

6.1 In-Country Administrative Arrangements, Including Financial Management

ASI has developed a reliable and responsive approach to operations, logistics and administrative management, which combines corporate policies set at our London headquarters with standard operating procedures that are tailored to each country in the region.

Operating in Turkey since 2013 (as a Turkish subsidiary since 2014), the company employs a full time expatriate Operations Manager. He oversees a team of 21 local administrative and financial support staff. This operations team is dedicated entirely to projects, with the primary aim of enabling their technical work. ASI has around 110 technical staff on five projects operating from four offices in Gaziantep and a satellite office in Istanbul. We have a similar but smaller presence in Jordan, where the operations team comprises 12 local staff and an Operations Manager, supporting around 36 project staff. A key tenet of our operational approach – with VFM benefits – is that operational costs and capacity are shared between programmes. This greatly increases the flexibility and technical capacity of the operational platform, both of which make it more responsive to new and unexpected demands. Service areas include the following.

Security services: ASI Operations Managers in Gaziantep and Amman and the Regional Security Manager provide regular security risk reports, alerts and updates to all Syria project teams. The security team also assesses specific risk to programmes in Turkey and Jordan and manages the operational platform and our exposure to risk accordingly. As described in detail in the Duty of Care section, the security team also handles field security for our staff in Syria and crisis preparedness and response in all three countries of operation for AJACS.

Security briefings: Within 24 hours of arrival in-country, all associates and staff receive an in depth security briefing by the Security Manager. This briefing covers past and future security concerns and where to go and what to do during an emergency. In addition, all staff receive a local mobile phone, an office contact list and an In Case of Emergency (ICE) card.

Vetting: ASI manages vetting according to the requirements of several different donors. For activities in the north of Syria, vetting is divided between US RAM and ASI's internal vetting system, which covers our European-funded activities and is managed by the ASI Operations Team. In Jordan, our government liaison officer and onboarding manager in Amman support GID vetting. Further information on vetting can be found in other sections of this proposal.

Information Security: The operations team supports the implementation of a 'clear desk' policy in all offices. All sensitive project information is kept on encrypted hard drives or stored in appropriately certified safes. Field staff receive training in IT security. Each is allocated an anonymous email address, so that the authorities are unable to track the user if the account is hacked. Software has been installed on all devices that the field staff use to conduct their work (such as smart phones and laptops) to wipe all information should the devices go missing.

Local Procurement: We retain logistics and procurement officers in Amman and Gaziantep, who manage and administer all operational purchases for our Syria projects. They are also responsible for exporting and coordinating the delivery of operational items into Syria (such as equipment for our field staff), and handle asset management and monthly reporting on the status of assets that belong to each project. Procurement and tracking of equipment and supplies for the FSP and other Syrian partners is handled separately by the technical team.

Banking and accounting: The Finance Managers in Jordan and Turkey maintain and manage project bank accounts and report on a monthly basis against receipts and expenditure to the programme finance team at ASI HQ in London. Where required, cash is also handled by this team, secured in safes in strengthened and access-restricted rooms at the AJACS office in Gaziantep. Regulatory financial reporting is also handled by the operational finance teams.

Office Management: The country operations team arranges for fully-serviced and supplied offices for each programme. For AJACS we use two large offices in Gaziantep and a smaller office in Amman both with further expansion space should it be needed.

Residence and Work Permit Support: The Government Liaison Officers in Amman and Gaziantep facilitate residence and work permit applications for Syrian and international staff. They maintain effective working relationships with the Ministry of Labour in Jordan and local authorities in Gaziantep.

Accommodation: Facilities Managers direct a team of support staff to maintain and service project apartments in Amman and Gaziantep, in addition to corporate arrangements with a rotating selection of hotels for short-term visitors. Rented accommodation has proven more secure and cost-effective than using hotels for long-term project staff.

