paid for. Amount of request must be supported by a detailed budget of expenditure in an Itemized Cost Estimate (ICE) form)	Verify request against Annual Work Plan and pre-authorize the accepted amount of funds to be disbursed for the next reporting period
Reporting Area (complete only when reporting expenditure):	Record actual expenditure incurred (supported by comparison of actual expenditure against budgeted expenditure in the ICE form); ensuring that amounts reconcile with earlier authorized FACE forms	Reconcile and verify difference between authorized amounts (from prior FACE/ICE forms) against expenditure incurred
Certification Area (complete on all FACE forms):	Certify either accuracy of amounts requested or amounts reported, in compliance with Partner's policies and procedures and Annual Work Plan; and the date of submission. This area should be certified only by an authorized designated official. Signature specimens of all authorized designated officials must be submitted to UNDP for validation purposes.	
Approval Area (complete on all FACE forms):		Pre-approval of either cash transfer requests or authorization of expenditure incurred, to be recorded in Atlas (the Combined Delivery Report generated from Atlas is the official record of project expenditure incurred). This area should be signed off only by the RR/DRR, or other designated official by UNDP. UNDP commits to provide signature specimens of UNDP authorized officials to the four partner governments.

3.2 Process: What are key steps in the Transfer/ Disburse/ Report process?

HACT Process	UNDP Role (Programme/ RQT/ Operations)	National Project Director/ Project Manager/ Project Finance Role
Planning	Step 1A: Obtain list of specimen signatures and email addresses of Authorized Officials for FACE form and online quarterly CDR certification; including Bank Signatories (if unique project bank account is permitted by national legislation).	Step1B: Designate Authorized Officials and alternates who will be accountable and responsible for implementing the Annual Work Plan and certifying the FACE form/online quarterly CDRs; including authorized Bank Signatories (if unique project bank account is permitted by national legislation).
Implementation	<p>Step 3: Request for Cash Transfers: Verify accuracy (and resolve exceptions, if applicable) on FACE and ICE forms in accordance with the Annual Work Plan; and approve final FACE form to disburse cash advances and/or approve requests to incur expenditure for Reimbursement and/or Direct Payment.</p> <p>Step 5: Reporting of Expenditure Incurred: Verify accuracy (and resolve exceptions, if applicable) on FACE in accordance with previous approved FACE forms and ensure ICE forms include justifications for variances between budgeted and actual expenditure; and approve final FACE form to either liquidate advances and/or disburse funds for Reimbursement and Direct Payment.</p> <p>Step 6: Official Record of Expenditure Incurred: Verify accuracy and completeness of quarterly/ year-end CDRs in Atlas CDR Bridge Platform (i.e Direct Cash Transfers are reflected under Partner's column and Reimbursements and Direct Payments are reflected under UNDP column); and confirm electronic notification to Partners.</p>	<p>Step 2: Request for Cash Transfer: Prepare, certify, and submit FACE and ICE forms to request for cash advances and/or pre-authorization to incur expenditure for Reimbursement and/or Direct Payment for the next reporting period.</p> <p>Step 4: Reporting of Expenditure Incurred: Prepare, certify and submit FACE and ICE forms to report on expenditure incurred, linked to approved FACE forms requests from prior reporting period.</p> <p>Step 7: Official Record of Expenditure Incurred: Review and certify validity of expenditure in the quarterly CDRs, in accordance with final FACE forms approved by UNDP.</p>

HACT Principles: What are important elements for the Transfer/ Disburse/ Report process?

HACT Process	HACT Requirement	Important Considerations	Key Documents used by UNDP to document, track and monitor results of HACT processes
<p>Planning (see 3.4)</p>	<ul style="list-style-type: none"> The choice of Cash Transfer Modality is dependent on the Partner’s Risk Rating and specific areas assessed as Adequate; and will change if there is an adjustment to the Risk Rating or if significant issues are identified. 	<ul style="list-style-type: none"> UNDP may discontinue the cash advance modality if it is not being used correctly: <ul style="list-style-type: none"> If procurement and other systems have been assessed as adequate in the Micro Assessment, UNDP may elect to transfer cash through the Direct Payments or Reimbursements modality; If procurement or other systems are assessed as not adequate in the Micro Assessments, UNDP will assume CO support to NIM for government IPs or Direct Implementation Modality. 	
<p>Implementation</p>	<ul style="list-style-type: none"> Use of mandatory standard forms (FACE, ICE, CDR) to implement and report Cash Transfer Modalities; certified by a designated Partner official and approved by designated UNDP officials 	<ul style="list-style-type: none"> UNDP will not authorize a new request of direct cash transfer to the partner: unless 80 percent of the prior Direct Cash Transfer, and 100 percent of all earlier advances have been liquidated. No new advances will be given to a Partner if there are long outstanding advance over 1 year old; UNDP can elect to: accept, reject or amend requests for advances and disbursements, after verification of Partner submissions against approved Annual Work Plans and ICE; Certification of FACE and ICE forms by Partner designated official implies: <ul style="list-style-type: none"> Accuracy of the information in accordance with approved Annual Work Plans and accounting systems with up to date and accurate recording of financial transactions; Filing system for all original supporting documentation to be provided upon request by UNDP, and maintained for a period of 5 years. Original supporting documentation is required for spot check and audit purposes Copies may be requested by UNDP if required to verify the validity of the expenditure. Certified year-end CDRs will be the official financial record for the year used for audit purposes; Issues/ action plan arising from the FACE/ ICE verifications should be tracked in the Partner Risk Logs and Action Plan for monitoring and decision making on adjusting Risk Ratings. 	<ul style="list-style-type: none"> Funding Authorization and Certificate of Expenditure (FACE) form; Itemized Cost Estimate (ICE) form; Combined Delivery Report (CDR); Government ledgers or project bank statements; Partner Risk Log and Action Plan to track and monitor issues/ action plan arising from HACT processes.

3.3 HACT Criteria for Decision Making: How does the Risk Rating affect the choice of Cash Transfer Modality?

a. Decision Criteria for determining the appropriate Cash Transfer Modality:

UNDP's decision on the appropriate Cash Transfer Modality is based on the Partner's Risk Rating and issues identified in specific areas from Micro Assessments and Assurance Activities. The three Cash Transfer Modalities may be used either individually, or in combination, to suit the project activity needs, and can be supplemented with UNDP support services:

TABLE 2: DECISION CRITERIA FOR DETERMINING CASH TRANSFER MODALITIES				
Adjusted Risk Rating	Direct Cash Transfer	Reimbursement	Direct Payment	UNDP Support Services
LOW	✓	✓	✓	✓
MEDIUM	✓	✓	✓	✓
SIGNIFICANT	X	✓	✓	✓
HIGH	X	X	X	✓
NON-ASSESSED (<\$150,000 cash transfers per annum)	✓	✓	✓	✓
UNDP selects the most appropriate Cash Transfer Modality to suit project activities based on UNDP's past experience with the Partner, existing capacity assessments, and other known risk factors. The choice of Cash Transfer Modality should be documented in a Note to File and signed by the Head of Office.				
<p>✓ Cash Transfer Modality can be used for this Risk Rating; but only in specific areas assessed as Adequate i.e where no issues have been raised in the Micro Assessment and Assurance Activities. Otherwise, consider UNDP Support Services for those areas with significant issues, regardless of the Risk Rating.</p> <p>X Cash Transfer Modality not allowed for this Risk Rating (exceptions require ORFM approval).</p>				

b. Decision Criteria for change in Cash Transfer Modalities:

