Due Diligence in International Research – Options for Improved Efficiency, Equity and Quality

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Authors: Jennifer Stergiou, Joe Timlin, Simon Newitt, Linsey Dickson, and Simon Kerridge

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1. Executive Summary

In response to feedback from ARMA members and with the support of Research England and UKRI this project commenced in October 2019 with the aim of addressing the key issues experienced by UK research organisations (ROs) and their international partners when undertaking due diligence. The issues were categorised as follows:

- Variable sector knowledge and experience around the due diligence process and risk management
- UK inefficiencies due to duplication
- Overseas partner inefficiencies due to duplication
- Divergent approaches and a threat to reputation/relationships
- Due diligence done as a point in time exercise with little monitoring
- Difficulty in verifying information
- Poor decisions arising from the due diligence process

The project set out to deliver 3 outputs as follows:

- A core questionnaire and associated guidance for the due diligence process (published July 2020 with update to follow March 2021).
- A set of recommendations regarding the establishment of a 'clearing house' for due diligence (contained within this report).
- A set of recommendations regarding the establishment of a 'national service for due diligence in UK funded research projects and partnerships' (contained within this report).

Following a broad range of UK and international engagement activities (see appendix 3.3) the project team delivered a core questionnaire and associated guidance in July 2020 which can be downloaded here. A further update to the questionnaire following user feedback will be published in March 2021 at the same link.

The project team are especially grateful to the Co-Chairs of the FDP Expanded Clearing House Executive Committee in the USA who shared their experiences of developing and implementing a clearing house which helped to shape the options considered by this project for a clearing house and national service. Three clearing house options were worked up and consulted upon, as follows:

- Service level 1 – staffed inbox. A basic solution to enable existing due diligence questionnaires to be shared amongst UK research organisations.
- Service level 2 – basic online system. Effectively the same as level 1 but using a self-serve online repository.
- Service level 3 – comprehensive online system. An online system which uses workflow to support research organisations through completion of the core questionnaire and to share completed questionnaires with other partners.

In considering how a national service for due diligence in international research might support research organisations over and above the provision of a clearing house, the project team considered a wide range of potential services. Those which were deemed appropriate and valuable, and those which were considered but ruled out of scope, are listed in section 6 of this report.

Alongside the 3 main project deliverables the project team considered the costs of undertaking due diligence using current RO approaches, and the anticipated costs/savings in case of implementation of a clearing house and national service. It is estimated that UK ROs undertake between 4,500 and

6,000 due diligence checks each year, costing the sector over £1m p.a. and potentially as much as £3.4m p.a. (section 7 of this report), with considerable scope for these costs to be reduced if a 'level 3' clearing house was in place.

Taking all of this into account the project makes the following recommendations for further action:

- *Sector agencies should collaborate to establish a 'level 3' Due Diligence Clearing House and National Service in support of Due Diligence for International Research.*
- *The next stage of work to establish a Due Diligence Clearing House and National Service should be grant funded by Research England and UKRI in partnership with a broader consortium of UK research funders and government departments (project phase 2 led by ARMA).*
- *Project phase 2 should develop a long-term sustainable funding model for the Due Diligence Clearing House and National Service beyond phase 2 of grant funding.*

ARMA and the project team would like to extend our thanks to Research England and UKRI for funding this important piece of work, and to the Steering Committee, Challenge Group and countless others who have shared their time and experience in support of this project and it's aims.

2. Introduction

Due diligence is an important part of the leadership, governance and management of research collaboration, especially when working with international partners but often also with UK partners. Whilst this project and report focus predominantly on international collaboration it should be noted that the same challenges and risks can occur in UK partnerships, especially when such partnerships are new. Whilst due diligence has predominantly been a concern for research organisations undertaking ODA research in recent years the same principles, issues and challenges exist for all international research.

It is widely acknowledged that working with international partners often brings an additional set of challenges and risks compared to working with UK organisations, especially when partnerships are new or are developing beyond the remit of previous collaborative activities, and it is important that these risks are well understood, mitigated and managed. In this regard research organisations (ROs) are not dissimilar to NGOs and other organisations working in complex international areas, but on the whole ROs are less familiar with the due diligence and governance requirements necessary to make international research activity a success.

