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**Grant effectiveness and efficiency**

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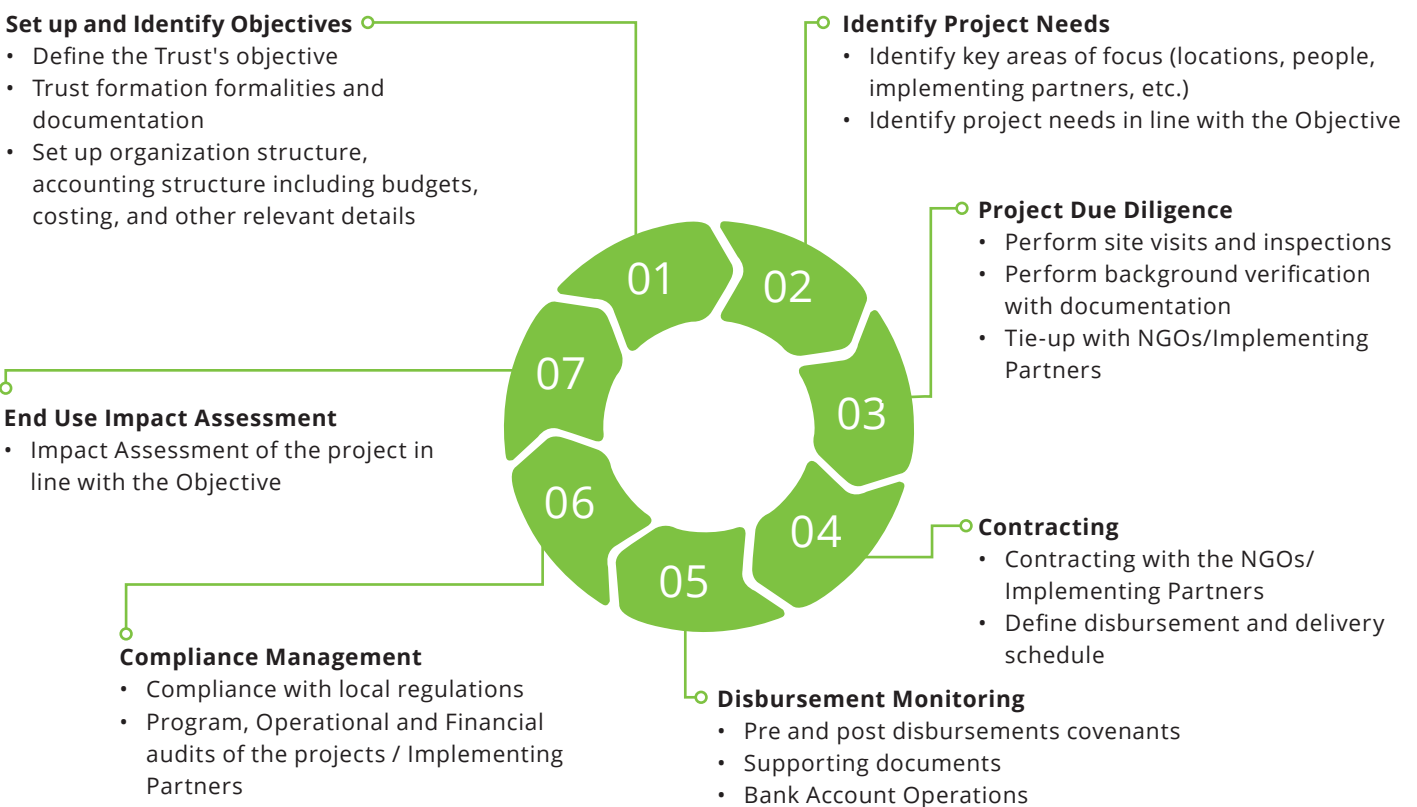
# Creating an equitable India

The regulatory changes in the Companies Act 2013 have increased the influx of private sector participation in the development sector. In the last five years alone, Corporate India has been more involved, aligning their strategy with the government and large donors.

However, despite widespread participation and contribution from the corporate sector, there is still a myriad of leakages in the design and implementation of development programs. The system is fraught with loopholes, making it susceptible to irregularities and fraud.

At Deloitte, we are committed towards creating robust mechanisms to minimize and mitigate leakages.

## Donor Agency Life Cycle



Deloitte can assist you across all phases in the life cycle to maximize grant efficiency by improving systems and ensuring value for the invested money. We can improve accountability and increase transparency of funds disbursed to the grantees. Additionally, we ensure that regulatory compliances are met while tracking the progress on programmatic outputs and outcomes.



# Monitoring is no longer a choice

Compliance to the donor mandated norms and enhanced monitoring of activities is no longer unique to developing countries. India, is no exception, especially with Government of India mandated CSR regulations being monitored closely. Not only is the government issuing notices to companies that have failed to comply with the law, they are also changing the way the expenditure of CSR projects is being monitored<sup>1</sup>.

All global mandates across International Development Agencies have renewed their commitment to ensure that their funds are being spent effectively and systematically.