Cash Transfer Modalities change whenever there is an adjustment to the Partner Risk Rating, due to significant issues arising from assurance activity results:

TABLE 3: DECISION CRITERIA FOR CHANGE IN CASH TRANSFER MODALITY WHEN RISK RATING IS ADJUSTED			
HACT Criteria		If significant Issues Identified (and no satisfactory evidence from subsequent spot checks of being resolved by Partner)	
Current Partner Risk Ratings	Allowed Cash Transfer Modalities, only in specific areas assessed in the Micro Assessment as Adequate	Adjustment to Partner Risk Rating	Implication on subsequent Cash Transfer Modalities
LOW	<ul style="list-style-type: none"> Direct Cash Transfers; and/or Direct Payment; and/or Reimbursement 	MEDIUM	<ul style="list-style-type: none"> Continue with the most appropriate Cash Transfer Modalities, but monitor corrective action of significant issues by Partner from a second scheduled spot check.
MEDIUM	<ul style="list-style-type: none"> Direct Cash Transfers; and/or Direct Payment; and/or Reimbursement 	SIGNIFICANT	<ul style="list-style-type: none"> Direct Cash Transfer no longer allowed; Discontinue Direct Payments if issues relate to expenditure incurred under Direct Payments; Consider CO Support to NIM (for government IPs)
SIGNIFICANT	<ul style="list-style-type: none"> Direct Payment; and/or Reimbursement 	HIGH	<ul style="list-style-type: none"> Discontinue both Direct Payments and Reimbursement; Move to CO Support to NIM (for government IPs)
HIGH	<ul style="list-style-type: none"> Not Allowed 	HIGH	<ul style="list-style-type: none"> Not Allowed

4. ASSURANCE ACTIVITIES

4.1. Purpose: Why have Assurance Activities?

What is UNDP's objective:

Assurance Activities provide on-going evidence to UNDP throughout the life of the project, that funds disbursed to Partners are used for their planned purpose in accordance with the approved Annual Work Plan and policies and procedures agreed in the project document; and that financial management systems and controls are functioning as intended.

How will this impact Partners:

Assurance Activities help identify areas for improvement in Partner financial management systems and internal controls, towards building capacity of the Partner.

Under the HACT Framework, there are three types of Assurance Activities:

I. Programmatic Output Verification Done by: UNDP	II. Spot Checks (for expenditure >\$50,000 per year) Done by: Independent qualified Third-Party (hired by UNDP)	III. Scheduled Audits Done by: Independent qualified Third-Party (hired by UNDP) or Supreme Audit Institution (if applicable, for financial audits)
<p>Purpose: Field visits to:</p> <ul style="list-style-type: none"> • monitor progress of project implementation compared to Annual Work Plan, funds disbursed and quarterly progress reports; • identify operational, financial and programmatic challenges and constraints in implementation; • establish remedial plan of action in collaboration with the Partner to resolve the challenges and constraints. 	<p>Purpose: on-site review to assess:</p> <ul style="list-style-type: none"> • accuracy of financial records of cash transfers; • status of project implementation, based on funds disbursed and a review of the financial information; • significant changes to financial systems and internal controls; • status of implementation of audit recommendations; • areas for improvement and recommend capacity development initiatives. 	<p>Purpose: Examination of financial management and internal control systems to determine whether funds transferred to Partners are used for the appropriate purpose and in accordance with the annual work plan:</p> <ul style="list-style-type: none"> • Internal Control Audits of Partners: for Low and Medium Risk Partners; • Financial Audits of projects: for Significant and High-Risk Partners, or if desired for Low and Medium Risk Partners.

4.2 Process: What are key steps in the Assurance Activities process?

HACT Process	UNDP Role (Programme/ RQT/ Operations)	National Project Director/ Project Manager/ Project Finance Role
Planning	<p>Step 1: Use Partner Risk Ratings to develop an Assurance Activity Plan of the type, frequency and scheduling of assurance activities; and update this Plan semi-annually.</p> <p>Plan and include in project budgets, the cost of carrying out the Assurance Activities.</p>	
Implementation	<p>Step 2A: Conduct spot checks and audits using independent third-party service providers; and arrange field missions for UNDP programmatic monitoring.</p> <p>Formulate an action plan with the Partner to resolve issues identified, and monitor status of implementation during future assurance activities.</p>	<p>Step 2B: Participate in the assurance activities by facilitating access to records, documentation and key staff.</p> <p>Discuss the results of the assurance activities, as well as an action plan to resolve issues identified.</p>

4.3 HACT Principles: What are important elements for Assurance Activities?

HACT Process	HACT Requirement	Important Considerations	Key Documents used by UNDP to document, track and monitor results of HACT processes
Planning (see 4.4)	<ul style="list-style-type: none"> • The type and frequency of Assurance Activities are dependent on the Partner's Risk Rating, and will change if there is an adjustment to the Risk Rating; 	<ul style="list-style-type: none"> • An Assurance Activity Plan should be prepared at the start of the year and updated semi-annually. 	<ul style="list-style-type: none"> • Assurance Activity Plan documenting type and frequency of assurance activities for each Partner and the scheduled/ completed dates.

	<ul style="list-style-type: none"> Spot Checks are required for all Assessed and Non-Assessed Partners expected to receive cash transfers >\$50,000 per annum; Scheduled audits are required for all Assessed and Non-Assessed Partners expected to receive cash transfers > \$200,000 per year. 		
	<ul style="list-style-type: none"> An independent Third-Party Service Provider with the required technical expertise, will be hired by UNDP CO to conduct spot checks and audits; UNDP staff will conduct project monitoring and field visits. 	<ul style="list-style-type: none"> The cost of Third-Party Service Provider fees and costs of project monitoring should be planned for and included within project budgets, as these activities directly contribute to the achievement of development results. 	
Implementation	<ul style="list-style-type: none"> Third-Party Service Providers and UNDP will do an on-site review of expenditure incurred. 	<ul style="list-style-type: none"> Issues/ action plan on recommendations from results of the Assurance Activities should be tracked in a Partner Risk Log and Action Plan for monitoring and decision making on adjusting Risk Ratings. 	<ul style="list-style-type: none"> Standard HACT reports are to be used to document the results of Assurance Activities: <ul style="list-style-type: none"> Programme Output Verification: Back to Office Report; Spot Checks: standard report format to be completed by Third Party Service Providers; Audits: standard report format to be completed by Third Party Service Providers Partner Risk Log and Action Plan to track and monitor issues/ action plan arising from all HACT processes.

