# Lancaster UniversityResearch Services

# Research and Enterprise Due Diligence Guidance – Pre-Award & Post-Award

The **Research and Enterprise Due Diligence Process** (REDD) for reputational, financial and operational consideration should be undertaken once it is known that funds are either applied for (pre-award) or are awarded (post-award) via Lancaster University from an external funder for the purposes of multi-collaborative projects, where overseas third-party organisations are involved and payment is to be made to those organisations. Overseas organisations and third-party organisations include collaborators and subcontracts.

The University policy on **Acceptance of Funding from External Research and Enterprise Activities** (reputational and ethical) should be followed and any funder previously unknown to the University should be considered for review under the due diligence process or where changes (e.g. sanctions, political/socio-economic changes) have occurred so that a review of a funder is needed.

The REDD process should be followed prior to signed agreements, acceptance of funds, transfer or payment of funds or commencement of the work.

Overseas organisations who have already undergone due diligence review and approval can be found [here](file:///%5C%5Cdepts.lancaster.ac.uk%5COTHER%5Crsrchsup%5CGeneral%5CDue%20Diligence%5C1.%20LU%20Process%20and%20Docs_use%20CURRENT%20FORM%5CPartner%20list_due%20diligence%20completed%20and%20review%20dates.xlsx) (in rsrchsup>General>Due Diligence>1.LU Process and Docs). If the review has expired (usually between 12- 24 months from initial approval) the due diligence process should be reviewed and renewed.

UKRI [guidance for Research Organisations](https://www.ukri.org/files/funding/due-diligence-guidance-for-ukros-pdf/) (ROs) acknowledge that ROs will not be expected to carry out the same level of due diligence checks for £2k of funding being distributed as would be expected for £200k. The level of due diligence should be commensurate with the risk. **As a minimum, the checks outlined in Step One below should be carried out on all new third-parties being externally funded via Lancaster University.** This should consider the impact on Lancaster as the lead organisation should anything occur with the third-party organisations versus the cost of taking steps to mitigate the risk.

Consideration should be taken, particularly where relationships between academics and overseas research or third-party organisations already exist, in order to protect and preserve those relationships.

[**Step 1 (Pre-Award): To be undertaken at the application stage as a preliminary exercise**](#_Step_1_(Pre-Award):)

[**Step 2 (Pre-Award): To be undertaken once an award is announced and before project start**](#_Step_2_(Pre-Award):)

[**Step 3 (Post-Award)**](#_Step_3_Post)

### Step 1 (Pre-Award): To be undertaken at the application stage as a preliminary exercise:

1. Check with applicants as early as possible about collaborators, overseas or new and unfamiliar organisations they are considering working with.
2. All **international funders, collaborators and subcontractors** are assessed through a series of checks to identify and manage risk in the categories below using the Due Diligence checklist (DDC) before an activity is approved to proceed:
* Grant/Funding amount
* Organisation legal status
* Country risk rating/Business climate rating (globalEDGE) and corruption index score
* Reputational impact, sanctions and end use concerns
* Contracting arrangements
* Any other known assurance related issues.

3. Where partner organisations will **be in receipt of funds** from Lancaster University *or* where a **funder will award funds greater than £30,000**, and projects are assessed as **medium to high risk** using the risk assessment matrix, such cases will be reviewed by the Research and Enterprise Due Diligence Panel (REDD Panel).

4. Early checks should be carried out to **complete DDC tabs 1 and 2** (summary risk assessment and DD Checklist (short) respectively):

a. Speak to colleagues within Lancaster about previous experiences, 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 using their official web site as well as other sources such as news stories. This should provide an indication of the activities at the organisation and any news stories. It can also reveal details of other projects the organisation has been involved in and indicate whether they have the capacity to carry out the required work.

c. Check the corruption index for the country they are based in. This provides a useful indication of the level of corruption within the country concerned and may increase the levels of risk regarding funding going to organisations within these countries.

d. Use the Office of Foreign Asset Control sanctions list <https://sanctionssearch.ofac.treas.gov/> to ensure the organisation or key individuals are not sanctioned.

5. Record searches and resulting information on the DDC and upload to the ACP record.

6. If the above checks result in any major concerns, you may wish to flag with the project lead and ask them to consider looking for a different organisation to partner with.

