Due Diligence – Good Practise Examples updated February 2014

The following are a small number of examples of good practise that Civil Society Organisations have exhibited whilst going through DFID's Civil Society Department pre grant due diligence process. Lessons learned and further details on good practise across a range of categories are also available to help organisations prepare for the due diligence checks.

Demonstrating results and impact and managing performance:

Clearly articulating organisational objectives and quantifying indicators to monitor performance against them, allows organisations to better demonstrate their overall results and achievements. Those organisations which align grant objectives and performance metrics with those of the wider organisation are positioned to invest in improving monitoring and evaluation processes and system leading to better quality data.

Value for Money:

Organisations with a clearly articulated desire to achieve a low cost base are able to go beyond installing good practice procurement and can fundamentally restructure the way they do business. Consider innovative ways of using volunteers and working with corporate sponsors and local communities.

Some proposals included partnering with private sector organisations as an option to allow for the delivery of more cost effective results.

Fundraising:

Success in accessing and diversifying funding streams is most clearly evidenced where organisations have adapted ways of working in response to a targeted fundraising strategy aimed at a clearly defined donor or donor demographic. Organisations are then better able to monitor and report on the success of its actions and the impact it delivers.

Managing Costs:

Organisations that regularly review their financial performance and update trading and cash flow projections are better able to plan ahead and implement cost saving measures.

Risk Management:

Effective risk strategies include:

- A regular review of organisational risks by the Board of Trustees.
- Combination of localised, bottom-up, programme based risk management and top-down assessment to prioritise and manage risks material at the organisational level.
- Risk registers that identify actions for managing risks and owners of those actions, and a process for monitoring progress.

Formal policies:

Strong policies will include details of relevant regulatory frameworks, identify responsible individuals and clearly outline sanctions for breaches. They will also include guidance and practical examples, and be supported by appropriate and well-communicated reporting and/or whistle-blowing mechanisms.

Working with partners:

Organisations should develop strong relationships with implementing partners through regular interaction and programme monitoring. Many also actively worked to provide long-term value by helping to build capacity (where appropriate) with the partner. Those organisations with stronger risk management processes and robust policies in place were better placed to manage risk at the partner level and build partner capacity.

Board Effectiveness:

Effective Boards understand the context in which the organisation works and have the mix of expertise, experience and opinion to address the organisation's changing business needs and provide appropriate challenge to the executive team.

More recently it has been noted that organisations are being more proactive in reviewing the skill set of Trustees.

Cash Management:

Organisations who manage their cash effectively are able to manage timing differences in cash flow through cash flow projections and therefore direct unrestricted funds as a working capital buffer to provide short term resources. This is most effectively managed where cash is held and managed centrally rather than within country programmes or by partners.

Assurance of results:

A number of organisations have developed innovative assurance techniques which ensure low cost, regular review:

- Benchmarking of operational and financial performance between peers, at the organisation and partner level to identify anomalies between reported results for further targeted scrutiny
- Transparent and accountable reporting of results to beneficiaries with a clear methodology for capturing feedback and following up on questions; peer review over programming activities, policies and procedures.
- Independent monitoring unit to oversee and report on project impact.