

## **Section 4, Annex A**

**Call-down Contract**

**Terms of Reference**



Department  
for International  
Development



Internal Audit Department (IAD)

## Terms of Reference – Syria Programme Enhanced Due Diligence

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# Terms of Reference

## Background and context

DFID Syria is planning to fund several high value programmes through international non-governmental organisations (INGOs) INGOs fill a vital gap in our delivery portfolio, reaching millions of people in need that are not accessible by multilateral organisations.

Syria is an exceptionally high risk environment. The combination of live conflict, complex delivery routes, lack of access and scale of programming is unknown in any of DFID's other operating contexts.

Whilst DFID undertakes standard due diligence checks routinely and other forms of assurance on our partners, these have not been scoped to specifically address our concerns and provide assurance over the adequacy of our partners governance, risk management and internal control systems, both as designed and implemented.

## Requirements

### Overall assurance required

As DFID enters into the next phase of programming for our Syria programmes we require enhanced assurance that the arrangements we enter into represent value for money and represent appropriate, reasonable and managed risk.. In short we seek comfort that our INGO suppliers are capable of delivering our programmatic objectives on the ground, as we intend, to the intended beneficiaries.

We recognise that the Syria environment and its surrounds are difficult and challenging environments in which to work, and we are seeking reasonable assurance that the INGOs we wish to partner with and fund, are capable of delivering our specific programmatic objectives for the intended length of our programmes.

### Specific assurance required

The specific areas of our INGO partners' work we wish to gain assurance over are:

- That the INGO can deliver our programmatic objectives.
- That the INGO's counter fraud governance, risk management, and controls are adequate to prevent and detect fraud.
- That the INGO's procurement processes are adequate to ensure value for money and prevent and detect fraud.

Our INGO's typically deliver through a geographically devolved structure. As such we are concerned to focus first on their front line business operations that deliver our programmes, in most cases the country or regional offices responsible for the oversight and delivery of our programmes, located in countries adjacent to Syria (as our programming is cross-border). Then we seek assurance over the corporate frameworks of governance, risk management, and control within which those country and regional offices work. In particular we would like assurance over the effectiveness of the oversight provided by those frameworks over country and regional operations in the areas of work highlighted above.

Given we are seeking this work to be done to meet our tight timetabling requirements, we are segmenting our assurance requirements into local work (in country or regional offices) and corporate headquarters work. Our priority, to allow commencement of our programmes, is their local delivery structures. Given the linked nature of these two areas of work, we will expect these to be done by a single supplier for each INGO.

Whilst we are seeking assurance over the INGOs' governance, risk management and control, we wish this to be focused on the areas of:

- Programmatic delivery (to our Syria programmes)
- Adequacy of counter fraud arrangements.

- Adequacy of procurement arrangements, with a specific focus on their adequacy for the prevention and detection of fraud.

#### Form of assurance

We are seeking a positive 'reasonable assurance' opinion (under the terms of International Standard on Assurance Engagements (ISAE) 3000). We expect the opinion to take the following form:

- *We provide reasonable assurance that the INGO's systems of governance, risk management and control as currently set up, and currently planned to be deployed for DFID's Syrian programming, in their [headquarters / regional office / local office (include name)] are appropriate to ensure:*
  - *Management of DFID's programme [insert programme title and number] to deliver DFID's objectives (as captured in the relevant DFID business case).*
  - *Prevention and detection of significant (£100,000) or systematic fraud.*
  - *Management of procurement and procurement fraud risk adheres to international best practice and that it is transparent, fair and open.*

#### Delivery

Tenderers should outline the scope of work they consider appropriate and necessary to enable them to provide the assurance opinion outlined above, and should outline any potential exclusions to their opinions based upon the work plan developed. We would not expect, however, a negative assurance opinion, (e.g. 'nothing has come to our attention') as we expect Tenderers to scope their activities to ensure the opinion can be provided. We have taken account of feedback provided from tenderers from our pre-market testing.

We expect tenderers to consider the appropriate composition of the team to include both UK and local expertise. Given the complexity and profile of the work we would expect strong leadership and team capability, using local resources as appropriate to enhance value for money. Tenderers are responsible for the safety, well-being and security arrangements of their personnel. We expect tenderers to evidence that they have assessed the risk(s) involved in undertaking this work and also have the capability to take on and effectively manage their Duty of Care Responsibilities throughout the life of the contract.

