

Due Diligence

Guidance for Research Organisations

Background

The following guidance has been put together to provide information on due diligence requirements when undertaking research or doctoral training provision in partnership with overseas research organisations. It is not intended to set rigid rules, but to enable Research Organisations to develop their own policies and processes which are commensurate with their risk appetite and the type of research or training being undertaken.

The risks relating to funding going overseas are much greater than for funding going to UK Research Organisations that undergo stringent audit checks. Due diligence provides a way to mitigate the risks, share good practice and have assurance that Research Organisations have the capacity and expertise to carry out the research or training. However, different organisations come with different risks and it is up to the lead Research Organisation to set their risk appetite. Most Research Organisations use a combination of the level of funding and the corruption level of the country the organisation is based in as the measure of what their risk appetite will be.

The following grant condition can be found in the fEC and Training Grant Terms and Conditions: RGC 2.6/TGC 2.6: You must carry out appropriate due diligence on any Third Parties used to deliver any part of the Project/research training activity and shall ensure in particular, that such Third Parties comply with these Standard Terms and Conditions of Grant/Training Grant and any Specific Terms and Conditions of Grant/Training Grant. At UKRI's request, you must provide details of expenditure of the Grant/Training Grant by any Third Party. Where all, or part, of the Project/research activity is carried out by Third Parties based overseas, You must follow the UKRI International Due Diligence Guidance.

UKRI require Research Organisations that are involved in partnering with overseas organisations to have policies and processes in place regarding due diligence and to carry out the process using a risk-based approach. Research Organisations will be asked to evidence this as part of the UKRI funding assurance process and as part of the awarding process for calls such as GCRF. For training grants, it is expected that processes are in place to ensure that training provision (including provision of research training, access to facilities, appropriate supervision and an adequate critical mass of students) is to the equivalent standard as that offered within the UK organisation.

The level of due diligence should be commensurate with the risk. It is not expected that Research Organisations will carry out the same level of due diligence checks for £2k of funding being distributed as they would for £200k. As a minimum, Research Organisations should carry out checks listed in Step One below on all third parties they are funding. They should take into account the impact on the lead Research Organisation should anything occur with the third party organisation versus the cost of taking steps to mitigate the risk.

The Pillars

Due diligence should cover the following:

| Governance and Control | Ability to Deliver | Financial Stability |
|--|--|--|
| Governance | Past Performance | Financial viability |
| Fraud, bribery, corruption, money laundering and slavery | Staff capacity and capability (number, track record) | Financial Management e.g. experience of finance team and segregation of duties |
| Internal controls | Infrastructure and programme management for research | Strength of audit, internal and external |
| Risk Management | Monitoring and management | Value for money |
| Ethics | Training | Policies, procedures and systems – incl IT systems |
| Assurance Processes | Equality and Diversity | Separate bank account |
| Research Governance | Data Management | Income from other sources – diversity of income streams |
| Scientific Misconduct | Openness and Publications transparency | |

Steps to take

Step One

1. Instruct academics/supervisors to let you know as early as possible about any overseas Research Organisations they are considering working with.
2. Early checks:
 - a. Speak to other colleagues both within and outside your organisation to see what their experiences have been. This may raise red flags at an early stage or indicate that the organisation has been a good partner to work with previously.
 - b. Carry out an online search on the organisation, both their official web site and for any news stories. This should provide an indication of the activities at the organisation and any good or bad news stories. It will also reveal details of any other projects the organisation has been involved in and therefore indicate whether they have the capacity to carry out the required research.
 - c. Check the corruption index for the country the organisation is based in. This can be found at https://www.transparency.org/news/feature/corruption_perceptions_index_2016 and provides a useful indication of the level of corruption within the country concerned and therefore may increase the levels of risk regarding funding going to organisations within these countries.
3. If the above checks result in any major concerns, you may wish to consider looking for a different organisation to partner with.

