Activity Implementation Policy

Operational Policy

Last updated: 21 September 2016 *Approver: Business Process Board*

Purpose

This policy outlines the mandatory rules and standards that apply to the implementation phase of Activities, including Activities undertaken with partners. It covers inception, monitoring, reporting, and payments.

The Outcome of Activity Monitoring processes is confidence :

- that the Activity is progressing as planned, or
- to make an information-based decision on any required changes to the Activity.

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Processes based on this policy

The process *Implement an Activity* is based on this policy.

Activity Implementation

Definitions

The **implementation phase** of an Activity commences once a financial authority for implementation (recorded in the PAA) has been obtained.

The key business processes that occur during the Activity implementation phase are:

- Procurement and contracting
- Inception period (for some Activities)
- Activity monitoring by the partner
- Activity monitoring by MFAT
- Activity reporting by partners
- Risk management
- Payments
- Contract variations

Inception is a period of time during which planning for implementation of an Activity is undertaken. The inception period is part of the Implementation phase.

Monitoring is the systematic collection and analysis of information about a development Activity while it is being implemented. Monitoring provides information about how allocated funds are being used, how risks and issues are being identified and managed, what outputs are being delivered and whether progress towards intended outcomes is being achieved.

Monitoring information is used in a variety of ways to inform decisions around learning, accountability and improvement.

Inception period

Most Activities will proceed directly from design to implementation without the need for an inception period. However in some cases an inception period may be useful to update the Activity design or scope of services. This will typically only be necessary for large, complex, risky Activities or where there has been a delay to implementation (e.g. as a result of procurement processes). The length of the inception period will vary depending on the complexity, size and risk attached to the the Activity. Prolonged inception periods should be the exception rather than the rule.

Tasks to be undertaken during the inception period can include the following:

    - Reconfirmation and/or amendment of the Activity Design Document(s) (ADD) or scope of service, with justification.
    - Gathering baseline monitoring and evaluation information.
    - Finalising a detailed workplan and budget.

- The output from the inception period is an Inception Report and, where appropriate an updated ADD and PAA. (See the PAA Policy and Guideline to determine if a new version of the PAA is required.)
- The Inception Report contains updated information on details of the design or scope or services.
- If you require an inception period, speak to a Legal Adviser early to ensure that your contract allows the flexibility to update the Activity design or scope if necessary.

Transfer during implementation

Sometimes for operational reasons, an Activity will be transferred to another Post, team or Division during implementation.

- Only the Director of the designated implementing Division, or the Unit Manager (DD) the Development Counsellor (DC) (or if no DC, the HOM) in the designated implementing team, can accept a transfer during implementation.
- In accepting the Activity the assigned DD is responsible for ensuring that the Activity is managing through to completion.
- A RACI (Responsibility Assignment Matrix) may be completed agreed by the Division that accepts the Activity for implementation. Use of the RACI is optional.
- The Activity Manager (AM) in the transferring team must provide a detailed brief to the receiving team covering:
    - An update on progress to date
    - Risk Management
    - Any outstanding issues
    - Financial status and concerns
    - Key personnel
- The AM assigned to the Activity is responsible for all tasks required to take the Activity to completion including ensuring that completed AMAs and an ACA are sent to the Programme that is providing funding for the Activity (if different).

- The AM is also responsible for determining, in consultation with the DD in the programme that is providing funding for the Activity, whether to exit or transition.
- The DD in the programme that is providing funding for the Activity should be kept apprised of progress and any major risks and issues arising in the implementation of the Activity.

Activity Monitoring by the Implementing Partner

Activity monitoring is primarily the responsibility of the implementing partner. MFAT's role in monitoring is outlined in the guideline *Monitoring an Activity*.

Role and responsibilities

The monitoring and reporting responsibilities of the implementing partner should be clearly set out in the Activity contract or agreement.

The implementing partner should take a lead in Activity monitoring, wherever possible to promote ownership and to strengthen the monitoring and evaluation capabilities of other local partners.

The Activity Results Framework is an integral part of the design of an Activity and should form the basis for monitoring undertaken by the implementing partner.

Along with meeting their own monitoring needs to support their management responsibilities, implementing partners are responsible for monitoring and reporting on overall progress to any other implementing partners.

