

## HQAI CHS audits as an enabler of due diligence efficiencies.

Summary of the HQAI ROUND TABLE held online on 15 October 2024.

### About this Round Table

The humanitarian/development ecosystem lacks common approaches to collect, analyse, and act on due diligence (DD) requirements amongst DD assessments holders, including institutional donors, INGOs, UN bodies and pooled funds. As consistently raised by local and international organisations, DD approaches differ in their format but often refer to the same criteria.

HQAI has demonstrated how CHS audits can objectively inform identified levels (50-100%) of donor DD or partner capacity assessments. As primary assurance in funders' processes, they can improve cost-effectiveness, accountability, and efficiency.

*“We know the tension between the need for compliant risk management and the resources required from aid providers, especially in the current context of skyrocketing needs and decreasing resources.”*

On invitation by

The Ministry of Foreign Affairs of Denmark (DANIDA), The Directorate for Development Cooperation and Humanitarian Affairs of the Grand Duchy of Luxembourg, The Swiss Agency for Development and Cooperation (SDC), The UK Foreign, Commonwealth and Development Office (FCDO) and The Humanitarian Quality Assurance Initiative (HQAI),

this edition of HQAI's Round Table focused on governments and intermediaries, and their challenges - and successes - in putting policy commitments related to accountability, locally-led aid and quality funding into practice together with their partners.

We warmly thank all panelists for shining light on the topic, exploring policy decisions and ambitions, existing technical solutions and on-going projects from the perspectives of governments, organisations and funding mechanisms. In alphabetical order:

**María Paula Arenas**, Administration and Communications Coordinator, Global Programme Section, Norwegian Refugee Council.

**Madara Hettiarachchi**, Director Programmes & Accountability, Disasters Emergency Committee, UK.

**Marie Kruse**, Chief Advisor, Department of Humanitarian Action, Civil society and Engagement (HCE), Ministry of Foreign Affairs, Denmark.

**Pamela Orgeldinger**, Head of Department, International Programmes, CARE Germany.

**Linda Sloan**, Senior Due Diligence Officer, Foreign, Commonwealth & Development Office, UK.

**Camilla Waszink**, Executive Director of Partnerships at Policy, Norwegian Refugee Council.

**Peter Taylor**, Head of Safeguarding Unit at Foreign, Commonwealth & Development Office, UK.

The following summary does not attribute content to people but focuses on the essence of the contributions.

### Reducing Duplication using rigorous data: towards passporting of HQAI CHS audits

To reduce duplication, save time, and ease the administrative burden for themselves and for their partners, individual donors are often first focusing on streamlining their own frameworks before looking into harmonisation across the ecosystem, but could make more gains by looking to harmonise or at least align as they streamline.

In recent years, HQAI has worked closely with institutional donors to understand respective processes and identify overlapping requirements. In a pilot in Bangladesh, HQAI used one CHS certification audit to respond to four different requirements (FCDO DD, ECHO ex-ante Framework Partnership Agreement, UN Implementing Partner PSEA Capacity Assessment, and the CHS) and established a precise mapping of indicators with a rating “fully covered,” “partially covered,” or “not covered”.

From here, FCDO has taken a first milestone decision: HQAI CHS certifications are now used as a primary source of information: FCDO programme teams will use the HQAI CHS report as the basis to scope their DD and tailor assessments to identified risks. This will provide stronger focus and eliminate significant parts of the process, although some DD areas remain to be covered by FCDO. Few donors have the capacities or capabilities to undertake thorough DD assessments on their own, yet the trust in external mechanisms needs to be generated. For donors this means to revisit their DD frameworks to judge whether passporting (full or partial) is within their risk appetite. Speakers from FCDO described the perseverance they applied to understand concrete overlaps, shadow HQAI audits, test and probe HQAI’s processes, identify the benefits of HQAI reports, conduct a thorough gap analysis and assure themselves of the evidence-based approach and findings. It was found that HQAI CHS audit reports add another level of quality and accountability checks on top of typical donor risk assessments, for example through site visits, the triangulation of information with communities and other stakeholders, and the concrete consequences of non-compliance.