Step Two

Once the academic/supervisor has chosen which partners/organisations they are looking to work with, you should look at carrying out more detailed checks. UKRI have developed a Due Diligence Questionnaire which they use to carry out due diligence when funding is going directly to an

overseas organisation. This is an evolving document, but can be used as a starting point for any local process. This can be found at Appendix A.

It covers the following key areas:

1. Legal status of the organisation
2. Governance and Control
3. Ability to deliver
4. Financial stability
5. Sub-contract management

This process can take a long time to complete, but must be completed before the start date of the grant/transfer. However, research organisations may be asked to evidence due diligence as part of the awarding process, so should be able to show what checks they have or plan to carry out on the organisation concerned.

Step Three

Once gathered, due diligence information should be reviewed by the most appropriate non-conflicted people within your organisation (i.e. not the PI/supervisor or other people directly involved in the project). In the first instance this is likely to consist of research office and/or finance staff with a clear escalation route should any issues be highlighted.

If any major issues are highlighted through this process, the lead Research Organisation should ensure that any decision to proceed/mitigate risks should be made by the relevant people with the required level of authority within their organisation. This can be done in a variety of ways, but several UK research organisations convene a panel consisting of staff from the research office, finance and the grant holder to make the final decision.

Step Four

Due Diligence should not stop once the award has been made. Research Organisations should have policies and processes regarding the transfer of funds to overseas organisations eg on receipt of invoice/proof of purchase/progress reports etc. They may also wish to impose further checks for high risk organisations.

Once due diligence is carried out, if the Research Organisation continues to partner with the overseas organisation, either as part of the same project or other projects, the due diligence process should be repeated on a revolving basis e.g. every three years or if there are any issues or material changes with the overseas research organisation.

Step Five

Finance checks – The UKRI Funding Assurance Team undertake substantial transaction testing on grants held by UK organisations during which they find examples of ineligible expenditure. There is no reason why non-UK organisations should be any different. Therefore, in order to provide assurance that sub-contracted funding is being used for the purposes that it was awarded and that expenditure claimed complies with grant terms and conditions, UKRI expect lead organisations to

undertake checks on expenditure claimed from their sub-contractors. This should be completed in a risk-based way i.e. more checks are undertaken where the risks are higher.

Other sources of information

Several UK Research Organisations also check Dunn and Bradstreet reports as part of their due diligence process to check details such as the registered address, governance etc.

Nexus is also widely used across the sector to search for news items across the globe. Check the websites of other UK Research Organisations to see what other organisations are doing in the space and what guidance they are issuing to their academics etc.

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January 2020
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UK Research and Innovation International Due Diligence Questionnaire

This form is for the use of international organisations seeking eligibility for direct funding from one or more Research Councils.

All applicants should fully complete the form, and submit additional attachments, in English.

Please complete the form as comprehensively as possible. You will be contacted by a member of UKRI staff for clarification if necessary, which is likely to cause significant delays to your grant application.

This form is made up of the following sections, all of which should be completed by the applicant:

- Summary
- Questionnaire
- Document checklist
- Authorisation

Summary

| | |
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| Organisation name | |
| Description of organisation | |
| Postal address | |
| Head of organisation | |
| Name and contact details of main contact person | |

ANNEX I: Detailed scope of assignment:

Section I:- Governance and internal control

| Ref | Area to be assessed | Document required | Applicant responses and comments |
|----------------------------------|---|---|---|
| Governance | | | |
| I.1 | What is the legal status of the organisation? | <i>Copy of registration/incorporation certificate</i> | |
| I.2 | Does the organisation have in place a fully functioning non-executive Board, separate from executive management? | <i>Organogram for the organisation</i> | |
| Policies & procedures | | | |
| I.3 | Please confirm whether or not the organisation has the following: i. Anti-fraud, corruption & bribery ii. Whistleblowing iii. Travel & subsistence iv. Conflict of interest | <i>Copy of existing policies</i> | |
| I.4 | What is the process for reviewing each of these policies and how often are they reviewed? | | |
| I.5 | How are staff made aware of each of these policies? | | |
| I.6 | Do you have a risk management policy, and do you maintain a risk register? If yes, please describe who is responsible for updating the risk register and frequency of review. | <i>Risk management policy</i> <i>Risk register</i> | |