4.4 HACT Criteria for Decision Making: How does the Risk Rating affect Assurance Activities?

a. Decision Criteria for determining the type and frequency of Assurance Activities:

UNDP's planning on the type and frequency of Assurance Activities is based on the Partner's Risk Rating. The type and frequency of Assurance Activities based on Risk Ratings is illustrated using a four-year project:

TABLE 4: DECISION CRITERIA FOR DETERMINING TYPE AND FREQUENCY OF ASSURANCE ACTIVITIES			
Risk Rating	Spot Checks (If expenditure > \$50,000 per year)	Scheduled Audits (If expenditure > \$200,000 per year)	Programme Output Verification
LOW	Once per year (not required if reported expenditures are expected to be audited)	Internal Control Audit (every other year)	At least once per year
MEDIUM	Twice per year (not required if reported expenditures are expected to be audited)	Internal Control Audit (every other year)	At least once per year
SIGNIFICANT	Twice per year	Financial Audit (every year)	At least once per year
HIGH	Not Applicable (all activities implemented by UNDP)	DIM audit (OAI notifies Country Office if DIM audit is applicable)	At least once per year
NON-ASSESSED	Once per year	Financial Audit (every year)	At least once per year
IMPORTANT CONSIDERATIONS:			
<ul style="list-style-type: none"> Spot Checks: <ul style="list-style-type: none"> the Country Office can choose to perform financial audits for the reported expenditure, in place of spot checks. The decision to perform financial audits in place of spot checks should be reflected in the Assurance Activity Plan; the frequency of spot checks may be increased above the above minimum requirement, if deemed necessary based on known risk factors (eg: risks identified from prior assurance activities); Financial Audits: <ul style="list-style-type: none"> Financial Audits are governed by OAI's annual HACT Financial Audit Call Letter; 			

- Subject to OAI approval, to be exempted from the OAI-led annual HACT Financial Audits, the Country Office must submit to OAI: (i) written confirmation from the Resident Representative of compliance with HACT Framework for the financial year; and (ii) official confirmation from OFRM of HACT Framework compliance for the financial year.

b. Decision Criteria for change in Assurance Activities when Risk Rating is adjusted:

Assurance Activities change whenever there is an adjustment to the Partner Risk Rating, due to significant issues arising from assurance activity results:

TABLE 5: DECISION CRITERIA FOR CHANGE IN ASSURANCE ACTIVITIES DUE TO ADJUSTED RISK RATING			
HACT Criteria		Significant Issues Identified from Assurance Activities (and no satisfactory evidence from subsequent spot checks of being resolved by Partner)	
Current Risk Ratings	Type/ Frequency of Assurance Activities	Adjusted Risk Rating	Implication on subsequent Cash Transfer Modalities and Assurance Activities
LOW	<ul style="list-style-type: none"> • One spot check per year; or • Internal control audit 	MEDIUM	<ul style="list-style-type: none"> • Spot checks increase to two per year; • Consider switch from Internal Control Audits by Partner, to Financial Audits by project
MEDIUM	<ul style="list-style-type: none"> • Two spot checks per year; or • Internal Control audit 	SIGNIFICANT	<ul style="list-style-type: none"> • Switch from Internal Control Audits by Partner, to Financial Audits by project; • Consider a Special Audit if issues warrant further investigation eg: concerns within a specific area such as procurement or cash management, mismanagement of funds, or suspicion of fraud; • Escalate elements of fraud and mismanagement to UNDP OAI.
SIGNIFICANT	<ul style="list-style-type: none"> • Two spot checks per year; and • Financial audit 	HIGH	<ul style="list-style-type: none"> • Not applicable for CO Support to NIM or Direct Implementation applies.
HIGH	<ul style="list-style-type: none"> • Not Applicable 	HIGH	<ul style="list-style-type: none"> • Not Applicable



PART II: STANDARD OPERATING PROCEDURES: CHECKLIST OF KEY ACTIONS

1. MICRO ASSESSMENTS

1.1 UNDP ROLES & RESPONSIBILITIES

Key Steps	Roles & Responsibility	Key Action (outside HACT SharePoint)	Key Action (within HACT SharePoint)	Timelines	How-To Guide for completing templates
PLANNING: PREPARING AND POPULATING A MICRO ASSESSMENT PLAN					
<p>Step 1: Generate a Micro Assessment Plan that identifies and prioritizes Partners that will require a Micro Assessment during the programme cycle; and update this Plan semi-annually.</p> <p>Plan and include in project budgets, the cost of carrying out the Micro Assessment.</p>	<p>UNDP: Programme Finance Analyst and relevant Programme staff</p>	<input type="checkbox"/> Generate list of Partners by Implementing Agent Code and project budget from HACT SharePoint.	<input type="checkbox"/> Download data by Implementing Agent and project budget semi-annually in Jan and Jun	Semi-annually (Jan and Jun)	
		<input type="checkbox"/> Identify Partners with estimated cash transfers per annum > \$150,000 (include cumulative cash transfers if multiple projects are implemented by a Partner): <ul style="list-style-type: none"> ▪ <i>If a Micro Assessment has not previously been done:</i> complete the assessment before the start of project activities and before any cash transfers are made. ▪ <i>If a Micro Assessment has previously been done:</i> ensure assessment is still valid: (i) the assessment was done in the last five years; and (ii) there has been no significant change to the Partner's operational management systems/ processes or to the Partner's operating environment identified from past spot checks and programme verification. <p>If assessment is no longer valid, a new Micro Assessment should be conducted immediately.</p> <p>NOTE: If a Micro Assessment cannot be completed due to exceptional circumstances beyond the control of the Partner (eg: security issues, crisis situation etc): document reasons in a Note to File and obtain the following approvals before cash transfers are made:</p> <ul style="list-style-type: none"> ▪ Cash transfers up to \$150,000 – Resident Representative approval; ▪ Cash transfers above \$150,000 – Regional Bureau approval. <input type="checkbox"/> Identify Partners with estimated cash transfer per annum < \$150,000 (Micro Assessments are not mandatory): <ul style="list-style-type: none"> ▪ <i>If operational risk factors have been identified:</i> plan for a Micro Assessment (eg: where: relevant risks have been identified in 	<input type="checkbox"/> Upload approved Micro Assessment Plan (signed by UNDP RR)	Semi-annually (no later than end Feb and end Jul)	Annex 1: Micro Assessment Plan (for tracking outside of HACT SharePoint)

