

Due Diligence

Guidance for Research Organisations

Background

The following has been put together to provide guidance on due diligence requirements when undertaking research 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 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. 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.

In August 2017, the following was added to the RCUK Grant Terms and Conditions:

The Research Organisation shall ensure that it carries out appropriate due diligence on any third parties used to deliver any part of the work funded by the grant and shall ensure in particular, that activities carried out by such third parties comply with these terms and conditions. The Research Organisation shall provide the Research Council on request with details of expenditure of the Grant by any third party.

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.

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. The level of due diligence should be commensurate with the risk. 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 eg 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 – inc 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	

Suggested Steps to take

Step One

1. Get academics 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 has chosen which partners 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. 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.

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 Three

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 etc. They may also wish to impose further checks for high risk organisations.

Research organisations should also have policies/processes in place for organisations that require payment in advance of need, to ensure funds are released in a controlled way and that evidence of expenditure from previous tranches is forthcoming before additional funds are released.

Once due diligence is completed, 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 eg every three years or if there are any issues or material changes with the overseas research organisation.

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.

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. You may wish to explore the opportunity of sharing information with other research organisations that are collaborating with overseas partners.

For Information

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UKRI UK Overseas Due Diligence Questionnaire

This form is for the use of overseas organisations seeking eligibility for direct funding from one or more Research Councils. All applicants should complete, in English, the organisation details below, sections 1 to 5, as well as the document checklist at the bottom of the form. All additional attachments should also be provided in English.

Applicants should also provide the relevant approval through the appropriate authorising signature.

Due diligence checks will be undertaken by UKRI Funding Assurance in the form of a questionnaire, covering the following areas:

6. Legal status of the organisation
7. Governance and Control
8. Ability to deliver
9. Financial stability
10. Sub-contract management

Name of Organisation
Postal Address
Head of Organisation
Name of Contact (if different from above): Telephone Number: E-mail:

Section 1:- Legal Status of Organisation

Question	Response
<p>1.1 What is the legal status of the organisation? How is it registered and who with?</p> <p>Please provide registration documents for the organisation plus any Memorandum or Articles of Association</p>	
<p>1.2 Does your organisation have a governing Board that is separate from its executive management?</p> <p>1.3 Please provide list of current membership of your governing board.</p>	
<p>1.4 Please provide details of what insurance policies are in place to cover eg liability of employer, buildings etc.</p>	

Section 2:- Governance and Control

Question	Response
<p>2.1 How is grant management administration organised and who has overall responsibility for the management of research grants?</p>	

<p>2.2 Please confirm that you have policies and procedures in place that cover the following, providing copies of the documents or links to a website where the information is hosted.</p> <ul style="list-style-type: none"> i. Risk management policy/strategy; ii. Anti-fraud, corruption and bribery; and iii. Whistleblowing iv. Research Integrity v. Ethics vi. Equality and Diversity vii. Data Management viii. Travel and subsistence ix. Conflicts of Interest 	Policy	Web site link	Date last reviewed
	Risk management policy/strategy		
	Anti-fraud, corruption and bribery		
	Whistleblowing		
	Research Integrity		
	Ethics		
	Equality and Diversity		
	Data Management		
	Travel and subsistence		
	Conflicts of interest		
<p>2.3 What is the process for reviewing these policies and how often are they reviewed?</p>			
<p>2.4 Do you maintain a risk register? How often is it updated and by who? Please provide details of any risks that could have a big impact on grant funding if the event occurred and any steps taken to mitigate them.</p>			
<p>2.5 How are these policies communicated to staff and how is staff awareness maintained?</p>			

