



# DUE DILIGENCE GUIDELINES



## ACCI RELIEF

5 / 2-4 SARTON ROAD,  
CLAYTON VIC 3168, AUSTRALIA  
Phone: +61 3 8516 9600  
Email: [info@accir.org.au](mailto:info@accir.org.au)

# INTRODUCTION

In obedience to the command of Christ to love our neighbours, many of our churches and organisations have a deep commitment to support those living overseas who are oppressed by injustice and poverty.

This commitment can be expressed in many different forms, from prayer and encouragement to financial or in-kind assistance. Regardless of the particular form, our support of disadvantaged community always occurs within a partnership – either with the local church, the local community or an organisation working with the community.

Whilst we only ever establish partnerships when we believe that they will result in good, evidence shows that many don't do the extensive research necessary to confirm this belief. Today in our globalised world, where it is possible for us to partner with just about anyone, anywhere, it is essential that we do our due diligence before supporting a particular project or organisation. By doing our due diligence we can work to ensure that those we partner with are operating legally, have financial integrity, align to our core values and are having a positive impact in the communities they work in.

At ACCI Relief, we go through a due diligence process before forming any new Strategic Partnership. We have put together the following guidelines and the accompanying checklist to assist you through the process of doing your own due diligence check. This is broken down into 4 categories: (1) their legal status; (2) their compatibility with your vision and values; (3) their technical and organisational capacity to carry out their work; and (4) the risk management and financial controls they have in place.

We have included a rolling case study that continues under each step as an example of how a due diligence check may progress. It is important to note that every due diligence check will have a unique set of circumstances and that these cannot be fully captured by these guidelines or by the case studies.

The purpose of these guidelines is not to promote the idea that you can only partner with those who come out with a perfect due diligence check. Instead, the purpose of these guidelines is to equip you with a tool that helps you build a sound understanding of an organisation so that you can make a well-informed decision about whether or not to establish a partnership with them. The check can also reveal to you other ways in which you can support the project achieve its goals – that may be helping them access additional training for the staff, sending your accountant to help them set up good cash management systems or providing the funding for them to hire an experienced staff member.

We hope that you find this Guide & Checklist a useful tool in establishing healthy partnerships that see significant, positive and sustainable outcomes for vulnerable and disadvantaged communities. If you have any questions about carrying out your due diligence check, how to interpret the information you've collected or what to do once it is complete, you are welcome to contact our ACCI Relief staff on (+61) 3 8516 9600 or [info@acci.org.au](mailto:info@acci.org.au).

## CASE STUDY: INTRODUCTION

You are travelling to Cambodia on a Missions trip and some friends have recommended you visit two local organisations working with disadvantaged groups in Cambodia.

The two organisations you visit are doing similar work in rural villages outside of Phnom Penh. They provide skills and training to the local community, the type of work that you are really drawn to.

The first organisation, Happy CLC, runs a Community Learning Centre (CLC). They run literacy classes for adults, health and hygiene education, a soccer club, after school tuition and preschool classes.

The second organisation, Happy Primary School, has started a small Christian primary school. After school they provide tuition for the students and after church on Sundays they run English classes for anyone in the community to attend.

The stories of how their work has impacted the lives of the community are inspiring. Both organisations are struggling financially and you feel compelled to partner with them. Your church back home can support them with prayer and finance. Before you bring this to your Missions Board you decide to first do some due diligence.

### STEP 1: VERIFY THAT IT IS AN ESTABLISHED ORGANISATION THAT IS OPERATING LEGALLY

It is important to partner with organisations that are registered and authorised to carry out the work that they are involved in. By partnering with appropriately registered organisations, we can be better assured that they're operating within the standards and accountability frameworks of the country they work in.

## CASE STUDY: APPROPRIATELY REGISTERED

Your research into Cambodia registrations reveals that a local organisation should be registered by the Ministry of Interior and this registration lasts 3 years. If an organisation is doing formal education then they are also required to have an MOU with the Ministry of Education. You ask both organisations if and how they are registered.

