

Department for International Development (DFID) Due Diligence Frequently Asked Questions

What is the purpose of pre-grant due diligence?

Pre-grant due diligence is the process used to assess the appropriateness of potential or intended recipients of a grant. Increasingly, donors are incorporating pre-grant due diligence into their grant making processes and organisations such as the [Charity Commission for England and Wales](#) are promoting the importance of due diligence to protect charities when making grants or other payments to third parties.

Pre-grant due diligence is an important part of effective and responsible grant making. Robust due diligence procedures aim to ensure long term value for money from grant expenditure by identifying potential weaknesses and risks and considering opportunities to enhance capacity before grants begin, when changes become much more difficult. They reduce the risk of funding being diverted from agreed development objectives, which inevitably reduces the desired impact. They also aim to reduce misunderstanding and establish an environment of accountability and transparency.

How does due diligence fit into the Global Poverty Action Fund (GPAF) process?

Pre-grant due diligence is a requirement for all successful GPAF applicants as part of DFID's processes to ensure public money is spent appropriately. It is not used to short-list grantees, but to ensure that Civil Society Organisations (CSOs) selected to receive GPAF grants are legitimate organisations and have appropriate systems and processes to manage grant funds appropriately. Findings may be used to tailor grant agreements.

Organisations undertaking the due diligence process will want visibility of findings. To facilitate this, KPMG will arrange to hold a closing meeting at the end of its visit to discuss. Following the site visit, reports and findings may be moderated before being reported to DFID. If additional findings come to light during the moderation process, KPMG will seek to hold a follow up call with management to outline these findings. Findings formally communicated to DFID at the end of the due diligence review will be shared by DFID with applicants.

What is KPMG's role?

KPMG is independent from the GPAF fund management functions, which are contracted by DFID to Triple Line Consulting/Crown Agents.

KPMG has been engaged by DFID and all the services provided by KPMG in respect to due diligence are at the direction of, and for the benefit of, DFID only. DFID makes all decisions relating to grants, including whether grants will be made to each CSO, the amounts of such funding, and the purposes for which grant funds can be used.

All reports and other communications between DFID and KPMG are confidential. KPMG will not provide copies of such communications to the CSO, unless instructed to do so by DFID.

Who will contact organisations to explain the DFID Due Diligence process?

A member of the KPMG team will be in contact with a copy of the [pre-grant due diligence guidance](#) for CSOs which sets out the timeline and approach DFID adopts for pre-grant due diligence. In their initial contact, KPMG will propose a time for a kick-off call to discuss the due diligence process. During the call, KPMG will be able to address any concerns and will agree dates for the site visit. Site visits will usually take place at least a week after the kick-off call to allow organisations a suitable period of time to prepare.

What information should an organisation make available for the review?

The pre-grant due diligence guidance for CSOs includes an example list of documentation to support the review process. This is a generic list and will be tailored to an organisation's specific operating environment. Any concerns about preparing documentation ahead of the visit should be discussed with KPMG during the kick-off call. Note; KPMG will review either electronic or paper copies of documentation and will not need copies prepared for their sole use. All papers will be returned at the end of the visit.

Should all information be available at the Head Office?

KPMG will undertake the review at the organisation's named head office. All documentation must be available for review at these premises. Where documentation is stored in other locations organisations should ensure copies are available at the head office for purposes of review during the site visit.

What happens if an organisation does not have the proposed documentation as outlined in KPMG's guidance to CSOs?

The due diligence process is designed to evaluate an organisation's capacity to implement the proposed DFID grant within its existing control environment. As such, an organisation will not be expected to spend time creating documentation ahead of the review.

The pre-grant due diligence guidance for CSOs includes an example list of documentation that a Grantee is expected to have in place. CSOs may have different documentation or manage operations through alternative means. Variations should be discussed with KPMG during the planning call.

Who will KPMG need to talk to? Will KPMG need to meet Board members?

The pre-grant due diligence guidance for CSOs provides an indication of which members of an organisation that KPMG will need to meet for each section of the due diligence. Whilst it is recognised that organisational structures and team roles and responsibilities vary between organisations, KPMG will wish to discuss each aspect of the review with the individual responsible for authoring or managing the implementation of the processes, procedures and documents. KPMG will need to meet Board members only if required to gain an understanding of specific governance arrangements. Queries on this can be raised during the kick-off call.

What happens if staff members are not available for the visit?

