

UNICEF PROCEDURE ON HARMONIZED APPROACH TO CASH TRANSFERS TO IMPLEMENTING PARTNERS

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RATIONALE

1. This procedure expands on the [UNICEF Policy on Harmonized Approach to Cash Transfers to Implementing Partners](#) by outlining operational requirements for the management of cash transfers in accordance with the [2014 UNDG Framework on the Harmonized Approach to Cash Transfers](#) (the interagency HACT Framework).
2. This procedure is to be read in conjunction with the [DFAM Policy 5, Supplement 3 on Cash Transfers “HACT”](#) and [Instructions on Subsequent Payment of an Advance when there is an existing Outstanding DCT Advance](#) which define requirements for approving, reviewing, and recording cash transfers to implementing partners; and the [UNICEF Procedure on Impairment and Write-off of Direct Cash Transfers](#) which details the process for impairment and write-off of cash transfers to implementing partners..
3. Monitoring the reach and effect of UNICEF assistance provided through partners is fundamental to sound programming. The assessment and assurance activities within the interagency HACT Framework are key components of effective programme monitoring.
4. The following principles underpin the management of HACT:
 - 4.1 **Cost-effective management of risks**, to maintain assurance that funds transferred to implementing partners are used to achieve results as intended while reducing transaction costs on implementing partners and UNICEF, in every country and context, based on their respective risk profiles;
 - 4.2 **Standardized and streamlined inter-agency practices**: requirements defined in this procedure are aligned with simplified and harmonized principles and processes outlined in the interagency HACT Framework;
 - 4.3 **Accountability**: this procedure defines roles and responsibilities for the implementation and oversight of HACT in UNICEF at country, regional and headquarters levels;
 - 4.4 **National ownership**: implementation of HACT promotes national ownership and a progressive shift towards utilizing national systems.

APPLICABILITY / SCOPE

5. This procedure takes effect on 1 August 2018 and replaces the UNICEF Procedure on Harmonized Approach to Cash Transfers to Implementing Partners (FRG/PROCEDURE/2015/002).
6. This procedure applies to all UNICEF offices (headquarters, regional, country and zone offices) that transfer cash to implementing partners in every country and operational context.
7. HACT applies to all cash transferred to government and civil society partners. HACT related clauses are included in all standard agreements between UNICEF and implementing partners, notably in the United Nations Development Assistance Framework - [UNDAF Legal Annex](#) and [Programme Cooperation Agreements](#) (PCAs).

8. The interagency HACT Framework underscores that accountability and responsibility for applying HACT and monitoring its implementation lies with each adopting agency. Agencies are directly responsible for decisions regarding the management and oversight of cash transfers. References to the interagency HACT Framework are for information purposes of the reader.
9. This procedure does not define assurance requirements for implementing partners that are receiving cash from UNICEF and subsequently transferring it directly to beneficiaries.

PROCEDURE STATEMENTS

The Head of Office ensures that:

10. Implementing partners are registered in VISION with a unique reference number and risk rating. Instructions for determining the implementing partner for purposes of HACT implementation are provided in [Instruction 1](#).
11. Micro assessments are undertaken, or high-risk is assumed, for implementing partners that are receiving US\$100,000 or more in a calendar year from UNICEF. For implementing partners receiving less than US\$100,000 in the year from UNICEF, the micro assessment is not required. Micro assessments are valid for 5 years, unless the office determines the need to reassess the implementing partner. Instructions and accountabilities for micro assessments are provided in [Instruction 2](#).
12. Cash transfer modalities are determined by programme intervention with due consideration to the specific programming context. Accountabilities for the decision of the appropriate cash transfer modality are defined in [Instruction 3](#).
13. FACE forms are used by all implementing partners to request direct cash transfers; request authorization to incur expenditures for reimbursement or enter into commitments for direct payment; to certify and report expenditures or request reimbursement following completion of agreed upon activities; and request direct payment to third-party service providers upon delivery of agreed upon services on behalf of the implementing partner.
14. Assurance activities are required for all partners receiving more than US\$2,500 cash from UNICEF. Instructions and accountabilities for assurance activities are defined in [Instruction 4](#).
15. Appropriate level of assessment and assurance activities are undertaken when offices transfer cash to implementing partners in non-programme countries. Further guidance is provided in the [PPPeM at this link](#).
16. At a minimum, programmatic visits are undertaken as outlined in Table 1. Instructions and accountabilities for programmatic visits are provided in [Instruction 5](#).

Table 1: Minimum requirements for programmatic visits

Cash transfer amount in the year	Risk rating	Minimum programmatic visits in the year
Up to \$2,500	All risk levels	Not Required
\$2,501 - \$100,000	All risk levels	1
\$100,001 - \$500,000	Low	1
	Medium	2
	Significant or High	3

Cash transfer amount in the year	Risk rating	Minimum programmatic visits in the year
Up to \$2,500	All risk levels	Not Required
More than \$500,001	Low	2
	Medium	3
	Significant or High	4