		<p>the Macro Assessment; or UNDP CO has no prior experience with the Partner; or the Partner is operating in a high-risk environment etc.</p> <ul style="list-style-type: none"> ▪ <i>If no operational risk factors have been identified:</i> designate these Partners as Non-Assessed, but continue to evaluate semi-annually for increases in project budgets and operational risk factors. <ul style="list-style-type: none"> <input type="checkbox"/> Populate the Micro Assessment Plan with all Partners identified for assessment, and schedule dates for conducting the Micro Assessments by: <ul style="list-style-type: none"> ▪ Prioritizing Partner's with higher risk eg: (i) Prior negative micro assessment results and/or negative audit opinions; (ii) earlier start dates of project activities; (iii) higher cash transfer amounts; ▪ Allowing sufficient time for the procurement process of Third-Party service Providers, finalization of their reports etc before transfer of cash). <input type="checkbox"/> Ensure cost of the Micro Assessment is included in the Partner's project budget. <input type="checkbox"/> Finalize the Micro Assessment Plan and obtain Resident Representative approval. 			
IMPLEMENTATION: CARRYING OUT A MICRO ASSESSMENT					
<p>Step 2A: Conduct the Micro Assessment using independent third-party service providers, and review the results and quality of the report, to ensure the risk rating is commensurate with the evidence and issues identified.</p> <p>Document UNDP's decision on the Micro Assessment results including implications of the Risk Rating on the appropriate Project</p>	<p>UNDP: Procurement team, Programme Finance Analyst, relevant Programme staff</p>	<ul style="list-style-type: none"> <input type="checkbox"/> Initiate procurement process for Third Party Service Provider. <input type="checkbox"/> Coordinate logistics, documentation etc between Third Party Service Provider and Partner. <input type="checkbox"/> Discuss results of the assessment with the Partner, specifically: (i) implication of the Risk Rating on the Project Implementation Modality, Cash Transfer Modality and Assurance Activities; and (ii) issues identified and an Action Plan to address the issues and recommendations raised. <input type="checkbox"/> Document issues, recommendations and action plan in a Partner Risk Log & Action Plan (this document will be used to track and monitor issues and status of implementation of recommendations for all HACT processes and as a decision-making tool for adjusting Partner Risk Ratings, if necessary). <input type="checkbox"/> Document in a Note to File, UNDP's conclusions on the Micro Assessment report: 	<ul style="list-style-type: none"> <input type="checkbox"/> Upload (i) Micro Assessment Report and approved Note to File: Conclusion on Micro Assessment Report; and (ii) updated Partner Risk Log and Action Plan 	<p>Scheduled dates as per Micro Assessment Plan</p>	<p>Annex 2: Partner Risk Log and Action Plan</p> <p>Annex 3: Note to File: Conclusion on Micro Assessment Report</p>

<p>Implementation Modality, Cash Transfer Modalities and Assurance Activities; and an action plan with the Partner to resolve issues identified.</p>		<ul style="list-style-type: none"> ▪ the choice of the appropriate Project Implementation Modality and/or need for UNDP Support Services; ▪ the choice of the appropriate Cash Transfer Modality (based on Decision Criteria in Part I Section 3.4); ▪ the type and frequency of Assurance Activities (based on Decision Criteria in Part I Section 4.4); ▪ implications of Cash Transfer Modality, type and frequency of Assurance Activities, UNDP support services (if applicable) on Annual Work Plan design and project budget; ▪ assessment of the Partner’s Fraud Prevention Policy. <p><input type="checkbox"/> Finalize:</p> <ul style="list-style-type: none"> ▪ Note to File for Resident Representative approval; and ▪ Update the Micro Assessment Plan with the completion date of the Micro Assessment. <p><i>Resources:</i></p> <ul style="list-style-type: none"> ▪ TOR for Micro Assessment Performed by Third Party Service Providers <p> TOR_HACT%20Micro%20Assessment.docx</p> <ul style="list-style-type: none"> ▪ Revised Micro Assessment Questionnaire <p> Micro%20assessment%20questionnaire.xls</p>			
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DECISION MAKING: ADJUSTING A PARTNER RISK RATING

<p>Step 3A: Review all projects (if implementing multiple projects) implemented by the Partner, at least annually, to determine if there is a need to adjust the Micro Assessment’s Overall Risk Rating for known risk factors, to a more relevant Adjusted Risk Rating; and document UNDP’s decision on the Adjusted Risk</p>	<p>UNDP: Programme Finance Analyst; ARR GPRU or ECC, Senior Management</p>	<p><input type="checkbox"/> Analyze significant issues (tracked and monitored in the Partner Risk Log & Action Plan), and determine if an adjustment to the Partner Risk Rating is warranted.</p> <p><input type="checkbox"/> Conclude and document in a Note to File, UNDP’s decision to adjust the Risk Rating:</p> <ul style="list-style-type: none"> ▪ the justification for an Adjusted Risk Rating based on known risk factors; ▪ the choice of the appropriate Cash Transfer Modality and/or use of UNDP Support Services (based on Decision Criteria in Part I Section 3.4); ▪ the type and frequency of Assurance Activities (based on Decision Criteria in Part I Section 4.4); ▪ implications of Cash Transfer Modality, type and frequency of Assurance Activities, UNDP support services (if applicable) on 	<p><input type="checkbox"/> Upload Note to File: Decision for Partner Adjusted Risk Rating</p>	<ul style="list-style-type: none"> ▪ After a Micro Assessment has been completed; and/ or ▪ Operational reasons or known risk factors necessitate a review of the Risk Rating 	<p>Annex 3: Note to File: Conclusion on Partner’s Adjusted Risk Rating</p>
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Rating.		Annual Work Plan design and budget. <input type="checkbox"/> Finalize: <ul style="list-style-type: none">▪ Note to File for Resident Representative approval; and▪ Update the Micro Assessment Plan with the Adjusted Risk Rating for the Partner.			
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1.2 PARTNER ROLE & RESPONSIBILITY

Key Steps	Roles & Responsibility	Key Action	Timelines	How-To Guide for completing templates
IMPLEMENTATION: CARRYING OUT A MICRO ASSESSMENT				
Step 2B: Participate in the assessment by facilitating access to records, documentation and key staff; and formulate an action plan to resolve the issues.	Partner: NPD & PMU	<input type="checkbox"/> Provide on-site access to Third Party Service Provider to interview key staff members, review supporting documentation/ systems etc. <input type="checkbox"/> Discuss results of the assessment and formulate an action plan with UNDP, to address the risks identified (implementation of the action plan will be verified during programme monitoring, spot checks and audits).	Scheduled dates as per Micro Assessment Plan	
DECISION MAKING: ADJUSTING A PARTNER RISK RATING				
Step 3B: Discuss implications of the Risk Rating on changes in the annual work plan, cash transfer modality and type/ frequency of spot checks and audits in each year.	Partner: NPD & PMU	<input type="checkbox"/> Discuss with UNDP the implications of changing Project Implementation Modality, Cash Transfer Modalities and type and frequency of Assurance Activities, as well as need for UNDP support services.	<ul style="list-style-type: none"> ▪ After a Micro Assessment has been completed; and/ or ▪ Operational reasons or known risk factors necessitate a review of the Overall/ Adjusted Risk Rating 	