### Happy CLC

Happy CLC tell you that they are registered with the Ministry of Interior and happily provide you a copy of this registration upon request. They also provide you with a copy of their constitution. You translate the documents to confirm their authenticity, contents and expiry date.

- Legally registered as a local organisation
- Confirmed that because they run informal education, they don't need any other MOU's
- Their constitution outlines their objectives and states that they are non-profit and voluntary
- Not on any terrorist listings

### Happy Primary School

Happy Primary School also tells you that they are registered with the Ministry of Interior. Unfortunately, they are unable to provide you a copy of the registration at the time. They are, however, able to provide you with a document written up about their vision, values and projects.

You decide to continue to follow up their registration document once you return to Australia, even though it is a bit inconvenient and you feel like you're hassling these very busy people. Eventually they send it to you. When you have it translated you realise that it was issued four years ago.

When you chase this up with the organisation, they tell you that it is not necessary to renew registrations after they are issued. They also tell you that it is the only registration required of them.

- Registration as a local organisation has expired
- Not registered with the Ministry of Education who oversee all formal education projects
- Their Vision Statement document outlines their objectives and values but they don't have this formally documented and there is no provision that states that they are a non-profit organisation.
- Not on any terrorist listings

## STEP 2: VERIFY THAT THE ORGANISATION IS COMPATIBLE WITH YOU

Understanding an organisation's vision, mission and values, and the degree to which they adhere to them, provides us with a lot of information about an organisation. Working with people who have a compatible vision, mission and values is a key to successful partnerships.

## STEP 3: VERIFY THAT THE ORGANISATION HAS THE TECHNICAL AND ORGANISATIONAL CAPACITY NEEDED

No matter what type of work an organisation is doing, it is important that their staff have the proper training, skills and experience to carry out their work in the community to a high standard. Whilst at times this may be difficult in a developing country context, the right balance of having relevant expertise in the team, along with a commitment from the organisation to create a culture of learning by investing in professional development, is needed.

The right staff will help ensure that the projects are designed based on a sound understanding of the community and that they are in line with good practice. This helps to prevent unknowingly doing harm in communities. Just as we expect our community services here in Australia to be professional organisations with qualified staff, we should expect the same of the organisations we partner with overseas.

### CASE STUDY: TECHNICAL AND ORGANISATIONAL CAPACITY

You spend some time visiting the organisations and you make a point to try and talk to the different staff – the founder, the administrator and the teachers.

#### Happy CLC

When you speak to the staff at Happy CLC, they talk about the impact they want to have on the village in which they work. All of the staff members are Cambodian and some are from the community itself, so they speak to you in detail about the challenges their community faces.

When you ask them why they chose to work in the community using a CLC, the founder explains that before they started any work they did a lot of research about ways to work with communities. She did a course in community development and when she saw the model of the CLC being used by another organisation she thought it fit really well with the community development principles that she had learnt. She asked around to see what types of services and organisations were available to the village and all of the NGOs were supportive of a CLC, there was nothing of the kind in the area.

She said that they started out not entirely sure about what to do, but worked with the community to discuss what their aspirations and needs were. The first thing they asked for was literacy classes, so they got together and planned how to make it happen. They rented the school hall, they organised a roster of who in the community would provide snacks and they asked Happy CLC to organise a teacher. That went well and since then the community has been organising different activities in the centre – they have pre-school classes, health classes, exercise groups and after school tuition.

#### Happy Primary School

The founder of the organisation and the staff are all Cambodian and from the area, they speak to you in detail about the challenges the community face. They say that their vision is for the community to be safe, healthy and prosperous.

They decided to open a school in the village so that children could get high quality education, their aim is that providing education to children will break the cycle of poverty.

They got permission from the Village Leader, built a building and hired some staff as teachers. They asked families who were interested in sending their children to the school to sign up to a waiting list and are finding sponsorship for those children to attend.

They have 4 teachers, all who you've met - one of them has studied teaching at University the others have their Secondary School certificates. They are clearly very passionate about teaching the children and both teachers hope to study part-time in the future to gain their University qualification.