Transport: Adam Smith International works with a UK-based travel agent to arrange flexible travel to and from Jordan and Turkey for international team members at the cheapest possible price. Agent bookings link automatically with the country operations team to ensure that all movements are tracked. Secure airport transfers for international staff are arranged based on this tracking schedule. There is also a shuttle service between ASI apartments and offices.

Arranging Meetings and Training Workshops: The operations teams arrange meetings and training workshops for Amman based programme teams and beneficiaries coming from Syria. This involves making accommodation, transport and meeting room arrangements for participants travelling from Syria. It also involves seeking official permission for such meetings from Turkish and Jordanian authorities.

Medical Care: We stock offices and apartments with first aid kits. Additionally, at least one staff member in each office is certified in basic first aid (first person on scene). Upon arrival in country, all associates and staff receive a list containing directions and contact details of local medical centres and hospitals.

Personnel Files: The operations team maintains a “working” file on each staff member and associate working in or visiting the country. On arrival, during the country security briefing, personnel fill out an emergency contact and medical form. This includes “proof of life” questions/answers, passport and visa copies as well as (for long term associates and staff) the location of their residence. These files are kept in a locked, secure cabinet.

Subcontracting and Supply Chain Management

The AJACS programme uses subcontractors and supply chains in two main areas:

- › External procurement of FSP equipment and supplies, managed by AJACS;
- › In-Syria procurement, managed by the FSP, CSWGs, NDO and other partners.

External procurement is handled by the Creative Associates procurement team once the relevant technical sub-team has established a requirement. The process of establishing requirements and monitoring equipment is laid out in detail in the Approach and Methodology and in the Governance and Oversight of Kit and Stipends section.

In-Syria procurement covers both goods and services and a variety of different management and control mechanisms, which are documented in detail in AJACS procedural manuals. We cover the main points below before describing the principles we follow to deal with fraud/corruption and finally mechanisms for transferring money into Syria.

External Procurement

The procurement supply chain for AJACS contains critical interdependencies and complexities between suppliers, logistics providers, warehouse managers and transport and logistics providers within Syria. Below we outline the key activities in our procurement approach, followed by the project management principles which underpin these. Creative Associates will be responsible for procurement using a dedicated team, part-HMG funded. ASI and Creative have established a set of procedures and responsibilities that are laid out in our sub-contract with them. Creative Associates has agreed to provide integrated procurement and logistics services. ASI will oversee the process and ensure that at all times donor requirements are strictly met.

Key Activities

Supplier Interface Management – The Procurement Team continuously develops and manages working relationships with major suppliers to ensure that the programme can benchmark costs by seeking quotations in a timely fashion. We assess the business practices and operational security of major suppliers and their supply chain partners to ensure that there is clear evidence of regulatory compliance and an understanding of the nature and purpose of the items being procured where this is necessary. Before interfacing with any supplier or procurement agent, the programme conducts due diligence via financial solvency and acuity checks, as well as reference checks from previous customers.

Inventory Management – Inventory management is detailed elsewhere in this proposal. The Procurement and technical teams coordinate their efforts to ensure accurate records are established, based on in-person verification, logging and sign-off of shipments. Once equipment has been transferred into partners’ care, the relevant AJACS technical team maintains inventory records.

Inbound Administration – The team exercises close oversight and management of supplier contracts to ensure that all INCOTERM agreements – the definition of where the ownership of risk lies between the seller and buyer at each stage in the procurement process – are clearly defined and understood by all parties. ‘Delivery at place’ INCOTERM is preferred. As part of the due diligence process for international suppliers, the team ensures that suppliers have secured the relevant import agreements and licences for Jordan and Turkey.

Storage and Warehousing – The length of time between equipment arriving in Turkey or Jordan and being exported into Syria should be as short as possible. Where there is a need for warehousing, the procurement team ensures that the warehouse company has sufficient insurance, security and storage processes in place, as well as geographical proximity to border entry and exit points. Warehousing in Syria is managed by Syrian partners, overseen by the Police Development team.

Outbound Logistics – Full coordination between the project team and local transport and logistics companies to take equipment into Syria is essential to ensure that the supply chain runs smoothly. Having a local logistics partner with proven experience and capability of transporting equipment from Jordan into Syria is of key importance.

