



REO Due Diligence: Policy and Process for funded projects involving overseas partners or UK-based non-HEI partners

Title	REO Due Diligence: Policy and Process for funded projects involving overseas partners or UK-based non-HEI partners
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Table of contents

Background and Context	3
Why do we carry out Due Diligence Checks?	3
Alignment with UKRI Due Diligence Guidelines	4
The Due Diligence Process	4
The Pillars	5
Prior and Ongoing Checks	5
Light Touch Due Diligence	6
Full Due Diligence	7
Ongoing Due Diligence	10
Appendix A: The High Level Due Diligence Process for Research Partners	11
Appendix B: Light Touch Due Diligence	12
Appendix C: Full Due Diligence	13
Appendix D: Due Diligence documentation	14
Appendix E: Reference Information	15

Background and Context

The purpose of this policy is to ensure that an appropriate and proportionate approach is taken to due diligence for externally funded research projects where the University has responsibility for managing the funding for external research partners. The same approach is taken for projects when no money is being transferred to partners to provide reputational assurance. The policy is separate from but related to the 'Policy Statement on Funding from Ethically Difficult External Sources or in Ethical Difficult Cases'. The policy can be found at:

<https://www.essex.ac.uk/-/media/documents/directories/reo/research-funding.pdf>

It is particularly important that a thorough approach is taken to due diligence projects that are deemed to be of high risk, and it is acknowledged that this work will be necessarily time consuming. Within the UK context, funding organisations, especially UK Research and Innovation (UKRI), periodically audit universities' processes in relation to due diligence pertaining to funded research projects. Undertaking such due diligence is often a condition of funding.

The risks relating to funding being transferred overseas are much greater than those associated with funding being transferred to UK Research Organisations which already undergo stringent audit checks. This is especially the case when organisations from the Development Assistance Committee (DAC) list countries are involved in projects. In this respect, funds which are badged as ODA (Official Development Assistance) have increasing requirements in relation to the information required to complete due diligence checks on partner organisations which are required to be evidenced for the funder.

This policy and process applies to all externally funded research projects managed by the University. When a research partner subcontracts further work, it is recommended that the policy is adopted by those partners, or that a similar policy is created.

Why do we carry out Due Diligence Checks?

The purpose of due diligence is to ensure the University is aware of the risks presented by a proposed research partner and can take the necessary action in advance to mitigate such risks. Alternatively, the University can choose not to work with a proposed partner if there are significant risks associated with them and insufficient actions can be taken to mitigate for them. Due diligence enables the University to evaluate whether the

proposed partner has the academic, financial, reputational, and legal standing to ensure a high quality and sustainable working relationship.

Due diligence provides a way to mitigate the risks, share good practice and have assurance that all partners have the capacity and expertise to undertake the planned activities.

The due diligence risks are managed in line with the University's Risk Management framework to set the risk appetite. A combination of the partner's legal status, the level of funding, and the corruption level of the country in which the organisation is based, form the initial measures of what the risk appetite will be.

The research partner due diligence process at Appendix A is managed by the REO Due Diligence Team (reo-due-diligence@essex.ac.uk).

Alignment with UKRI Due Diligence Guidelines

UKRI requires Research Organisations that are involved in partnering with overseas organisations to have policies and processes in relation to due diligence, and to undertake the process using a risk-based approach. This policy aligns with and utilises the [UKRI Due Diligence: guidance for research organisations](#). As such this policy and process should be read alongside the UKRI guidance.

The Due Diligence Process

The level of due diligence should be commensurate with the risk. The University does not expect the same level of due diligence checks for £2k of funding being distributed as they would for £200k, so it is important that an appropriate and proportionate approach is taken for due diligence reviews.

All research partners receiving funds managed by the University are subject to the due diligence process. This is through either a quick check on the screening tool (currently Nexis Diligence); or a light touch review; or a full due diligence review. The screening tool check or light touch review is used to provide reputational assurance for projects when no money is being transferred to partners. The 'Due Diligence Process for Research Partners' shown in Appendix A provides the criteria and pathways for light touch and full due diligence reviews.