17. At a minimum, one (1) spot check is required for all implementing partners reporting more than US\$50,000 expenditures in a year from funds provided by UNICEF. Significant negative spot check findings result in scheduling of additional assurance activities. A spot check is not required in the year when an audit is completed. Instructions and accountabilities for spot-checks are provided in [Instruction 6](#).
18. Scheduled audits are undertaken on implementing partners based on [UNICEF's risk based audit methodology](#). Results of the scheduled audit may be used to update the implementing partner's risk rating. When no micro assessment has been conducted, audit results cannot be used to determine the risk rating of the partner. All scheduled audits are carried out as per the [terms of reference for HACT Audit](#). Instructions and accountabilities for scheduled audits are provided in [Instruction 7](#).
19. UNICEF offices determine the appropriate corrective and preventive measures on negative results from assurance activities, including programme adjustments, whether further assurance activities are required in addition to the minimum requirements, refund of ineligible expenditures or other appropriate measures.
20. When significant issues are identified during programme implementation and these cannot be adequately addressed by scheduled assurance activities or in consultation with the implementing partner, the UNICEF office commissions a special audit, in consultation with OIAI. All special audits are carried out as per the [terms of reference for Special Audit](#). Instructions and accountabilities for special audits are provided in [Instruction 8](#).
21. Cases involving suspected misuse of funds, sexual exploitation abuse, and child safeguarding violations, as per the UNICEF [Policy Prohibiting and Combatting Fraud and Corruption](#), the UN Secretary-General's Bulletin on [Special measures for protection from sexual exploitation and sexual abuse](#), and the UNICEF [Policy on Conduct Promoting the Protection and Safeguarding of Children](#), are reported in accordance with the reporting protocols and mechanisms established by UNICEF, including directly reported to the Office of Internal Audit and Investigations (OIAI) with copy to FRG Chief Programme Implementation, regional office Implementing Partnership Management Specialist and Advisor to the Comptroller, DFAM. OIAI will inform FRG and DFAM as to OIAI's subsequent involvement in the development of the terms of reference of special audits.
22. Management decision is taken on whether scheduled audits of government implementing partners are to be conducted by the Supreme Audit Institution (SAI), a third-party service provider or a combination of both. The decision is documented in the [HACT Status Report](#). Instructions and accountabilities for the decision on the use of the SAI are provided in [Instruction 9](#).
23. Assessment and assurance activities reports are shared with UN agencies in a manner determined locally by the UNCT or on UN agency request. Significant issues identified during programme implementation that have not been addressed by scheduled assurance activities or in consultation with the implementing partner, including the commissioning of a special audit are shared with the UNCT.

24. Assessments and assurance activities reports of implementing partners are for internal management and not to be shared with third-parties, including donors. In case of uncertainty, UNICEF offices consult with the Chief of Programme Implementation, Field Results Group.
25. Weaknesses related to significant and high risk implementing partners are identified. Capacity development activities are supported in areas that are appropriate to be directly addressed by UNICEF.
26. Planning and budgeting for HACT activities is incorporated in programme planning exercises, including the preparation of a new country programme (UNDAF, CPD, PSN), office management plans (CPMP, OMP/AMP), work plans with government partners and programme documents with CSO partners.
27. The status of HACT implementation is monitored on a quarterly basis as part of programme management mechanisms (Country Management Team (CMT) and Annual Management Review), and reported as required by regional office or headquarters.
28. A HACT focal point is identified to coordinate and support HACT implementation in the office.
29. Staff members are knowledgeable of their roles and responsibilities for implementing HACT as defined in Annex B: Summary of Roles and Responsibilities.

The Regional Director ensures that:

30. All Country Offices transferring cash to implementing partners within their respective region meet the requirement of the UNICEF HACT Procedure.
31. Corrective and preventive measures are taken for the Country Offices that have not met minimum assurance requirements and /or have not taken appropriate management action on negative findings from assurance activities.

The Associate Director, Field Results Group ensures that:

32. HACT principles and processes are mainstreamed in UNICEF policies, procedures, guidance and systems.
33. The global status of HACT implementation is regularly monitored and reported to the Office of the Executive Director, including any issues requiring management attention.

SPECIAL CONSIDERATIONS IN EMERGENCY CONTEXTS

N/A

TRANSITIONAL MEASURES

N/A

RISK MANAGEMENT

Document Title: UNICEF Procedure on Harmonized Approach to Cash Transfers to Implementing Partners	
Corporate Risk Category: Results-based Management and Reporting	
Typical Risks	Minimum Expected Mitigation Measures
Cash is not used in accordance with UNICEF cash transfer management policies and procedures (e.g. HACT or national standards, policies and procedures)	Conduct 'spot checks' which allows a staff member or external service provider to determine if the internal controls were functioning as expected and if, based on a sample of expenditures, UNICEF funds were used for their intended purpose, consistent with the work plan and agency or national standards, policies and procedures for cash management
Cash is not used for intended purposes (i.e. not in accordance with the activity in the work plan)	Conduct a programmatic visit which allows the staff member to determine if activities are being implemented and results are being achieved. Conduct 'spot checks' which allows a staff member or external service provider to determine if the internal controls were functioning as expected and if, based on a sample of expenditures, UNICEF funds were used for their intended purpose, consistent with the work plan and agency or national standards, policies and procedures for cash management.
Cash may be used inefficiently to implement the activity	Conduct a programmatic visit which allows the staff member to determine the efficiency and effectiveness of the activity and achievement of results
The activity may not be effective in producing the desired output (result)	Conduct a programmatic visit which allows the staff member to determine if activities are being implemented and results are being achieved.
Assurance activities are inadequate and insufficient to obtain reasonable assurance on the use of funds and achievement of results by implementing partner.	UNICEF offices determine the appropriate follow up actions on negative results from assurance activities, including programme adjustments and whether further assurance activities are required in addition to the minimum requirements.
The greater the volume of cash transferred, the greater the risk	Implementing partners receiving significant volumes of cash will be assessed with respect to their financial management capacity and based on the findings, will be assigned a Risk Rating that is used to determine the frequency of spot checks, programmatic visits and audits
The longer (i.e. duration) the cash transfer has not been used as stipulated, the greater the risk programme activities are not taking place and higher risk of misuse of resources	UNICEF and the HACT Framework require that the implementing partner reports on the use of the cash advance (DCT) within 6 months from receiving the funds; if the justification is not forthcoming within that timeframe, no other cash transfers can be provided to the implementing partner unless approved by the Country Office Representative or Regional Director.
Mismanagement of UNICEF funds and inability to report on actual expenditures due to low financial capacity of significant and high risk implementing partners.	Capacity development in areas that are appropriate to be directly addressed by UNICEF.