Apart from opportunities linked to passporting, FCDO sees potential for efficiencies and effectiveness through pre-qualification in emergency contexts where there may not be time to conduct fully-fledged DD.

*“HQAI CHS certification is the gold standard. At FCDO we consider that HQAI CHS audits cover all our PSEAH Due Diligence requirements, and we are seeking to passport these elements as a minimum for organisations who are certified.”*

Speakers connected the DD discussions to the crucially important area of safeguarding and the trust they place in the CHS and independent quality assurance against the CHS. For the UK government, adherence to the CHS is core to their strategy, their funding agreements and their due diligence.

DANIDA has been a forerunner since 2017 in requesting CHS independent verification or CHS certification as a prerequisite for funding civil society partners working in humanitarian or nexus settings. Other strategic partners are invited, *a minima*, to undergo CHS Self-Assessments or engage with the MFA on how to operationalise the CHS in their organisation and with their partners. Moreover, and importantly, DANIDA’s partners may use partnership funding to cover the HQAI audits.

*“DANIDA’s midterm review of the Strategic Partnership modalities has confirmed to maintain CHS independent verification and certification as prerequisites for funding and to explore the potential there is in having the CHS audits replace other DD mechanisms.”*

DANIDA, in collaboration with their strategic partners and HQAI, is now exploring the potential to reduce duplication and alleviate the administrative burden while continually reinforcing adherence to the CHS and CHS Verification. The Danish NGO community is strongly engaged in the process and a group of DANIDA’s strategic partners have proactively pointed out the overlap between the CHS audit and the mid-term capacity reviews they are undergoing and identified a direct bridge of at least 60%.

For many funders the ambition to find new innovative ways of working, to reduce duplication whilst maintaining quality, accountability and accessibility, is accompanied by the identified challenge to carve out concrete modalities that are sufficiently adaptable, e.g. for DANIDA to fit the diversity of Nexus partners or for intermediaries to fit the diversity of local partners.

Sharing good practice with and among other funders is considered an important part of the journey. The UK Disaster and Emergency Committee DEC put DD passporting into practice during their Ukraine appeal. A mapping exercise identified areas for DD harmonisation among DEC members who can accept (passport) recent assessments their peers have conducted to reduce the burden on local partners. In parallel DEC ensures funds are available to address key identified gaps in quality and accountability.

An early adopter of external CHS Verification, the DEC has held member agencies to account against the CHS since 2017, with agencies expressing high satisfaction with audit insights and learnings. Like other funders, the DEC does not see CHS audits as a tickbox exercise. The CHS underpins the DEC's accountability framework and at different moments during an appeal members are scrutinised through the CHS lense. The DEC technical teams and governance actively review and analyse the audit reports to identify practical solutions related to efficiencies and flexibility.

*“We can evidence that we’re bringing together the leading agencies and that they have the policies and practice in place. It’s third-party verified and this has been really beneficial over the past years when the sector has gone through challenges.”*

### Saving valuable resources: using CHS audit data for more than one purpose

HQAI has identified that approximately 80% of the DG ECHO ex-ante Framework Partnership Agreements are covered by the audit evidence collected during a CHS audit. Four European CARE members commissioned HQAI to prepare DG ECHO ex-ante reports by leveraging the CARE Confederation's CHS audit data (HQAI ECHO bridge audit). HQAI used existing CHS audit information and gathered the remaining 20% of information from individual CARE members.

The benefits of this innovative collaboration among confederation members were diverse and numerous: By pooling resources, the four CARE members were able to share the preparation tasks, identify one lead coordinator, work with one tender and contract, and ultimately streamline the process, making it more efficient and meaningful. The preparation process allowed for mutual learning and exchange on challenges. This collaborative approach saved admin resources for the CARE members and was commended for its cost-effectiveness, cutting the audit costs by 60-70% compared to conducting individual audits separately.

*“When the time comes for the next programmatic partnership assessment with DG ECHO we would definitely undergo it again in a collective way with HQAI.”*

Cost efficiency was a recurring theme, with INGO representatives highlighting the broader organisational benefits of streamlined DD. Aid actors across the delivery chain have observed an increase in compliance requirements and associated efforts to respond to these. Looking at the increasing funding gap this inverse trend is not sustainable and drains valuable scarce resources away from where they are most needed.

