



Annex 3: HACT Assessment Summary.

United Nations Development Programme

**Mirco Hact Assessment of Pacific Association of Supreme
Audit Institutions (PASAI)
Final Report**

KPMG Advisory (Fiji) Pte Limited

October 2018

This report contains 79 pages

5
ASY

1. Background, Scope and Methodology

Background

The micro assessment is part of the requirements under the Harmonized Approach to Cash Transfers (HACT) Framework. The HACT framework represents a common operational framework for United Nations ("UN") agencies' transfer of cash to government and non-governmental implementing partners.

The micro-assessment assesses the Implementing Partner's (IP) control framework. It results in a risk rating (low, moderate, significant or high). The overall risk rating is used by the UN agencies, along with other available information (e.g. history of engagement with the agency and previous assurance results), to determine the type and frequency of assurance activities as per each agency's guideline and can be taken into consideration when selecting the appropriate cash transfer modality for an IP.

Scope

The micro-assessment provides an overall assessment of the Implementing Partner's programme, financial and operations management policies, procedures, systems and internal controls. It includes:

- A review of the IP legal status, governance structures and financial viability; programme management, organizational structure and staffing, accounting policies and procedures, fixed assets and inventory, financial reporting and monitoring, and procurement;
- A focus on compliance with policies, procedures, regulations and institutional arrangements that are issued both by the Government and the Implementing Partner.

It takes into account results of any previous audits and micro assessments conducted of the Implementing Partner.

Methodology

We performed the micro-assessment from 20th August 2018 to 24th August 2018 at Pacific Association of Supreme Audit Institution (PASAI) head office, Heards Building, 168 Parnell Road, Auckland, New Zealand.

Through discussion with management, observation and walk-through tests of transactions, we have assessed the Implementing Partner's and the related internal control system with emphasis on:

- The effectiveness of the systems in providing the Implementing Partner's management with accurate and timely information for management of funds and assets in accordance with work plans and agreements with the United Nations agencies;
- The general effectiveness of the internal control system in protecting the assets and resources of the Implementing Partner.

The results of the micro assessment are discussed with the United Nations Development Programme ("UNDP") Pacific Office in Fiji and the Chief Executive of PASAI prior to finalization of the report. The list of persons met and interviewed during the micro-assessment is set out in Annex IV.



2. Summary of Risk Assessment Results

Overall, the review assessed that the PASAI's financial management capacity (that its governance framework, internal controls, accounting systems, reporting and monitoring, programme management and procurement system) as generally satisfactory, based on work performed, but with some qualifications and suggestions for improvement. The key risk and significant area of concern related to the principles of procurement relating to the best value for money. The procurement rules of the Secretariat are broadly designed and does not necessarily allow broader participation by suppliers for more competitive bidding process.

The table below summarizes the results and main internal control gaps found during application of the micro-assessment questionnaire (in Annex IV). Detailed findings and recommendations are set out in section 3.

Tested subject area	Risk assessment*	Brief justification for rating (main internal control gaps)
1. Implementing partner	Low	<p>According to the assessment, the Secretariat has a satisfactory governance framework as there were no significant findings however we noted:</p> <ul style="list-style-type: none">▪ The overall entity risk management process and framework could be improved▪ The Secretariat did not have an approved policy on the management of projects funded by donors and implemented by the Secretariat. <p>For additional details refer to the Micro-Assessment Questionnaire.</p>
2. Programme Management	Moderate	<p>According to the assessment, the Secretariat has set up satisfactory monitoring and reporting framework in relation to programme management as there were no significant findings however we noted that:</p> <ul style="list-style-type: none">▪ MER framework designed and implemented by the Secretariat need to be updated to be aligned to the Strategic Plan for 2018-2022.▪ Reporting on programmes do not consider reporting & monitoring on actual implementation costs incurred. <p>This situation could increase the risk of cost blow out against achievement of performance indicators.</p> <p>For additional details refer to the Micro-Assessment Questionnaire.</p>



Tested subject area	Risk assessment*	Brief justification for rating (main internal control gaps)
3. Organizational structure and staffing	Low	According to the assessment, the Secretariat have the capacity and capabilities to implement programmes as required by the Donor Agent however we noted that the 'key position of the Director Advocacy is vacant'. For additional details refer to the Micro-Assessment Questionnaire.
4. Accounting policies and procedures	Significant	According to the assessment, internal control system in the area of purchase and payment require strengthening as we noted the following significant matters: <ul style="list-style-type: none">▪ No documentary evidence of purchase approved prior to order▪ Payments approved without appropriate delegation▪ Copies orders not maintained to ensure accuracy of supplier invoicing. For additional details refer to the Micro-Assessment Questionnaire.
5. Fixed Assets and Inventory	Low	According to the assessment, the Secretariat have appropriate safeguards in place as there were no significant findings in this subject area. For additional details refer to the Micro-Assessment Questionnaire.
6. Financial Reporting and Monitoring	Low	According to the assessment, the Secretariat uses an accounting system that provides in all material respects accurate, complete and reliable information in a timely manner as there were no significant findings in this subject area. For additional details refer to the Micro-Assessment Questionnaire.

SY A



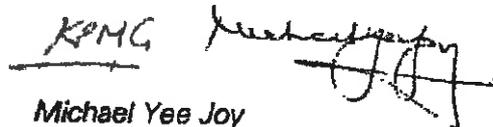
Tested subject area	Risk assessment*	Brief justification for rating (main internal control gaps)
7. Procurement	Significant	According to the assessment, the Secretariat has not established an effective internal control system for procurement cycle because of the significant nature of the matters identified. The significant findings are summarized as followed: <ul style="list-style-type: none">▪ Rules around the selection of procurement methodology is considered weak.▪ Delegation of authority intervals is considered to be high for the Secretary General (\$20,000 - \$200,000) having regards to the different procurement activities. Additionally, inclusion of Governing Board in significant procurement and contracting activities need to be considered. For additional details refer to the Micro-Assessment Questionnaire.
Overall Risk Assessment	Moderate	

*High, Significant, Moderate, Low

Distribution and Use

UNDP has requested this report and it is intended solely for the information and use of UNPD, PASAI and the European Commission.

Auditors' signature KPMG Fiji



Name of Auditor signing

Michael Yee Joy

Auditor's address

BSP Suva Central, Renwick Road, Suva, Fiji

Date of Signature

29 October 2018

SY⁵ A