ANNEX A: DEFINITIONS

1. **Adopting agency** is a United Nations organization that has adopted the 2014 UNDG Framework on the Harmonized Approach to Cash Transfers.
2. **Assurance activities** are a component of programme monitoring undertaken to obtain assurance that cash is utilized and results achieved as planned and/or reported by the implementing partner:
 - a. *Programmatic visits*: verification that activities are implemented and results are achieved as planned and/or reported by the implementing partner.
 - b. *Spot checks*: a review of financial records to obtain reasonable assurance that amounts reported by the implementing partner on the FACE form are accurate.
 - c. *Scheduled audit*: is a systematic and independent examination of data, statements, records, operations and performance of an implementing partner.
 - d. *Special audit*: an audit performed when significant issues and concerns are identified during the implementation of the programme.
3. **Capacity assessments** are:
 - a. *Macro assessment*: desk review of existing assessments of the public financial management (PFM) system in the country.
 - b. *Micro assessment*: overall assessment of the implementing partner's financial, operations and programme management policies, procedures, systems and internal controls.
4. **Capacity development** is action undertaken to address weaknesses of an implementing partner's management capacities, thereby supporting medium and long-term sustainability of programme results.
5. **Cash transfer modalities** are:
 - a. *Direct cash transfers (DCT)*: funds are transferred to the implementing partner (IP) before the IP incurs obligations and expenditures to support agreed upon programme activities within a prescribed period.
 - b. *Direct payments*: funds are paid by UNICEF directly to vendors and other third parties for providing goods or services for agreed upon programme activities on behalf of the implementing partner.
 - c. *Reimbursements*: funds are provided to implementing partners for expenditures incurred by the partner in support of agreed programme activities.
6. **Funding Authorization and Certificate of Expenditures (FACE) form** is the form used by adopting agencies for implementing partners to request cash transfers, report on expenditures and certify expenditures.
7. **Head of Office** is the Country Representative, Regional Director or Headquarter Division Director.
8. **Implementing partner**¹ is an entity that receives resources from UNICEF for programme implementation and can be a:
 - a. Government entity, including ministries, semi-autonomous entities, local government;
 - b. Bi/multilateral/intergovernmental organization; or
 - c. Civil Society Organization (CSO) as defined by the [UNICEF CSO Procedure](#).
9. **Lead agency** is the UN agency responsible for managing micro assessment and/or audit processes for shared implementing partners on behalf of adopting agencies.

¹ Although other [UN entities](#) may act in an implementing role, HACT does not apply due to the single audit principle.

10. **Programme manager** is the staff responsible for managing the relationship with the implementing partner. This includes planning, budgeting, execution/ monitoring, reporting, follow-up of results from monitoring and assurance activities and on-going communication.
11. **Shared implementing partner** is a partner common to UNICEF and another adopting agency at the field level.
12. **Supreme Audit Institution (SAI)** is the national agency responsible for auditing government revenue and spending. Its legal mandate and reporting requirements vary in accordance with the government policies and governance systems.

ANNEX B: SUMMARY OF ROLES AND RESPONSIBILITIES FOR COUNTRY OFFICE, REGIONAL OFFICE AND HEADQUARTERS

Country Office Roles and Responsibilities

Roles	Responsibilities
Head of Office	<ul style="list-style-type: none"> a. Ensures that the HACT procedure is implemented, the status and quality of implementation is regularly monitored and reported; Ensures that the HACT related roles and responsibilities are reflected in the performance appraisal of relevant staff b. Determines whether assurance activities containing significant negative results and high risk findings and observations are brought to the attention of the Regional Director; c. Refers cases involving suspected misuse of funds, sexual exploitation abuse, and child safeguarding violations directly to Office of Internal Audit and Investigations (OIAI) with copy to FRG Chief Programme Implementation, FRG, Regional Office Implementing Partnership Management Specialist and Advisor to the Comptroller, DFAM.
CMT	<ul style="list-style-type: none"> a. Reviews, adjust and monitors the HACT Assurance Plan and the status/quality of its implementation on at least quarterly basis; b. Determines whether assurance activities containing significant negative results and high risk findings and observations are brought to the attention to the Regional Director; c. Determines whether qualified internal staff or external service providers (or a combination of both) undertake spot checks based on recommendation from the Chief of Operations; d. CMT determines whether the risk rating of the partner should be increased to significant or high and the appropriate follow up actions based on recommendation from the Chief of Operations.
HACT Focal Point	<ul style="list-style-type: none"> a. Provides technical advice on which government entity is the implementing partner for purposes of HACT implementation in cases where the programmatic and financial responsibilities rest within different entities; b. Undertakes analysis of micro assessment results to inform the office's programme implementation strategy and capacity development activities; c. Liaises with adopting agencies for micro assessment of shared implementing partners; d. Coordinates the development and updating of the annual HACT assurance plan; e. Reports the status of implementation of the HACT assurance plan to CMT and adjusts the plan in necessary; f. Highlights for management attention any issue on the status of implementation of the HACT assurance plan; g. Provides guidance to Programme managers on what qualifies as HACT programmatic visits.
Deputy Representative	<ul style="list-style-type: none"> a. Takes micro assessment results into consideration in programme design and implementation; b. Determines the most appropriate cash transfer modality or blend of cash transfer modalities; c. Ensures the development, monitoring and reporting of the HACT assurance plan;

	<ul style="list-style-type: none"> d. Allocates adequate resources (human, financial) to ensure the office obtains proper assurance on programme results and the use of UNICEF funds, including complementing staff capacities with external resources if required; e. Monitors the status of implementation of corrective and preventive measures on negative results from assurance activities, including follow-up actions if required f. Determines whether staff capacities need to be complemented with external resources, including third-party monitors to obtain adequate assurance on programme results based on the operating environment g. Monitors the coverage and status/quality of implementation of programmatic visits and outstanding follow-up actions from high-priority recommendations h. Reviews audits results and consults with the Chief of Operations to determine follow-up action. i. Defines the terms of reference, scope and procedures of the special audits in coordination with the Chief of Operations. j. Reviews the result of the audit and consults with the Chief of Operations to determine follow-up action.
Chief of Section	<ul style="list-style-type: none"> k. Takes micro assessment results into consideration in programme design and implementation. l. Determines the most appropriate cash transfer modality or blend of cash transfer modalities. m. Ensures planning and monitoring of assurance activities in line with minimum requirements and the operating context n. Determines and monitors corrective and preventive measures on negative results from assurance activities, consulting management as required o. Ensures programmatic visits are planned, executed and documented for all implementing partners in line with requirements of the procedure; p. Leads the establishment of technical standards for programmatic visits undertaken by third parties, where applicable; q. Monitors status of implementation of follow-up actions related to high-priority findings and observations from programmatic visits; r. Monitors status/quality of implementation of follow-up actions related to high-priority findings and observations from spot-checks; s. Reviews audits results and consults with the Chief of Operations to determine follow-up action; t. Defines the terms of reference, scope and procedures of the special audits in coordination with the Chief of Operations. u. Reviews the result of the audit and consults with the chief of operations to determine follow-up action.
Chief of Operations / Operations manager	<ul style="list-style-type: none"> a. Leads the micro assessment contracting process; b. Advises the CMT on the use of micro assessment results in guiding the office's implementing partnership management considering prior experience with the implementing partner (if any) and the operating environment; c. Provides recommendation to the Chief of Section or Programme manager on the most appropriate cash transfer modality for the office or specific implementing partners; d. Ensures the development, monitoring and reporting of the HACT assurance plan