The use of a selected due diligence screening system (currently Nexis Diligence) provides the University with an additional level of assurance. This ensures faster decision

making without additional risk, because the University has access to the world's largest commercial database which helps to verify the identity of companies and individuals, validate shareholders, and establish beneficial ownership.

The Pillars

Due diligence should cover the following UKRI Guidelines:

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 the 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, including IT systems
Assurance Processes	Equality and Diversity	Separate bank account
Research Governance	Data Management	Income from other sources – diversity of income streams
Research Misconduct	Openness and Publications transparency	

Prior and Ongoing Checks

Before undertaking any light-touch or full due diligence checks, the Due Diligence team investigates to see whether any previous due diligence work has been undertaken on the proposed partner organisation. Currently, this is done by checking the RCP records on

Unit 4 and by producing reports from the application and awards tableau dashboard. The investigation also reviews whether there were any issues raised and whether the mitigations have been actioned. This is done by asking the original PI who worked with the organisation whether there were any issue of concern or problems. If not, the appropriate level of due diligence review will be undertaken.

The due diligence reviews should be valid for a period of two years, although there will be ongoing checks and alerts set up on the selected due diligence screening system (currently Nexis Diligence).

Light Touch Due Diligence

This level of due diligence is undertaken for organisations deemed to be of low risk and a planned funding transfer of less than £25k. Low risk is defined in line with the University's risk appetite (see page 4). The 'Due Diligence Process for Research Partners' details the criteria and pathways for light-touch and full due diligence reviews (Appendix A).

The light touch due diligence checks will focus on the following areas:

1. **Organisation:**
2. **Postal Address:**
3. **Date Established:**
4. **Have UoE Partnered Before (RCP ref):**
5. **Due Diligence Screening Check:**
6. **Financial Statements:**
7. **Entity listed on the UK Sanctions list (Y/N):**
8. **Corruption Index:** Ranking: Against 180 countries where low is less corrupt.
Scoring: The perceived levels of public sector corruption is on a scale of 0 (Highly Corrupt) to 100 (very clean). Average is 43/100
9. **UK Foreign and Commonwealth Office Guidance:**
10. **General Comments:**

Step 1: The light touch due diligence check is undertaken using the light touch checklist (see Appendix D). This check is on receipt of an e-mail request from the Post-Award Team.

Step 2: When the review has been completed and no issues of concern have been identified, the outcome is confirmed to the Post-Award Team.

Any issues of concern identified such as partner legal status, negative news about the proposed partner organisation highlighted by the screening tool, or if the partner is located in a high-risk country, are escalated in the first instance to:

Shereen Anderson, Deputy Director (Research Support) –

shereena@essex.ac.uk.

Phineas Wenlock, Research Governance and Planning Manager -

pwenlock@essex.ac.uk

If the issues cannot be resolved and approved at this level, they are escalated to the Director of the REO for approval.

Step 3: When the review is complete, the files together with e-mail communications are stored in the Due Diligence Team Box area and within the RCP record on Unit 4

Full Due Diligence

This level of due diligence is undertaken for organisations deemed to be high risk and a planned funding transfer of more than £25k. High risk is defined in line with the University's risk appetite (see page 4). The full due diligence review is a thorough check and covers all the areas detailed in 'The Pillars' (Page 5). Following the full due diligence checklist (see Appendix D), all information provided by the partner is reviewed to ensure that the partner has all the required internal controls in place.

Once the full review has been completed, a due diligence report is prepared for the REO Management team who will review it and provide approval to proceed to confirmation of the grant. If there are any issues of concern and escalations are required, the escalation process is followed (See Appendix C).

If the final report includes recommendations, a decision by the REO Management team will be required to:

1. Agree with the recommendations;
2. Reconsider some or all recommendations;
3. Approve the partnership;
4. Approve the partnership with conditions; or
5. Reject the partnership.

The 'Due Diligence Process for Research Partners' details the criteria and pathways for light-touch and full due diligence reviews (Appendix A).

Step 1: This due diligence check is triggered by the receipt of an e-mail request from the Post-Award Team. Approval to proceed with a full due diligence review will be sought from Phineas Wenlock, Research Governance and Planning Manager by the Due Diligence Team.

