

## **UNDP UGANDA'S EXPERIENCE OF HACT EXPERIENCE AND UPDATE.**

### ***Background***

HACT Implementation for UNDP and other UN EXcom agencies in Uganda was implemented in 2006 with the aim of having a similar platform for cash transfer modalities to the implementing partners by the UN agencies.

The purpose of this assessment is two fold:

- i. ***Capacity development objective:*** The review supports the agencies and government to identify strengths and weaknesses in the implementing partner's capacity for financial management and areas for capacity development by government and others.
- ii. ***Financial Management objectives:*** The review assists in the appropriate cash transfer modalities, procedures, and assurance activities to be applied by the agencies.

In fulfilling the above objectives, the overall status of the Implementing Partner's financial management capacity is assessed including the review of ***funds flow, staffing, accounting policies and procedures, internal audit, external audit, reporting and monitoring and information systems.***

### ***The Initial Process to Implementation***

A committee was set up comprising of a representative from UNICEF, UNFPA, WFP and UNDP. The chair was from UNDP and established a secretariat for this committee.

### ***Who does the Assessment***

Staff from United Nations agencies can carry out assessments if they have relevant experience and qualifications. Alternatively, you can choose to contract consultants from an experienced and trusted private accounting firm and this was the option taken in Uganda.

A competitive procurement process was carried out in 2006 by UNDP Uganda CO and through the HACT committee and UNCT, three audit firms were pre-qualified. These were mandated to carry out the assessment of both shared and unshared Implementing Partners.

### ***Determining Assessment Costs***

A standard fee for this exercise was also established with common figures for up-country (Out of Kampala) IPs and Kampala IPs giving room for Negotiation with strong justifications from the audit firm on the amount of the agreed fee.

The costs were shared amongst the agencies based on the number of their IPs to be assessed.

By End of June 2006, the macro assessment had been done, and all Implementing Partners shared by the agencies had been evaluated. Over 50 IPs were assessed in 2006 both the shared and un -shared.

The target was to have all Implementing Partners assessed in full ( both the shared and un shared) by end of year 2006 as full implementation of HACT was to be launched January 2007.

### **Who Does the Work?**

It is a good idea for the agency that has most experience with the partner concerned to coordinate the assessment and to take the lead on the identification and recruitment of the consultant (if that is the path chosen).

In Uganda, UNDP was mandated by the other agencies to take full responsibility of contracting the audit firms on behalf of the other agencies. Requests for assessment are forwarded from the requesting agencies to the HACT secretary in UNDP and through the HACT committee distributes the IP list among the three pre-qualified firms, drafts contracts for professional services and later contracts the firms after required approvals.

### ***Assessment Levels and Payment Modalities***

HACT assessment for UNDP, UNFPA, WFP and UNICEF in Uganda is done for those Implementing partners that receive \$100,000 in a given year.

Throughout 2007 and 2008, the assessments were carried out with agreements on the modality of payment as follows:

<u>Modality of payment</u>	<u>level of Risk Assessed.</u>
Direct Cash Transfer	Moderate and Low risk
Direct Payment	High, Significant
Reimbursement	High, Significant, Moderate and low Risk

### ***The Actual Assessment process by Auditors***

The Micro Assessment reviews the implementing partner's system of accounting, reporting, auditing and internal controls. The assessment has **two levels**.

The first level requires the completion of a short one and half page checklist –

**Checklist A**, contained in Annex III of the Framework. If the checklist confirms that risk is low, then there is no need to carry out another assessment. However if it is noted that there are areas of concern or if information was missing, then there is need to carry out amore detailed assessment using **Checklist B**, which can also be found in Annex III.

This Checklist is based on the International Federation of Accountants (IFAC) International Standard on Auditing 400 "Risk Assessment and Internal Control".

## ***After the Assessment***

Once the Checklists have been completed, agencies use the information to decide on the level of risk in using and reporting on cash transfers for a particular Partner. A **financial management assessment report** is then put together. This is a concise document– normally no more than **four pages excluding Annexes** – that includes the following:

- An executive summary
- Information on the assessment methodology
- Description of the financial management capacity in different areas
- Description of the most significant risks and recommendations for mitigating them
- The completed checklists as annexes

The draft report is to be discussed with the implementing partner concerned and a copy of the final report shared.

Based on the report, the Agencies decide on the most appropriate cash transfer modality to use. All of the Agencies working with that implementing partner use the same modality and the same procedures. Efforts are being made to coordinate the assurance activities such as spot-checks and audits but challenges are still experienced in this due to different agency timelines and practices.

## ***When to Assess***

As a general rule, assessment of national implementing partners should be done at the latest **before the Annual Work Plan is signed**. Normally there would be one assessment of each implementing partner during each programme cycle. Since the programme cycle in Uganda commenced in January 2006, all assessments were conducted after the cycle had started.

## ***Maintaining Assurance***

As indicated earlier, this area has remained a challenge. More efforts are required to improve harmonization in these activities within EXcom agencies, and to see how this could be extended as well to the other agencies.

## **Experience with Ugandan Government Departments**

Although a macro assessment was carried out on Uganda's Public Financial management thereby precluding the necessity of micro assessment of government departments or quasi government institutions servicing as IPs, in Uganda most of these were also assessed.