	<ul style="list-style-type: none"> e. Allocates adequate resources (human, financial) to ensure the office obtains proper assurance on programme results and the use of UNICEF funds, including complementing staff capacities with external resources if required f. Monitors the status/quality of implementation of corrective and preventive measures on negative results from assurance activities, including follow-up actions if required g. Participates in the evaluation of the use of third-party monitors and leads the contracting process; h. Provides recommendation to the CMT on the most appropriate modality to conduct spot checks – internal staff, external service provider or combination; i. Leads the processes of contracting service providers if required; j. Recommends follow-up action on spot checks containing high priority findings and recommendations monitors the status of outstanding follow-up actions from high-priority recommendations. k. Records impairment or write-off if required in accordance with DFAM Procedure 2017/005; l. Reviews the results of the audits and makes recommendation to CMT on changes to the risk rating of the implementing partner if applicable. m. Determines whether impairment or write-off of ineligible expenditures is required. n. Provides recommendations and monitors the status of follow-up actions for audits with qualified, disclaimer or adverse opinion and significant high priority findings and observations. o. Prepares and submits to the Regional Implementing Partnerships Management Specialists the On-Request Audit Submission Form; p. Assists in the development of the terms of reference, scope and procedures of the special audit; q. Reviews audit results and recommends whether the risk rating of the implementing partner should be increased to significant or high and the appropriate follow up actions. r. Provides recommendation to CMT on the use of the SAI; s. Serves as the main contact for the country office with the SAI; t. Contacts the Regional Office Implementing Partnership Management Specialist for guidance on undertaking audits of government partners.
Programme Manager	<ul style="list-style-type: none"> a. Determines the appropriate entity that will be registered as implementing partner in VISION and is subject to micro assessment and assurance activities; b. Takes micro assessment results into consideration in programme design and implementation; c. Determines the most appropriate cash transfer modality or a blend of cash transfer modalities; d. Plans and undertakes or follows-up implementation of assurance activities, updating the HACT assurance plan accordingly e. Ensures assurance reports are filed in the central repository. f. Determines actions required to follow-up results of assurance activities, escalating issues requiring management attention g. Takes into consideration the result of assurance activities as part of programme monitoring and determines if programme adjustments are required; h. Plans, executes and documents programmatic visits

	<ul style="list-style-type: none">i. Determines appropriate follow-up actions when the programmatic visit report includes high priority findings and observationsj. Plans and follows-up implementation of spot-checksk. Reviews results of spot checks and follow-up actions, if any, consulting with Chief of Operations when spot checks contain high priority findings and recommendations.l. Reviews audits results and consults with the Chief of Operations to determine follow-up action.m. Defines the terms of reference, scope and procedures of the special audits in coordination with the Chief of Operations.n. Reviews the result of the audit and consults with the chief of operations to determine follow-up action.
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Regional Office Roles and Responsibilities

Regional Director	<p>Responsible for oversight, quality assurance and technical assistance to countries in relation to effective HACT management and reporting to Headquarters on the status and quality of HACT implementation in the region. Specifically, the Regional Director:</p> <ol style="list-style-type: none"> a. Reviews Programme Budget Review (PBR) country submissions to ensure HACT related functions are covered in country offices staffing structures; b. Provides advice, feedback and oversight to Representatives on HACT management related matters on an ad hoc basis and as part of regular programme and operational performance management review processes (Achieve, Annual Report review, etc.); c. Reports on the status of HACT implementation in the region and execution of the regional HACT action plan to Headquarters as part of the annual reporting process; and d. Reports issues requiring management attention to the Deputy Executive Director, Field Results, and Comptroller, DFAM as applicable.
The Regional Office IP Management Specialist:	<ol style="list-style-type: none"> a. Reviews and provides technical assistance to country offices for the development of the overall approach to HACT during the country programme preparation; b. Provides technical assistance and support to country offices for planning, execution and follow-up of HACT activities during country programme preparation and implementation; c. Reviews, endorses and forwards to FRG Chief Programme Implementation the country office submission for on-request audits; d. Ensures systematic follow-up and review of HACT implementation in the region using HACT regional dashboards; e. Flags issues for management attention which includes the regular review of a sample of reports from assurance activities and follow-up actions; f. Prepares data, analysis and other information related to the management of HACT activities within the region as part of regular and ad-hoc regional reporting requirements; and g. Provides technical support to country offices for appropriate escalation procedures, including informing OIAI and sharing of best practices, and h. Monitors and documents performance of country office on the HACT key performance indicators.

Headquarters Roles and Responsibilities

Roles	Responsibilities
Associate Director, FRG	Responsible for mainstreaming HACT principles and processes in UNICEF policies, procedures and systems in relation to cash transfers, and for providing technical assistance, quality assurance and oversight of their implementation. Specifically, s/he: <ol style="list-style-type: none"> a. Liaises with other UN agencies for the development, monitoring and review of the inter-agency HACT Framework; b. Coordinates organizational efforts to strengthen the management of HACT in UNICEF, in close consultation with regional offices; c. Leads the development and review of UNICEF HACT policies, procedures and guidance in accordance with the inter-agency framework and taking into consideration lessons learnt from implementation; d. Provides technical assistance for the effective implementation of HACT across all regions and with due consideration to the significance of organizational risks; e. Leads the development of systems and processes to effectively monitor and oversee implementation of HACT across all UNICEF offices; f. Reviews global spending and mechanisms used to procure HACT related services to ensure cost-effectiveness of assurance and oversight activities; g. Reports issues requiring management attention to the Deputy Executive Director, Field Results; h. Reports on the global status of HACT implementation as part of the annual reporting process.
Chief, Programme Implementation	FRG is responsible for providing technical assistance, quality assurance and oversight of HACT implementation and related UNICEF policies, procedures and guidance. Specifically, s/he: <ol style="list-style-type: none"> a. Approves the use of another capacity assessment in lieu of the micro assessment; b. Determines the implementing partners to be audited based on risk-based monetary, random and prior audit results selection criteria and communicates the selection to the Regional Office IP Management Specialists; c. Advised offices on sharing HACT related information with donors, based on consultation with Division of Finance and Administration and Public Partnership Division.
Office of the Comptroller	<ol style="list-style-type: none"> a. Reviews cases involving suspected misuse of funds by implementing partners to determine appropriate follow up actions; b. Reviews and provides advice on follow up actions on issues related to results of assurance activities as reported by the Regional Director