Step 2: The contract held in the RCP record will be checked for any clauses relating to specific due diligence requirements of the funder and for instructions relating to specific forms or report presentation required by the funder.

Step 3: The Due Diligence Team lead contacts the Principal Investigator (PI) to arrange a meeting to discuss the requirements of the due diligence process. At this point the PI will be sent a slide presentation pack to facilitate the discussion.

Step 4: The PI will be asked to send the full due diligence questionnaire and supporting guidance document (see Appendix D) to each of the partners requiring such a check for them to complete.

Step 5: When the completed questionnaire(s) are returned, a full due diligence review is undertaken using the full due diligence checklist template (see Appendix D).

Step 6: A risk assessment is undertaken using the full due diligence risk assessment template (see Appendix D).

Step 7: A full due diligence report is produced (see Appendix D) which will contain recommendations: It is distributed for review to:

Shereen Anderson, Deputy Director (Research Support) –

shereena@essex.ac.uk.

Phineas Wenlock, Research Governance and Planning Manager -

pwenlock@essex.ac.uk

Dipesh Khatri, Senior Contracts Manager - dkhatri@essex.ac.uk

Step 8: The Senior Contracts Manager checks that the contract covers any recommendations or concerns raised in the report. If it does not, then the Contracts Team will re-draft the relevant clauses of the contract where possible to ensure that they are covered. The Senior Contracts Manager discusses any difficulties in implementing recommendations with the Due

Diligence Team lead. If there are difficulties in obtaining the agreement of the other party to the provisions designed to implement the report recommendations, the Senior Contracts Manager seeks advice from the Due Diligence Team lead in the first instance who will consider whether the recommendations can be revised or will decide whether further escalation is required.

Step 9: Where there are no issues of concern and the recommendations of the report have been accepted, the report will be forwarded for approval to proceed to confirmation of the grant award to:

Shereen Anderson, Deputy Director (Research Support) –
shereena@essex.ac.uk.

Phineas Wenlock, Research Governance and Planning Manager -
pwenlock@essex.ac.uk

Where there are recommendations that require higher escalation, the report will be forwarded to the Director of the REO to make the final decision to proceed (see 'Escalations' below).

Step 10: The Contracts Team will notify the Post-award Team once approval to proceed has been granted and the contract has been signed by all parties. The Post-award Team will set up the cost code and issue the award announcement in due course.

Step 11: When the review is complete, the files together with e-mail communications are stored in the Due Diligence Team Box area and within the RCP record on Unit 4.

Escalations

In the first instance, escalations are directed to:

Shereen Anderson, Deputy Director (Research Support) –
shereena@essex.ac.uk.

Phineas Wenlock, Research Governance and Planning Manager -
pwenlock@essex.ac.uk

Initially, this is to gauge the next steps which should be taken, e.g. to seek clarification from the partner about whether there is anything that can be done to resolve the potential

issues of concern. Advice is taken from specialists before escalation to the Director of the REO and then to the Registrar and Secretary if necessary.

Ongoing Due Diligence

Due diligence should be an ongoing process throughout the duration of any collaboration. Conducting due diligence on an ongoing basis provides assurance and helps to ensure that the University continues to collaborate with appropriate partner organisations.

Due diligence that has been undertaken on a partner is reviewed periodically, normally every two years, in order to cover any material changes or identify any new issues of concern in relation to the overseas research organisation. These checks will use the selected due diligence screening system (currently Nexis Diligence). The screening tool dashboard which serves as the output from these checks is stored in the project folder in the Due Diligence team Box area.