<p>2.6 The UK Modern Slavery Act 2015¹ makes provision about slavery, servitude and forced or compulsory labour and about human trafficking, including provision for the protection of victims. Can you confirm that you (and any subcontractors) comply with this legislation? Please give further details.</p>	
<p>2.7 Have there been any formal cases of fraud or suspected fraud involving Research Funding bodies in the last five years? If so, please provide details including how these were investigated; to whom they were reported and whether there was any financial loss.</p>	
<p>2.8 Are there any current, pending or threatened litigation or arbitration proceedings (whether as a claimant or a defendant), any prosecution or inquiry pending by a government or official body?</p>	
<p>2.9 The Research Councils expect that the research they support will be carried out to a high ethical standard. Please explain the arrangements you have in place for reviewing that any research funded by the Councils is planned and conducted in accordance with such ethical standards².</p>	
<p>2.10 Have there been any formal investigations of research misconduct involving Research Funding bodies in the last three years? If so, please give further details including academic year, the number of formal investigations completed and of those, how many were upheld.</p>	

¹ <http://www.legislation.gov.uk/ukpga/2015/30/contents/enacted>

² <http://www.universitiesuk.ac.uk/policy-and-analysis/reports/Pages/research-concordat.aspx>

<p>2.11 Are you subject to independent annual audit?</p> <p>If so, who are your external auditors?</p> <p>Please provide a copy of your most recent audit report.</p>	
<p>2.12 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>Please provide a copy of your most recent audit report.</p>	
<p>2.13 To whom does audit report?</p>	
<p>2.14 How regularly does audit review research grants administration? Does this include scrutiny of expenditure charged to individual research grants to ensure compliance with Research Councils' terms and conditions?</p>	

Section 3:- Ability to Deliver

Question	Response
<p>3.1 Can you confirm that you have sufficient capacity to deliver research (normally a minimum of 10 researchers) with a significant number of publications in journals and/or monographs with key academic publishers, and/or other outputs that have been subject to peer review. Journal quality should take into account benchmark measures appropriate to the regional context and research disciplines.</p>	

<p>3.2 Can you confirm that you have a track record of staff, while employed at the organisation, leading or co-leading innovative research projects in the previous five years?</p> <p>Please provide a brief outline of the three biggest projects you are currently or recently have led or co-lead on.</p>	
<p>3.3 What is the structure of the finance team which will be supporting this project?</p> <p>Please give details of how many individuals at each level, their role and their relevant qualifications and experience.</p>	
<p>3.4 How are key tasks segregated? Please provide details of how key tasks are divided to eg prevent fraudulent activities etc</p>	

Section 4:- Financial Stability

Question	Response																							
<p>4.1 Please provide the following information about your total research income along with a copy of the last three financial years' audited accounts and your latest Audit Findings Report, in English.</p>	<table border="1"> <thead> <tr> <th data-bbox="954 1007 1207 1107">Financial Year</th> <th data-bbox="1207 1007 1458 1107">Total Income'000's</th> <th data-bbox="1458 1007 1711 1107">Total Research Income '000's</th> <th data-bbox="1711 1007 1964 1107">% of Research vs Total Income</th> </tr> </thead> <tbody> <tr> <td data-bbox="954 1107 1207 1177"></td> <td data-bbox="1207 1107 1458 1177"></td> <td data-bbox="1458 1107 1711 1177"></td> <td data-bbox="1711 1107 1964 1177"></td> </tr> <tr> <td data-bbox="954 1177 1207 1248"></td> <td data-bbox="1207 1177 1458 1248"></td> <td data-bbox="1458 1177 1711 1248"></td> <td data-bbox="1711 1177 1964 1248"></td> </tr> <tr> <td data-bbox="954 1248 1207 1318"></td> <td data-bbox="1207 1248 1458 1318"></td> <td data-bbox="1458 1248 1711 1318"></td> <td data-bbox="1711 1248 1964 1318"></td> </tr> <tr> <td data-bbox="954 1318 1207 1385">Total</td> <td data-bbox="1207 1318 1458 1385"></td> <td data-bbox="1458 1318 1711 1385"></td> <td data-bbox="1711 1318 1964 1385"></td> </tr> </tbody> </table>				Financial Year	Total Income'000's	Total Research Income '000's	% of Research vs Total Income													Total			
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<p>4.2 Do you intend to receive the grant into a central pooled bank account shared with other grant receipts, or do you have an account specifically for this grant?</p>	
<p>4.3 Will your bank account accept payments in Sterling?</p> <p>Please provide a Letter of Good Standing from your bank, confirming your account details.</p>	
<p>4.4 What is the currency of the bank account we will be paying into and what currency is your accounting system in?</p>	
<p>4.5 What financial accounting system is used by the research organisation?</p>	
<p>4.6 How is expenditure on research grants monitored?</p>	
<p>4.7 What kind of financial reports are available? To whom and how often are they issued?</p> <p>Please provide a copy of the latest management accounts or internal financial reporting available</p>	
<p>4.8 Are you able to provide quarterly transaction listings to show all the expenditure incurred using the Research Council grant, broken down to the individual transaction level?</p>	
<p>4.9 What procedures are in place to prevent ineligible costs being charged to research grants? How is it monitored?</p>	