2. TRANSFER/ DISBURSE/ REPORT

2.1 UNDP ROLES & RESPONSIBILITIES					
Key Steps	Roles & Responsibility	Key Action (outside Atlas)	Key Action (within Atlas)	Timelines	How-To Guide for completing templates
PLANNING: ESTABLISHING PREREQUISITES FOR CASH TRANSFERS					
Step 1A: Obtain list of Authorized Officials for FACE form certification and Bank Signatories (including specimen signatures).	Programme Finance Analyst	<input type="checkbox"/> Ensure prerequisites for cash transfers in place (cash transfers as per most recent Note to File – Annex 3 or Annex 4): <ul style="list-style-type: none"> ▪ List of Authorized Officials who can certify FACE forms and CDRs, and their specimen signatures; ▪ Project bank account details and list of authorized bank signatories and specimen signatures (if project bank account permitted by national legislation and managed by dual signatories). <input type="checkbox"/> Enter email of Partner authorized official against project Atlas Award in the CDR Bridge platform (https://bridge.undp.org)		Before first cash transfer	
IMPLEMENTATION: CARRYING OUT THE REQUEST, DISBURSEMENT, REPORTING AND RECORDING OF CASH TRANSFERS					
Step 3: <u>Request for Cash Transfer</u> : verify accuracy (and resolve exceptions, if applicable) on FACE and ICE forms in accordance with the Annual Work Plan; and approve final FACE form to disburse cash advances and/or approve requests to incur expenditure for Reimbursement and/or Direct Payment	Programme	<input type="checkbox"/> Verify reasonableness of amount requested, and the completeness and accuracy of information on FACE form submitted by Partner: <ul style="list-style-type: none"> ▪ Opening balance in current FACE form (Column A) is equal to closing balance in previous FACE form (Column G); ▪ ICE form is attached (activities are in line with AWP, with detailed budget including price and quantities, where cost estimates are reasonable); ▪ Requests are appropriate, necessary and in accordance with AWP activities, available budget and period covered by the advance; ▪ FACE form is arithmetically correct; ▪ Chart of accounts (project, activity, donor, fund and account codes are accurate and consistent with AWP, Atlas project budget and ICE form); ▪ Availability of funds in Atlas for the amount requested; ▪ FACE form has been signed by authorized Partner staff. <input type="checkbox"/> Investigate exceptions and document results prior to finalization of FACE forms (notify Partner of any changes to FACE form): <ul style="list-style-type: none"> ▪ <u>Outstanding advances from previous Direct Cash Transfer</u> 	<input type="checkbox"/> For Direct Cash Transfers: confirm that advance request is within available Atlas project budgets and ASL/AX1 funding ceilings, as well as advance balances in 16005. <input type="checkbox"/> For Direct Cash Transfers: Raise AP Voucher to charge advance account: 16005. <input type="checkbox"/> For Reimbursement and Direct Payments: no action required in Atlas at request stage.	At least once per quarter. For Direct Cash Transfers: or as soon as 80 percent of the previous advance and 100 percent of earlier advances have been liquidated	Annex 5: FACE form Annex 6: ICE Form

		<p><u>requests</u>: reason for high outstanding balances compared with rate of implementation;</p> <ul style="list-style-type: none"> ▪ <u>Amend</u>: clerical errors such as: incorrect “Type of Request”, project details, arithmetic errors, wrong FACE form column used etc; ▪ <u>Reject</u>: expenditure validity issues such as: activities not included in approved AWP etc; ▪ <u>Unresolved issues</u>: (i) resolve issues arising from previous FACE/ICE; (ii) resolve current FACE/ICE issues, latest by next reporting period; (iii) ensure rejected items are not resubmitted, but are absorbed by the Partner; and (iv) pursue all avenues to ensure UNDP does not assume liability for rejected expenditure. <p>NOTE: Contentious issues must be resolved before finalization of the year-end CDR.</p> <p><input type="checkbox"/> Complete FACE form and accept amount to be disbursed (same procedures for Direct Cash Transfer, Direct Payments, and Reimbursement):</p> <ul style="list-style-type: none"> ▪ Request/ Authorization Area (Column F): enter amount pre-authorized for the next reporting period which can be equal or less than the amount requested by the Partner in Column E; ▪ Request/ Authorization Area (Column G): enter total pre-authorized amount which includes unspent amounts from previous advances as well as pre-authorized amount for next reporting period; ▪ Coding Column: complete Atlas chartfields; ▪ Approval Area: approve if request in accordance with AWP, certified by Partner authorized official. <p><input type="checkbox"/> Submit a copy of the approved FACE form to the Partner.</p>			
	Programme Finance Analyst, Operations Manager	<p><input type="checkbox"/> Verify information in Atlas for Direct Cash Transfer requests:</p> <ul style="list-style-type: none"> ▪ Ensure: (i) at least 80 percent of previous advance has been liquidated; (ii) 100 percent of earlier advances liquidated; and (iii) no outstanding advances greater than 1 year; ▪ Reconcile cash funds on the FACE form to the balance of funds in the Atlas advance account (16005) and attach to FACE form; ▪ Investigate NEX advances in Atlas with credit balance and resolve discrepancy; ▪ Determine if issues from prior FACE/ICE form verification and results of assurance activities or any other information warrant withholding or reducing cash advances. 	<p><input type="checkbox"/> Download Atlas reports to monitor Atlas advance account (16005):</p> <ul style="list-style-type: none"> ▪ NEX Advances Aging Report – ageing status of outstanding balances; ▪ Account Activity Analysis (AAA) report – movements in the account for a specified accounting period. <p><input type="checkbox"/> Check Payment Authorization Form for accuracy and consistency of amount, currency, payee, account codes with supporting FACE form.</p>		
	ARR GPRU or ECC	<p><input type="checkbox"/> Certifies accuracy of FACE form by initialing.</p>			

	RR or DRR	<input type="checkbox"/> Approve amount of Direct Cash Transfer to be disbursed: <ul style="list-style-type: none"> Approval Area: Approve FACE form for disbursement.¹ 	<input type="checkbox"/> Approve Payment for disbursement of Direct Cash Transfer in Atlas			
	Global Shared Services Unit (GSSU)	<input type="checkbox"/> Disburse approved Direct Cash Transfer to Partner: <ul style="list-style-type: none"> Verify mathematical accuracy and currency of FACE form; Budget check and process cash transfer to Partner based on approved FACE form; Provide copy of approved FACE Form and notice of disbursement to Partner once transfer is complete. 	<input type="checkbox"/> Raise, approve and budget check AP voucher and process Direct Cash Transfer.			
<p>Step 5: Reporting of Expenditure Incurred: Verify accuracy (and resolve exceptions, if applicable) on FACE in accordance with previous approved FACE forms and ensure ICE forms include justifications for variances between budgeted and actual expenditure; and approve final FACE form to either liquidate advances and/or disburse funds for Reimbursement and Direct Payment.</p>	Programme	<input type="checkbox"/> Verify reported expenditures: <ul style="list-style-type: none"> Compare amounts against previously approved request/ AWP/ budget/ chart fields; Review ICE form for variances between budgeted and actual expenditure and reasonableness of explanations for positive and negative variances. For Direct Payments, request copies of supporting documentation for selected transactions, only if a greater degree of oversight is deemed necessary); For Direct Cash Transfers: Review project bank reconciliation (if applicable) to ensure: (i) cash book and bank statement are reconciled; and (ii) cash balance as per cash book equals cash balance as per FACE form; and bank reconciliation has been signed by an Authorized Signatory; or reconcile FACE form with government ledger; For Direct Payments: ensure vendor name, address and banking details are provided. <input type="checkbox"/> Notify Partner of any changes to FACE form that have not been accepted: <ul style="list-style-type: none"> Amend: clerical or mathematical errors on FACE/ ICE forms; Reject: expenditure validity issues such as: (i) expenditure incurred outside project implementation period; or (ii) expenditure not included in approved AWP etc (keep copy of FACE form on file and return FACE form to Partner giving reasons for rejection). <input type="checkbox"/> Approve amount of expenditure reported by Partner in FACE form Reporting Area (Column C and D): <ul style="list-style-type: none"> Direct Cash Transfer – Approval Area: approve liquidation of advance; Direct Payment – Approval Area: approve expenditure for direct payment; Reimbursement – Approval Area: approve expenditure for 	<input type="checkbox"/> Confirm that expenditure is within available Atlas project budgets and ASL/AX1 funding ceilings: <ul style="list-style-type: none"> Project Budget Balance; Project Transaction Detail <input type="checkbox"/> For Direct Cash Transfers: Liquidate the advance using AP Journal Voucher;	<input type="checkbox"/> For Direct Payments and Reimbursements: process payments using AP Vouchers.	15 days after the end of each quarter	Annex 5: FACE form Annex 6: ICE Form