INSTRUCTION 1: DETERMINING THE IMPLEMENTING PARTNER FOR PURPOSES OF HACT IMPLEMENTATION

Roles and Responsibilities

Roles	Responsibilities
Programme Manager	<ul style="list-style-type: none"> • Determines the appropriate entity that will be registered as implementing partner in VISION and is subject to micro assessment and assurance activities.
HACT Focal Point	<ul style="list-style-type: none"> • Provides technical advice on which entity is the implementing partner for purposes of HACT implementation in cases where the programmatic and financial responsibilities rest within different entities.

Overview

1. Implementing partners and risk ratings are registered in VISION as per [GSSC SOP VM1.3, Maintain Vendor Master – Implementing Partner](#) and [VISION How-To for Implementing Partner Guidance](#).
2. Programme managers determine the appropriate entity that will be micro assessed and the focus of assurance activities in relation to programme implementation. The implementing partner is the entity that is accountable for ensuring proper use of resources provided by UNICEF and delivery of results.
3. For government implementing partners, accountability may lie at the Ministry or at a lower and/or decentralized level (department, sub-national, semi-autonomous entity etc.) depending on the country specific institutional setting. Typically, the entity that signs the FACE form, reports on results and oversees programme implementation is the entity that will be micro assessed and the focus of assurance activities. The Programme manager considers programmatic and financial accountability lines of a department/ sub-national/ semi-autonomous structure vis-à-vis the central entity to determine if an entity should be considered a separate implementing partner and focus of HACT activities.
4. When the programmatic and financial accountabilities rest within different entities, the programme manager consults the country office HACT focal point to determine which entity should be registered as implementing partner in VISION and is subject to assessment and assurance activities.
5. For CSOs implementing partners, the entity that signs the PCA is the entity that will be micro assessed and the focus of assurance activities. Where UNICEF offices approve an implementing partner's request to subcontract substantial components of programme activities, consideration is given to the level of risk of UNICEF resources being transferred to the subcontracted entity and appropriateness of assessing the financial management capacity of the subcontracted entity. While the implementing partner remains fully accountable for results and safeguarding resources, it is at the discretion of the programme manager to determine whether assessment of the subcontracted entity is required.

INSTRUCTION 2: MANAGEMENT AND ACCOUNTABILITY FOR MICRO ASSESSMENTS

Roles and Responsibilities

Roles	Responsibilities
Chief of Operations	<ul style="list-style-type: none"> Leads the micro assessment contracting process. Advises the CMT on the use of micro assessment results in guiding the office's implementing partnership management considering prior experience with the implementing partner (if any) and the operating environment.
Programme Manager; Chief of Section; Deputy Representative	<ul style="list-style-type: none"> Takes micro assessment results into consideration in programme design and implementation.
HACT Focal Point	<ul style="list-style-type: none"> Undertakes analysis of micro assessment results to inform the office's partnership management approach and capacity development activities. Liaises with adopting agencies for micro assessments of shared implementing partners.

Overview

- The purpose of the micro assessment is outlined in section 7 (7.15 – 7.37) of the interagency HACT Framework. A work flow chart of the micro assessment process is included in Figure 3 of the interagency HACT Framework.
- UNICEF offices commission an external service provider to undertake the micro assessment. For shared implementing partners and where possible, the micro assessment is undertaken jointly with other adopting agencies.
- UNICEF offices ensure that agreement is reached on the timing of the assessment with the implementing partner before it is initiated. Offices ensure that the external service provider obtains and incorporates feedback on draft reports from the implementing partner on the micro assessment as part of its finalization.
- UNICEF offices may decide not to micro assess implementing partners receiving more than 100,000 in a year and assume high risk, considering the programming context and best use of resources. The decision is documented in CMT meeting minutes or a note for record. Offices should not micro assess implementing partners expected to receive less than \$100,000 in a year and should record risk rating for these implementing partners as not required.
- Regional and headquarter offices establishing a partnership in a programme country consult with the relevant country office and may request their assistance to commission the micro assessment, providing funding accordingly. Regional and headquarters offices can also commission an external service provider directly, if more practical.
- UNICEF offices are not required to follow-up on recommendations of micro assessments that do not pose significant risks of working with the implementing partner. The results of the micro assessment can be used to identify capacity development activities in areas related to the UNICEF programme, including procurement.

INSTRUCTION 3: CASH TRANSFER DISBURSEMENTS AND REPORTING

Roles and Responsibilities

Roles	Responsibilities
Programme Manager; Chief of Section; Deputy Representative	<ul style="list-style-type: none"> • Determines the most appropriate cash transfer modality or blend of cash transfer modalities.
Chief of Operations	<ul style="list-style-type: none"> • Provides recommendation to the Chief of Section or Programme manager on the most appropriate cash transfer modality for the office or specific implementing partners.

Overview

1. Guidance on cash disbursements and reporting is outlined in section 8 of the interagency HACT Framework.
2. UNICEF offices determine the most appropriate cash transfer modality (CTM) considering the results of capacity assessments, the country context and needs of the programme to achieve results. Consideration should also be given to potential programme cost savings related to local tax treatment of purchases made by UNICEF and its implementing partners.
3. For significant and high-risk partners, offices consider the possibility of using the direct payment modality for large purchase of goods or services, the use of the reimbursement modality or a blend of reimbursement, direct payments and direct cash transfer modalities.