The range of risks is broad, dynamic and increasingly complex - from risks to delivery of an individual project or the theft of IP, to risks to the reputation of an organisation, group, or funding stream, incorporating financial risks, governance, academic conduct and institutional autonomy etc. In addition, whilst due diligence is not only important for GCRF and ODA collaborations but for all international partnerships, the volume of GCRF activity and the very fact that GCRF is about working with partners in LMICs means that UK ROs are working with a greater number of partners in higher risk locations than ever before. What's more, many of the same partners are working with or approached by a number of UK ROs, each of whom ask the partner to follow a similar but slightly different due diligence process, often asking for the same/similar information but in different formats, which is at best inefficient and at worst damaging to relationships. The challenges posed by current approaches to due diligence are set out in table 1.

Table 1: Due diligence (DD) challenges

	The Challenge	Why finding a solution is important
1.	***Sector knowledge / experience around process & risk management*** DD for research is relatively new to the sector – knowledge, understanding, experience and application are variable, with regards to how to undertake the process, how to assess/understand the risk, and how to mitigate and manage risk.	Improved understanding and consistency of approach should help mitigate the risk of poor/inappropriate DD and therefore of poor value for money on funding streams.
2.	***UK Inefficiencies due to duplication*** DD is time consuming and a significant volume of duplicate work is being carried out in UK ROs – both in terms of developing procedures and assessing the same partners as each other	Cost efficiencies within UKHE, with particular relevance in a post-Augar world and in light of the BEIS review of research bureaucracy and methods.
3.	***Partner inefficiencies due to duplication*** Responding to DD requests is time consuming for international partners, who may have fewer resources to support responses, and the inefficiencies in the UK approach means that a significant volume of duplicate work is being carried out at partner organisations	Time, resource, and cost efficiencies both for international partners and UK ROs, thus reducing frustration within partner organisations. More equitable partnership development.
4.	***Divergent approaches*** (and different questionnaires) across UK ROs can be confusing for partners and potentially create a barrier to the development of trust as partners often do not understand why the process is required or why UK ROs approach it differently, coupled with a lack of co-development of the process or questionnaire with partners. Also the risk that questions may be misinterpreted or misunderstood.	A consistent approach helps partners understand the requirements and builds trust in both the process and the partnership, improving DD in the short term and capacity and capability for managing funds in the longer term.
5.	DD often done as a ***point in time exercise*** – little review or monitoring. Circumstances (especially in LMICs) often change quickly and can impact on levels of risk but there is little structured monitoring of such risks.	Mitigate inaccurate understanding of and levels of risk in a changeable environment.
6.	***Difficulty in verifying information*** provided in response to DD questionnaires, including whether practice (at partner organisations or in the context of the country) is reflective of local policy	Mitigate inaccurate understanding of local context, and levels of risk
7.	***Poor DD decisions*** have implications for all parts of the funding chain	Given it is clear that there is inconsistency in DD, this represents a risk through the whole delivery chain from the original Government body, through the relevant funder, the HEI and the partner.

Whilst some good practice is clearly evident, approaches to due diligence vary across the sector and the quality of decision making, risk mitigation, research project and partnership management are also highly variable. Aligned to this, the process of undertaking due diligence is highly inefficient, with much duplication across UK organisations, duplication and frustration within overseas partner organisations and little monitoring or review of individual projects and partnerships, leading to a significant weakness in the governance and management of this element of international research collaborations.

In October 2019 Research England and UKRI International Assurance agreed to jointly fund a project proposed by ARMA with support from several other organisations and Universities across the sector, which aimed to address some of these issues. The 'Consolidated approach to assurance and due diligence' project commenced in December 2019 and following a Covid related no-cost extension it completed in February 2021, delivering 3 main outputs:

- A core questionnaire and associated guidance aimed at reducing duplication, inefficiency and variability in the process of collecting information for the due diligence process (published July 2020).
- A set of recommendations regarding the establishment of a 'clearing house' for due diligence, enhancing efficiency in the process by enabling the sharing and re-use of due diligence information (contained within this report).
- A set of recommendations regarding the establishment of a 'national service for due diligence in UK funded research projects and partnerships' to offer a combination of services and expertise to UK ROs and their overseas partners aimed at addressing the challenges of variability in knowledge, understanding and process, and of efficiency, verification of information and quality of decision making.