¹ Note: FACE forms and Atlas payments for Vertical Funds (GCF/GEF) are approved by the UNDP Deputy Regional Director or UNDP Officer with delegated authority at the Bangkok Regional Hub (BRH), after sign-off by the BRH Operations Specialist.

		reimbursement.			
	Programme Finance Analyst, Operations Manager	<input type="checkbox"/> Review consistency between FACE forms and other supporting documentation and proper certification by Partner. <input type="checkbox"/> Consider any significant issues or improper payments arising from previous FACE forms or Assurance Activities that necessitate withholding of funds, until issues are resolved.			
	ARR GPRU or ECC	<input type="checkbox"/> Certifies accuracy of FACE form by initialing.			
	RR or DRR	<input type="checkbox"/> Approval Area: Approve FACE form ² : <ul style="list-style-type: none"> ▪ Direct Cash Transfer: liquidation of advance; ▪ Direct Payment: payment to vendor; ▪ Reimbursement: reimbursement to the Partner. 	<input type="checkbox"/> Approve Payment in Atlas for liquidation of Direct Cash Transfer; <input type="checkbox"/> Approve Payment in Atlas for: (i) Direct Payments to 3 rd party payees; and (ii) reimbursements to Partners		
	GSSU	<input type="checkbox"/> Check accuracy of information in FACE form (payee, donor/ fund codes, amounts, currency); <input type="checkbox"/> Direct Cash Transfer: liquidate previous advance, in accordance with FACE form/ APJV; <input type="checkbox"/> Direct Payment: process payment to vendor, in accordance with vendor payment details submitted by the Partner. Provide copy of AP Voucher to MCO to share with Partner as evidence of payment made; <input type="checkbox"/> Reimbursement: process payment to Partner, in accordance with approved FACE form. Provide copy of AP Voucher to MCO to share with Partner as evidence of payment made	<input type="checkbox"/> Raise, approve and budget check AP voucher and process Direct Cash Transfer.		
REPORTING: OFFICIAL RECORD OF EXPENDITURE INCURRED					
Step 6: Official Record of Expenditure Incurred: Verify accuracy and completeness of quarterly/ year-end CDRs in Atlas CDR Bridge Platform (i.e Direct Cash Transfers are reflected under Partner's column and Reimbursements and Direct Payments are reflected under UNDP column); and confirm electronic notification	Programme	<input type="checkbox"/> Before quarterly/year end closure in Atlas by OFRM, verify that all advanced funds and expenditure in CDR is valid, accurate, complete and consistent with AWP and Atlas Project Budget. Adjust any corrections before final closure: <ul style="list-style-type: none"> ▪ Government column: expenditures recorded against liquidated cash advances; ▪ UNDP expenditure: expenditure disbursed by UNDP for direct payments, reimbursements and support services; <input type="checkbox"/> Confirm CDR report in the CDR Bridge Platform (https://bridge.undp.org) in order to trigger email to Partner requesting certification of the CDR within 15 calendar days from the date the request is sent.			After confirmation of quarterly financial closure by OFRM

² Note: FACE forms and Atlas payments for Vertical Funds (GCF/GEF) are approved by the UNDP Deputy Regional Director or UNDP Officer with delegated authority at the Bangkok Regional Hub (BRH), after sign-off by the BRH Operations Specialist

to Partners.		<ul style="list-style-type: none"><li data-bbox="472 94 1140 138"><input type="checkbox"/> Investigate reasons for CDRs rejected by Partners.<li data-bbox="472 138 1140 219"><input type="checkbox"/> Share Account Activity Analysis reports with each project after each completed quarter.			
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2.2 PARTNER ROLE & RESPONSIBILITY

Key Steps	Roles & Responsibility	Key Action	Timelines	How-To Guide for completing templates
PLANNING: ESTABLISHING PREREQUISITES FOR CASH TRANSFERS				
Step1B: Designate Authorized Officials who will be accountable and responsible for implementing the Annual Work Plan and certifying the FACE form; including authorized bank signatories (if unique project bank account is permitted by national legislation).	NPD/PMU	<input type="checkbox"/> Provide sample signatures to UNDP of Authorized Officials who will be accountable and responsible for: <ul style="list-style-type: none"> ▪ Certifying the FACE form (usually the NPD and their alternate); and ▪ Authorizing payments as Bank signatories (if unique project bank account is opened, managed by dual signatories). <input type="checkbox"/> Open project bank account (if legislation permits) and ensure accounting system for recording transactions and filing system for financial documentation is adequate for the project needs.	Before first cash transfer	
IMPLEMENTATION: CARRYING OUT THE REQUEST, DISBURSEMENT, REPORTING AND RECORDING OF CASH TRANSFERS				
Step 2: <u>Request for Cash Transfer:</u> Prepare, certify and submit FACE and ICE forms to request for cash advances and/or pre-authorization to incur expenditure for Reimbursement and/or Direct Payment for the next reporting period	NPD/PMU	<input type="checkbox"/> Prepare separate FACE forms for each of the three types of Cash Transfer Modalities: <ul style="list-style-type: none"> a. <i>Direct Cash Transfer/ Advance – complete request for advance:</i> <ul style="list-style-type: none"> ▪ Header: indicate Direct Cash Transfer under “Type of request”; ▪ Activity Description Area: planned activities as per approved AWP; ▪ Itemized Cost Estimate (ICE) form: provide detailed breakdown of budgeted costs for each AWP activity (price and quantity); ▪ Request Area (Column E): date and advance amount requested as per ICE form; ▪ Ensure mathematical accuracy of FACE and ICE forms ▪ Certification Area: certify activities in accordance with AWP, and completeness and accuracy of amount requested. b. <i>Direct Payments – complete request for authorization to incur expenditure and subsequent direct payment to vendor, after activity has been completed:</i> <ul style="list-style-type: none"> ▪ Header: indicate Direct Payment under “Type of request”; ▪ Activity Description Area: planned activities as per approved AWP; ▪ Itemized Cost Estimate (ICE) form: provide detailed breakdown of budgeted costs for each AWP activity (price and quantity); ▪ Request Area (Column E): date and amount requested to be incurred as per ICE form; ▪ Ensure mathematical accuracy of FACE and ICE forms; ▪ Certification Area: certify activities in accordance with AWP, and completeness and accuracy of amount requested. c. <i>Reimbursement – complete request for authorization to incur expenditures, for which reimbursement will be received after activities have been completed and paid for:</i> <ul style="list-style-type: none"> ▪ Header: indicate Direct Payment under “Type of request”; 	At least once per quarter. <u>Note:</u> To avoid late liquidations of advances, UNDP will move to the following schedule from 2022: Q1 liquidation cut-off date for IPs/RPs is 15 th March, Q2 liquidation cut-off is 15 th June, and Q3 liquidation cut-off is 15 th September. In Q4, UNDP will issue advances for one month at a time. This	Annex 5: FACE form Annex 6: ICE Form

