# **Tables**

Table 1. Composition of HACT POPP and its corresponding reference in the HACT Framework

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| --- | --- | --- | --- | --- |
| **Ref.** | **Business process, sub-process and related tasks described in this POPP** | **Responsible Person/Office** | **Section in UNSDG HACT Framework** | **Flowchart in HACT Framework** |
|  | *Country Level* |  |  |  |
| 3.1 | Macro Assessments | RC & HACT Inter-Agency Coordinator | Section 7.2 to 7.14 | Figure 2 |
| 3.2 | Micro Assessments | HACT Focal Point for Non-shared Partners.  Coordination for shared Partners by HACT Inter-Agency Coordinator. | Section 7.15 to 7.37 | Figure 3 |
| 3.3 | Cash transfers, disbursements, and reporting | HACT Focal Point/Office staff | Section 8 |  |
| 3.4 | Assurance planning and implementation, spot checks, scheduled audits and special audits | HACT Focal Point | Section 9 | Figures 4, 5, 6, 7 & 8 |

Table 2: Assurance Planning requirement based on Partner Risk Rating

| **Partner Risk Rating** | **Spot Checks** | **Programmatic Output Verification** | **Scheduled Audits** | **Audit Type** |
| --- | --- | --- | --- | --- |
| **Low** | At least 1 per year, excluding year of audit[[1]](#footnote-1) for Partners who have a minimum $50,000 expenditures in a year. | Refer to guidance in the Programme and Project Management (PPM) POPP | At least once every other year for Partners with annual expenditure that exceeds $200,000 per year | Financial Audits.  If a Partner receives two sequential audits with unqualified opinion and results of spot checks are satisfactory, the Partner’s risk rating may be adjusted, and audits and spot checks performed for the remaining periods in accordance with the Partner’s revised Adjusted Risk Rating.  ([Refer to Table 4](#Table_4) & [5](#Table_5) for triggers to adjusting the risk rating) |
| **Moderate** | At least 2 per year, excluding year of audit[[2]](#footnote-2) for Partners who have a minimum $50,000 expenditures in a year. |
| **Significant** | Direct Payments and Reimbursement Cash Transfer Modality may be used in areas where the internal controls are deemed adequate otherwise Direct Implementation or full Country Office support to NIM applies. At least minimum of 2 spot checks per year are required if cash transfers are made for partners who have a minimum $50,000 expenditures in a year. | Every year when expenditures exceed $200,000. | Financial Audits.  If a Partner receives two sequential audits with unqualified opinion and results of spot checks are satisfactory, the Partner’s risk rating may be adjusted, and audits and spot checks performed for the remaining periods in accordance with the Partner’s revised Adjusted Risk Rating. (Refer to [Table 4](#Table_4) & [5](#Table_5) for triggers to adjusting the Partner’s risk rating) |
| **High** | For Partners rated High Risk, either Direct Implementation or Full Country Office Support to NIM applies. In either case, UNDP implements all project activities.  If under exceptional circumstances a Partner that is “High” risk needs to be engaged; written approval from OFM needs to be obtained prior to issuance of cash transfers. OFM will advise on frequency of Spot Checks. |  | DIM financial audit guidelines apply if Direct Implementation or Full Country Office Support to NIM is selected.  If “High” risk Partner needs to be engaged, written approval from OFM needs to be obtained and financial audit should be performed annually unless advised otherwise by OFM. | DIM financial audit applies. Note: Under the single audit principle, Direct Implementation expenses, incurred by UNDP directly are not subject to audit by third parties.  If “High” risk rated Partner is engaged with OFM’s approval, financial audit is to be conducted |
| **Non-Assessed[[3]](#footnote-3)** | A minimum of one spot check is required for Partners with a minimum $50,000 expenditures in a year. | Every year when expenditures exceed $200,000. | Financial Audit |

