



Research
Services.

University of Sheffield

Due Diligence & Risk Management Framework for Overseas Research

1. Purpose of this paper

This paper outlines the University of Sheffield (UoS) due diligence and risk management framework for working with overseas partners on research projects as agreed by UEB on 23 October 2017.

2. Introduction

2.1. GCRF and Newton Funding

- 2.1.1. The Global Challenge Research Fund (GCRF) is a 5-year £1.5bn fund announced as part of the UK Government's spending review published in November 2015, to support research that addresses the challenges faced by developing countries. GCRF and Newton Fund both require UK universities to partner with overseas organisations in Overseas Development Assistance (ODA) countries.
- 2.1.2. Working with any partner can present challenges but working with new partners in ODA countries can present particular challenges in areas including finances, ethics, reputational risk, ability to deliver and health and safety.
- 2.1.3. Where research project funds are transferred to another UK or overseas organisation, RCUK grant conditions now require that the Universities undertake due diligence (DD) checks to ensure that the funding will be appropriately accounted for and to be able to evidence this on request.
- 2.1.4. Further guidance and more prescriptive DD requirements may yet come from the research councils but in the meantime Universities need to develop their own frameworks.

3. Framework development

- 3.1.1. A DD and Risk Management Task and Finish Group was established to develop a due diligence framework to support the assessment of a potential overseas partner's:
 - Legal status and governance arrangements
 - Ability to deliver its part of the project
 - Financial stability
 - Reputational risk to UoS in partnering with them
- 3.2.1. Key components of the resulting UoS framework are:
 - Quick and light touch pre-application checks, ensuring applications are submitted within deadlines
 - Further checks at award and grant agreement stage for successful applications
 - A primary focus on the partner(s) involved but project-specific factors will also be considered in order to address the question 'are we happy to partner with this organisation' at this level of project-specific financial/delivery risk?'
 - Individual checks do not represent a separate hurdle (although some may present 'red flags'). Instead the suite of checks will be considered in the round.
 - DD checks need not be repeated within 3 years. This will be subject to review and intelligence gathering/monitoring for specific changes in risks associated with certain countries or activities.
 - Recognised risks and mitigation strategies will feed into existing risk registers

- Financial DD is not required for projects where no funding will be transferred to the partner, but reputational and ethical checks will still be needed.
- Identified signatories will sign-off on DD checks

4. Due Diligence and Risk Management Framework

4.1. Due Diligence checks

Application stage checks			
Issue	Check	Owner ¹	Lead time
Have we worked with partner before (to check whether existing relationship already exists and whether DD has already been undertaken – may give a 'green flag').	Costing tool records and/or Research Organisation Database	Research Services - (RS)	1 week
Legal status & credit check (to check partner is eligible to receive funding and is creditworthy/financially stable)	Dunn & Bradstreet credit check or similar	Finance on request of RS	1 week
Sanction checks (to check partner is not based in a sanctioned country thereby prohibiting UK-based organisations working with them and transferring funds to that country)	Check against gov.uk webpages	RS	1 week
Ethics/reputational risk (to check that there are no readily identifiable risks to the UoS in working with the partner e.g. connections to arms, tobacco, slavery, corruption)	Lexis Diligence	RS	1 week
FCRA certification (for Indian partners only)	FCRA website and information request from prospective partner	RS via PI	1 week
Existing relationship with PI (if any of the above raise significant concerns)	Any concerns/intelligence regarding partner	PI (with RS)	1 week

Grant agreement stage checks			
Issue	Check	Owner	Lead time
Financial stability (further check that the partner is creditworthy and also to check sustainability for the duration of the project)	Are audited accounts published online? If not a request for these may need to be made of the partner.	Finance	1 week ²
Corporate Governance (to check that appropriate	Are fraud, scientific misconduct, ethics, risk management and	RS	1 week

practices and processes are in place to ensure responsible decision making)	anti-bribery policies published online?		
NARIC recognition (to check whether organisations award degrees that are comparable to those in the UK)	NARIC website (UoS has subscription)	RS	1 week
Country risk profiles (to check the riskiness of the country the organisation is based in)	FAFT Corruption perception index Coface	RS	1 week
Transaction fraud (to counter bank account fraud)	Bank account validation	Finance	1 week ²
Liability (to make sure that claims against UoS in working with the partner do not pose a financial risk)	Activity covered by UoS insurers?	Finance	1 week
Funding track record (to check whether the partner has a track record of delivering similar projects – a strong track record may offset other concerns)	Web, GoW, Cordis, possibly Scopus (regarding joint publications)	RS	1 week
Existing relationship with PI (if not carried out at application stage to check whether the PI has worked with the partner before. A strong and longstanding relationship may offset other concerns)	Any concerns - experience to date	PI (with RS)	1 week ³
Ethics/reputational risk (further assessment via existing process and questionnaire)	UoS 10-point questionnaire	PI (with RS)	1 week

¹Owner will be responsible for undertaking the check within the prescribed lead time. ²Subject to data request from partner institution; ³Subject to contribution from PI.