INSTRUCTION 4: ASSURANCE ACTIVITIES PLANNING AND MONITORING

Roles and Responsibilities

Roles	Responsibilities
HACT Focal Point	<ul style="list-style-type: none"> • Coordinates the development and updating of the annual HACT assurance plan; • Reports the status and quality of implementation of the HACT assurance plan to CMT and adjusts the plan in necessary; • Highlights for management attention any issue on the status of implementation of the HACT assurance plan;
Programme Manager	<ul style="list-style-type: none"> • Plans and undertakes or follows-up implementation of assurance activities, updating the HACT assurance plan accordingly • Ensures assurance reports are filed in the central repository. • Determines actions required to follow-up results of assurance activities, escalating issues requiring management attention • Takes into consideration the result of assurance activities as part of programme monitoring and determines if programme adjustments are required;
Chief of Section	<ul style="list-style-type: none"> • Ensures planning and monitoring of assurance activities in line with minimum requirements and the operating context • Determines corrective and preventive measures on negative results from assurance activities, consulting management as required
Deputy Representative; Chief of Operations	<ul style="list-style-type: none"> • Ensures the development, monitoring and reporting of the HACT assurance plan • Allocates adequate resources (human, financial) to ensure the office obtains proper assurance on programme results and the use of UNICEF funds, including complementing staff capacities with external resources if required • Monitors the status of implementation of corrective and preventive measures on negative results from assurance activities, including follow-up actions if required
Head of Office	<ul style="list-style-type: none"> • Determines whether assurance activities containing significant negative results and high risk findings and observations are brought to the attention to the Regional Director.

Overview

1. The purpose of specific assurance activities and processes are detailed in section 9 of the HACT Framework, specifically:
 - a. HACT assurance implementation, 9.12 – 9.16 with a work flow chart included in Figure 5 and an issue identification flow chart in Figure 6;
 - b. Spot checks, 9.17 – 9.22 with a work flow chart included in Figure 7; UNICEF Spot Check Guidance;
 - c. Programme monitoring, 9.23 – 9.26;
 - d. Scheduled audit, 9.27 – 9.32 with a work flow chart included in Figure 8; Terms and Reference for HACT Audit and
 - e. Special audit, 9.33 – 9.36; Terms and Reference for Special Audit.
2. HACT assurance activities are focused on verification of the programme implementation and use of UNICEF resources by the implementing partner. Assurance activities are documented including information on:
 - a. What was verified (e.g. activity, result, financial or programmatic report);
 - b. Method of verification;
 - c. Findings of the verification;

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- d. Conclusion and follow-up actions required, if any.
3. The results of the assurance activities inform programme managers and office management on the progress in programme implementation, areas of concern, if any, and ways to address them. Programme managers determine whether adjustments to the programme are required and make the necessary adjustments in collaboration with the implementing partner.
 4. The purpose of assurance activity planning is outlined in section 9 (9.4-9.11) of the HACT Framework. A work flow chart of the assurance planning process is included in Figure 4 of the HACT Framework.
 5. At the beginning of the calendar year, the HACT focal point downloads the annual [HACT Assurance Plan](#) from InSight. The assurance plan includes the minimum assurance requirements. Offices identify implementing partners that require a micro assessment, scheduled or special audits and additional assurance activities based on the operating environment or knowledge of the partner and enter this information into the format to create the initial plan for the year.
 6. The minimum programmatic visits (Table 1) are based on annual cash transfers to implementing partner. When UNICEF Offices are working with an implementing partner on more than one programme or intervention, consideration is given to increase programmatic visits to ensure programmatic assurance is obtained for each programme or intervention. The minimum spot checks are calculated based on the total expenditures reported by the partner. Partners selected for scheduled audit are not required to be spot checked during the year of audit.
 7. Variables taken into consideration during the planning phase include the following:
 - a. Programme monitoring schedule;
 - b. Risk rating of the implementing partner;
 - c. Annual work cycle and any known busy periods for the implementing partner or agency staff, which may limit the implementation of assurance activities; and
 - d. HACT indicators criteria in the [Performance Scorecard](#).
 8. Based on the number of implementing partners, risk profile of implementing partners, UNICEF office internal capacities as well as other context specific considerations, UNICEF offices determine the most suitable approach to execute assurance activities. Available options include the use of qualified UNICEF staff, external service providers or a combination of these. Where UNICEF staff carries out spot checks, UNICEF offices ensure appropriate segregation of duties are respected. That is, staff responsible for certifying/approving FACE forms from a specific implementing partner do not carry out spot checks of that partner.
 9. The HACT Assurance Plan is automatically updated in InSight for new cash transfers to implementing partners and reported expenditures. Country offices review the plan on a quarterly basis for the changes in the minimum assurance requirements, record the additional assurance activities required and schedule activities accordingly.
 10. Regional and headquarter offices undertake assurance activities when partnering in programme countries by requesting the assistance of country offices (and providing funding to the country office accordingly) or commissioning a qualified external service provider. Audits of government implementing partners are conducted by the SAI or external service provider as decided by the UNCT/CMT in the programme country.
 11. Assurance activities containing significant negative results and high risk findings and observations are brought to the attention of the Head of Office. The Head of Office determines whether to further report issues to the Regional Director.

INSTRUCTION 5: MANAGEMENT AND ACCOUNTABILITY FOR PROGRAMMATIC VISITS

Roles and Responsibilities

Roles	Responsibilities
Programme Manager	<ul style="list-style-type: none"> Plans, executes and documents programmatic visits. Determines appropriate follow-up actions when the programmatic visit report includes high priority findings and observations.
Chief of Section	<ul style="list-style-type: none"> Ensures programmatic visits are planned, executed and documented for all implementing partners in line with requirements of the procedure. Leads the establishment of technical standards for programmatic visits undertaken by third parties, where applicable. Monitors status and quality of implementation of follow-up actions related to high-priority findings and observations from programmatic visits.
Deputy Representative	<ul style="list-style-type: none"> Determines whether staff capacities need to be complemented with external resources, including third-party monitors to obtain adequate assurance on programme results based on the operating environment. Monitors the coverage and status of implementation of programmatic visits and outstanding follow-up actions from high-priority recommendations.
Chief of Operations	<ul style="list-style-type: none"> Participates in the evaluation of the use of third-party monitors and leads the contracting process.
HACT Focal Point	<ul style="list-style-type: none"> Provides guidance to programme managers on what qualifies for programmatic visits.