Appendix A

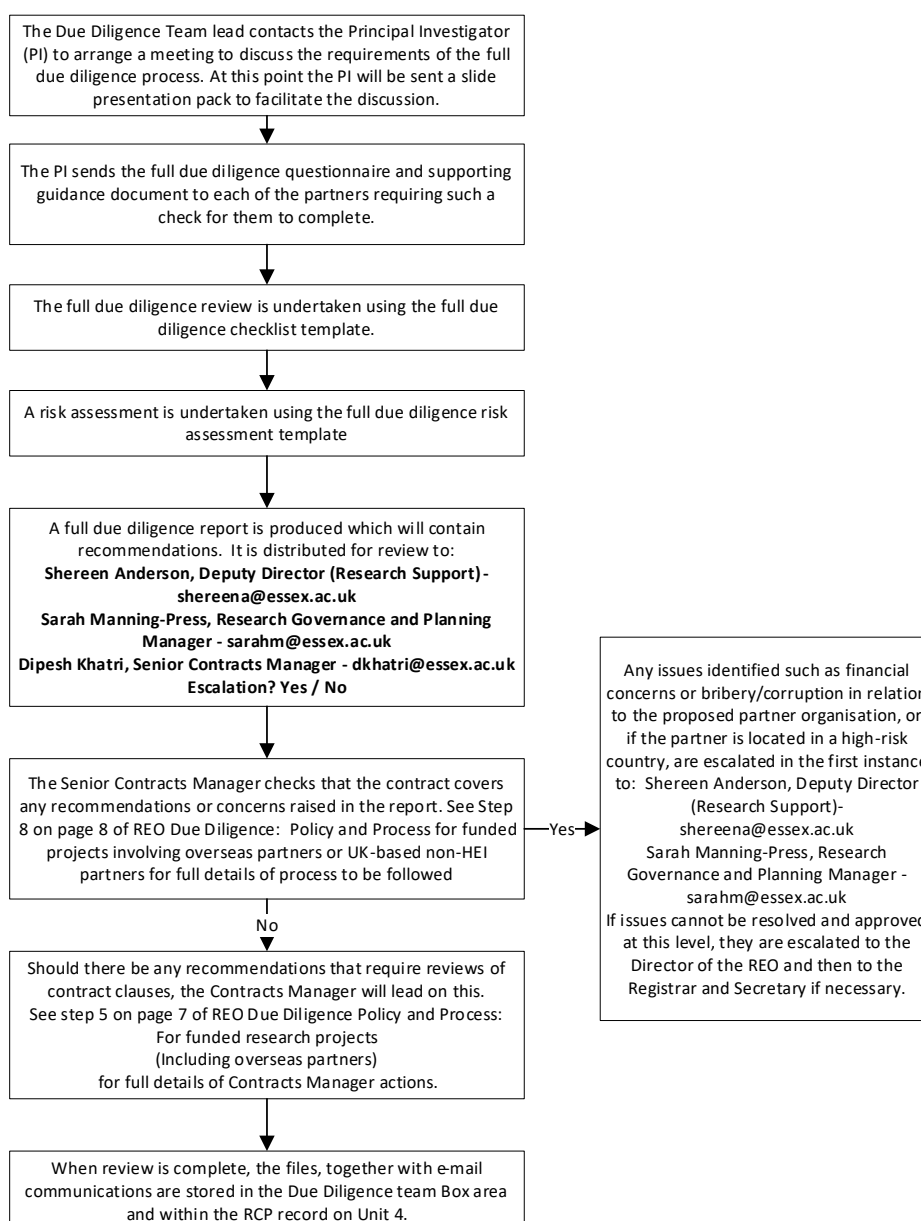
The High Level Due Diligence Process for Research Partners

The Full Due Diligence Process for Research Partners

Note: This process will be triggered by an e-mail request from the Post-Award Team.

Note: Agreement to proceed with full due diligence process must come from Research Governance and Planning Manager

Note: The process flow should be followed when the funding to be transferred to the partner is >£25k and a due diligence check has not been undertaken on the partner within the last two years. The contract held in the RCP record will be checked for any clauses relating to specific due diligence requirements of the funder.



