

## Due Diligence Policy

### 1. Policy statement

1.1. It is the policy of Fuel Macedonia (the Charity) to strive to ensure that:

- (a) Funds are only received from bona fide sources;
- (b) The local partners and partner organisations supported are genuine and use the funds provided for the intended purposes.

1.2. The Charity has zero-tolerance approach to corruption, fraud and bribery.

1.3. This zero-tolerance approach applies not only within the Charity but also to the local partners and partner organisations we work with.

1.4. The aim of this policy is to:

- a) Set out our commitment and responsibilities in observing and upholding our approach to due diligence
- b) Set out the due diligence measures that will be taken to ensure that we receive funds only from bona fide sources and that the Charity is not used e.g. for money laundering
- c) Set out the due diligence measures the Charity will take to ensure appropriate local partners and partner organisations are selected to work with, who will use the Charity's funds for the intended purposes
- d) Provide information and guidance to those working for the Charity on how to carry out due diligence

1.5. We aim to ensure that:

- a) Due diligence with regard to funds received is proportionate and appropriate
- b) Due diligence with regard to grants and partnerships is proportionate to the scale and type of projects and organisations involved. The Charity supports both small-scale projects with local community-based organisations and larger scale projects with organisations. Different types of due diligence are applicable in these situations.
- c) Due diligence is applied and effective at different stages in the project cycle
- d) Due diligence measures help local partners and partner organisations to deliver good projects.

### 2. Definitions

2.1. **Due diligence** is an investigation of a business or person prior to signing a contract. The Concise Oxford English Dictionary defines due diligence as: "Reasonable steps taken by a person in order to avoid committing an offence". For the Charity, due diligence focuses on checking the bona fides of our partners and partner organisations, especially where they are new to the Charity and do not have a recognised profile in the public domain.

2.2. Grant sizes:

Small grants – up to £100

Medium grants - £101 - £1,000

Large grants – £1,001 - £5,000

Very large grants – over £5,000

### 3. Risk assessment and mitigation

3.1. The Charity receives, and is entrusted with, funds from a variety of sources. We work to ensure that funds are received and used transparently and properly. We have identified that the following areas are particular risks for the Charity's operations.

- a) As a charitable organisation we receive donations from a wide range of sources. There is a risk that we may receive funds derived from the proceeds of crime or from sources which are not transparent;
- b) As a grant-making organisation we may attract applications from criminals: short-term, one-off grants with a low probability of direct monitoring are attractive to such operators;
- c) As a grant-making organisation the grants we award to local partners or partner or other organisations could be subject to fraud, misuse or corruption. This may be intentional but may also arise in part due to lack of capacity to manage funds;
- d) As a grant-making organisation, there is a risk that donor funds for which we are responsible could be subject to fraud, misuse and corruption by local partners or partner organisations;
- e) The Charity operates in the Republic of North Macedonia which is fairly high on the list of countries most at risk of corruption according to Transparency International's Corruption Perception Index.

<https://www.transparency.org/cpi2019?/news/feature/cpi-2019>.

Where abuses take place the positive impact of the Charity's grants is reduced and our reputation is damaged, potentially affecting our ability to raise funds and make grants in future.

One of the ways in which the Charity manages risks and reduces the burden of due diligence is to grow its relationships with existing local partners and partner organisations. This enables us to build an in-depth understanding of our partners (and donors) - their people, their governance, their strengths and weaknesses and ways of working. The Charity is an organisation committed to working with local partners and partner organisations.

To address these risks, we will:

- Continue to apply appropriate due diligence measures whenever receiving funds from previously unfamiliar donors;
- Discourage false or criminal applications by:
  - only considering applications from applicants with whom we have an ongoing face-to-face relationship and, where a follow-up application for grants are made, with whom we have proof of proper use of funds granted
  - linking provision of funds with mentoring;
- Continue to develop and apply appropriate application processes for our grant making;
- Continue to develop and apply thorough screening and assessment processes for applications;
- Continue to develop and apply a thorough due diligence process for proposed new beneficiaries, local partners and partner organisations;
- Include provisions to guard against fraud and corruption in all our grant agreements;
- Continue to develop and apply robust and rigorous monitoring processes for all projects.

#### **4. Who is covered by the policy?**

This policy applies to all local partners and partner organisations of the Charity, and all donors and beneficiaries.

It is to be implemented by all trustees, volunteers and supporters of the Charity who deal with donors, beneficiaries, local partners and partner organisations.

#### **5. What is covered by the policy?**

The following areas are covered by the Due Diligence Policy:

- receipt of donations
- grant making
- grant and project management
- project monitoring.

#### **6. Donations**

We do not allow any organisation or individual to use the Charity to launder money and must be vigilant to ensure that the Charity does not accept the proceeds of a crime from any organisation or individual.

#### **7. Grant-making**

The Charity continues to develop robust due diligence procedures in respect of awarding grants to beneficiaries and third parties (local partners and partner organisations).

Pre-grant due diligence is the process of assessing the appropriateness of potential recipients of a grant. Our due diligence procedures for grant giving are as follows:

##### **7.1. Initial testing for new applications for grants:**

- (a) Robust application and selection processes which discourage false or criminal applications. The process includes a focus on track record, background checks and direct evidence such as photos and social media.
- (b) Face-to-face meetings with all local applicants by at least 2 trustees and a trustee phone call for UK based applications.
- (c) Independent checks on the identity of new local partners and partner organisations using other local contacts, the internet and social media.
- (d) Ensure the application falls within the purposes of Fuel Macedonia and is potentially achievable.