7. When looking for new organisations or partners to work with, the academic should be advised to complete the pre-award [partners checklist](file:///%5C%5Clancs%5Cdepts%5Cother%5Crsrchsup%5CGeneral%5CDue%20Diligence%5C1.%20LU%20Process%20and%20Docs_use%20CURRENT%20FORM%5CPartners%20checklist.xlsx). In some cases, funders will require a similar check to be undertaken at the application stage and included as part of the application itself.

**NOTE: Any funders or partners that have potential for reputational repercussions on the University should be flagged immediately.**

### Step 2 (Pre-Award): To be undertaken once an award has been announced and before the project starts.

1. **Due diligence review and approval is required for all overseas research organisations and third parties** (excluding H2020 partners already authorised to receive funding) who are involved in research with Lancaster University. To check if your overseas research organisation already has approval please check [partner list due diligence completed](https://livelancsac-my.sharepoint.com/%3Ax%3A/r/personal/foxy_lancaster_ac_uk/Documents/Due%20diligence/New%20process%20documents/Partner%20list_DD%20completed%20and%20review%20dates.xlsx?d=wa3185798edbd400cbbcc9101bbdd1844&csf=1&web=1&e=owIWFS).
2. The lead PI at the overseas research organisation will be asked to complete and return the approved Lancaster\_UKRI\_ARMA\_Due Diligence\_ Questionnaire-V2-FINAL (DDQ). This should be initiated by the lead academic at LU and carried out in collaboration with the RDO, who will also be responsible for monitoring the due diligence process. A short version of the DDQ is available in certain circumstances e.g., if the funding awarded to the international partner is less than £30,000. RDOs should seek advice before using this short version.
3. The DDQ should be completed in parallel with the research funding application or the request for a funding agreement from the LU Contracts Team so that any issues can be identified, a REDD panel may need to be arranged and mitigations may need to be incorporated into the funding or collaboration agreement, as necessary.  The Contracts Team should be notified that DD is underway.  The agreement should not be concluded until the DD process is completed.
4. The completed DDQ should be used to populate the tab 3 of the DDC. Any supporting documents, links and additional comments or narrative should also be provided as necessary and copies of all documentation saved in the One Drive [due diligence folders](https://livelancsac-my.sharepoint.com/%3Af%3A/r/personal/foxy_lancaster_ac_uk/Documents/Due%20diligence/Individual%20review%20folders?csf=1&web=1&e=8hKCbx). Any issues identified at this stage should be communicated to the Contracts Team via the ACP Contracts Tab and if necessary to the REDD Panel, so that appropriate mitigation can be considered.
5. The completed DDQ, DDC and any supporting documents, links and additional comments or narrative should be sent by email to the REDD Panel via the Associate Director of Research Services. This includes and cases assessed as LOW risk which do not need REDD Panel review. These will be reported to the Panel for information at the next meeting.
6. REDD Panel will take place as soon as practical and due diligence sign off and further comments from the panel will be communicated to the RDO to add to the awarded project file and [due diligence folder,](https://livelancsac-my.sharepoint.com/%3Af%3A/r/personal/foxy_lancaster_ac_uk/Documents/Due%20diligence/Individual%20review%20folders?csf=1&web=1&e=8hKCbx) who will communicate the outcome of the panel decision to Contracts Team to allow finalisation of the Agreement.
7. The RDO should remove the DD files from the ‘*Current DD cases*…’ folder to the ‘*Completed cases*’ folder and update the **Partner list-due diligence completed** spreadsheet.

### Step 3 Post Award

Due Diligence should continue once an award has been made and any concerns that may arise through the project duration should be flagged and if necessary referred to the REDD Panel.

1. Where overseas research and/or third party organisations require payment in advance of the work being carried, arrangements will be set in place on a case by case basis and documented in the research agreement.

2. For overseas research and/or third party organisations where payment is made in arrears, payment will usually be made on receipt of an invoice submitted together with a transaction listing and copies of paid invoices and receipts.

3. For high risk organisations, further checks may be implemented as appropriate.

4. Once due diligence is completed, if LU continues to partner with the research organisation or third party either as part of an existing project or another project, the due diligence process should be carried out on a revolving basis i.e. every three years or, on an ad hoc basis if there are any other changes with the overseas research organisation or third party.

Research Services
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