Management Principles

Supply Chain Organisation – The overall performance of the supply chain is assessed by analysing the total combined supply chain costs and timeframes in practice, associated with: logistics, customs, ensuring quality of goods/equipment, wages for procurement staff, warehouse rental and coordination/control. This analysis is used to evaluate the length and nature of the supply chain and to consider alternatives which strike a better balance between cost, risk and timeframe.

Performance Management and Control – In its management of supply chain partners and subcontractors, the team uses pre-defined measures to address gaps between target and actual performance. There are contractually defined penalties associated with poor performance.

Supply Chain Risk Management – The Procurement Team proactively manages risk throughout the procurement and delivery of equipment to Turkey and Jordan and into Syria. They ensure risk responsibility and decision-making authority between the project and its suppliers/subcontractors is clearly defined.

Risk mitigation processes are in place across the entire supply chain and reviewed: this means that risks are identified and assessed at least every three months, along with loss or damage reports and examples of delivery delays which go beyond the contracted agreed delivery schedule. These issues become the focus of risk management efforts, and the Procurement Team will undertake joint risk management and contingency plan development on a case-by-case basis with key suppliers and service providers.

Risk assessment of partners and subcontractors includes: basic standards for physical security, access controls, personnel security, education and training, procedural security, information-technology security, business-partner security, and transit security from the point of origin to final destination within the supply chain.

Beneficiary Coordination and Consultation – A lesson from implementing AJACS and other remote programmes in Syria is that the priorities of the procurement and delivery of equipment must be based solidly on feedback provided by beneficiaries regarding their needs on the ground. Assumptions must be identified and checked and what is being delivered must be kept in line with the needs and expectations of the beneficiary. Realignment points include the obtaining and testing of samples, the assessment of competing bids, setting timeframes and selecting remedies for contractual breaches.

Quality Control – The procurement team reviews samples from all suppliers before orders are made, employing short-term experts to assess the quality of highly technical items. For external procurement of items that are not overly technical or high risk, the project uses Turkish and Jordanian suppliers where possible. This enables the team to build effective and sustainable working relationships with local suppliers, visit manufacturing sites and exercise greater quality control during the manufacturing process. As an example from the current programme, ASI has established a relationship with a Jordan-based manufacturer of equipment including uniforms, tactical vests, body armour, ballistic plates, helmets and boots.

In-Syria Procurement

Community Engagement

Community Engagement projects are planned by Community Security Working Groups and paid for directly by ASI, using a service contract with Syrian suppliers. The AJACS team and CSWGs share procurement, financial management and reporting responsibilities. Oversight and control is retained by the AJACS team throughout:

Planning – CSWGs draw up a plan for how to spend their allocated funds according to community needs. An AJACS grants officer, supported by technical experts, scrutinises this plan to assess its feasibility and make adjustments to ensure predicted costings are as accurate as possible. The Community Engagement team prepare a detailed procurement plan for each grant, which allows us to forecast cash requirements on weekly basis, as well as monitor timeliness of implementation. An MoU is signed with the CSWG laying out their and AJACS's responsibilities.

Implementation – Goods and services under the value of \$500 can be directly procured by the community, items valued between \$501 and \$39,999 are subject to a comparative bid analysis, and procurements with the value of above \$40,000 are subject to a public tender, which is managed by AJACS financial field staff if the capacity of the CSWG is insufficient. All suppliers for procurements of more than \$500 are vetted. Payments between \$500 and \$39,999 have to be approved by the Project Manager and over \$40,000 by the Project Director.

A Purchase Order cannot be prepared (i.e. procurement cannot be executed) until vetting is complete – indicated by a clear record in the AJACS KMS. In all instances payment is only made once the goods have been received or the services have been delivered. A financial field officer verifies the delivery of the service/goods, and ensures that all the documentation is in place, before requesting payment, which is ordinarily made directly from ASI to the supplier.