The school currently goes up to Grade 4, with 15 children in each grade. You ask them where the children go after Grade 4 and they explain that they go to the government school that is a kilometre up the road. They plan to increase their school to Grade 7 in the next 5 years but need financial assistance in order to build more buildings and hire more teachers.

When you ask how the families interact with the school, they tell you that parents receive reports each term on their child's progress and come to the school for parent-teacher interviews. They also contribute by participating in monthly working bees.

They train their staff in development and other specific skills as they arise. If they need to, they bring in experts – for example, someone came to train the community in agriculture techniques.

When you asked the founder if they monitor and evaluate their projects, she said that twice a year they write reports for their donors. She also mentioned that the community are constantly giving her feedback which they act on as it comes up. They give you a copy of the report. It is quite basic, listing numbers of people participating in different activities with some detail of what they have been doing. You ask her if this is the report she gives to her Board, she said they don't really ask for any reports and generally aren't very involved in the organisation's activities or strategy. They instead look over the finance report and meet once a year.

- The organisation clearly identifies the target group as the whole village community and its work is with the whole community
- The organisation has staff in decision making and hands on positions that are Cambodian and from the community, it is clear they understand the community well
- The staff did research before deciding how they would engage and work with the community
- The organisation invests into training its staff and appears to value expertise. They have sufficient skill/ expertise to carry out their work.
- The local community are highly involved in determining the projects, in fact, they decide what the project activities will be according to what they feel their needs are
- The local community are the ones who are organising the activities with the project staff playing a facilitator role
- The organisation can describe how they monitor and evaluate, but their reports don't provide much information about the impact of their work. It currently just tracks the number of people involved.
- The organisation doesn't appear to have a functioning, active governing body.

The school evaluate their students' results each year. Looking at how the children have performed in their exams compared to other schools in the area. The children are getting much better results and past students appear to be the top achievers when they go back into the local government school. They present this evaluation to their Board each year, along with finances. The Board provide strategic direction for the upcoming year.

- The target group is not clear – they talk about the issues of the community but they work with the children
- The organisation's staff are Cambodian and from the region, it is clear they understand the community
- It didn't appear that they had done research to inform them of the best ways to work with this community
- The organisation is providing a service that can already be found in the community – the local government primary school already provides access to education even though it might not be to the same standard
- The organisation has 1 staff with the right qualifications, the other staff are not currently being supported to improve their qualifications
- Parents are informed of their children's progress and contribute to the maintenance of the school but they are not involved in determining the project or implementing it, rather they contribute in small ways.
- The school evaluates the progress of the children and their achievements, but does not look at how this impacts their stated vision (for a safe, healthy and prosperous community)
- The school appears to have a functioning and active governing body.

## STEP 4: VERIFY THAT THE ORGANISATION HAS ADEQUATE RISK MANAGEMENT INCLUDING FINANCIAL CONTROLS

It is important to ensure that an organisation has put adequate controls in place to minimise the risk of wrongdoing, corruption, fraud or other financial impropriety among its governing body, paid staff, contractors and volunteers. It is not sufficient to assume that these controls are in place but to actively seek out how the organisation is protecting itself from wrongdoing. This in turn protects you as a donor but also ensures that your partnership with the organisation results in sustained positive outcomes for the local community and that no harm is caused to the members of that community.

### CASE STUDY: CHILD PROTECTION

You spend some time visiting the organisations and you make a point to try and talk to the different staff – the founder, the administrator and the teachers.

#### Happy CLC

Before visiting Happy CLC, the founder sends you a copy of their Code of Conduct which outlines how you must behave when interacting with children.

When you arrive at the CLC they explain the Code of Conduct in detail, ask if you have any questions and to sign-in as a guest. You clarify a few of the points and then go on to have a discussion about what their child safety risks are in their project. The founder is able to tell you what risks they have, in terms of general safety as well as abuse, and is also able to tell you some of the precautions they take to control these, this includes screening staff.

A volunteer is walking around with you as you're shown the centre. You ask them a number of questions about their experience and how they came to the centre. They mention that they also got sent the Code of Conduct and given an orientation. They were required to provide no other information or documents about themselves before they arrived.