| Safeguarding & Ethics | | | |
|----------------------------------|--|---|--|
| 1.7 | Does the organisation have a formal child and vulnerable adults safeguarding policy? | Copies of relevant safeguarding policies | |
| 1.8 | Does your organization have a Code of Conduct which describes the ethics and behaviours required of all parties to ensure a robust safeguarding environment? | Copy of Code of Conduct | |
| 1.9 | If yes to the above, is the Safeguarding policy and Code of Conduct shared with downstream partners? | | |
| 1.10 | Does your recruitment policy include a criminal background check on candidates? In particular, specifically where the programme would involve working with children or vulnerable adults? | | |
| 1.11 | How are any policies disseminated among staff? Do staff receive training where relevant to their role? | | |
| 1.12 | <p>Does your organisation (and all subcontractors) have documented labour standards, and operate in line with the UK Modern Slavery Act 2015?</p> <p>In particular how does your organisation ensure that your employees and those in your supply chains are not subject to exploitation through:</p> <ul style="list-style-type: none"> - Slavery, servitude, and forced or compulsory labour - Sexual exploitation - Organ donorship - Force, threats or deception | Copies of relevant policies | |

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|-------------------------------------|--|--|--|
| | - By virtue of them being a child or other vulnerable person | | |
| 1.13 | Describe how ethical standards of research are maintained within the organisation. | <i>Copies or relevant ethics and scientific misconduct policies</i> | |
| Particular instances of risk | | | |
| 1.14 | Has there been any reported cases of fraud in the past five years? If so how was it managed and how was the incident resolved? | <i>Any fraud investigation reports</i> | |
| 1.15 | Are there any current, pending or threatened arbitration proceedings (whether as a claimant or defendant), or any prosecution or inquiry pending by a government or official body? | | |

Section 2:- Ability to deliver

| Ref | Area to be assessed | Document required | Applicant responses and comments |
|------------------------------------|--|--------------------------|---|
| Science delivery and impact | | | |
| 2.1 | Please provide a full assessment of whether a minimum of 10 researchers have a significant number of publications in top quality journals and/or monographs with key academic publishers, and/or other outputs that have been subject to the highest standards of peer review. | | |

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| 2.2 | Please provide a brief outline of the 3 biggest projects you are currently or were recently working on in the capacity of lead or co-lead. | | |
| 2.3 | Please provide evidence of where you have maximized the wider impact and value of research for the benefit of local economies and/or societies. | | |
| Grant administration | | | |
| 2.4 | How is research grant administration organised within the university? Who has overall responsibility for the management of research grants? | | |
| 2.5 | Describe the structure of the finance team who will be supporting this project. | | |
| 2.6 | How is project expenditure authorised, processed and paid, and who is responsible at each stage? | | |
| 2.7 | How is expenditure on research grants monitored? | | |
| 2.8 | Are you able to provide quarterly detailed transaction listings for all expenditure incurred using grant funds, and scanned receipts for all transactions (if required)? | | |
| 2.9 | How will staff hours worked on research grants be tracked to ensure staff have worked as stated on grant applications? | Copy of timesheet where relevant | |

Section 3:- Financial Stability

| Ref | Area to be assessed | Document required | Applicant responses and comments | | | |
|-----------------------------|---|--|----------------------------------|--------------|-----------------------|----------------------------|
| Financial viability | | | | | | |
| 3.1 | Please provide the following information about your total research income along with supporting accounts for the past 3 years | Past three years audited accounts Latest audit management letter | Financial year | Total income | Total research income | % research vs total income |
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| 3.2 | How would any deficit within the organisation be managed? | | | | | |
| 3.3 | Is the organisation experiencing a period of financial growth or decline? | | | | | |
| Financial management | | | | | | |
| 3.4 | Does the organisation have a financial management procedures manual which clearly sets out accounting, reporting, internal control, and administrative tasks? | Copy of the latest financial manual | | | | |
| 3.5 | Does the organisation have a bank account with a reputable bank, held in the organisation's name, which can receive grant funds in GBP? | Bank 'Letter of Good Standing' for this account confirming account holder and account details | | | | |
| 3.6 | Does your government require you to hold a license or comply with certain regulations in | Copy of any relevant license and additional information | | | | |