KPMG will agree the dates of the site visit during the kick-off planning call. Where possible this will be scheduled to ensure staff members are available. Where staff members are not located in the country office, KPMG will be happy to take part in conference calls or Skype meetings.

What does KPMG need to see to exhibit value for money in proposed activities?

KPMG will receive a copy of the relevant proposal documents in advance of the visit. The proposal documents outline how a project is designed to take into account appropriate value for money considerations. KPMG will look to evidence that the organisation has appropriate policies and procedures in place to implement the value for money proposition. KPMG will also seek to support claims through evidence of where you have achieved similar results in previous programmes. Information to share with KPMG might include procurement guidelines and programme reports from previous activities.

It is expected that organisations will have considered the value for money proposition of working with a chosen partner. Evidence may include previous experience in successful implementation of programmes, initial site visits, benchmarking against other CSOs operating in the area, and benchmarking against existing partners.

Value for money should be embedded within the organisation and not just the DFID grant. As such, KPMG will seek to evidence how an organisation has embedded value for money across

programmes, fundraising and administrative activities. Evidence to support discussions might include organisational strategy and monitoring documents, shared service operating agreements, and pro-bono support contracts.

What do KPMG need to see to show environmental impact has been considered in proposed activities?

Environmental issues, such as exposure to risks or possible opportunities, may affect the organisation and the success of implementing the proposed DFID grant. Organisations activities may generate negative and positive environmental impacts to the community or local environment. How an organisation addresses these environmental factors will be programme specific. KPMG will seek to evidence that organisations have performed a risk analysis and have appropriate policies and procedures in place to manage the risks associated with the grant. They will also seek to obtain evidence of success in managing similar risks in previous grants.

Example risks include:

Procurement: If work includes significant purchasing of manufactured goods, such as mosquito nets, consider how to manage suppliers to ensure risks and impacts are identified and well managed. Consider how raw materials may be sourced from responsible operators.

Waste: Electronic and medical waste are specific risks. How does the organisation reduce the volume of waste produced, and reuse or recycle. Where waste must be sent to landfill, the type of waste is important; hazardous or toxic waste must be disposed of responsibly, and no waste dumping should occur.

Water: Many of the countries where DFID awards grants experience water scarcity/stress. Organisations operating in a region characterised as such and planning to implement a programme involving water should have controls in place which seek to minimise volume consumed, reuse/recycle internally where possible, avoid/reduce harm to soil and waterways through run-off or treated wastewater sent directly to the environment.

Where can an organisation find guidance on the UK Bribery Act?

On the initiative of Transparency International UK and Mango, Bond established a Working Group of UK NGOs to develop a [set of principles and guidance for countering bribery](#). This document draws on the Business Principles for Countering Bribery, developed through a Transparency International-led multi-stakeholder initiative and can be found at.

Transparency International's best practice [online training](#) is a useful complement to the anti-bribery guidance in so far as it enables companies and NGOs to benchmark their own training programmes.

What should be included in an organisations vulnerable adult's policy?

In implementing programmes DFID seeks to ensure that the basic human rights of individuals and groups with whom an organisation interact are protected. This is particularly important with regard to vulnerable people.

Where programmes include contact with vulnerable adults, DFID expects an organisation to have a documented way of working which ensures a consistent approach is taken to responding to beneficiary needs. This may be a stand-alone document or form part of wider programme literature.

As a minimum, guidance is expected to address the following:

- A step-by-step guide on what action to take if there are concerns about a vulnerable adult's safety or welfare.
- Contact details for a vulnerable adult protection person/s with clearly defined role and responsibilities.

- Agreed ways of recruiting staff and for assessing their suitability to work with vulnerable adults including, where possible, police and reference checks.
- Guidelines for behaviour or some way of describing to staff what behaviour is acceptable and unacceptable especially when it comes to contact with vulnerable adults.
- Clear guidance on the consequences of breaking the guidelines and disciplinary procedures to be followed.
- Guidance on the appropriate use of information technology such as the internet, websites, digital cameras etc. to ensure that beneficiaries are not put at risk.
- Information on how staff can raise concerns, confidentially if necessary, about unacceptable behaviour by other staff or representatives.

All members of staff/volunteers who come into contact with vulnerable adults should have training on working with vulnerable adults, including an introduction to the organisation's policies and procedures. All members of staff should be provided with opportunities to learn about how to recognise and respond to concerns about abuse. Staff members with special responsibilities for beneficiary safety should have access to specialist advice, support and information.