Table 3: Cash Transfer Modality based on Partner Risk Rating

| **Partner Risk Rating** | **Cash Transfer Modality (CTM)** |
| --- | --- |
| **Low Risk –** welldeveloped financial management system and functioning control framework with a *low likelihood* ***and*** *potential negative* impact on the Partner’s ability to execute the programme in accordance with the Work Plan. | Choice of CTM is determined to fit programme needs i.e., direct cash transfers, reimbursements or direct payments, or a combination of the three, are acceptable. |
| **Moderate Risk** –developed financial management system and control framework with *moderate likelihood* ***and*** *potential negative impact* on the Partner’s ability to execute the programme in accordance with the Work Plan. | Choice of CTM depends on the specific findings that led to the medium risk rating, as well as other available information such as macro assessment results, past experience with the Partner, information on specific Partner strengths/weaknesses and the UNDP office’s own capacities.  Hence direct cash transfers may be applied for specific areas assessed and found to be strong, while direct payments or reimbursements would apply in weaker areas. Direct payments may be used only in selected specifically assessed areas where the Partner’s internal control framework is assessed as adequate. |
| **Significant Risk** –underdeveloped financial management system or control framework with either a *significant likelihood* ***or*** *potential negative impact* on the Partner’s ability to execute the programme in accordance with the Work Plan. | Because of the level of risk, direct cash transfers should not be made.  Direct payments and reimbursements may be used only in selected specifically assessed areas where the Partner’s internal controls are assessed as adequate.  All other activities must be either through full Country Office support to NIM; or the programme could be considered for UNDP Direct Implementation.    As a result of local circumstances, under DIM, the office may need to engage a Responsible Party, such as a government entity or NGO/CSO, to implement project activities. If the estimated cash transfers to the Responsible Party are above $150,000 per annum, a micro assessment and assurance activities on the Responsible Party will be required. |
| **High Risk** –underdeveloped financial management system and control framework with a *significant likelihood* ***and*** *potential negative* impact on the Partner’s ability to execute the programme in accordance with the Work Plan. | Because of the high risk due to the Partner’s weak internal control system, all activities must be implemented either through full Country Office support to NIM or UNDP Direct Implementation.  As a result of local circumstances, under DIM, the office may need to engage a Responsible Party, such as a government entity or NGO/CSO, to implement project activities. If the estimated cash transfers to the Responsible Party are above $150,000 per annum, a micro assessment and assurance activities on the Responsible Party will be required.  If under exceptional circumstances a Partner that is “High” risk needs to be engaged; written approval from OFM needs to be obtain prior to issuance of cash transfers |

Table 4: Triggers prompting review of Partner Risk Rating arising from Spot Checks