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|--------------------------|--|--|--|
| | <p>order to receive funding from international sources?</p> <p>If yes, please confirm whether you hold such a license, a summary of what this entitles you to do, and the period the license is valid for.</p> | | |
| Strength of audit | | | |
| 3.7 | <p>Are your organisation's annual financial statements audited by an external auditor?</p> <p>Who are your external auditors, and who do they report to?</p> | | |
| 3.8 | <p>Do you have an internal audit service (either internally or using external contractors)?</p> <p>If so please identify the provider and the approximate number of days per year.</p> <p>How regularly does audit review research grant management?</p> | <p><i>Copy of most recent internal audit report</i></p> <p><i>If relevant, copy of most recent report on research grant management</i></p> | |

Section 4:- Sub-contract management

| Ref | Area to be assessed | Document required | Applicant responses and comments |
|----------------------|---------------------|-------------------|----------------------------------|
| Due diligence | | | |

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| 4.1 | Please identify your intended sub-contractors and how much funding will be disbursed to each partner. | | |
| 4.2 | What is your relationship to these organisations, and how were they identified as sub-contractors? | | |
| 4.3 | Do you undertake due diligence on your sub-contractors to assess their ability and suitability to undertake the work required? | <i>Copy of due diligence on relevant partners</i> | |
| Management frameworks/contracts | | | |
| 4.4 | How is the relationship with sub-contractors managed, for instance do you put in place a contract or memorandum of understanding? | <i>Copy of agreements or sample documents if current agreements have not yet been completed</i> | |
| Monitoring and management | | | |
| 4.5 | What financial reporting arrangements have been agreed with sub-contractors to ensure your organization has sufficient control of expenditure? | | |
| 4.6 | What arrangements do you have in place to monitor the progress sub-contractors are making on the project? | <i>Examples of any monitoring documents or financial reports</i> | |

ANNEX 2. Documentation and information required

Document checklist

Please complete this table to indicate whether you have included the documentation required as part of this assessment.

If you are not able to supply certain documents (for instance a policy not in existence in your organisation) please indicate why this is the case.

| Document | Enclosed | | Comments |
|---|----------|---|----------|
| | Y | N | |
| Evidence of legal status | | | |
| Organogram | | | |
| Anti-fraud, corruption & bribery policy | | | |
| Whistleblowing policy | | | |
| Travel & subsistence policy | | | |
| Conflict of interest policy | | | |
| Risk management policy | | | |
| Risk register | | | |
| Safeguarding policy | | | |
| Policies relevant to Modern Day Slavery | | | |
| Ethics/ scientific misconduct policies | | | |
| Fraud investigation reports | | | |
| Timesheet | | | |
| Last 3 years audited accounts | | | |

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| Latest audit management letter | | | |
| Financial manual | | | |
| Bank 'Letter of Good Standing' | | | |
| License to receive international funding (if relevant) | | | |
| Most recent internal audit report | | | |
| Internal audit report on grant management | | | |
| Due diligence on sub-contractors | | | |
| MOUs/ contracts with sub-contractors | | | |
| Examples of sub-contractor monitoring documents | | | |

Declaration

All research grants are subject to UKRI Terms and Conditions.

If for any reason you cannot adhere to any of the conditions, please state which ones and the reason why below.

The information you have provided will be shared with other research organisations and funders, if for any reason you cannot comply with this please give further details below.

The information provided in this questionnaire should be a true representation of your organisation. If false information has been provided there is a chance this will affect your funding going forwards.

To confirm the above please sign below

Signed

Date

Position