

# Alliance2015 Passporting Procedure

## 1. Introduction

Alliance2015 has developed this due diligence passporting procedure to reduce the burden on partners and country teams when conducting due diligence with local partners already working with an Alliance member. This document outlines the steps to be taken and the guidelines for when and how it can be applied, along with practical tips for success. By relying on due diligence already performed by other members of the Alliance, we aim to streamline the process and reduce the burden on prospective partners. The uniform approach further aims to promote consistency and efficiency across our members, allowing us to focus on programmatic development and building successful, equitable partnerships.

This procedure focuses on pre-qualification conditions and administrative capacity across the following areas:

Pre-qualification	Governance and Accountability
Safeguarding	Operational Capacity to Deliver Programmes
Management of Downstream Partners	Financial Capacity to Manage Donor Funds
Payments incl. Cash and Bank Management	General Systems and Controls

Passporting is not expected to be used for specific programmatic areas that may be unique to that programme or a specific organisation.

## Definitions

**Passporting:** Where an organisation agrees to accept a due diligence or capacity assessment carried out on an existing or potential partner by another organisation or certification body (in whole or in part) in lieu of carrying out their own.

**User:** The Alliance member using and relying on a due diligence assessment conducted by another Alliance member.

**Provider:** The Alliance member who has conducted the due diligence assessment.

## Commitment & Responsibility

This passporting procedure requires a collective effort and is a commitment to continuously improve and collaborate with other members of the Alliance. The success of this procedure will depend on each Alliance member's commitment to work together, share insights, and generate learnings. Alliance members must also ensure that they are responsive to each other's requests and communicate effectively. The *Alliance2015 Rules of Engagement (April 2023)* apply when implementing this passporting procedure, and the key practices and behaviours underpinning successful partnerships should be followed.

It is the User of due diligence that will be responsible for ensuring that their own organisation's risks are adequately addressed. Whilst the Alliance member providing completed due diligence assessment is

responsible for ensuring that the information provided is, to the best of their knowledge, accurate, they will not hold any responsibility for the User's risk assessment and final decision.