3. Governance & Stakeholder Engagement / Project Management

At the beginning of the project a governance framework was established, including a project Steering Group, Challenge Group and the recruitment of a Project Officer.

Steering Group (Appendix 3.1)

The project Steering Group was established to support the delivery and management of the project and its outputs. The scope of activities included the strategic oversight and approval of the project and its deliverables; oversight and responsibility for financial management; responsibility for the creation of a Challenge Group; and engaging with stakeholders.

Steering Group members were selected to provide a diverse range of expertise and include representatives of UKRI, Research England, ARMA, BUFDG, RIDG, CASRAI, British Academy, UUKi and University of Glasgow. Steering Group meetings were intended to be held quarterly with a number of face-to-face meetings from December 2019 onwards however, in response to COVID19 meetings were held monthly via Microsoft Teams with additional sub-group meetings to discuss specific items.

Challenge Group (Appendix 3.2)

The project Challenge Group was established to provide feedback and challenge on the assumptions, documentation and ideas produced by the project; to act as champions for the project across the sector; and to contribute knowledge and expertise to aid the development of the project deliverables.

The Challenge Group membership was drawn from a range of stakeholders including, Russell Group, Guild HE, Universities Alliance, Million Plus, HESPA, Wellcome Trust, DfID/FCDO, BEIS, African Academy of Sciences, UKRI India and China as well as individuals from research organisations in the global south including Ugandan Martyrs University, Aga Khan University and Human Sciences Research Council, South Africa.

The Challenge Group was engaged three times over the course of the project to support the development of each output 1) Questionnaire and Guidance, 2) Clearing House and 3) National Service. Feedback from the Challenge Group was presented to the Steering Group for discussion prior to finalising each output.

Project Management Structure

Working alongside the Project Team (PI, Jennifer Stergiou and CoIs, Simon Newitt, Linsey Dickson, and Simon Kerridge) and reporting directly to the PI, the Project Officer, Joe Timlin was responsible for performing key project management tasks throughout project, including but not limited to servicing the Steering and Challenge Groups; engaging with national and international stakeholders; and drafting project outputs. During the first half of the project, Project Officer Abigail Steed also supported the development of the core questionnaire.

Engagement Activities (Appendix 3.3)

The project undertook a range of engagement activities with key stakeholders and groups during the grant period. The project had intended to meet face-to-face with stakeholders and more frequently however, due to COVID19 many events were cancelled and not rescheduled. The Steering Group sought opportunities to engage with the sector virtually where possible. A list is provided in Appendix 3.3.

4. Questionnaire & Guidance (Appendix 4.1 and 4.2)

At its most basic level, Deliverable 1, a consolidated questionnaire and guidance, responds to many of the key challenges raised by research professionals at the outset of this project. This output was driven by the need to consolidate existing good practice and to drive efficiency, equity and quality in the short-term by reducing variability in the process; duplication in the development of processes in UK ROs; and the confusion, frustration and inefficiency reported by partner organisations.

The Project Team began work immediately on the consolidated questionnaire and guidance documents using data gathered at the ARMA Due Diligence and Post-Award Assurance Good Practice Exchange held at Northumbria University, October 14th, 2019. 250 delegates from 80 UK ROs and 1 African RO took part in the exchange and discussed format and content for a core due diligence questionnaire which could be adopted by the sector.

The first draft of the questionnaire was divided into two sections 1) Organisation Details and 2) Project Details each with corresponding sub-sections. This distinction was intended to allow partners and UK ROs to complete and store organisation-level responses for future use and provide a separate section to capture unique project-level information on a case-by-case basis. The supporting guidance document detailed why each question was being asked and the kind of response that was expected and included a glossary of terms.

