# **HACT Micro Assessment – Overview of 2016 Revisions**

# Background Information

UNICEF, UNDP and UNFPA have adopted the 2014 UNDG approved and revised [Harmonized Approach to Cash Transfer (HACT) Framework](https://undg.org/home/guidance-policies/business-operations/common-services-and-harmonized-business-practices/). One of the processes of the HACT Framework is a micro assessment of the implementing partners’ financial management capacity. During the first year of application, the agencies have identified the need to improve the micro assessment methodology.

# Rationale

Improvement to the micro assessment methodology has been identified in four areas:

1. Full review of all questions and risk categories;
2. Weighting of importance of each question;
3. Criteria for each risk level (1-4) for each question and risk category;
4. Expand the areas covered by the micro assessment by addition of questions related to overall management.

# Key revisions

| Area | 2014 Micro Assessment | 2016 Micro Assessment |
| --- | --- | --- |
| **Questions and Subject Areas** | 130 Questions in 9 risk categories | 96 questions in 7 Categories |
| * 64 question were deleted from the 2014 Questionnaire for being redundant, ambiguous or difficult to answer by a third party. * 30 questions were added to existing or new categories to address gaps in the subject areas. * 4 subject areas were removed from the questionnaire: Funds Flow, Internal Audit, Financial Audit, and Information Systems. Important questions from these areas were merged with other subject areas. * 2 subject areas were added: Programme Management; and Fixed Assets and Inventory; * 2 subsection were added: on Warehousing and Inventory Management; and Contract Management (Procurement) | |
| **Weighting of questions** | All 130 questions have the same weight in calculating the overall and subject area risk rating. As a result, even if there are significant control deficiencies in certain areas, these do not impact considerably the overall risk rating as they are averaged out. | 39 out of the 96 questions were designated as key question. Key questions have twice the weight in determining the overall and subject area risk rating. As a result, if there are significant control deficiencies in the key question, the overall risk rating will reflect them (and vice versa). |
| **Risk Rating Calculation Methodology** | Simple average calculation manually done in a MS Word format.  Risk rating were unevenly distributed with the following spread: Low risk: 17%, Moderate and Significant: 33% each, High risk: 17%. | New Excel format is introduced that automatically calculates the risk per subject area and overall, taking into consideration:   * Key question weight * Applicable question only * Even spread of risk rating (low, moderate, significant and high have 25% distribution). |
| **Reporting** | No standard reporting format – each service provider develops their own. | The TORs were revised to include Annex 3: Micro Assessment Report Format – a standard reporting that includes:   * Background, Scope and Methodology * Summary of Risk Assessment Results * Detailed Internal Control Findings and Recommendations * Key Implementing Partner Information. |