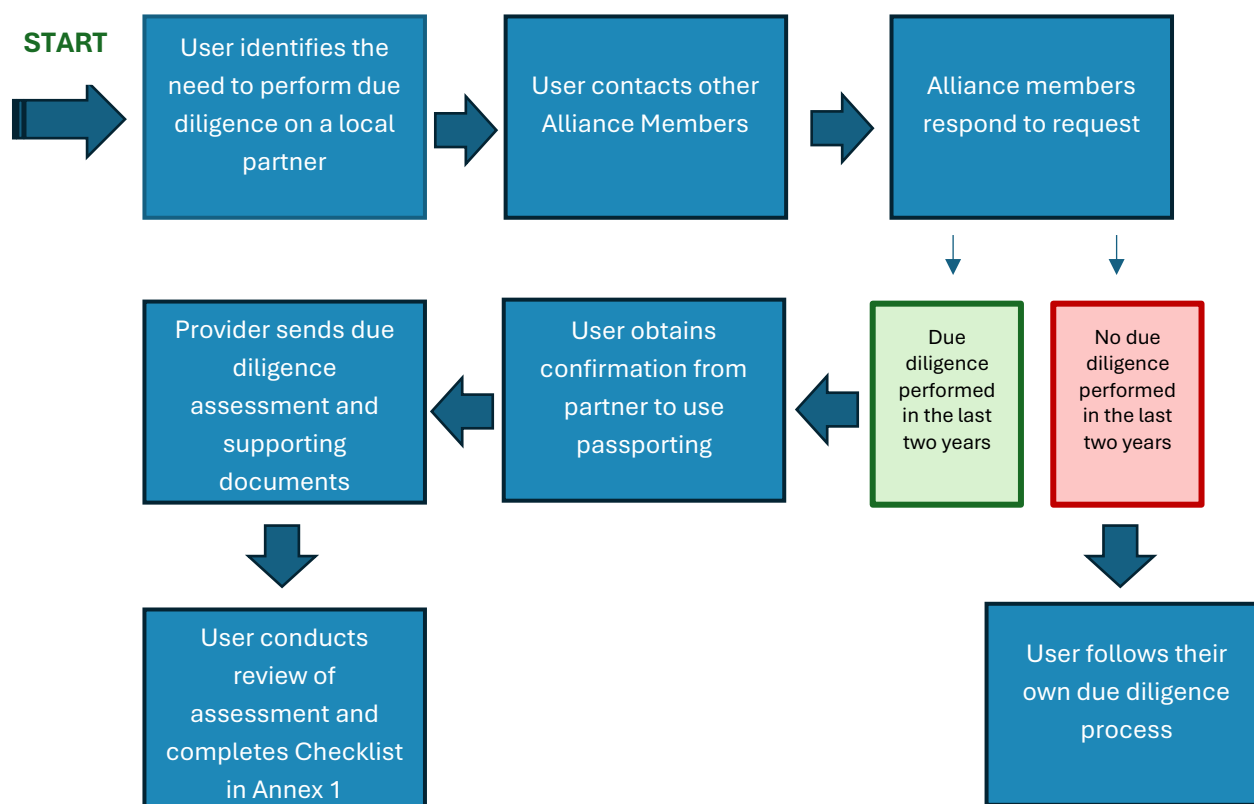
## Overview of Procedure

The following steps are expected for use of the passporting procedure:

- (1) An Alliance member (User) identifies the need to perform due diligence with a prospective local partner.
- (2)
  - a. If the prospective partner confirms they have an ongoing partnership with another Alliance member, the User can contact that member directly, OR
  - b. The Alliance member contacts all other Alliance members (Providers) in the region/country to find out whether any have performed due diligence on the partner within the last two years.
- (3) Where a Provider confirms that they have recently performed due diligence on the partner, the User seeks confirmation from the prospective partner that the documents can be shared (e.g email the prospective partner with the Partner in copy).
- (4) The Provider sends the analysis and documents analysed.
- (5) The User then follows the steps detailed in the checklist to determine if they will passport the due diligence and whether any additional assessment is required.

The checklist included in Annex 1 must be completed to ensure consistent application of the passporting procedure

**Diagram 1: Flowchart of Procedure**



## 2. Application Guidance

### Pre-requisites for application of this passporting procedure

The Alliance agrees that the following minimum conditions must be met to passport due diligence among members:

- **Adherence with donor requirements** – It is the User's responsibility to ensure that donor requirements will be met should this passporting procedure be applied. Written permission or acknowledgement from donors is highly encouraged. Where donors require the Alliance member to perform their own due diligence, the passporting procedure will not be applicable.
- **Two-year validity** – The due diligence assessment being passported must have been performed within the previous two years. It is the User's responsibility to determine if the validity is sufficient for the purposes of their proposed contract – this may factor in aspects such as substantial changes to the operating context, significant changes to the internal control framework at the prospective partner, or whether the Provider has an active partnership with the organisation.
- **Streamlined due diligence tools may not be passported** – Only the tools listed in Annex 4 are eligible for passporting. Alliance members are encouraged to apply the due diligence passporting procedure in an emergency, but where the Provider has used an emergency or streamlined tool, passporting cannot be applied. This is due to streamlined tools typically used in rapid or emergency contexts not including all assessment areas deemed essential for standard programming. To ensure comprehensive due diligence, they are excluded from the passporting process.
- **The prospective partner agrees to the passporting of their results** – Partners must agree to the sharing of their results with the respective Alliance member (User) for the purpose of passporting. Further guidance on this is provided below.
- **Background checks, sanctions screening, anti-money laundering and terror-financing checks performed on potential partners do not form part of the passporting procedure outlined in this document and each Alliance member is responsible for performing their own checks, as per their usual internal guidelines.**

### Obtaining partner confirmations

It is the responsibility of the User to confirm with the management of the prospective partner that:

- a) They agree to the User reviewing previous due diligence for the purposes of passporting, and that this includes any documentation made available to the providing Alliance member, such as policies and procedures.<sup>1</sup>
- b) Their internal control framework assessed in the previous due diligence has not significantly changed and is not expected to change during the funding period foreseen<sup>2</sup>.

<sup>1</sup> The Provider is encouraged to flag to the User whether permission has already been granted for sharing of results upon conclusion of their due diligence exercise. However, the User must obtain their own permission from the prospective partner before performing the review.

<sup>2</sup> Refer to Box 1 for examples of significant changes to an internal control system.

How the partner confirmation is obtained can be decided by the User, for example via email or via a formal letter, but the evidence of confirmation will need to be retained. There is an optional confirmation template in Annex 5 that can be requested where formal confirmation is deemed necessary.

**FAQ: What could be considered an example of a significant change to an internal control system?**

- **Implementation of New Technology:** Adopting new IT systems which can fundamentally change how information is processed and controlled.
- **Regulatory Changes:** New laws or regulations that necessitate changes in compliance procedures, reporting requirements, or data protection controls.
- **Process Redesign:** Overhauling key business processes, such as procurement or payments, which may require new controls to mitigate risks associated with the changes.
- **Changes in Management:** A new leadership team may introduce different strategic priorities, risk appetites, or management styles that impact the control framework.
- **Significant Growth or Downsizing:** Rapid scaling up or down can strain existing controls or render them obsolete, necessitating a review and potential overhaul.
- **Fraud or Error:** Discovery of significant fraud or errors may indicate control failures and lead to a comprehensive reassessment of the control framework.
- **Audit Findings:** External or internal audit findings that identify material weaknesses or significant deficiencies in the control framework.
- **Changes in Accounting Standards:** Adoption of new accounting standards that require changes in financial reporting processes and related controls.