Reporting – In order to ensure that accurate financial records are kept, we use a Financial Management Information System, which is specifically tailored to the categories and processes used by the programme. Every payment is recorded on this system, and tracked against the procurement plans.

Police Equipment Procurement

In order to speed up the delivery of key equipment to FSP stations, we have encouraged the procurement of equipment in Syria wherever it is available on the local market. Procurements are subject to the same thresholds as for CSWG activities and financially-trained and independent AJACS field staff must be involved in the advertising and selection process, as well as experienced logistics and technical experts who assess price and quality of equipment. Payment is made by ASI directly to vetted suppliers. ASI oversees all stages of the process and approves every payment.

Operational and Discretionary Expenditure Rules

AJACS provides stipends and operational expenses to the FSP and justice sector partners. While stipend controls are detailed in another section of this bid, operational expenses are not. They are nonetheless an area where control must be exercised to prevent donor money from being misused. We have established clear rules for our Syrian partners on what financial resources can and cannot be spent on, guided by legal obligations and donor stipulations. These rules are written into partnership agreements and monitored by our financial and M&E field staff. Detailed accounting of costs is required from Syrian partners, with supporting evidence.

Expenditure rules also extend to management and reporting procedures, which are as strict for Syrian partners as for organisations outside Syria. For minor operational expenses where costs are under \$500 per line, direct purchase is used. But for larger amounts, the same procurement, evidence and reporting rules must be followed by the FSP and other partners when making use of donor financial resources.

Field Monitoring

The AJACS team includes 84 field staff, who form the principle monitoring and audit mechanism ensuring that the situation on the ground is as reported by partners and suppliers. All field staff (financial, engineering, community engagement, M&E, research) are involved in preventing fraud and misdirected expenditure.

Fraud and Corruption

There is a high risk of fraud and corruption when programming in conflict areas where access is difficult and remote management is necessary. This risk is substantially mitigated by measures described both in this section and throughout the proposal, including vetting, record-keeping, financial management and setting (and monitoring) rules for subcontractors and grantees who are entrusted with steering or handling donor funding.

AJACS generates and follows formal, written processes which include clear lines of authority and approval points. The computerised recording of much of this process substantially reduces unnoticed gaps and individual responsibility (which can lead to fraud). When these systems fail – as they will occasionally do – this quickly becomes obvious further up the approval chain, enabling the point of failure to be identified and fixed. The principles we employ when designing processes are:

- **Multiple approval points** – both in the field and in Turkey and Jordan, approval is always required from more than one person at each point for all types of approval;
- **Managing conflicts of interest** – for example, our field staff are rotated and we are careful to avoid vesting too much responsibility for one kind of programme, partner or area in a single member or repeated small group of staff;
- **Using qualified experts** – where the technical nature of projects may obscure exaggerated costs or unnecessary resource allocations, we either use internal experts or contract external ones to provide a qualified opinion;
- **Regular process reviews and audits** – we conduct both on-demand and scheduled reviews of our processes in a constant effort to streamline and improve them, alongside spot checks of specific documentation;
- **Swift action once attempted fraud is detected** – if the programme detects attempts quickly and acts decisively (and sensitively) to rectify, it sends a clear signal to the community and greatly reduces incentive for future attempts.

Payment Systems

We are constantly seeking to improve and diversify our payment systems for our Syria projects, cognisant of the risks associated with relying on any one route for making payments into a conflict area. We take into consideration: **regulatory and political risks** associated with transferring through third countries; **legal status, reputation, reporting standards** and **capacity** of intermediaries; **cost, speed** and **transfer limits**; and **access** within Syria.

We currently use a combination of several routes, including bank transfers into Jordan and cash transfers into Turkey, followed by cash couriers over the border (for FSP stipend payments) and hawala transfers from Turkey and Jordan. We maintain relationships with several different hawala suppliers to mitigate the risk of lacking capacity or access when required. The resilience of ASI's payment systems has led to requests from HMG to support payment for other programmes when they have encountered problems.