

Due Diligence process for research projects

The following information outlines the process for Due Diligence checks when applying for external research funding and managing projects with any partners (excluding UK HEIs). This includes co-applicants, subcontractors and projects partners from overseas HEIs and other national and international organisations.

Introduction

Where your funded research project involves partners, collaborators or third parties from institutions and organisations other than UK HEIs, we are required by our funders, including UKRI, to complete financial and capability due diligence checks.

As part of ensuring good governance and ethical decision-making, the due diligence (DD) which is required before entering into partnerships provides a steer into how agreements, contracts, associations or any monetary exchanges will be generated and set out. The processes and policies employed by Research Services to conduct the DD align with the UKRI due diligence Terms and Conditions (T&Cs). It is expected that PIs provide Research Development Manager (RDM) with the contact details of their partner and an indication of the level of funds to be sent to the partner. Utilising this information, Research Services can then work to ensure all applications and successful projects will be in compliance with the UKRI due diligence T&Cs as part of this process. The [University of Reading policies](#) and processes should be read alongside the [UKRI T&Cs](#).

Due diligence is the investigation or exercise of care that a reasonable business or person is expected to take before entering into arrangements with another party. This enables an organisation to establish whether these arrangements:

- align to its strategic objectives;
- enable it to assess the level of risk presented by the proposed partnership and through understanding what risks are involved, set in place actions to mitigate against them; and
- ascertain whether the risk is commensurate with the benefits that partnership will bring.

Partnerships in this context includes, but not limited to, academic collaborator, subcontractor and research funder etc. DD entails reviewing:

- the regulatory and statutory environment of the country/countries in which the partnership will operate;
- the legal, financial and academic circumstances of all partners and third parties.

The scope and scale of the Part 2 due diligence checks will vary according to; the particular collaboration/partnership being arranged, and the size, scope, capacity and financial background of the partner(s) concerned. The more transparent the partner, or the smaller the partnership/collaboration, the smaller the potential risks and the lighter the due diligence needs to be.

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In terms of international collaborations, currently (2022) the University cannot send any project funds to any projects with third parties based in North Korea, Iran, Sudan, South Sudan, Syria and Crimea as the university follows the [Office of Foreign Assets Control](#) (OFAC) listings. For projects with partners in the remaining sanctioned countries of Cuba and Venezuela, or narrowly sanctioned countries (countries where specific individuals are sanctioned), there may potentially be issues arising with working with these partners on financial grounds. Such issues include the transferring of funds to partners in these countries if any there is any US involvement. Please seek further advice and assistance through Research Services to discuss what processes or licences can potentially be put in place to be able to work with these countries.

The DD process is split into two distinct stages. The first stage is checks conducted prior to, or at the application stage. This initial stage of checks are shorter and are of a lighter touch primarily to gather basic information on the partner and to highlight any potential issues or red flags with working with the partner. The second, more expansive checks, are conducted at the award stage and form part of the process of preparing the collaboration agreement prior to work starting. Checks at the application stage are conducted by the International Funding Officer (IFO) based in Research Services, with support from PI where necessary and the lead contact at the partner/collaborator organisation. The checks conducted at the award stage are mostly prepared by the partner/collaborator organisation with assistance and guidance where necessary from the IFO.

Proposal Application Stage

The process to be followed when conducting due diligence at the application stage for both funded and un-funded overseas organisations is as follows;

1. UoR PI to contact Research Development Manager (RDM) regarding desire to apply for funding with a collaborator/partner.
2. RDM to establish with the PI who the Collaborators/partners will be and establish if they will be funded.
3. RDM passes gathered information on Collaborators to the International Funding Office (IFO).
4. The IFO conducts the Part 1 Due Diligence checks on the named partner(s). These checks include:
 - a. Prior Due Diligence checks
 - b. Online Checks for the collaborator/partner's organisation
 - c. Country level checks
 - d. Reputational checks
 - e. Discussing any project cost or materials requirements with the PI
 - f. Checking information and payment details with the international lead investigator
5. Collected Part 1 Due Diligence information on the Collaborator is sent to the RDM and recorded on the systems.
6. Part 1 information is reviewed by the IFO, with any issues or concerns highlighted to the RDM (who can further discuss any issues and needs for mitigations with the PI if necessary). All potential risks to the success of the project are assessed and mitigations, including potential costs, taken into account at submission.

Project Implementation Award Stage

When a letter of award is received, the PI should first inform their Research Services contact (see the first 2 implementation steps below). Upon being informed that the award has been received, Research Services will conduct a second stage review of the partner(s) and will send a tailored questionnaire to the partner to be completed. The details requested from the partner at this stage will depend upon the size of the award due to the partner (be the award greater or less than £30,000).

The process to be followed when conducting due diligence at the award stage for both funded and un-funded collaborating/partnering organisations is as follows;

1. Funding body sends the PI/RES a confirmation letter of the success of the Award.
 - a. If the award letter is sent only to the PI by the funder, the PI should send the letter to the Project Set-up Manager (l.j.allan-smith@reading.ac.uk) at the earliest opportunity.
2. The Award letter information is sent to the Contracts Manager (CM) and Project Set-up team for the commencement of the collaboration agreement negotiation process and conducting of the Part 2 Due Diligence.
3. With the commencement of the collaboration agreement negotiation process, the IFO sends the Part 2 Due Diligence document to the Lead Investigator at the partner/collaborating institution requesting that the form be completed either partially (funding is less than £30,000) or in full (funding will be in excess of £30,000).
4. The IFO liaises directly with the Lead Investigator at the partner organisation on the project to gather the information as part of the Part 2 Due Diligence checks including;
 - a. Legal status information
 - b. Governance and control
 - c. Ability to deliver the project
 - d. Financial stability
 - e. Sub-contractual management (if any)
5. The Part 2 Due Diligence is returned and any missing responses which require expansion will be discussed by the IFO with the collaborator to ensure all requisite information is gathered.
6. The returned Part 2 Due Diligence is reviewed by the IFO with the CM and PI to consider whether any clauses need to be added or modified in the collaboration agreement dependant on the responses provided, or mitigations which can be taken into account.
7. Further, a risk assessment of the due diligence is conducted to calculate the risk level of working with the International Collaborator (as the risk level increases, a higher level of mitigation and sign off will be required).
8. Utilizing the risk assessment, all potential risks are considered and any mitigations required are discussed and are put in place, contractually noted and enacted.
9. The CM prepares the final draft of the Collaboration Agreement for signing.
10. The project commences.

Due Diligence Process Documents

Documents related to the due diligence process include;

- [Due Diligence Process](#)
- [Glossary of Terms](#)
- [Sample Part 1 Due Diligence Questionnaire](#) (only to be used by RES)
- [Sample Part 2 Due Diligence Questionnaire](#) (only to be used by RES)