		<ul style="list-style-type: none"> ▪ Activity Description Area: planned activities as per approved AWP; ▪ Itemized Cost Estimate (ICE) form: provide detailed breakdown of budgeted costs for each AWP activity (price and quantity); ▪ Request Area (Column E): date and amount requested to be incurred as per ICE form; ▪ Ensure mathematical accuracy of FACE and ICE forms; ▪ Certification Area: certify activities in accordance with AWP, and completeness and accuracy of amount requested. 	<p>can be further adjusted in discussion with each project, depending on the capacity of the respective project team.</p> <p>For Direct Cash Transfers:(as soon as 80 percent of the previous advance and 100 percent of earlier advances have been liquidated.</p>	
<p>Step 4: Reporting of Expenditure Incurred: Prepare, certify and submit FACE and ICE forms to report on actual expenditure incurred, linked to approved FACE form requests from prior reporting period</p>	<p>NPD/PMU</p>	<p><input type="checkbox"/> Prepare separate FACE form for each of the three Cash Transfer Modalities to report expenditures incurred in the reporting period:</p> <p><i>a. Direct Cash Transfer/ Advance – complete a new FACE form with new reporting date to liquidate prior advance:</i></p> <ul style="list-style-type: none"> ▪ Header: indicate Direct Cash Transfer under “Type of request”; ▪ Activity Description Area: planned activities as per prior approved FACE form; ▪ Itemized Cost Estimate (ICE) form: show variance between budgeted and actual expenditure for each AWP activity implemented, and explain positive and negative variances; ▪ Reporting Area (Column A): blank for the first disbursement request, and subsequently pre-approved amount in Column G of previous FACE form; ▪ Reporting Area (Column B): actual expenditures incurred, but subject to acceptance by UNDP; ▪ Request Area (Column E): only if requesting authorization for additional funds; ▪ Ensure mathematical accuracy of FACE and ICE forms; ▪ Certification Area: certify that reported expenditures were incurred in accordance with AWP and that financial records and original supporting documentation are available for examination and will be retained for a period of five years from date of disbursement; ▪ Attach bank statement and bank reconciliation of project bank account to support expenditure reported. <p><i>b. Direct Payments – complete a new FACE form with new reporting date to request UNDP to make payment to vendor:</i></p> <ul style="list-style-type: none"> ▪ Header: indicate Direct Payment under “Type of request”; ▪ Activity Description Area: planned activities as per prior approved FACE form; ▪ Itemized Cost Estimate (ICE) form: show variance between budgeted and actual expenditure for each AWP activity implemented, and explain positive and negative variances; ▪ Reporting Area (Column A): blank for the first disbursement request, and subsequently pre-approved amount in Column G of previous FACE form; 	<p>7-9 days after the cut-off dates indicated in the previous row (cell above).</p>	

		<ul style="list-style-type: none"> ▪ Reporting Area (Column B): actual expenditures incurred, but subject to acceptance by UNDP; ▪ Request Area (Column E): only if requesting additional authorization to incur expenditures; ▪ Attach approved vendor payment details – vendor name, address, bank details and other required info; ▪ Ensure mathematical accuracy of FACE and ICE forms; ▪ Certification Area: certify accuracy of expenditure amounts, and availability of original supporting documentation. <p>c. <i>Reimbursement – complete a new FACE form with new reporting date to request reimbursement for expenditure pre-funded by Partner:</i></p> <ul style="list-style-type: none"> ▪ Header: indicate Reimbursement under “Type of request”; ▪ Activity Description Area: planned activities as per prior approved FACE form; ▪ Itemized Cost Estimate (ICE) form: show variance between budgeted and actual expenditure for each AWP activity, and explain positive and negative variances; ▪ Reporting Area (Column A): blank for the first disbursement request, and subsequently pre-approved amount in Column G of previous FACE form; ▪ Reporting Area (Column B): actual expenditures incurred, but subject to acceptance by UNDP; ▪ Request Area (Column E): only if requesting additional authorization to incur expenditures; ▪ Ensure mathematical accuracy of FACE and ICE forms; ▪ Certification Area: certify accuracy of expenditure amounts, and availability of original supporting documentation. <p>d. <i>Miscellaneous Items:</i></p> <ul style="list-style-type: none"> ▪ Interest earned should be reported on the FACE form and credited to UNDP miscellaneous income when funds are transferred to UNDP; ▪ For unused funds returned to UNDP, attach deposit slip with the FACE form. 		
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REPORTING: OFFICIAL RECORD OF EXPENDITURE INCURRED




<p>Step 7: Official Record of Expenditure Incurred: Review and certify validity of expenditure in the quarterly/ year-end CDRs.</p>	NPD	<p><input type="checkbox"/> Certify the quarterly CDRs in the Bridge Platform (https://bridge.undp.org) once email notification is sent by UNDP; or enter reasons/ comments in the Platform if CDR is rejected. If requested, the UNDP Programme Officer can provide the paper version of the CDR approved by the UNDP authorized official, for counter-signature by the authorized official of the Partner outside of the Bridge Platform.</p> <p>NOTE: If no response is received within 15 days after the e-mail notification, an automated follow-up message is sent. If no response is received from the Partner within another 15 calendar days, the CDR is deemed to have been accepted. This, however, only applies for the Q2 and Q3 CDRs. The Q4/year-end CDR must be approved by the Partner via e-signature or on paper.</p> <p>NOTE: UNDP will share the Account Activity Analysis Report for each quarter with all projects once the accounts for the quarter are closed, to inform IP/RP review of the CDR.</p>	Withing 15 calendar days from receipt of notification from UNDP	<p>Annex 5: FACE form</p> <p>Annex 6: ICE Form</p> <p>Annex 7: List of Mandatory Supporting Documentation for Key Expenditure</p>
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3. ASSURANCE ACTIVITIES