Key monitoring tasks of implementing partners include:

- Gathering, collating and recording information about the processes and results of implementation, including information relating to the planned work, outputs, outcomes of the Activity.
- Analysing the cause and effects of any identified divergence from the planned work, outputs or development results.
- Subsequently analysing options for remedial adjustments to the implementation of the Activity to correct any weakness in delivery or reduction in the planned development results.
- Periodically reviewing overall Activity progress, particularly progress towards delivering the intended development results (outputs and outcomes)
- Ongoing risk and issues monitoring and management including maintaining an up-to-date issues and risk register. Timely notification of risk and issues to Contract Manager, Activity Manager or Steering Committee as appropriate.

Activity Monitoring by MFAT

Role and responsibilities

MFAT has a role in "monitoring the monitors" of Activities it funds. The focus of MFAT's monitoring is primarily at the strategic level. This means MFAT is particularly interested in:

- Tracking overall Activity implementation progress, including delivery of key outputs and progress towards intended outcomes
- Accounting for the use of resources against the delivery of key outputs and against progress towards intended outcomes
- Managing high level risks and being alert to any warning signs which might appear
- Ongoing risk and issues monitoring, assessment and management including maintaining an up-to-date issues and risk register.
- Ensuring the functionality of monitoring and reporting systems
- Tracking preparations for transition or exit.

Role	Responsibility
Activity Manager	Overall responsibility for MFAT's monitoring of Activities.
Staff at post (if not Activity Manager)	Identify changes that may be happening within the Activity and the general environment in which it is being implemented. Inform the Activity Manager who will determine if the risk profile for the Activty has changed and escalate to senior managment if appropriate.
All MFAT staff engaged in monitoring, including the Activity Manager	Ensure that the right decision-makers get monitoring information appropriate to their particular roles and responsibilities. Take action in response to issues raised during monitoring is one of the most important parts of the monitoring system.

Business rules

- All Activities must be monitored by MFAT formally and informally. At a minimum, formal monitoring requires reading and responding to the Activity completion report prepared by the implementing partner.
- Monitoring includes the ongoing assessment, identification and management of risks and issues via the Activity risk and issues register and as per the Managing Activity risk guideline.
- The amount of time and money that MFAT invests in formally monitoring an Activity reflects the overall Activity risk profile and its cost. Activities with strategic importance may justify additional monitoring investment.
- Formal monitoring information must be recorded in the appropriate format (template or formal message) and retained on file.
- Activity Monitoring Assessments must be prepared annually for Activities with annual expenditure of over $250,000; and for smaller Activities with a high overall risk profile (as per PDG's *Activity Quality Policy*).
- During implementation, Unit Managers or Development Counsellors must approve exit or transition to a new, follow-up Activity. This approval must be communicated to the implementing partner and other relevant parties.
- Monitoring and any evaluation information about progress and performance of an existing Activity must be used in transition or exit decisions (and for planning a new, follow-up Activity).

Activity Reporting by Partners and Payments

Purpose

Effective reporting is a communication tool that provides useful, well-organised information to people who need it. Reporting allows the relevant people to make decisions around learning, accountability and improvement. Often, reports also provide the evidence required to support MFAT's decision to release or withhold payment to the implementing partner.

Reports from implementing partners are also a vital source of information for evaluations. They help to determine the quality of management of an Activity, such as what information was taken into account in decisions and how problems were identified and addressed.

Reporting also helps MFAT to meet New Zealand public sector requirements for the management of contracts and grants, and to retain a record of evidence to support decisions made.

Definitions

Activity reports are the documents produced by implementing partners which convey key management information to MFAT.

All MFAT contracts and grants describe when the implementing partner must provide reports, what information the report must contain, and on what basis, when and how payments will be made.

Roles and responsibilities

Implementing Partner

For most Activities, implementing partners are required to submit:

- Progress reports, and
- Completion reports.

Note: Activities delivered through high order modalities such as sector support may report using a wider range of report types.

The implementing partner may also be required to provide:

- Organisation reports, and
- Inception reports

These four types of reports are detailed in *Appendix A: Reports*.

MFAT

MFAT uses reports from partners to assess progress towards, and/or achievement of the outputs (or tasks) described in the implementing partner's workplan.

MFAT contract managers authorise payments based on their assessment of progress, need for further funding and/or satisfactory deliver of outputs.