Vulnerable adults should be made aware of their right to be safe from abuse and should be provided with information on where to go to for help and advice in relation to abuse, harassment and bullying.

Organisations should establish contacts at a national and/or local level with the relevant child protection/welfare agencies as appropriate.

Arrangements should be put in place to monitor compliance with policies. All incidents, allegations and complaints should be recorded and monitored.

What should be included in an organisations Child Safeguarding policy?

Organisations should author Child Protection Policy and Procedures which comply with UK legislation. Where programmes are implemented outside the UK, organisations should comply with both UK and local legislation. DFID expects organisations to have undertaken a review of local requirements to ensure compliance. Organisations may find the [toolkits](#) developed by Keeping Children Safe helpful in reviewing your own policies and procedures.

What information do organisations need for overseas partners?

Organisations are expected to have a good understanding of their partners, their policies and procedures and to have performed their own due diligence over their operations as part of preparing the grant application. The pre-grant due diligence review considers an organisation's capacity to work as an effective lead partner in assuring both their own operations and those of their partners. KPMG will seek to gain evidence that organisations have robust procedures in place for working with partners, including receipt of regular qualitative and quantitative analysis, and a methodology of assuring reporting received.

In undertaking due diligence on a partner, it is anticipated that Grantees hold copies of their key operating and governance policies. Where appropriate English translations or synopsis may be prepared. At a minimum, KPMG will ask to see copies of partner policies including child safeguarding, vulnerable/adults, conflict of interest, bribery and corruption, and procurement. As part of the kick-off call, KPMG will discuss your specific programmes and what other documentation you have available.

Do organisations need to have match funding in place before DFID awards a grant?

Match funding, only needs to be confirmed for the first year at the point of grant confirmation, i.e. signature of Grant Agreement, and annually thereafter. However, we do look at the viability of the proposed sources of match funding during the proposal appraisal process. Organisations will be

required to discuss their strategy for securing matched funds, progress made to date and if appropriate the funding pipeline established. KPMG will seek evidence of past performance in securing funds to support assumptions.

Can an organisation start programming activity before DFID provides confirmation of the grant?

No. All programming activity, budgeted expenditure, matched funding and logframe metrics should only start once the grant has been awarded. Activity before this date should not be attributed to the DFID programme.

Where can an organisation find guidance of common findings from DFID grant reviews?

KPMG have now completed over [150 reviews](#) for DFID

Can an organisation change the budget submitted to DFID?

Organisations should provide a fully completed budget template at proposal stage. [Additional guidance](#) on preparation of the budget is available.

Check proposed budgets prior to submission. Once the budget is submitted, it will only be subject to revision in exceptional circumstances. If a budget needs to be reviewed contact gpaf@tripleline.com

Can an organisation change the logical framework (logframe) metrics submitted to DFID?

Organisations should provide a completed logframe at the proposal stage. The review of the logframe and the proposed results form part of DFID's decision about whether or not to fund the programme. As far as possible the logframe should provide an honest, reasonable prediction of what might be achieved over the course of the project. Outcomes, outputs and associated indicators should be realistic, not aspirational. Grantees performance will be judged in terms of actual achievements compared to logframe milestones and targets.

Logframes are dynamic, subject to change throughout the active life of the project to which they refer. Changes to a logframe are normally made during a formal review, or in response to circumstances.

At all times, changes in the logframe must be the result of consultation and agreement among project partners, the Fund Manager and with DFID in order to allow full discussion of the implications of the changes proposed. If an organisation proposes to modify its logframe metrics contact gpaf@tripleline.com

Will organisations get to see the findings of the due diligence review?

KPMG will run through the findings of the due diligence review with each organisation through a clearance meeting arranged for the last day of the site visit. This provides an opportunity to provide further evidence or challenge findings raised.

KPMG will author a report which will be submitted to DFID. It is at the discretion of DFID to share this report with you as part of the grant application process.

What happens after the visit?

Once KPMG have finished their site visit and drafted the report, the report will go through internal review and a moderation process before being submitted to DFID. If at this stage any variations in findings are identified, KPMG will contact the organisation to inform them of the additional findings raised.

Triple Line/Crown Agents, on DFID's behalf, will contact organisations directly about applications for funding. KPMG does not make any decisions on grant funding.