According to the United Nations, 1-5% of global aid is lost due to fraud.\*

## Risk and challenges associated to the Donor Agency Life Cycle



### OPERATIONAL

- Inappropriate formation documents
- Project selection not in line with the Trust objective
- Inadequate due diligence on projects / Implementing Partners
- Non-fulfillment of pre and post disbursement covenants
- Inadequate impact due to inappropriate project management
- Unskilled staff to perform the project activities
- Inadequate Governance on the projects

### FINANCIAL

- Incorrect utilization of funds or misuse of disbursed funds
- Unauthorized procurement
- Unauthorized disbursements
- Misappropriation of cash
- Loss/theft of assets



### PROGRAM

- Projects activities not relevant to local context
- Duplication of project beneficiaries
- Low program outputs or targets achieved
- Lack of well defined monitoring frameworks and documentation processes in program design and implementation phases
- Focus on outputs instead of tracking progress against intended outcomes/ project objective



<sup>1</sup> Source: <https://www.dnaindia.com/business/report-dna-money-exclusive-companies-face-prosecution-for-not-spending-on-csr-2625102>

# How can we help?

## Overview of our customized solutions

We create solutions that will create efficiencies into program management along with designing and implementing financial controls to increase transparency.

We assist in the following:

### 01

#### Conducting regulatory compliance reviews



- Review and analyse constitution documents, income tax registrations, financial statements, requisite permissions and other relevant compliance documents
- Review and analyse the overall execution of the grant
- Review and analyse the overall CSR objective or policy, trigger point on applicability of CSR provisions, review of financial statements and CSR spends, manner of computation of CSR spends, and the current framework of executing CSR activities.

### 02

#### Carrying out financial monitoring



- Financial monitoring built on the existing evaluation frameworks
- Periodic on-site visits for all implementing partners across the country
- Review effectiveness of systems and controls implemented at the implementing partner's location such as:
  - Governance structure
  - Internal policies and procedures, internal controls
  - Bank account monitoring
  - Accounting and reporting systems
  - Organisation structure, including project staffing
  - Statutory compliances
- Undertake quarterly visits to implementation sites and ensure projects are being implemented as per the work plan
- Assess programs in terms of financial efficiency and review the following:
  - Pre and post disbursement conditions
  - Actual progress of programmes against the annual work plan
  - Utilization certificates - whether the funds are utilised for the purpose for which it was intended
  - Cash disbursements and receipts
  - Expenditure review
  - Internal monitoring system and review process

### 03

#### Measuring and monitoring program impact



- Developing monitoring frameworks, structures and indicators that track progress including customising a Gender Action Plan
- Periodic field-based monitoring visits
- Impact assessment and mid-term reviews capturing changes in quality of life of target audiences
- Establish PMUs to support large scale projects across thematic areas

### 04

#### Conducting trainings and workshops for capacity building



- Training in compliance and explanation of potential fraud entry points
- Workshops on monitoring and evaluation for compliance and implementation team
- Capacity building workshops for the partner ecosystem to set up capabilities to meet donor reporting requirements
- Training in anti-bribery and corruption for vigilance officers and legal teams
- Creating awareness regarding potential procurement fraud and other pertinent fraud risks

### 05

#### Measuring project efficiency



- Measure project output vis a vis the program
- Determine social and financial impacts
- Conducting end use assessments to review the project's financial health and performance
- Review of M&E reports to ensure alignment with the work plan and timelines

# Some of our key review elements



## Substantive testing

- Identification of the potential indicators such as
  - Preferential transactions,
  - Undervalued transactions,
  - Extortionate transactions
  - Fraudulent or wrongful purchases



## Due diligence on Implementing Partners

- Review of financial and programmatic elements
- Market intelligence and public domain searches on implementing partners
- Site visits to ensure integrity of reporting
- Review of annual reports



## Document review and systems evaluation

- Review of the organisation structure and formation documents
- Review of audited utilization certificates of implementing partners
- Review of spends, variance and approval system
- Documentation/Assessments of Standard Operating Procedures (SOP) and approval matrices
- Review of systems in place selection and management of sub-grantee



## Compliance and regulatory reviews

- Review of governance structure – board composition as per by-laws, qualification of management, and the expertise base to ensure accountability and transparency in the system
- Screening of stakeholders from subscribed databases



## Assistance in ongoing Monitoring of ongoing projects

- Review (sample basis) of project's overall execution and status, outputs and outcomes against planned activities
- Review of internal monitoring systems or conduct internal audits considering the size, operations and focus of the organisation, to measure results and impact (e.g. spreadsheets, written reports, IT reporting systems)
- Review of the budgeting and payments process
- Review of the procurement process
- Review of the controls related with accuracy of data collected, and sign off process



## Recommendations and way forward

- Setting up a robust, compliant and monitored evaluation process
- Setting up systems and processes for rapid feedback from partners
- Ensuring the monitoring fund distribution is in compliance with the MoU/ Grant agreement



# Key contacts

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