Overview

1. The primary objective of a programmatic visit is to verify that activities are implemented and results are achieved as planned and/or reported by the implementing partner.
2. Direct observation of activities or results at the site of implementation conducted by UNICEF programme staff is the primary method of obtaining assurance. Remote monitoring can also be employed for programmatic visits where relevant. Depending on the nature of the programme and the operating environment, assurance may be obtained through numerous methods, including confirmation from beneficiaries of receipt of services/goods, use of technology or other verification methods. Where there is no physical location of programme implementation, such as in upstream programming, quality review of draft and final deliverables is the primary method of conducting programmatic visits.
3. To qualify as a programmatic visit, the programme assurance evidence obtained are documented and meet the requirements of HACT assurance activities as described in *Instruction 4: Assurance Activities, Paragraph 2*. Meetings with the implementing partner to discuss the status of programme implementation, review of progress reports from implementing partners, technical support visits, advocacy meetings, situation monitoring or other visits that do not provide verification on the results achieved and use of resources do not qualify as a programmatic visit.

4. Due to access or capacity constraints, UNICEF offices may decide to outsource programmatic visits to an external service provider. Offices should evaluate the need for external service providers on an annual basis and discontinue outsourcing once the access or capacity constraints have been resolved.
5. Results of programmatic visits are reviewed with the implementing partner and the respective UNICEF programme manager. When the programmatic visit report includes high priority findings and observations, the programme manager consults with the chief of section on the most appropriate follow up actions, including programme adjustments, refund required from the implementing partner; and additional assurance activities required, if any. Issues requiring management attention are escalated as needed.

INSTRUCTION 6: MANAGEMENT AND ACCOUNTABILITY FOR SPOT CHECKS

Roles and Responsibilities

Roles	Responsibilities
Programme Manager	<ul style="list-style-type: none"> Plans and follows-up implementation of spot-checks. Reviews results of spot checks and follow-up actions, if any, consulting with chief of operations when spot checks contain high priority findings and recommendations.
Chief of Section	<ul style="list-style-type: none"> Monitors status of implementation of follow-up actions related to high-priority findings and observations from spot-checks.
Chief of Operations	<ul style="list-style-type: none"> Provides a recommendation to the CMT on the most appropriate modality to conduct spot checks – internal staff, external service provider or a combination. Leads the processes of contracting service providers if required. Recommends follow-up action on spot checks containing high priority findings and recommendations monitors the status of outstanding follow-up actions from high-priority recommendations. Records impairment or write-off if required in accordance with DFAM Procedure 2017/005.
CMT	<ul style="list-style-type: none"> Determines whether qualified internal staff or external service providers (or a combination of both) undertake spot checks based on recommendation from the Chief of Operations.

Overview

1. The primary objective of a spot check is to verify that amounts reported by implementing partners on the FACE forms are accurate as per the authorized itemized cost estimate. Spot checks are performed in the office of implementing partners where financial records are kept.
2. CMT determines whether qualified internal staff or external service providers (or a combination of both) undertake spot checks based on recommendation from the Chief of Operations. If a UNICEF staff member undertakes spot checks, the individual must possess experience in financial management, knowledge of UNICEF-supported programmes, the programming context, the interagency HACT Framework and the terms of reference of spot checks. Required experience in financial management may be replaced by documented on the job training, regular coaching and supervision by qualified UNICEF staff or quality assurance by an external service provider.
3. The results of the spot checks are reviewed with the implementing partner and the respective UNICEF Programme manager. When the spot check report includes high priority findings and observations, the Programme manager consults with the Chief of Operations on the most appropriate follow up actions, including: additional supporting documentation, acceptable justification, or a refund are required from the IP; and the additional assurance activities required, if any. The Chief of Operations also determines whether impairment or write-off of ineligible expenditures is required in accordance with the [UNICEF Procedure on Impairment and Write-off of Direct Cash Transfers](#).
4. [UNICEF Spot Check Guidance](#) provides details on the process of planning and preparing for spot checks, completing the field work, documenting the observations, determining follow-up actions.

INSTRUCTION 7: MANAGEMENT AND ACCOUNTABILITY FOR SCHEDULED AUDITS

Roles and Responsibilities

Roles	Responsibilities
Programme Manager Chief of Section Deputy Representative	<ul style="list-style-type: none"> Reviews audits results and consults with the chief of operations to determine follow-up action.
Chief of Operations	<ul style="list-style-type: none"> Reviews the results of the audits and makes recommendation to CMT on changes to the risk rating of the implementing partner if applicable. Determines whether impairment or write-off of ineligible expenditures is required. Provides recommendations and monitors the status of follow-up actions for audits with qualified, disclaimer or adverse opinion and significant high priority findings and observations. Prepares and submits to the Regional Implementing Partnerships Management Specialists the On-Request Audit Submission Form
CMT	<ul style="list-style-type: none"> CMT determines whether the risk rating of the partner should be increased to significant or high and the appropriate follow up actions based on recommendation from the Chief of Operations.

Overview

- The primary objective of a scheduled audit is to provide the UNICEF country office with a reasonable assurance on the appropriate use of funds provided to the implementing partner in accordance with the work plan or programme document and corresponding FACE forms and itemized cost estimates.
- Implementing partners to be audited are determined annually by UNICEF headquarters based on [UNICEF's risk based audit methodology and timelines](#). Offices submit requests for on-request audits to the regional office for review and approval, using the [On-Request Audit Submission Form](#). Scheduled audits are undertaken by external service providers or the SAI in accordance with the [terms of reference for HACT Audit](#).
- When the audit report includes qualified, disclaimer or adverse opinion and significant high priority findings and observations CMT determines whether the risk rating of the partner should be increased to significant or high and the appropriate follow up actions based on recommendation from the Chief of Operations. UNICEF offices determine whether impairment or write-off of ineligible expenditures is required in accordance with the [UNICEF Procedure on Impairment and Write-off of Direct Cash Transfers](#).
- When the audit report includes an unqualified opinion and there are no significant high priority findings and observations UNICEF offices determine whether the risk rating of the partner should be decreased. The office cannot decrease high risk rating, when high risk was assumed in absence of a valid micro assessment; the office should conduct a micro assessment to establish the appropriate risk rating for the implementing partner in this case.
- Any change to the risk rating of an implementing partners resulting from an audit report is updated in the vendor master record and the HACT assurance plan and communicated to the implementing partner. When the audit report includes a qualified, disclaimer or adverse opinion and significant high priority findings and observations, the results of the audit are reviewed with the implementing partner and the UNICEF office to determine follow up action.
- Audit of shared implementing partners are commissioned by the lead agency. Audit reports are shared among adopting agencies. Joint audits of shared implementing partners are conducted in accordance with the terms of reference for audit used by the lead agency. The auditor expresses separate opinion on the actual expenditures reported by the implementing partner to UNICEF.