##### **7.2. In addition, for applications from new organisations:**

- (a) Use trusted local consultants to check on the legitimacy of a prospective applicant and the project for which they have requested funding, and to check if the organisation is involved in controversial or high-risk activities.
- (b) Verification with the concerned registration authority that a prospective grantee organisation is a bona fide and registered Non-Governmental Organisation (NGO).
- (c) Submission of audited annual accounts where possible for very large grants (this is not considered essential in the case of small grants).
- (d) Prospective applicants of large and very large grants must have a bank account (into which any grant will be paid) in the name of the organisation.

##### **7.3. At the grant-making stage:**

- (a) Including provisions to guard against fraud and corruption in grant agreements.

- (b) Making transfers in local currency to guard against currency exchange manipulation.
- (c) The Charity will apply all requirements stipulated by the donor(s) at this stage.

Due diligence is also required when the scale of our support to an existing beneficiary, local partner or partner organisation increases. They may have a good track record with the Charity operating at a small scale, but this does not necessarily prove that the local partner or partner organisation will be able to manage a larger scale project. They may have to recruit additional staff or strengthen governance. For these applicants (where very large grants are concerned), in addition to the measures listed above, the Charity will require audited annual accounts to ensure that they are solvent and manage their finances properly, their governing documents and the CVs of Board members and senior staff. The Charity will review the strengths and weaknesses evident in the existing track record and will address any concerns about governance or capacity before proceeding with larger-scale funding.

The Charity will also assess risks relating to the context of the project, local partner, or partner organisation, for example risks of insecurity that could affect the project or prevent monitoring visits. Records will be maintained of due diligence steps taken for all new projects and grants.

## **8. Grant and project management**

8.1. Recipients of the Charity's grants are required to provide:

- (a) Proof of receipt of funds into the nominated bank account in the form of a bank generated statement or other acceptable document, or official receipts of purchases for the total(s) agreed in the grant;
- (b) Regular financial reports (at least every six months) for all large plus projects;
- (c) Copies of receipts provided for items of expenditure;
- (d) Regular narrative reports (at least every six months) with photographic or video documentation of progress including e.g. equipment, community meetings, etc.;
- (e) Follow up discussions by telephone, on-line conferencing media to clarify any areas of doubt.

Further funds will not be issued until satisfactory financial and narrative reports and clarifications are received.

The Charity's trustees will maintain regular contact with beneficiaries, local partners and partner organisations, and a trustee will be assigned as the "responsible trustee" for the project.

- (f) In the case of small grants this will consist of regular email contacts, 6-monthly narrative and financial reports and a follow-up call after reports are received and before further funds are disbursed. Any issues will be resolved before further funds are disbursed. Significant issues will be escalated to the Trustee Board for discussion and investigation.
- (g) In the case of medium grants this will consist of regular online contacts, quarterly narrative and financial reports, and monthly reported monitoring calls. Any issues will be resolved before further funds are disbursed. Significant issues will be escalated to the Trustee Board for discussion and investigation.
- (h) In the case of large and very large grants this will consist of regular email/online contacts, quarterly narrative and financial reports, monthly minuted meetings with the responsible trustee for the project. Any issues will be resolved before further funds are disbursed.

Significant issues will be escalated to the Trustee Board for discussion and investigation. Issues that threaten the reputation of the Charity will also be escalated to the Board.

## **9. Project monitoring**

9.1. The Charity will develop and apply a robust and rigorous monitoring process of all projects including location visits and examination and verification of projects.

9.2. Location visits will include:

- verification of reported progress through observation and discussion with local participants;
- verification of purchases through spot checks on equipment and materials;
- the checking of financial records and systems.

9.3. It is important to discuss issues face-to-face with local partners and partner organisations addressing and resolving any concerns immediately. It is not always possible, or cost effective, for the Charity to make field visits directly. Where we cannot visit a project we will seek to identify suitable trusted local third parties to make visits on our behalf, and will draw up Terms of Reference (TOR) for the monitoring visit including the due diligence elements above.

9.4. We will aim to make monitoring visits to projects on the following basis:

- Small projects: it is not possible for the Charity to visit all small projects. We will arrange a monitoring visit from a suitable trusted local third party as early as possible, especially for projects that receive more than one grant/beneficiary.
- Medium projects: the Charity will make at least one monitoring visit in the six months of the grant or as soon as possible after.
- Large and very large projects: will receive at least annual monitoring visits.

## **10. Your responsibilities**

As a Representative of the Charity (see 4 above):

10.1. You must ensure that you read, understand and comply with this policy.

10.2. You must notify the Chair or other Trustee (as appropriate) as soon as possible if you believe or suspect that a conflict with this policy has occurred, or may occur in the future. For example, if a new grant is issued without due diligence having been completed.

10.3. Any corruption, fraud, or bribery suspicions that funds are being misused must be reported to the Chair, when after due consideration and investigation the authorities may have to be involved and the Charity Commission informed.

## **11. Training and communication**

Briefing on this policy forms part of the induction process for all new representatives (see 4 above). All existing representatives will receive regular, relevant training on how to implement and adhere to this policy.

## **12. Responsibility for policy implementation and compliance**

12.1. The Charity's Board of Trustees has overall responsibility for ensuring this policy complies with our legal and ethical obligations, and that all those under our control comply with it.

12.2. The Chair has primary and day-to-day responsibility for implementing this policy, and for monitoring its use and effectiveness and dealing with any queries on its interpretation. The Chair is responsible for ensuring other trustees on the Board and representatives are made aware of and understand this policy and are given adequate and regular training on it.