The first draft was then workshopped with 80 Research Managers from 30 African ROs at the Cape Town Research Managers Workshop, organised by the University of Glasgow, February 25th-28th, 2020. This provided an opportunity to collect valuable feedback and insight from professionals asked to complete due diligence questionnaires as partners on UK led projects. Feedback from delegates emphasised the importance of clear and concise language, the value of incorporating guidance into the questionnaire and duplication between Organisation and Project sections. The documents were subsequently revised to improve clarity, incorporate guidance into the questionnaire and reduce the size of the Project Details section, moving questions to Organisation Details where appropriate.

The project Challenge Group met June 24th-25th, 2020 to discuss the revised questionnaire and guidance documents. The Challenge Group were asked to consider whether the documents were clear and comprehensive, likely to succeed in achieving their aim to drive efficiency, equity and quality, and whether the group were sufficiently supportive to promote their use across the sector. The Challenge Group highlighted the need for greater contextualisation across the questionnaire and guidance documents, as well as adding specific items such as a data protection statement and separating questions pertaining to fraud and financial impropriety from risk management. The Challenge Group agreed that the questionnaire and guidance achieved their stated aims but that to successfully drive efficiency and quality of data would need to be supported by a system that could host the questionnaire and store responses for future use.

Version 1 of the consolidated questionnaire and guidance was published via the ARMA and UKRI websites July 30th, 2020. The documents are recommended for use by UKRI and have been referred to in the fEC terms and conditions as of September 2020. The questionnaire has been presented by the Project Team at UUKI-BEIS ODA Roadshow (Nov 24th, 2020) and ARMA Introduction to the Consolidated Due Diligence Questionnaire (Jan 12th, 2021) and will be presented at the forthcoming EARMA conference (April 2021).

5. Clearing house (Appendix 5.1)

Deliverable 2 expands on deliverable 1 by making recommendations for the provision of an online solution whereby partners can upload completed questionnaires for use by UK ROs for the purposes of due diligence, thereby driving efficiency and reducing duplication of effort for all involved. The options considered differ in scope, ranging from a managed inbox to a comprehensive online system which hosts the questionnaire and has managed workflow capabilities.

The development of the options presented here follow consultation with the Federal Demonstration Partnership (FDP) Expanded Clearing House Executive Committee in the USA (June 2nd, 2020), the Challenge Group (November 28th, 2020) and insights from delegates at the ARMA Good Practice Exchange and Cape Town Research Managers Workshop. Consultation with FDP was particularly informative in considering how a solution could be built over time from a basic shared inbox to a comprehensive online system.

Service Level 1 – Staffed Inbox

This simple solution provides a ‘post box’ service in which an international organisation who has completed a due diligence questionnaire sends the completed document to a staffed inbox where an administrator stores it on a cloud-based database such as Microsoft SharePoint. UK ROs could request completed records by contacting the inbox and if a record existed for an organisation, the administrator would grant the UK RO access to it.

This entry level solution can be implemented quickly with minimal start-up cost and could have a positive impact on duplication of effort. However, it is still reliant upon UK ROs and their partners adopting the consolidated questionnaire and completing it in full in order to drive efficiencies. This service level may also be prone to bottlenecks around popular funding opportunities and long-term, the staffing costs could be prohibitive when weighed against the potential benefits.

Service Level 2 – Basic Online System

The Project Team considered the creation of a basic online system which would expand upon service level 1 by providing users with the ability to ‘self-serve’, thereby reducing the staffing commitment over time. Access to the system would be premised on reciprocity whereby users must first submit completed due diligence documents before they are granted access to the database of completed records.

Whilst providing a ‘self-serve’ solution and being less admin-intensive over time, service level 2 was felt to be limited in the same way as the ‘post box’ service, by its reliance on UK ROs and their partners adopting the consolidated questionnaire and completing it in full. Furthermore, the Challenge Group raised a concern regarding data security and a reticence among international partners to have potentially sensitive or uncontextualized information freely available to all users of the system.

Service Level 3 – Comprehensive Online System

A comprehensive online system goes further than service levels 1 and 2 to provide a web-based solution that hosts the questionnaire and allows users to manage the process of due diligence in system workflows, with appropriate role-based access/permissions and controls. Such a system would enable users to create a profile and complete the due diligence questionnaire and append relevant documents. UK ROs could then request access to a user’s organisational profile and assess the responses in relation to their institutional risk appetite. This would afford international partners the ability to control access to their due diligence responses and enter into a discussion where appropriate.