Whilst, through these terms of reference, we seek to procure an assurance opinion, and therefore we would expect tenderers to use their professional judgement to scope the nature, type and scale of assurance work accordingly, we have considered what work we would consider useful to be undertaken as part of this engagement.

It is expected that in order to form a robust view, the tenderer will engage with each of the organisations at HQ, Regional and Country office levels. The tenderer will need to develop a detailed plan for each piece of assurance outlining the focus at different levels. We suggest that this engagement be delivered in a two staged approach. In order to expedite our programmes' approval and delivery we suggest initial work will be required at the programme delivery levels (regional or country office levels) then follow up at the INGO's headquarters.

We require specifically that tenderers take account of DFID's due diligence framework in their response (see **Error! Reference source not found.** on page **Error! Bookmark not defined.**).

#### Assurance lots

We have provided a list of the programmes over which we require assurance in **Error! Reference source not found.** on page **Error! Bookmark not defined.**. We have divided the work into two lots, with lot 1 being our chronological priority.

Tenderers may submit for both lots and for all or fewer of the individual programme assurance requirements.

#### Proposals

The contract between DFID and the successful tenderer(s) will be called down from and subject to DFID's Framework Agreement for Forensic Audit and Forensic Audit Investigative Services. On this basis, we expect proposals to be sharp and focused on this requirement. Proposals should be drafted to answer the requirement specified at 1.2.3. We do not require marketing material and background information already provided in support of the inclusion on the forensic framework.

### Timing

We expect the tenderers to mobilise quickly. It would be useful for tenderers to provide an indicative timeline and milestones for their work (accepting the contingent nature of the work required).

We anticipate that the tenderer will mobilise and commence work by 10 October 2016.

A draft report for each partner will be required. The draft report for the first lot will be required by 31 October (one INGO partner); the second lot (the remainder of partners) by 18 November.

The anticipated timescale is as follows:

- Invitation to tender issued 16 September 2016.
- Bids received Friday 23 September 2016.
- Bids evaluated and feedback provided by 30 September 2016.
- Fieldwork commences no later than the 10 October 2016.
- Draft assurance reports for Lot 1 by 31 October 2016.
- Final assurance reports for Lot 1 by 14 November 2016.
- Draft assurance reports for Lot 2 by 18 November 2016.
- Final assurance reports by 2 December 2016.

### Outputs

We would like the opportunity to include representation from DFID programme staff as part of the assignments. Key outputs will include:

- A work plan setting out the proposed methodology.
- A report for each assignment/partner covering the assurance described above.
- Meetings with the IAD, DFID Syria programme team and senior management as required (discussing the review's findings).

### Report

The tenderers will submit draft assurance reports as specified above. Each report will include an executive summary, which clearly shows findings and recommendations including, but not limited to, areas of any weaknesses and identifying any improper practices:

- A reasonable assurance opinion as specified at 0.
- A set of suggestions and recommendations to assist DFID in supporting the partner to mitigate the risks to successfully deliver our programme.
- A suggested light-touch methodology for DFID to follow when reviewing and updating progress.

### Access and retention of working papers

The tenderers will allow DFID to access, review and inspect its working papers, including transcripts of the interviews, audio recordings, if any, etc. The tenderers will retain working papers in accordance UK data retention legislation.

### Confidentiality

The tenderers shall not divulge information or take any action on findings of this report without DFID's written consent or instruction. The tenderers shall treat the findings from this assignment as confidential and safeguard the information accordingly. The tenderers will not disclose information arising from this assignment to any other person without DFID's written consent. The tenderers shall not use any information gathered otherwise than for the purposes of this contract.

Under no circumstances should the tenderers confirm publically or deny the existence of this contract or that they are working on behalf of DFID for this assignment. No statements will be made to the media regarding any matter associated with this engagement.

#### Terms and conditions

The contract between DFID and the successful tenderer will be called down from and subject to DFID's Framework Agreement for Forensic Audit and Forensic Audit Investigative Services.