| **Partner Risk Rating** | **Results of spot check** | **Impact on Partner Risk Rating** |
| --- | --- | --- |
| Low | Spot check identifies “significant” issues or concerns that are not resolved satisfactorily by the Partner. | Change risk rating to Moderate and schedule a second spot check. |
| Moderate | First spot check identifies “significant” weaknesses. | Meet with the Partner to agree a remedial plan of action, including carrying out a follow-up spot check to ensure the remedial actions have led to the improvements desired.  If improvements have not taken effect, consider changing the risk rating to Significant hence:   * Direct Implementation or full Country Office support to NIM applies. * Direct cash transfers, reimbursements should not be made. * If weaknesses are identified on programme outputs funded under direct payments, discontinue direct payments and implement either through full Country Office support to NIM or UNDP Direct Implementation. |
| Second spot check identifies “significant” weaknesses. | Change risk rating to “Significant” hence:   * Direct Implementation or full Country Office support to NIM applies. * Direct cash transfers should not be made. * If weaknesses are identified on programme outputs funded under direct payments or reimbursements, discontinue direct payments and implement either through full Country Office support to NIM or UNDP Direct Implementation.   Depending on the urgency of *significant issues or concerns* identified, consider a special audit. |
| Significant | Spot checks are applicable for Direct Payments or Reimbursement cash transfers made to the Partner. Spot checks are not applicable for implementation through full country office support to NIM or UNDP Direct Implementation (see [Table 2](#Table_2));  If spot checks identify significant issues or that pre-identified outputs not being produced as planned and efficiently, the UNDP office must identify the reasons and make changes to bring the programme back on track. | If significant issues or weaknesses identified on programme outputs funded under direct payments or reimbursements are not satisfactorily addressed by the Partner, discontinue the cash transfers and implement either through full Country Office support to NIM or UNDP Direct Implementation. |
| High | Spot checks are not applicable for implementation carried out by UNDP through Full Country Office Support to NIM or UNDP Direct Implementation (DIM).  If under exceptional circumstances, if “High” risk Partner needs to be engaged, written approval from OFM needs to be obtained. Spot checks are to be performed as per guidance from OFM. If significant issues or concerns that are not resolved satisfactorily by the Partner, the Office should consider changing the implementation modality to DIM or Full Country Office Support to NIM. | For programme activities that are implemented through Full Country Office support to NIM or UNDP Direct Implementation (DIM), no impact on the Partner for spot checks.  If “High” risked Partner is engaged and significant issues or weaknesses are identified from spot checks, the Office should consider changing the implementation modality to DIM or Full Country Office Support to NIM. |
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| Table 5: Triggers prompting a change of Partner Risk Rating arising from scheduled audits | | |
| **Partner Risk Rating** | **Results audit** | **Impact on Partner Risk Rating** |
| Low | Audit identifies “significant” issues or concerns that are not resolved satisfactorily by the Partner. | Depending on the nature and severity of the issues, consider change risk rating to Moderate, Significant or High |
| Moderate | Audit identifies “significant” issues or concerns that are not resolved satisfactorily by the Partner. | Depending on the nature and severity of the issues, consider change risk rating to, Significant or High hence:   * Direct Implementation or full Country Office support to NIM applies. * Direct cash transfers should not be made. * Discontinue direct payments and implement either through full Country Office Support to NIM or UNDP Direct Implementation. |
| Significant | Audit identifies “significant” issues or concerns that are not resolved satisfactorily with IP. | Discontinue direct payments and reimbursement cash transfers and implement either through full Country Office Support to NIM or UNDP Direct Implementation. |
| High | Audits are not applicable for implementation carried out by UNDP through Full Country Office Support to NIM or UNDP Direct Implementation (DIM).  Under exceptional circumstances, if “High” risk Partner needs to be engaged, written approval from OFM needs to be obtained. Financial audit is to be performed as per advice from OFM. If significant issues or concerns that are not resolved satisfactorily by the Partner, the Office should consider changing the implementation modality to DIM or Full Country Office Support to NIM. | For programme activities that are implemented through Full Country Office Support to NIM or UNDP Direct Implementation, no impact on the Partner for audit.  If “High” risked Partner is engaged and significant issues or weaknesses are identified from financial audit, the Office should consider changing the implementation modality to DIM or Full Country Office Support to NIM. |

*NOTE: Results from Programmatic Output verification should also be taken into consideration when in determining changes to the Partner’s risk rating.*

Table 6: Roles and responsibilities of the UNDP HQ Focal Point

The HQ Focal Point is the reference point for UNDP offices to provide guidance and technical support on HACT, and reviews and monitors, on a sample basis, country office implementation and compliance with the HACT framework. This provides assurance to UNDP senior management and other stakeholders, such as UNDP’s internal and external auditors, that the HACT framework is being implemented appropriately and therefore providing the appropriate level of assurance over cash transfers.

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| **Advisory Role** | Advising on the planning of completion of micro-assessments and assurance activities. |
| Advising offices on risk management measures/practices relating to the implementation of the HACT framework including reviewing and clearing exceptions. |
| Advising on actions to take upon results of assessments and assurance activities. |
| **Monitoring & Reporting Role** | Reviewing a sample of assurance plans and assurance activity deliverables/outputs to ensure that Country Offices are implementing the HACT framework, in accordance with UNDP policy and procedures. |
| Reviewing on a sample basis Country Offices upload reports of assessments and assurance activities in the HACT Monitoring. |
| Reviewing a sample of spot checks and audit reports, based on UNDP guidelines, to determine whether country offices are:   * Implementing spot checks on a timely basis, and in accordance with the assurance plan; and * Appropriately reviewing and understanding the results and refining planned assurance activities as needed. |
| Reporting on substantive issues emerging from UNDP-specific monitoring to Inter-agency Comptroller Committee. |

1. The year of audit refers to the financial year in which expenses being audited were incurred, and not the actual year when the audit is performed [↑](#footnote-ref-1)
2. Ibid [↑](#footnote-ref-2)
3. Micro Assessment is not required if cash transfers to a Partner are expected to be below $150,000 per year, but it may be performed at the discretion of the office. [↑](#footnote-ref-3)