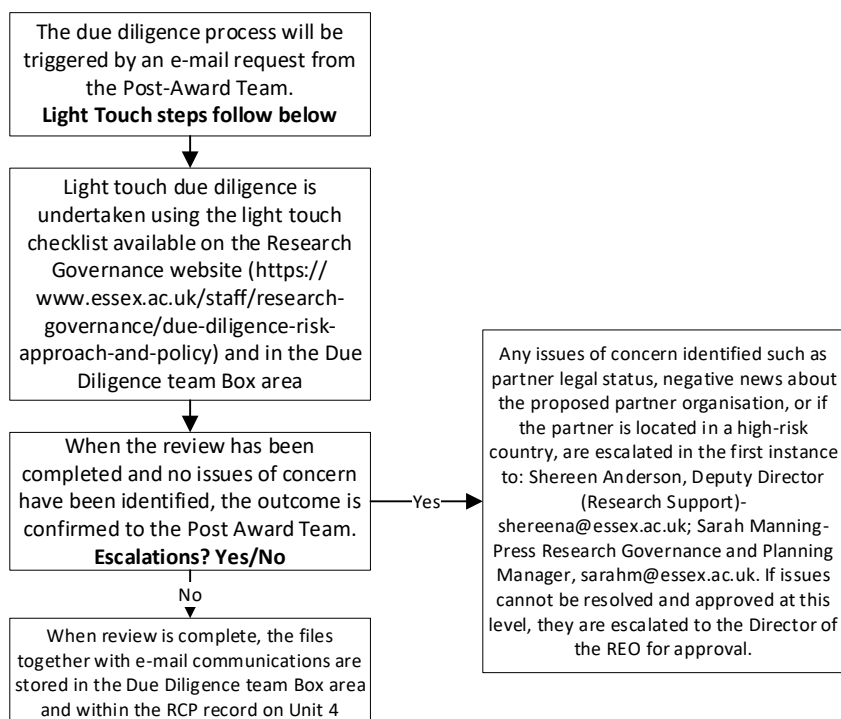
Note: All full due diligence documentation can be found in in the Due Diligence team Box area

Appendix B

Light Touch Due Diligence

The Light Touch Due Diligence Process for Research Partners

Note: The process flow should be followed when the funding to be transferred is <£25k and a due diligence check has not been undertaken on the partner within the last two years. A Light Touch check should be undertaken for assurance purposes even if no money is being transferred to the partner from the University.



Note: The light touch due diligence checks will focus on the following areas:

1. Organisation:
2. Postal Address:
3. Date Established:
4. Have UoE Partnered Before (RCP ref):
5. If partner is a University, confirm world university rank:
6. Nexis Diligence Check
7. Financial Statements on Website:
8. Entity listed on the UK Sanctions list (Y/N):
9. 'Corruption Index 2022' Ranking:
10. UK Foreign and Commonwealth Office Guidance:

Note: All light touch due diligence documentation can be found the Due Diligence team Box area