INSTRUCTION 8: MANAGEMENT AND ACCOUNTABILITY FOR SPECIAL AUDITS

Roles and Responsibilities

Roles	Responsibilities
Programme Manager; Chief of Section; Deputy Representative	<ul style="list-style-type: none"> Defines the terms of reference, scope and procedures of the special audits in coordination with the Chief of Operations. Reviews the result of the audit and consults with the chief of operations to determine follow-up action.
Chief of Operations	<ul style="list-style-type: none"> Assists in the development of the terms of reference, scope and procedures of the special audit. Reviews audit results and recommends whether the risk rating of the implementing partner should be increased to significant or high and the appropriate follow up actions.
Head of Office	<ul style="list-style-type: none"> Refers cases involving suspected misuse of funds directly to Office of Internal Audit and Investigations (OIAI) with copy to Chief Programme Implementation, FRG, Regional Office Implementing Partnership Management Specialist and Advisor to the Comptroller, DFAM
Office of Internal Audit and Investigations (OIAI)	<ul style="list-style-type: none"> Informs FRG and DFAM as to OIAI's involvement in the development of the terms of reference of special audits

Overview

1. The overall objective of the special audit is for the auditor to report on audit procedures agreed upon with the UNICEF office.
2. UNICEF offices commission a qualified external service provider to undertake special audits following significant issues identified during programme implementation that have not been adequately addressed in consultation with the implementing partner. UNICEF offices define the terms of reference, scope and procedures of the special audit in accordance with the [terms of reference for Special Audit](#). In cases where the special audit is related to suspected misuse of funds, the Chief of Operations consults with OIAI on the appropriate terms of reference.
3. UNICEF offices review results of the audit and determine whether the risk rating of the partner should be increased to significant or high, and the appropriate follow up actions.

INSTRUCTION 9: DECISION ON THE USE OF THE SAI

Roles and Responsibilities

Roles	Responsibilities
CMT	<ul style="list-style-type: none"> • Determines whether the SAI will be used for audits of government implementing partners, in line with decision by the UNCT if applicable.
Chief of Operations	<ul style="list-style-type: none"> • Provides recommendation to CMT on the use of the SAI. • Serves as the main contact for the country office with the SAI. • Contacts the Regional Office Implementing Partnership Management Specialist for guidance on undertaking audits of government implementing partners.

Overview

1. UNICEF country offices that are transferring cash to government implementing partners are required to take a decision on the use of the SAI for the assessment and financial assurance activities of government implementing partners. The decision on the use of the SAI should be aligned with other adopting agencies. If a decision is not taken at UN inter-agency level, CMT is accountable for taking the decision on the use of the SAI.
2. Relevant information to inform this decision may vary from country to country. Where available, the [Public Expenditure and Financial Accountability \(PEFA\) Assessment Report](#); other Public Financial Management (PFM) reports; and/or UNCT macro assessment are useful sources of information. UNICEF country offices are not required to undertake a macro assessment. Where no PEFA, PFM or macro assessment has been conducted, the SAI in principle cannot be used to audit government partners.
3. There may be instances where the use of the SAI is required by legislation yet weaknesses in the capacity of the SAI were identified or there are no relevant PFM reports available. In such instances, UNICEF offices determine risk mitigating measures, including higher frequency of spot checks and/or supporting the SAI with an external service provider / consultant for audits of government implementing partners. This process will provide greater assurance to UNICEF and a capacity development opportunity for the SAI.
4. There may be instances where the use of the SAI is required by legislation yet the SAI does not agree to undertake the audits. In such instances, UNICEF discuss with the SAI the possibility of commissioning a qualified external service provider to undertake the audit of government partners; or determine risk mitigating measures in consultation with the Regional Office Implementing Partnership Management Specialist.
5. The decision on the use of the SAI is documented in minutes of the CMT meeting or note for the record and subsequently reported in the [HACT Status Report](#).

DOCUMENT MANAGEMENT INFORMATION PAGE

Document Title	UNICEF Procedure on Harmonized Approach to Cash Transfers to Implementing Partners
Document Number	FRG/PROCEDURE/2018/001
Effective Date	1 August 2018
Mandatory Review Date	1 August 2020
Responsible Business Owner	Field Results Group, Programme Implementation
Responsible Manager	Slavi Nikolov, Implementing Partnerships Management Specialist
Document Summary	This procedure relates to the implementation of the Harmonized Approach to Cash Transfers (HACT), the common operational framework for transferring cash to government and non-government implementing partners for UNICEF, UNDP, UNFPA and other adopting agencies as relevant.
Regulatory content the Document Replaces	FRG/PROCEDURE/2015/002
Topics Covered	Programme Resources Management Cash transfers
Corporate Risk Area	Budget and cash management Funding and external stakeholder relations Results based management and reporting
Reference / Links to Enabling Legislation and Background	UN General Assembly Resolution 56/201 UN General Assembly Resolution 67/226
Links to Relevant Policy	HACT Framework (UNDG) UNICEF HACT Policy UNICEF Financial and Administrative Policy 5: Cash Disbursement Policy on Conduct Promoting the Protection and Safeguarding of Children
Links to Relevant Procedure	UNICEF Procedure for Country Office Transfer of Resources to Civil Society Organisations (UNICEF CSO Procedure English) Instructions on Subsequent Payment of an Advance when there is an existing Outstanding DCT Advance UNICEF Procedure on Impairment and Write-off of Direct Cash Transfers
Links to Relevant Guidance	UNICEF Spot Check Guidance
Links to Relevant Training Materials	HACT e-learning course (Agora) FACE e-learning course (Agora)
Links to Other Knowledge & Information Resources	PPPeM HACT microsite Special measures for protection from sexual exploitation and sexual abuse