When you speak to the staff it is clear that they are aware that child safety is important, they show you a copy of the Code of Conduct on their office wall. When you ask them what they would do to report a child protection issue, the two staff clearly know that they must report but keep correcting each other on what the steps are that they should follow. The founder tells you that it looks like it's time for another staff meeting about it and when asked, tells you that they don't have it written down anywhere at the moment.

- Have a Code of Conduct that staff and volunteers are clearly aware of and actively using
- Volunteers must sign in before coming into the centre
- Volunteers and visitors are given the Code of Conduct and given an orientation
- It is clear that some thought has been put into keeping children safe and that they are aware of the risks
- Practices are in place for child safety
- Staff are clear that reporting is mandatory
- Staff are not clear about the process involved with reporting
- Volunteers and visitors are not required to sign the Code of Conduct
- Volunteers are not screened before working at the centre
- No Child Protection Policy

#### Happy Primary School

When you visit the Happy Primary School you are asked to sign-in and then you are shown around by the founder.

When you meet the staff, you ask them what they do to keep children safe. They mention that they make sure a staff member is always watching them when they are playing outside, that they make sure that they don't have any hazards around the property and that they have a first aid kit.

When you chat to the founder further it doesn't appear that they have considered child protection risks relating to staff and volunteers. When asked about how they report abuse he says that it has never happened but if it did they would deal with it quickly.

At the end of the visit before leaving, you ask the founder if they have a child protection policy. They mention that they don't and that they are not required to in Cambodia.

- Volunteers and visitors are required to sign in
- No Code of Conduct
- No orientation that covers child protection given to visitors and volunteers
- Volunteers and visitors are not orientated or screened
- They have minimal child protection practices in place
- Child Protection does not appear to be an issue that they have given a lot of thought to
- It does not appear that there are processes around reporting
- No Child Protection Policy

## STEP 5: VERIFY THAT THE ORGANISATION HAS A GOOD REPUTATION

Whilst we can do our best to evaluate whether an organisation is working in line with good practice principles, whether they have staff that will carry out their activities with integrity and whether they have the right measures in place to prevent wrongdoing – we are not based on the field and are limited to what we can perceive in a short period of time based on what we see and what the organisation themselves tell us. Whilst it should not be all we can go by, getting a sense of whether the organisation have a good reputation amongst the community they work with, the local government as well as other reputable civil society groups is another helpful piece to the puzzle.

### CASE STUDY: SUMMARY

After you have done your due diligence checks, you see that both organisations have some gap areas.

#### Happy CLC

Happy CLC can improve their operations in the areas of Child Protection, governing body involvement and monitoring and evaluation.

You speak to the organisation about whether they would be willing to work on these areas and they say they are very happy to, but might need some support or training because they don't currently have the expertise. Considering their commitment to improvement, you consider these gap areas in regards to risk and you decide that they have enough basic measures in place that mean you do not need to delay forming a partnership.

You take this project to your Missions Board and they decide to start supporting the work of Happy CLC. They also commit to providing the funds for the staff of the organisation to access courses on Child Protection, Monitoring and Evaluation and Governance.

#### Happy Primary School

Happy Primary School have quite significant gaps in their Due Diligence Check.

Firstly, you cannot partner with an organisation that is not properly registered. Secondly, it appears to you that there is a disconnect between the impact they're aiming to have in the community and the project they run. Providing education to the children does not change the current situation of the community (their vision), especially because they are doubling up on a service that is already accessible to these families. They also don't appear to have the expertise they need and have no measures in place to change this.

You decide to hold off partnering with them at this moment. You explain to them that it is because they are not legally registered but also because you have more questions about their project model. You decide that if they come back to you once they are registered, then you will connect them with others who can discuss their project model with them in more detail. This will help you all explore some of the "flags" that came up in your due diligence check. Who knows, if they continue to work on these areas and show a commitment to good practice, you may be able to partner with them down the track.