Appendix C

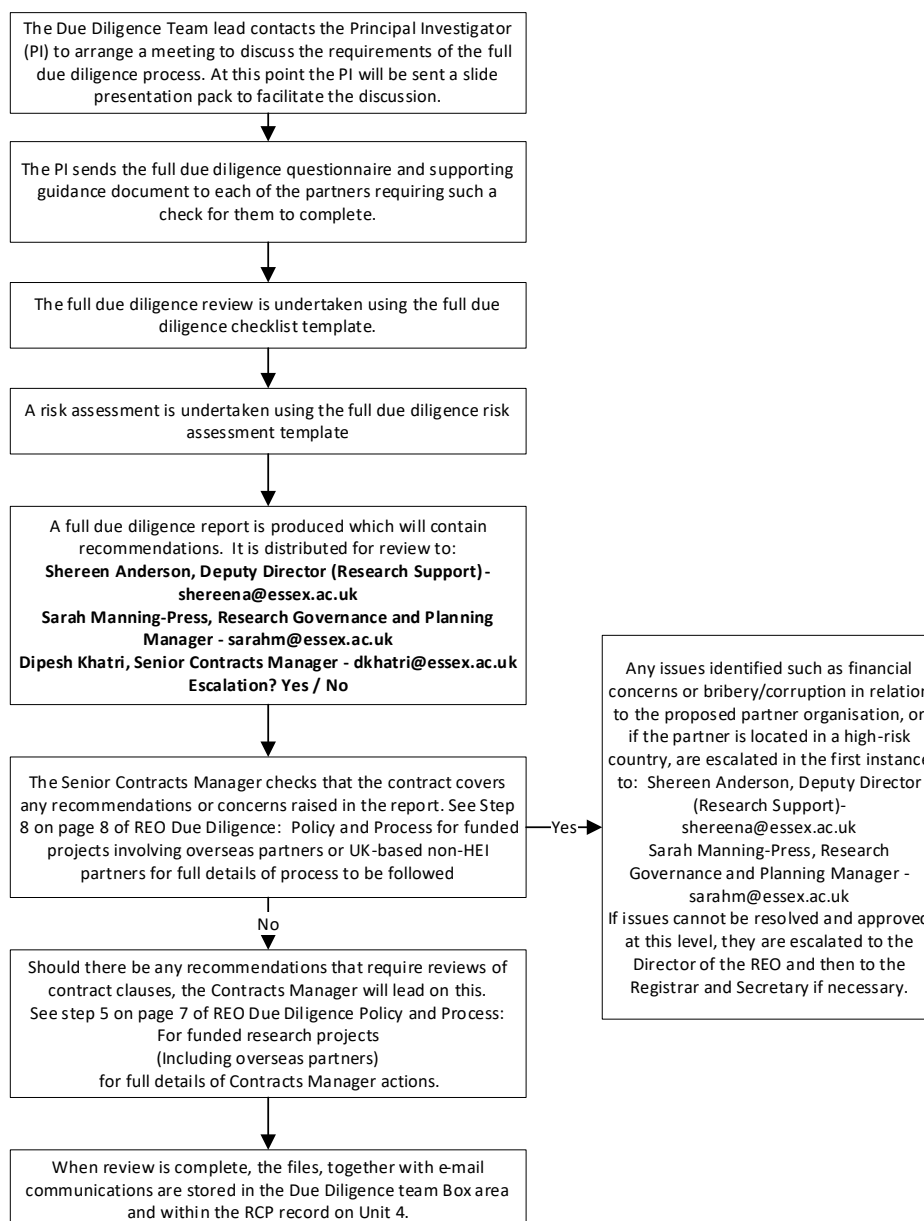
Full Due Diligence

The Full Due Diligence Process for Research Partners

Note: This process will be triggered by an e-mail request from the Post-Award Team.

Note: Agreement to proceed with full due diligence process must come from Research Governance and Planning Manager

Note: The process flow should be followed when the funding to be transferred to the partner is >£25k and a due diligence check has not been undertaken on the partner within the last two years. The contract held in the RCP record will be checked for any clauses relating to specific due diligence requirements of the funder.



Note: All full due diligence documentation can be found in in the Due Diligence team Box area

Appendix D

Due Diligence documentation

[Light Touch Due Diligence Checklist](#)



External Research
Funding Light Touch C

[Full Due Diligence Questionnaire \(UKRI Format\)](#)



Due-Diligence-Questi
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[Full Due Diligence Guidance for Questionnaire](#)



Due-Diligence-Guida
nce-ARMA V2-FINAL.c

[Full Due Diligence Checklist \(UKRI Format\)](#)



Due Diligence Full
Questionnaire Review

[Full Due Diligence Risk Assessment](#)



DD risk assessment -
CURRENT 03-10-22.xl

[Full Due Diligence Output Report](#)



Due Diligence Output
Report for RCP.....doc

Appendix E

Reference Information

1. Transparency International: <https://www.transparency.org/en/cpi/2021/>

2. [UKRI Due Diligence Guidance for Research Organisations:](#)



UKRI-251022-DueDili
genceGuidanceForUKI

3. Government advice on overseas business risks:

<https://www.gov.uk/government/collections/overseas-business-risk>

4. The UK Sanctions list:

<https://www.gov.uk/government/publications/the-uk-sanctions-list>

5. REO Due Diligence web pages:

<https://www.essex.ac.uk/staff/research-governance#research-partner-due-diligence>

6. Nexis Diligence:

<https://www.lexisnexis.com/en-us/professional/risk-management/nexis-diligence.page>

7. Policy Statement on Funding from Ethically Difficult External Sources or in Ethical Difficult Cases:

<https://www.essex.ac.uk/-/media/documents/directories/reo/research-funding.pdf>

8. [Cabinet Office Guidance for General Grants:](#)



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