Standards for reports

All partner reports should:

- Be supported by evidence
- Use succinct, clear language and style
- Identify risks, issues and possible solutions (actions to result)
- Make reference to what was expected (planned) and what resulted (actual)
- Be signed as true and correct by someone within the implementing partner's organisation, with the authority (and hence, accountability) to certify this.
  Note: *Submitting a report from the email account of an authorised officer is an acceptable alternative to a physical signature except for financial reports when a scanned hardcopy is required.*

Business rules

All contracting

The following rules apply to all contracts and grants:

Report content

- Reporting obligations should be clearly stated in the contractual document.
- The Activity Results Framework must be the basis for the implementing partner's monitoring and reporting.
- Activity reports must provide adequate information against the Results Framework for MFAT to gauge whether or not the contract or grant is proceeding as planned, and to make good management decisions.
- MFAT aims to be flexible, align with partners' systems and harmonise with other donors. We do not require partners to report using our standard templates. As long as reports convey the information we need for our decision-making (as set out in 'minimum content', in Appendix A), every effort will be made to rely on partners' existing reports and/or reports to other donors.
- Where there are multiple partners implementing a single Activity, consideration needs to be given to appropriately translating the Activity's outputs into more specific outputs in the contract or grant (and workplans, as appropriate) for each partner agency.

Level of detail

- The level of detail provided in Activity reports should reflect the size and significance of the contract or grant. Small, simple contracts or grants generally only require short, simple reports from implementing partners.
- The level of detail in financial reporting should be the same as in the contract or grant, or as requested due to the changing risk profile of the partner.
- Reports should generally be limited to information that is required to meet MFAT's core information and analysis needs.
- MFAT reserves the right to request any additional information or an audit of an implementing partner if our monitoring highlights the need for it and we are concerned about their performance, or if their reporting is inadequate.

Report scheduling

- All implementing partners must report at least once per year. More frequent reporting requirements will be determined on the basis of risk.
- Reporting requirements should be aligned with the implementing partner's own management cycle to avoid creating an additional burden of work.
- At the conclusion of the contractual period, all implementing partners must produce a completion report which provides a summary over the life of the contract or grant.

Payments

- Payments must be approved in line with the delegations and contracting policies.
- Where a grant or contract is paid in a series of payments or tranches, budgeted expenditure, outputs, reporting and payments must be aligned.
- An exemption must be obtained for one-off, additional or retrospective payments that are outside the terms of the contract or grant.

Contributions Toward Expenses[1]

For Contributions Toward Expenses, claims to recover expenses (with receipts) are submitted monthly or upon completion of the Activity.

[1] *Formerly known as Letters of Disbursement.*

All grants other than Contributions Toward Expenses

The following rules apply to all grants other than Contributions Toward Expenses:

Payment

- Payments are usually made in advance to fund the work being undertaken, but can be made retrospectively if funding is not required upfront.
- Subsequent to the initial payment, payments are made in scheduled tranches.
- Where payments are made in tranches, the initial payment usually includes funds to cover three months of work beyond the initial tranche period. This prevents a funding 'gap' between the receipt of a report and payment of the next tranche. The upfront release of funds for the additional three month period is not dependent on agreement of a detailed (annual) workplan and budget for the next period. The amount of funds required to cover the three month period can be pro-rated from the relevant period's total budget.
- The frequency of tranche payments normally reflect the organisational risk of the implementing partner.
- Even for implementing partners with high organisational risk, tranches would not be more frequent than every three months except in extraordinary circumstances.
- For grants, payment scheduling should ensure the implementing partner has sufficient cashflow.

Payment conditions

- Tranche payments are conditional on satisfactory completion of, or progress towards, achievement of the outputs (or tasks) described in the implementing partner's workplan.
- Determining whether progress is satisfactory is at the discretion of the contract manager. Contract managers normally make this assessment based on a report from the implementing partner, possibly in conjunction with other formal or informal monitoring by MFAT.
- Costed workplans (outputs-based) are required for all grant funding arrangements. The initial workplan should cover the whole of life of the grant and should be pitched at an appropriate level to assess the value for money, completeness and accuracy of the outputs. The precise amount of detail required will depend on the financial risk profile of the partner.

- Subsequent workplans will be produced for each reporting period and will highlight any changes in the timing or cost of delivery of outputs from the initial plan, including revising the remaining cost of the grant (see below).

