**Guideline for Preparing Terms of Reference for**

 **“Audit according to the DCED Standard for Results Measurement”**

28 August 2020

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*This is a sample format for a Terms of Reference (TOR) to be used by programmes who want to audit their results measurement system according to the Donor Committee for Enterprise Development Standard (DCED) for Results Measurement. When a programme wants to get audited, it should first get in touch with the DCED Secretariat, which will advise on the whole process (selection of auditors, selection of sectors/projects for audit etc.)*

*The format for these ToR contains advice on how to complete each section, and how to adapt the final ToR as appropriate. In particular, programmes should note that the number of days required for an audit depends on size, complexity, degree of preparation, geographical spread etc. Programmes are encouraged to discuss these matters with the DCED Secretariat as far in advance as possible; a pre-audit review is always recommended before audit, to identify possible areas of weakness in the monitoring system.*

**How to use this guide:**

This guide follows the format of a real TOR for an audit. It is broken down into different sections as it may appear on the TOR. It contains standard text, which all programmes can use, and instructions for sections where programmes need to add their own specific information. It includes the following sections:

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# Introduction to DCED Audit

*This section provides background for the programme to use, in explaining the DCED Standard for results measurement, as needed to donors and other stakeholders.*

The DCED Standard for results measurement provides a practical framework for results measurement by listing the different elements of best practice, that a programme should follow in order to manage for results, and to report on its impact in a credible manner. It is not described in detail here, as it is assumed that programmes going for audit are already familiar with the Standard.

In order to lend additional credibility to programmes that are following the Standard, the DCED coordinates an audit process of the individual programme’s monitoring system, on request. The purpose of the audit is to assess the extent to which the results measurement system implemented by a programme meets the different control points of the Standard, identifying strengths and weaknesses of the system. It also provides credibility to self-reported results, because the auditors verify whether the system is sufficiently developed to generate credible results information.

The sequence of the audit starts with a dialogue between the DCED Secretariat and the programme to establish whether it is ready to get audited. The Secretariat provides a list of potential, qualified auditors, excluding any that have already worked with the programme as consultants (thus avoiding any conflict of interest). The programme then selects auditors from the list; it is recommended a team of two auditors is commissioned, to enhance exchange and consistency. The commissioning programme must also add 6 working days to the contract for the lead auditor, to cover the actual cost of the auditor panel that reviews the draft report.

The programme commissions the DCED-approved auditors. In order for all concerned to be able to estimate the time requirement, the programme should provide the following documentation:

* Auditors' guide to the programme documentation, saying explicitly where to find the information required for each compliance criterion
* The programme's manual for results measurement
* The most recent, substantive progress report

The audit remains confidential to the programme and its donors, and will not be made public by the auditors or DCED unless the programme agrees.

# Background of Programme

*This section needs to be written by the programme getting audited to explain how it works, and the results measurement system that it has in place. In particular the following needs to be inserted.*

A brief description of the programme, which includes:

* Name of donors and implementers
* Programme timeline
* Programme’s approach to development (e.g. Making Markets Work for the Poor (M4P), skills development, challenge fund, local economic development, etc.)
* Key sectors that the programme work in
* How it works

And, a description of the programme’s results measurement system and how it uses the DCED Standard:

* How the results measurement system was developed
* Objective of the programme’s results measurement system
* When and how the programme designed a results measurement system in line with the DCED Standard for Results Measurement
* Why it wants to go for an audit

# Objective of assignment

*This section explains why the audit will be done, and can probably be used as it is.*

The objective of the assignment will be to assess the Results Measurement system of the programme according to the DCED Standard for Results Measurement. The auditors will:

1. Identify the extent to which the programme is meeting the different elements of the Standard and give percentage scores in meeting each element, leading to overall percentage score in meeting all the elements
2. Identify areas where the programme is particularly strong / weak

# Scope of work

*In this section the programme will need to state the scope of the audit (whether it covers the whole programme or only selected elements). The text below explains the process for arriving at the scope of work, which needs to be completed before the ToR can be finalized and the auditors contracted.*

The programme may decide the scope of the audit. It may, for example, decide that certain elements are so new that there is not yet anything substantial to audit. Similarly, if the programme is an older one that has ‘retrofitted’ the Standard, it may have decided that some elements that were nearly complete were not worth bringing up to compliance with the Standard. In effect, it may have focused its monitoring resources on limited portions of the portfolio, leaving other elements with only ‘light touch’ monitoring.

There is therefore no point in auditing the monitoring system in those cases, and the programme can choose to exclude those elements. Alternatively, it may opt for a full audit, relying on the auditors and DCED Secretariat to exclude those that are not auditable for any reason (see below).

The main qualification to this choice is that the elements selected for audit must belong within one results chain or logic; the programme cannot exclude from audit certain parts of a given results chain, as it would then not make sense to form a view about the monitoring system as a coherent whole. The choice of the programme about the scope of the audit needs to be agreed with the DCED Secretariat, so that it makes sense for all concerned.

The final choice made will be explicitly stated at the beginning of the audit report; it is also the only aspect of the audit that is [always made public](https://www.enterprise-development.org/measuring-results-the-dced-standard/auditing-the-monitoring-system/#Audited_programmes_and_published_reports) in programmes achieving over 85% on obligatory control points - to avoid the perverse incentive for programmes to select only a very small portion for audit, then report that a DCED audit had been completed (covering by implication all or most of the programme).

# Methodology

*This section explains the different steps for the audit, with a particular focus on the responsibilities of the auditors.*

Once the scope of the audit has been agreed with the Secretariat (normally 2 months before the audit itself), the programme will make available a complete set of documents on the selected elements; these documents will normally include strategy documents, overall results chain, intervention / project specific results chains, results measurement plans, baselines, impact assessment reports, planning documents, results management manual, minutes of review meetings, annual reports, staff job descriptions and/or any other document useful for understanding the programme’s system for results measurement (the auditors or Secretariat can make a check-list available to the programme to assist in this process). The auditors may request any additional documents as relevant.