The Norwegian Refugee Council NRC was part of a pilot with FCDO who were interested in identifying the coverage at Head Office between FCDO DD requirements and the HQAI CHS audit. HQAI auditors and members of the FCDO DD team travelled to Oslo together for a joint assessment.

Although audits and DD processes are, and will remain demanding on organisations, the joint and systematic approach saved time, reduced staff burden and duplication, and was well-coordinated according to NRC.

Speakers applauded the achievements and ambitions of institutional donors to alleviate DD duplication using the CHS, a comprehensive and globally recognised standard that is receiving increasing support by donor states and NGOs alike.

*“CHS Verification can be a powerful mechanism to streamline the multiple due diligence processes.”*

INGO and donor representatives naturally bridged from the DD topic to the localisation agenda. Collaborative approaches to risk assessments and auditing, the use of existing evidence for multiple purposes and the rising use of DD passporting were presented as a model that could be replicated across the sector to reduce unnecessary duplication of efforts, particularly for local and national organisations. A balance must be found between maintaining standardised, hence measurable, comparable and trusted quality assurance processes, and allowing for sufficient flexibility to meet the needs of diverse and distinct entities.

Donor and INGO representatives reflected on the positive effects HQAI CHS audits have on the capabilities of aid providers. Funders have observed the improvements the CHS and CHS Verification have brought for their partners, including on practice, learning and coordination amongst themselves and with their local and international partners. This contributes to strengthened local leadership and builds trust.

*“The CHS and HQAI audits offer the potential to build quality assurance and risk management capabilities to a common standard, reducing transaction cost and helping to level the playing field or reduce some of the imbalances that exist in the international aid system.”*

Different speakers highlighted the quality of HQAI auditors who understand the aid sector and take the time to understand aid agencies and their ways of working. Their aim is to focus on the results processes and systems produce on the ground and not get lost in the paperwork. The audit process gives assurance to funders but also to organisations who see where they are strong and where they still can improve.

## Conclusion

The discussion highlighted the importance of collaboration across the delivery chain to streamline due diligence and build a more efficient, transparent, and sustainable system. These collective efforts reduce operational costs and allow more resources to support aid work, rather than duplicative compliance.

*“Identifying the overlaps and only assessing in addition what’s really needed.”*

HQAI CHS audits can provide more confidence in partners, more assurance for funders, more efficiencies, more value for money, and greater quality & accountability. The speakers have built a strong case for other funders to go further, think deeper and engage in a process that is about to reach the tipping point for a much-needed systems change.

Diverse speakers illustrated concrete DD passporting initiatives amongst INGOs, between INGOs and local organisations, and between governments and their partners. This Round Table offered a snapshot of incentives that are multiplying at local, regional and international levels. HQAI contributes to a growing number of fora with different groups - including at regional level with local NGOs and intermediaries thanks to an ECHO-funded project in West Africa.

Donors, intermediaries and networks such as the CHS Alliance are creating a growing data set that can be used to make the case. The latest status on funder endorsement/requirement of the CHS and its Verification Options, as well as recognition in funders’ DD requirements can be found [here](#).

---

## Participation

HQAI thanks all participants for their participation, interest and curiosity.

Australia: Department of Foreign Affairs and Trade (DFAT)

Canada: Global Affairs Canada

Denmark: Ministry of Foreign Affairs of Denmark (DANIDA)

EU: Directorate-General for European Civil Protection and Humanitarian Aid Operation (DG ECHO)

Germany: CARE Germany

Germany: Ministry of Foreign Affairs of Germany (GFFO)

Luxembourg: Ministry of Foreign and European Affairs Luxembourg

Netherlands: Ministry of Foreign Affairs (BZ)

Norway: Norwegian Agency for Development Cooperation (NORAD)

Norway: Norwegian Refugee Council (NRC)

Switzerland: CHS Alliance

Switzerland: HQAI

Switzerland: Swiss Agency for Development and Cooperation (SDC)

UK: BOND network

UK: Disaster and Emergency Committee (DEC)

UK: Foreign, Commonwealth and Development Office (FCDO)

USA: U.S. Agency for International Development (USAID)