3.1 UNDP ROLES & RESPONSIBILITY

Key Steps	Roles & Responsibility	Key Action (outside HACT SharePoint)	Key Action (within HACT SharePoint/ CARDS)	Timelines	How-To Guide for completing templates
PLANNING: PREPARING AND POPULATING AN ASSURANCE ACTIVITIES PLAN					
<p>Step 1: Use Partner Risk Ratings to develop an Assurance Activity Plan of the type, frequency and scheduling of assurance activities; and update this Plan semi-annually.</p>	<p>UNDP: Programme Finance Analyst/ Programme Officer</p>	<ul style="list-style-type: none"> <input type="checkbox"/> Use Partner Risk Ratings to populate the Assurance Activity Plan: <ul style="list-style-type: none"> ▪ Determine the type and frequency of assurance activities for each Partner – Part I Section 4.4 Table 4; ▪ Update changes in assurance activities if Partner has an Adjusted Risk Rating – Part I Section 4.4 Table 5; ▪ Schedule dates for conducting the assurance activities. <input type="checkbox"/> Ensure the cost of the Assurance Activities are included in the Partner’s project budget. <input type="checkbox"/> Finalize the Assurance Activity Plan and obtain Resident Representative approval. 	<ul style="list-style-type: none"> <input type="checkbox"/> Upload the approved Assurance Activity Plan 	<p>Semi-annually (no later than end Feb and end Jul)</p>	<p>Annex 8: Assurance Activity Plan (for tracking outside of HACT SharePoint)</p>
IMPLEMENTATION: CARRYING OUT ASSURANCE ACTIVITIES					
<p>Step 2A: Conduct spot checks and audits using independent third-party service providers, and arrange field missions (or third-party monitoring, if travel is not possible) for UNDP programmatic monitoring.</p> <p>Formulate an action plan with the Partner to resolve issues identified and monitor status of implementation during future assurance activities.</p>	<p>UNDP: Programme Finance Analyst/ Programme Officer/ Procurement Unit</p>	<ul style="list-style-type: none"> <input type="checkbox"/> Initiate procurement process for Third Party Service Provider (spot checks and audits). Ensure scope of the Terms of Reference includes: <ul style="list-style-type: none"> <input type="checkbox"/> Requirement for a Management Letter, in addition to the spot check and audit report; <input type="checkbox"/> Follow-up on issues raised in previous spot checks and audits. <input type="checkbox"/> Coordinate logistics, documentation etc between Third Party Service Provider and Partner; and field missions for UNDP staff (or third-party monitors). <input type="checkbox"/> Discuss results of the assurance activities with the Partner, specifically the reason for issues identified and an Action Plan to address the issues and recommendations raised. <input type="checkbox"/> Document issues, recommendations and action plan in the Partner Risk Log & Action Plan; and ensure on-going monitoring of issues and corrective action. <p>NOTE: If significant issues on improper expenditures are identified:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Suspend further advances until issue is explained or resolved; 	<ul style="list-style-type: none"> <input type="checkbox"/> Upload: <ul style="list-style-type: none"> ▪ Spot Check Report; ▪ Partner Risk Log and Action Plan in HACT SharePoint; ▪ Note to File: Conclusion on alternative verification procedures for invalid expenditure (if applicable) <input type="checkbox"/> Upload Audit Reports in CARDS. 	<p>Scheduled dates as per Assurance Activity Plan</p>	<p>Annex 9: Note to File: Conclusion on alternative verification procedures for invalid expenditure</p>

		<ul style="list-style-type: none"> <input type="checkbox"/> Consider performing alternative assurance activities to confirm validity of expenditure or corroborate information with other sources; <input type="checkbox"/> Perform additional assurance activities to determine extent of occurrence of invalid expenditures; <input type="checkbox"/> If explanations and alternative procedures provide adequate assurance: accept the expenditure and document alternative procedures and conclusions in a Note to File, approved by Resident Representative; <input type="checkbox"/> If explanations and alternative procedures do not provide adequate assurance: reject the expenditure and request the partner to refund cash that was advanced and ensure rejected expenditure is not resubmitted; <input type="checkbox"/> If Partner cannot absorb expenditure rejected or outstanding advances are unaccounted for: pursue all avenues to ensure financial liability is not assumed by UNDP. If the contentious amount is deemed irrecoverable, document in a Note to File all action taken, causes and responsibility; for Resident Representative approval and obtain further guidance from OFRM; <input type="checkbox"/> If assurance activities consistently indicate Partner is reporting invalid expenditure, consider adjusting the Risk Rating – Part I Section 2.4; <input type="checkbox"/> Escalate potentially fraudulent transactions to Headquarters HACT Focal Point to decide next course of action. <p><u>Additional Guidance for the three types of Assurance Activities:</u></p> <ul style="list-style-type: none"> <input type="checkbox"/> <i>Output Verification:</i> on-site verification of financial, operational and programmatic performance: <ul style="list-style-type: none"> <input type="checkbox"/> Ensure revenue, commitments, expenditure and disbursements are complete and accurate, and detecting erroneous or unauthorized charges; <input type="checkbox"/> Verify correct use of funds to achieve expected outputs; <input type="checkbox"/> Monitor aged advances; <input type="checkbox"/> Investigate reasons for outstanding balances; <input type="checkbox"/> Assess project delivery rates; <input type="checkbox"/> Assess project implementation modality; <input type="checkbox"/> Review status of implementation of actions to mitigate risks in the Partner Risk Log & Action Plan. <input type="checkbox"/> <i>Spot Checks:</i> Select FACE Forms that total at least 50 percent of expenditure incurred to date (or since last spot check). Ensure that the Third-Party Service Providers: <ul style="list-style-type: none"> <input type="checkbox"/> Verify at least 10 percent of transactions from selected FACE 			
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		<p>forms;</p> <ul style="list-style-type: none"> <input type="checkbox"/> Focus on: (i) historical high-risk expenditures identified from prior FACE verification, spot checks and audits; (ii) expenses exceeding budgeted amounts; and (iii) randomly selected transactions; <input type="checkbox"/> Expand the scope by an additional 10 percent if significant issues are identified, focusing on similar type of transactions/ exceptions to determine if this is a systemic or recurring issue. <input type="checkbox"/> <i>Scheduled Audits:</i> All audit plans and reports should be available to UNDP OAI and ORFM either through the HACT SharePoint or CARDS: <input type="checkbox"/> Internal Control Audits: audits are conducted on a Partner basis with guidance from OAI; <input type="checkbox"/> Financial Audits: audits are conducted on a project basis, and follow criteria set out in UNDP OAI's annual call letter for HACT audits; <input type="checkbox"/> Special Audits: audits are conducted if results of spot checks warrant further investigation eg: concerns within a specific area such as procurement or cash management; or mismanagement of funds, or suspicion of fraud. <p><i>Resources:</i></p> <ul style="list-style-type: none"> <input type="checkbox"/> Generic TOR for Spot Checks Performed by Third Party Service Providers  TORs-HACT%20Spot %20Check%20by%20 <input type="checkbox"/> Generic TOR for Internal Control Audits  TOR_HACT%20Intern al%20Control%20Auc <input type="checkbox"/> Generic TOR for Financial Audits  TOR_HACT%20Finan cial%20Audit.docx <input type="checkbox"/> Generic TOR for Management Letter (for Spot Checks and Audits) 			
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- [UNDP Additional Guidance on the Conduct of Spot Checks \(Annex A\) and the Conduct of Audits \(Annex B\)](#)

3.2 PARTNER ROLE & RESPONSIBILITY

Key Steps	Roles & Responsibility	Key Action	Timelines	How-To Guide for completing templates
IMPLEMENTATION: CARRYING OUT ASSURANCE ACTIVITIES				
<p>Step 2B: Participate in the assurance activities by facilitating access to records, documentation and key staff; and discuss the results of the assurance activities, as well as an action plan to resolve issues identified.</p>	<p>Partner: NPD & PMU</p>	<ul style="list-style-type: none"> <input type="checkbox"/> Provide on-site access to Third Party Service Provider to interview key staff members, review supporting documentation/ systems etc. <input type="checkbox"/> Discuss results of the assessment and formulate an action plan with UNDP, to address the risks identified (implementation of the action plan will be verified during future programmatic monitoring, spot checks and audits). 	<p>Scheduled dates as per Assurance Activity Plan</p>	