The full set of documentation should normally be with the auditors and Secretariat six weeks before the audit (for example using Dropbox or similar); subsequent submissions will not be accepted except in exceptional circumstances, since the objective is to review the monitoring system in use, not encourage the creation of documents specially for the audit. The programme should also normally prepare a guide for the auditors, showing where to find the evidence for each control point; besides being a useful check for the programme, this will save much time during the audit itself.

The auditors and DCED Secretariat will then select a representative sample from the nominated elements available for audit. This process normally follows the following steps:

* All elements of the programme are briefly reviewed, to determine whether there is a concentration of spending or reported results in just one or two elements; if this is the case, then that element is pre-selected for inclusion in the audit (since if it was eliminated through subsequent random selection, the audit would not be authoritative)
* Then the total sample size for actual audit is determined through a two-stage process: firstly, a dialogue will establish what the essential elements of the programme are (e.g. sectors, or another relevant distinction). Then a sampling of the elements will be made; all will be pre-selected if there are 3 or fewer. Otherwise, the square root of the total number of elements is taken (with a minimum of 3); the number is rounded up (e.g. if there are 10 elements such as sectors, 4 will be selected for audit, not 3). To choose the individual elements for audit (if needed), each is assigned a unique number and then a random number generator used (e.g. [www.randomizer.org](http://www.randomizer.org)).
* Then, for each element selected in this way, the square root of the total number of interventions (including un-auditable interventions) will be sampled. All interventions are audited if there are 2 or fewer. The number in the sample is rounded down (so 10 interventions within a sector would require a sample of 3). To identify which interventions are actually audited (if needed), the random number generator is used again (having first excluded un-auditable interventions). In the event that some elements have very few interventions, remedial action will be taken to increase the sample size to ensure that it is representative, still using a randomised methodology to the extent possible.

The auditors and Secretariat will advise the programme of the result of this selection process, enabling the programme to make appointments in good time for the auditors with programme staff, partners, beneficiaries etc. as appropriate. Specifically, the auditors then have the following duties:

1. Prior to the programme visit, the auditors will review all documents within the elements selected for audit, to understand the programme and its results measurement system.
2. The auditors will then visit the programme in the field, to interview the programme team and other stakeholders who are responsible for monitoring results. This may include interviews with the programme manager, senior management, implementation team, results measurement team, any external researchers (if used) and other stakeholders such as key partners and co-facilitators. At the end of the field visit, the auditors spend one day together in-country without further meetings, to agree scoring, division of labour etc.

*N.b. In light of possible travel restrictions related to Covid-19, audits may also be conducted remotely. The* [*protocol for this*](https://www.enterprise-development.org/wp-content/uploads/DCED-protocol-for-remote-audits.pdf) *is still in draft form.*

1. After data collection, the auditors draft the audit report, and share it with the DCED Secretariat. The Secretariat convenes and chairs a panel of auditors to review the draft report and scores (in confidence), to ensure that it is appropriate and consistent with current practice. The commissioning programme must add 6 working days to the contract of the lead auditor, so that the costs of participation in the panel by other auditors are covered. Following the panel discussion, the auditors update the draft audit report, which includes:
* Overall percentage scores for achievement of the various elements in the Standard
* Key audit findings for each of the elements in the Standard highlighting the strengths and weakness in the system.
* Summary of the programme, its results measurement system and key issues that affect it.
* Summary of how the audit was conducted, what was audited and what was excluded (and why)
* Summary of areas where the programme is particularly strong, and areas where it may improve its results measurement system.
* Separate annexes with all scores, market/project specific findings, list of documents reviewed and list of interviewees
1. The DCED Secretariat shares the audit report with the programme, so that it can respond - normally within two weeks, for example with any issues or possible inaccuracies. The DCED Secretariat along with the auditors take the comments into consideration, make changes if they deem fit and finalize the audit report. The auditors and programme then sign off on the report. The final audit report and scores remain confidential to the programme and its donors - unless they wish to publish it.

# Schedule of activities

*The table below shows a typical number of days required for a medium-sized programme; the exact number will depend on the programme size and complexity, how geographically dispersed it is, and how structured and available the documents are (programmes that are well prepared and documented will take less time to audit). The programme should also state when it can make full documentation available, when they can confirm the meeting schedule etc.*

|  |  |  |
| --- | --- | --- |
| **Activity** | **Days Required per Consultant**  | **Dates** |
| 1. Request and verify documents, select elements, make interview schedule etc.
 | 1 day |  |
| 1. Review of documents
 | (xx) days (e.g. 1 day for overall system, 1 day per market/project) |  |
| 1. Field visits (if possible), interviews
 | (xx) days (e.g. 1 day for overall system, 1 day per market/project)N.b. allow 20% extra time if audit conducted remotely |  |
| 1. Report writing & panel discussion to finalize score
 | 3 days, including one day in-country for auditor meeting |  |
| 1. Travel (if possible)
 | 1-2 days |  |

# Deliverables

*The table below shows the deliverables that will be produced through the audit.*

|  |  |  |
| --- | --- | --- |
| **No** | **Deliverable/Task** | **Dates**  |
|  | Specifications for field visits and interviews |  |
|  | Draft Audit Report (may also depend on availability of audit panel members) |  |
|  | Final Audit Report[[1]](#footnote-1) |  |

1. The report will be delivered to the programme management who take care of further distribution. If permission is given, the DCED Secretariat may also post it on the DCED website. [↑](#footnote-ref-1)