## DUE DILIGENCE CHECKLIST

As a donor/supporter it is important to know that the organisation you are supporting is operating legally and following good practice. The questions below are a starting point to carrying out your own due diligence check on a partner organisation. It may at times be difficult for you to interpret some of the answers given to you, so we suggest that you invest your time into researching the issue, the various types of strategies or responses to the issue that exist and what is considered good practice amongst practitioners. It is also advisable that you research the relevant laws, policy and guidelines that exist in the country to confirm whether the organisation is operating within them.

If you have further questions or would like more information please feel free to contact ACCI Relief. One of our staff would be happy to speak to you, connect you with others or give you further resources to answer your questions.

LEGAL REGISTRATION:	WAYS TO VERIFY:
<p><b>1. Is the organisation legally registered as either a local or international non- government organisation?</b></p> <p><input type="radio"/> Yes <input type="radio"/> No</p> <p><i>If yes, what type of organisation? If no, what reason was given?</i></p>	<p>✓ Registration Documents with overarching government body. eg. Ministry of Interior, Ministry of Home Affairs, etc.</p>
<p><b>2. It has an up-to-date MOU or Registration with the appropriate government ministry that approves the specific types of activities they are doing as a local or international NGO.</b></p> <p><input type="radio"/> Yes <input type="radio"/> No</p> <p><i>If yes, what registration? If no, what reason was given?</i></p>	
<p><b>3. It has a stated purpose for existence or set of objectives.</b></p> <p><input type="radio"/> Yes <input type="radio"/> No</p> <p>Describe:</p>	<p>✓ Governing Instrument. eg. Constitution</p>
<p><b>4. It is not on the terrorist listings, and is not linked to any individuals or organisations that are.</b></p> <p><input type="radio"/> Yes <input type="radio"/> No</p> <p>Describe:</p>	<p>✓ Check the following websites:  <a href="http://www.dfat.gov.au/issues/terrorism.html">http://www.dfat.gov.au/issues/terrorism.html</a>   <a href="http://www.nationalsecurity.gov.au/Listedterroristorganisations/Pages/default.aspx">http://www.nationalsecurity.gov.au/Listedterroristorganisations/Pages/default.aspx</a></p>

COMPATIBILITY:	WAYS TO VERIFY:
<p><b>5. The vision and mission of the organisation is clear to all staff, they are also clear about what individual projects are trying to achieve.</b></p> <p><input type="radio"/> Yes <input type="radio"/> No</p> <p><i>Comments:</i></p>	<p>✓ When asked about the organisation's vision and mission, and a project's purpose and goal, different staff give consistent answers</p>
<p><b>6. The organisational vision, mission, values and culture align with your own and these values are evidenced in their practice.</b></p> <p><input type="radio"/> Yes <input type="radio"/> No</p> <p><i>What were the stated values and culture? How is this evidenced in their practice?</i></p>	



**TECHNICAL AND ORGANISATIONAL CAPACITY:**

**WAYS TO VERIFY:**

<p>7. The organisation can clearly identify who the target community or target group are that they work with.</p> <p><input type="radio"/> Yes <input type="radio"/> No</p>	<p>✓ Discussions with relevant staff reveal a good understanding of the community that is not only based on assumptions or subjective opinions but primary and secondary research as well as experience</p>
<p>Comments:</p>	
<p>8. It has a sound understanding of the culture and people of the target community.</p>	
<p><input type="radio"/> Yes <input type="radio"/> No</p>	
<p>Comments:</p>	
<p>9. The organisation and its staff have done comprehensive secondary and primary research on the issues that they are engaging with.</p>	<p>✓ Discussions with relevant staff reveal that they are aware of what other organisation's are doing in the community or target group and how their work fits into this bigger picture</p>
<p><input type="radio"/> Yes <input type="radio"/> No</p>	
<p>Comments:</p>	
<p>10. It has networked with other organisations that are working in this area (either geographical or issue-based) and is not repeating the work of others in the community.</p>	<p>✓ Discussions with staff confirms that their approach meets accepted good practice in the sector which you've researched independently</p>
<p><input type="radio"/> Yes <input type="radio"/> No</p>	
<p>Comments:</p>	
<p>11. Its approach has been developed in line with accepted good practice and local and international law.</p>	
<p><input type="radio"/> Yes <input type="radio"/> No</p>	
<p>Comments:</p>	
<p>12. It has the relevant technical expertise/staff for the type and scope of work they're doing.</p>	
<p><input type="radio"/> Yes <input type="radio"/> No</p>	
<p>Comments:</p>	
<p>13. The organisation invests into its staff's capacity to professionally carry out their duties.</p>	<p>✓ Discussions reveal that learning and training opportunities have been provided to staff and that a plan is in place to intentionally build staff capacity</p>
<p><input type="radio"/> Yes <input type="radio"/> No</p>	
<p>Comments:</p>	
<p>14. The local target community was meaningfully involved in determining the activities of the project.</p>	<p>✓ Discussions about how the project was conceived will reveal whether or not the community had a meaningful voice in their design.</p>
<p><input type="radio"/> Yes <input type="radio"/> No</p>	
<p>Comments:</p>	