The existence of one or more of the above factors does not necessarily mean there is a significant change to the internal control system – professional judgement should be applied to assess whether the change impacts the existing control(s) in a way that substantially alters the effectiveness of the control(s).

## Unaddressed risks

When applying the passporting procedure, it is important that the User ensures that their own internal risk areas are addressed and adequately mitigated. To do so, the User must identify any unaddressed risk areas from the Provider's assessment and may introduce top-up questions, where appropriate.

Annex 2 includes a comparative analysis of the due diligence tools used by each Alliance member. This comparative analysis should be used to identify any additional topics that are required to ensure alignment with your own internal due diligence procedures and ensure your organisation's risk appetite is met. Where additional questions are required, these should be documented in Annex 3, alongside the potential partner's responses and the User's conclusion.

**FAQ: Do I need to conduct top-up assessment procedures for every question that is not present in the other member's tool?**

- ➔ No, the aim of the passporting procedure is to streamline the due diligence process. Professional judgement should be applied to consider if there are any risks that remain unaddressed following your review of the member's assessment. This assessment should also consider the nature of the proposed partnership and whether sufficient mitigation measures are already in place. Whether top-up procedures are appropriate or not, it is important to document your thought process and justification of the action taken in the checklist.

## Information sharing

The Alliance has agreed that the full due diligence analysis should be shared by the Provider to the User for review and internal risk assessment. Sharing the completed analysis between Alliance members ensures that the final, approved version of the assessment is shared, and may also provide supplementary assessment by the Provider that could be of interest to the User when deciding whether to proceed with the partnership.

When requested, the following documentation should be shared:

1. Completed due diligence questionnaire - Annex 4 includes the name of the due diligence tools eligible for passporting by each Alliance member.
2. Partner documents shared with the Alliance member when the original due diligence was completed, for example key policies and process documents.

The purpose of sharing documents for review is to enable the User to make an informed decision on their proposed partnership. It is not expected that the analysis will be fully reperformed, however the User may want to refer to policy documents to better understand the processes in place at the Partner during their review.

**FAQ: To what extent should I check the assessment responses back to original documents (eg policies provided by the prospective partner)?**

- ➔ While it is not intended for you to reperform the assessment, you may want to perform some spot checks during your review to verify the information in the assessment, particularly if the assessment response does not have sufficient detail to reach your own conclusion. For example, some responses may lack detail and simply state yes/no, without an explanation as to how the conclusion was reached/what the response is based on. If this question is addressing a key risk to your organisation and/or the project, you may wish to confirm the answer yourself.
- ➔ Professional judgement will need to be applied when reviewing the assessment performed by another Alliance member, in addition to considering what is most important for your organisation and the specific project. For example, the Provider may have not documented the details about procurement practices as no procurement was expected. If this is an important aspect to your proposed partnership, you could perform your own checks on the procurement practices in place.

If spot checks are performed, ensure these are documented in the checklist.

Where questions arise during the review, the User is encouraged to reach out to the Provider to better understand the analysis and conclusions made. Providers are encouraged to respond in a timely manner in line with Section 5. Working Practices detailed the *Alliance2015 Rules of Engagement (April 2023)*.

**FAQ: What should I do if I review the assessment performed by another Alliance member but decide not to rely on the work performed for the proposed partnership?**

- Situations may arise where a User chooses not to rely on the work performed by a Provider for their own partnership. Both parties should first discuss the results and reasons for non-reliance to seek a solution. When discussing the difference, consider that there are several factors that could lead to a different conclusion, such as:
- Differing risk appetites
  - Different projects, and therefore different risks associated with each project
  - The assessment lacks sufficient detail to reach a conclusion and more information is required

If further discussion is needed or if the situation requires additional steps to resolve differences, the principles of the *Alliance2015 Rules of Engagement (April 2023)* should be followed.

## Capacity Support and Action Plans

Each Alliance Member will have their own approach to providing capacity support, based on resources available, internal capacity, and their partner portfolio. Where due diligence raises recommendations or results in a formal action plan, the User can decide whether or not to support with actions. Where capacity strengthening support is foreseen, the User should first discuss progress to date with the prospective partner and confirm with the Provider whether any actions have already been taken. This will allow them to take a view on whether or not identified risks have been mitigated but also, should they wish to contribute to the capacity building activities, ensure these are not double-funded.