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 2.5: 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. 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:

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

Trusted research and innovation is the UKRI work programme designed to support cross-sector campaigns which protect all those working in the international research and innovation sector.

Please ensure you read the guidance below if the research being undertaken has any security or intellectual property implications, could be used for illegal purposes or involves any sensitive data.

Sources of Information

UKRI Trusted Research guidance.

UUK Managing Risks in International Research and Innovation

The Due Diligence Process

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 Corruption Perceptions Index 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.

d. Check UK and UN sanctions lists and the FCDO website for information on individual countries, key risks and to highlight when sub-contracting with an organisation in the country is illegal or too high a risk.

e. If your organisation has a subscription to Dunn and Bradstreet or a similar website, then this will undertake several of the checks for you including identification of any Politically Exposed People.

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. ARMA/UKRI have developed a Due Diligence Questionnaire to carry out due diligence when funding is going directly to an overseas organisation. This has had input from a large number of research organisations both in the UK and across the world.

The questionnaire is intended to be used widely across the sector, will provide a consistent approach for conducting due diligence, with the aim of reducing the administrative burden for all involved by having a question set that requests specific information in a uniform manner and can be utilised to suit most assurance and due diligence requirements.

The application of the questionnaire can be proportionate, taking account of the nature of the partner, the value and assessed risks of the planned research project. Institutions may decide to ask only some of the questions at times and may add additional questions that are of specific interest to the lead organisation or the project. Organisations that are subject to due diligence checks may also decide to hold a completed copy of the questionnaire to enable a speedy response to partners requests for information.

UKRI have now introduced a simplified due diligence questionnaire to be used when undertaking due diligence on research intensive universities in developed countries so that checks are in line with those undertaken by UKRI on the equivalent UKRI universities to ensure they comply with UKRI grant terms and conditions.

UKRI have also introduced an enhanced due diligence questionnaire to be used in addition to the standard due diligence questionnaire when there is a high risk of funds being used for illegal purposes or where there is a high risk of terrorist activity (see FCDO website to identify this).

This process can take a long time to complete, but must be completed before the start date of the project. 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 by 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 e.g. 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.

Pam Hicks
Funding Assurance Consultant (International)
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Contact: pam.hicks@ukri.org
duediligence@ukri.org