4.10 Are regular reconciliations of income against expenditure undertaken? If so, how often?	
4.11 Is there any control of virement of funds between headings? Do your systems prevent unauthorised virement and hence expenditure?	
4.12 In accordance with funder Terms and Conditions, your organisation will need to provide a valid audit trail to show that any staff charged to the grant have worked as indicated. How do you keep track of how many staff hours are worked on research grants? Please provide a copy of a timesheet if used for this purpose. Research Council Terms and Conditions can be found here: http://www.rcuk.ac.uk/funding/grantstcs/	
4.13 Please provide details of how pay scales/salaries are determined. If there is a published list of pay scales, please provide a copy or a link to where this information can be found	

Section 5:- Sub-contract Management

This section refers to funds you are paying to other organisations or people to do work on your behalf.

Question	Response
5.1 Which organisations do you sub-contract to?	
5.2 What is your relationship with these organisations, and how were they identified as sub-contractors?	

<p>5.3 Have you undertaken due diligence on you sub-contractors to assess their ability and suitability to undertake the work required?</p> <p>Please provide a copy of the due diligence you have completed</p>	
<p>5.4 Do you have a policy in place to sufficiently manage sub-contractors, including provisions for ensuring their compliance with Research Council terms and conditions?</p> <p>Please provide a copy or link where this is located.</p> <p>If you do not have a policy, please give details of how sub-contracts are managed.</p>	
<p>5.5 How is your relationship with the sub-contracting organisation governed? For instance do you have in place a contract or memorandum of understanding?</p> <p>Please provide a copy of any documents in place, or explicitly state if there are none currently.</p>	
<p>5.6 What arrangements do you have in place to monitor the progress sub-contractors are making on the project?</p>	
<p>5.7 What financial oversight will you have of the sub-contractor to monitor that their expenditure is in-line with project objectives and conforming to funder terms and conditions?</p>	
<p>5.8 Are you confident that your sub-contractor has sufficient capacity to submit quarterly transaction listings of project expenditure? What actions will you perform to verify the data they supply?</p>	

Enclosed Document Checklist

A summary of the information you need to reference as part of this application.

Please Note: This can be in the form of a copy or a link to where the document is held and **MUST** be in English.

Document	Enclosed	
	Y	N
Last 3 years Audited Financial Accounts		
Evidence of Legal Status		
Memorandum/Articles of Association		
External Audit report		
Internal Audit Report		
Anti- Fraud/ Corruption/Bribery Policy		
Scientific Misconduct Policy		
Ethics Policy		
Risk Management Policy		
Whistle-blowing Policy		
Equality & Diversity Policy		
Data Management Policy		
Travel and subsistence policy		
conflicts of Interest policy		
Latest Audit Findings Report		
Letter of Good Standing from your bank		
Example of Timesheet		
Sub-contract Management Policy		
Due diligence completed on sub-contractors		

Memorandum of Understanding/ contracts with sub-contractors		
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Declaration

All research grants are subject to the Research Councils' Terms and Conditions <http://www.rcuk.ac.uk/funding/grantstcs/>. If for any reason you cannot adhere to any of them, please state which ones and 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.

On behalf of the research organisation I can confirm that we accept all Research Councils' Terms and Conditions with regards to Research Grants.	Yes	No
<p>If no, please give further details here.</p>		

Signed.....Date.....