4.2. Risk Management

4.2.1. A range of risk management strategies are already in existence which can be tailored as appropriate to individual projects. These include:

- Top-level checks on third party costs as part of the project costing
- Payment in advance is made by exception only and with clawback over duration of grant.
- Payment schedules and invoicing requirements are written into collaboration agreements – with input from Research Finance.
- Feeding the risks identified during the DD process into the University's risk management process.
- Bank account checks for 'new vendors' via Income Office.

- Visits to partners to audit finance processes/systems.

4.2.2. Further risk managements strategies will be developed as appropriate to the particular partner/project.

4.3. Process and sign off

4.3.1. The due diligence process will be managed by a coordinator based in Research Services.

4.3.2. The due diligence coordinator will make a recommendation as to whether to proceed and if so what risk mitigation strategies should be put in place (on the basis of checks outlined in section 4.1)

4.3.3. The process is illustrated in figure 1 below. Note: the expectation is that a recommendation to halt a collaboration would be made *in extremis*; appropriate management strategies would ordinarily allow identified risks to be brought to acceptable levels.

4.3.4. Sign off will be via the signatories identified in table 1 below.

	Amber (No significant reputational risks or concerns over ability to deliver but upfront payment <£50k requested by partner)	Red (Reputational risks identified and/or upfront payment >£50k requested by partner)
Financial risk	Head of Faculty Finance or Assistant Director of Finance + HoD	Director of Finance + Faculty Vice President
Reputational risk	Deputy Director of RS + HoD	Vice President R&I + Faculty Vice President

Table 1. Due Diligence Sign off

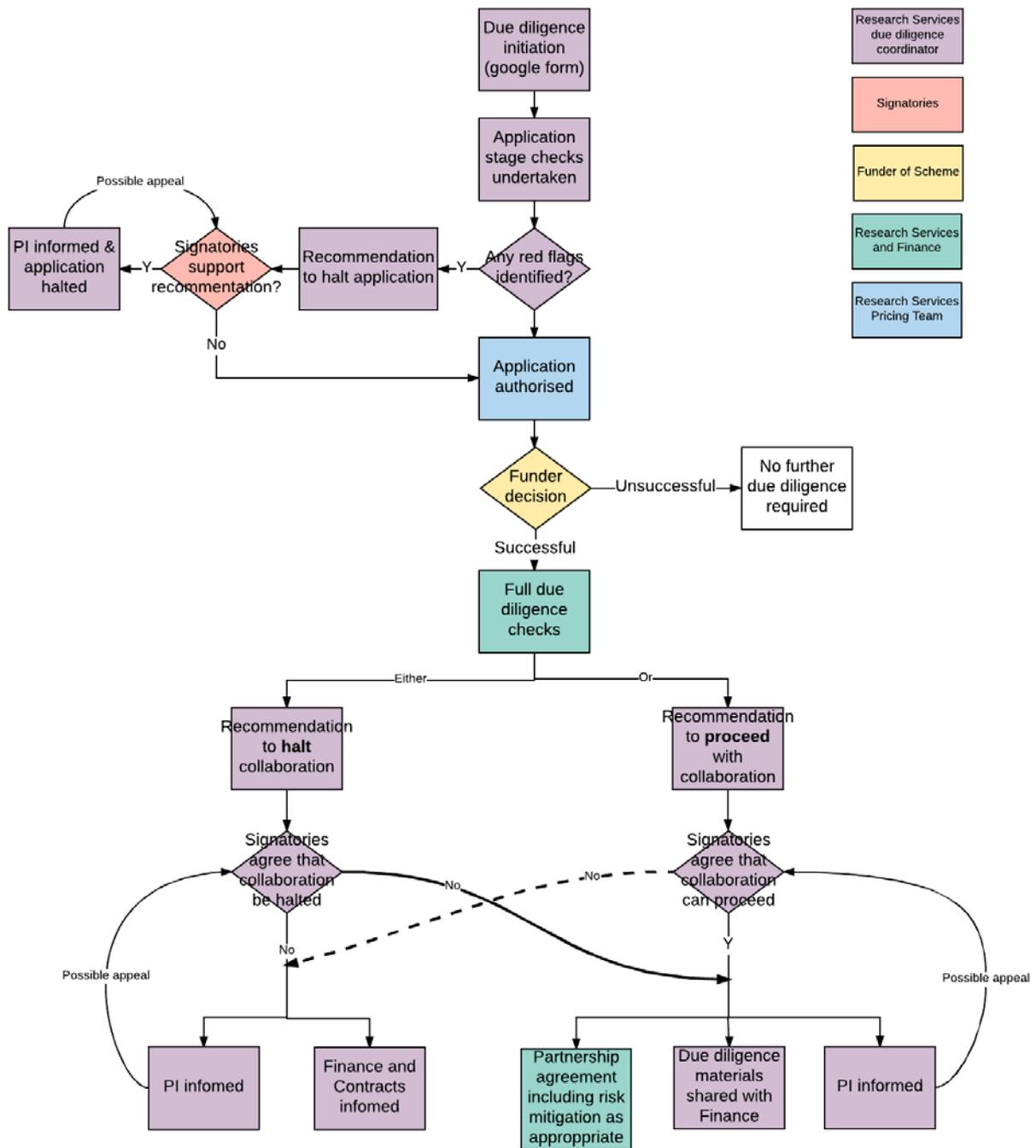


Figure 1. Due Diligence Process