15. The local community is involved in implementing and evaluating the project.		✓ Discussions about how the activities are run day to day will reveal the communities' ongoing involvement. It is important to remember that whilst paid staff of the project may come from the community, it is not satisfactory if they are the only members of the community involved in designing or implementing the project.
<input type="radio"/> Yes	<input type="radio"/> No	
<i>Comments:</i>		
16. The organisation can describe how it monitors and evaluates its projects.		✓ Discussions reveal that they have a formal process for monitoring their work and the staff can provide previous monitoring and evaluation reports for you to look at the quality of the information they are collecting.
<input type="radio"/> Yes	<input type="radio"/> No	
<i>Comments:</i>		
17. The organisation has a functioning governing body and checks and balances within its organisational structure.		✓ Discussions reveal that the management and governing body is accountable and active.
<input type="radio"/> Yes	<input type="radio"/> No	
<i>Comments:</i>		

#### RISK MANAGEMENT:

#### WAYS TO VERIFY:

18. The organisation has some practices in place that mitigate fraud risk such as banking of gifts and grants, multiple signatories on a bank account that is in the name of the organisation, documentation to track financial transactions and supporting documentation collected and retained.		✓ Discussions with management and staff. Evidence through documentation, witnessing the process etc.
<input type="radio"/> Yes	<input type="radio"/> No	
<i>Comments:</i>		
19. The organisation has a process in place to monitor expenditure against a plan or budget.		✓ Registration with Ministry of Education, or Child Welfare Department or other Department that has approved their activities
<input type="radio"/> Yes	<input type="radio"/> No	
<i>Comments:</i>		
20. It has appropriate screening and recruitment practices.		✓ Governing Instrument. eg. Constitution
<input type="radio"/> Yes	<input type="radio"/> No	
<i>Comments:</i>		
21. It is aware of child protection risks and, if it has not already, it is willing to put child safeguarding measures in place.		<ul style="list-style-type: none"> <li>✓ Sighting the Child Protection Policy</li> <li>✓ Staff can articulate their Child Protection practices and why they are important (evidence whether it is just a piece of paper or if it is actively applied)</li> <li>✓ Staff can articulate what they must do in the case that they have a Child Protection concern</li> </ul>
<input type="radio"/> Yes	<input type="radio"/> No	
<i>Comments:</i>		

**REPUTATION:****WAYS TO VERIFY:**

22. The organisation and its leadership are spoken well of within the community.

Yes  No

Comments:

23. It has a positive working relationship with the appropriate government authorities.

Yes  No

Comments:

24. It collaborates with other people who work in this area of development.

Yes  No

Comments:

25. Other well-respected organisations that work in this area of development view their approach, work and staff positively.

Yes  No

Comments:

26. It is not currently involved in any litigation or disputes.

Yes  No

Comments:

27. It has not received any negative media attention or public accusations against the organisation or its leadership.

Yes  No

Comments:

✓ Discussions with the local community and the broader civil society community

✓ Discussions with the organisation