Under and over spends

- If an acquittal indicates that an implementing partner has underspent by more than 10% of the next tranche, or more than $50,000 (whichever is less), MFAT seeks an updated cashflow forecast from the partner to ascertain whether these savings are permanent or temporary and to adjust future tranche payments if necessary. Permanent savings are deducted from the subsequent tranche payment.
- Decisions to withhold any temporary savings are made by the Contract Manager, with advice from MFAT Finance, on a case-by-case basis. This must take into account the risk of the entity holding that amount of funding.
- Withheld amounts can be released as soon as the implementing partner advises in writing that they are soon to exhaust the funding provided and that the additional funds are necessary to maintain the delivery of outputs through to the next tranche payment. No further financial reporting is necessary if this is consistent with the workplan.

Audit requirements

- Audited financial statements are a standard requirement when:
  - MFAT provides untagged funding to an organisation
  - MFAT provides funds for the core functions of an organisation
  - The partner is high risk (any aid modality)
  - Funding provided is more than $250,000 per annum.

  In these instances MFAT should also seek to obtain copies of audit management letters.
- The due date for audited financial statements should be within six months of the balance date of the organisation concerned. It is the activity manager's responsibility to ensure that the statements are assessed as necessary by someone with the appropriate skills.

Contracts

The following rules apply to procurement contracts:

Payments

- Payments are retrospective based on the delivery of outputs (except as outlined in point 4, below).
- Payments should be withheld if key outputs are not met (without justification) or if the quality of outputs is not up to the standard expected or specified in the contract, in line with contractual provisions.

Expenses

- Expenses may be invoiced shortly after they are incurred (but not more than once per month) for reimbursement by MFAT on receipt of invoice.
- For technical advisors and other sole traders, MFAT may choose to provide an advance on expenses, which is deducted from the first payment.

Appendix A: Reports

	Type	Purpose	When used	Minimum content	Frequency
MANDATORY	Progress report	Informs activity management and accountability	For Activities longer than 12 months	• Implementation progress: Delivery of outputs and progress towards outcomes, compared to what was planned (based on the costed workplan and Results Framework) • Financial: Actual expenditure and income compared with the budget for the period, including comment on significant variances; balance of funds on hand at date of report • Evidence of ongoing risk and issues assessment, identification and management. • Any other issues that need to brought to attention (including transition or exit planning). Where expenditure is less than forecast, implementing partners also provide updated expenditure forecast which confirms whether savings to date are permanent/temporary.	Usually six-monthly or annually. Never more than quarterly. The frequency should be determined by partner's risk profile and cost.
MANDATORY	Completion report	Informs broader learning and accountability	For all Activities	• Tasks undertaken and completed over the life of the contract or grant, compared to what was planned • Summary of results against original objectives (based on Results Framework), including outputs and progress towards outcomes • Risks and issues that emerged and how they were dealt with • Overall judgement and critical issues • Final actual expenditure against budget (including reporting on Activity cessation costs and disposal of assets, where relevant); significant variances explained. Primary implementing partners should also include: • An assessment of Activity quality against the 5 DAC criteria • Reflection on quality of Results Framework and its implementation • Reflection on quality of transition or exit planning, including the degree to which this will aid sustainability of outcomes.	Once, at the end of the contract or grant (usually within one month).

	Type	Purpose	When used	Minimum content	Frequency
OPTIONAL	Organisation report	To describe the whole of an organisation's work and financial position.	Most commonly, for grants associated with high order modalities. May substitute for progress and/or completion reports.	• Progress against high level organisational objectives and annual work programme • Financial position, often including audited financial statements and the audit report • Assessment of agency health and capability • Description of key changes in operating environment.	As per organisation's standard reporting cycle (usually annual)
OPTIONAL	Inception report	To update the Activity design or scope of services, and/or to provide a new basis to judge implementing partner performance. Note: If you are intending to require an inception report, speak to a Legal Adviser early to ensure that your contract allows the flexibility to update the design or scope if necessary.	For some Activities, an updated ADD and even PAA may also be required. These are typically only necessary for large, complex, risky Activities or where there has been a delay to implementation (e.g. as a result of procurement processes).	• Reconfirmation and/or amendment of the Activity Design Document(s) or scope of service, with justification • Baseline monitoring and evaluation information, where relevant • Detailed workplan and budget, where relevant.	Once, shortly after the contract or grant has commenced