Whilst incurring greater start-up costs, this service level has the most potential to deliver fully on the objectives of this project by providing a managed solution to the challenges identified at the outset. Notably, users must complete the questionnaire in the system, thereby guaranteeing consistency of approach and providing additional controls over data quality not afforded by service levels 1 and 2.

Global Grant Community Platform and Global Financial Grant Practice Standard

As part of the consultation for the development of deliverable 2, the project team engaged with the Global Grant Community Platform (GGC) and Good Financial Grant Practice (GFGP) project to explore synergies between the two projects.

Discussions reconfirmed the feedback from ARMA members that the GFGP standard does not meet the due diligence needs of UK research organisations as defined by this project. This is predominantly due to the financial focus of GFGP and the prohibitive cost of use. Whilst GFGP may sometimes be appropriate in cases of high financial risk or for use as a capacity strengthening tool it does not address the challenges set out in this report.

However, given the time and investment already made in the GGC Platform, the project determined that the platform has the required functionality and flexibility to create a new component that could potentially address the needs of service level 3 for a due diligence clearing house.

6. National service

Whilst deliverables 1 and 2 focus on reducing the inefficiencies inherent in the current process of due diligence, deliverable 3 goes further to consider how a national service for due diligence might fully address the challenges identified at the outset. The following options were discussed and considered to be appropriate by the Steering Group and Challenge Group:

- Technical support to the chosen clearing house IT solution to support uptake and usability.
- Advice pertaining to the interpretation and understanding of the Questionnaire and process of undertaking due diligence.

- Information sharing/signposting on local/national practice in a particular country to support improved verification of information and decision-making for UK ROs and partners.
- Database of example answers/comparative responses, and associated reports, to build capacity for those organisations completing questionnaires and those interpreting their responses (noting that sufficient anonymisation and permissions would be required).
- Maintaining records of country champions/specialists – who could be signposted to provide additional context to due diligence responses.
- Forum for UK ROs and/or partners to discuss due diligence and encourage best practice exchange.
- Toolkit to be maintained routinely alongside the Questionnaire and Guidance to provide a useful resource for UK ROs and partners navigating due diligence. This would cover, for example, what other checks an RO should undertake alongside use of the due diligence questionnaire, signposting to other considerations such as export control, what to consider when assessing the level of risk in due diligence responses, and how to determine your institutional risk appetite.

The following options were also considered but discounted as it was agreed by the group that they should fall outside of the scope of a national service:

Translation – the questionnaire would be translated into core languages however it was agreed that a national service would not be responsible for translating responses from foreign languages into English because of the associated cost and the potential liability arising from decisions taken based on translations provided by the service.

Country-specific Information – country-specific packs were discussed but agreed that it was a limited resource insofar as any information provided would need to be factual, objective and data-based in order to avoid opining on whether an institution should or should not work in a particular country.

Risk assessment and advice on acceptable levels of risk in individual cases (different from generic 'how to' information or comparative answers and reports) – it was felt that the level of risk & liability involved in giving such professional advice was too great and should be outside the scope of this service. In addition, the responsibility should remain with autonomous institutions to determine how risks fit with their institutional risk appetite.

7. Cost benefit analysis (Appendix 7.1)

An important element of the project was to undertake a preliminary cost-benefit analysis to provide a baseline for the costs of undertaking due diligence in the UK and overseas and to offer insight into the savings that both a consolidated questionnaire and comprehensive due diligence system can offer.

In October 2020 a short survey was sent to ARMA members and to African delegates in attendance at the Cape Town Research Managers Workshop. ARMA members were also encouraged to share the questionnaire with their international partners. The survey captured information on the number of due diligence exercises undertaken annually, the estimated time and resource spent completing a due diligence exercise and the perceived benefits of using the consolidated questionnaire and a comprehensive system for due diligence.

The survey results offered the following insights, albeit it should be noted that the data was imperfect and therefore the analysis is only indicative.

UK Research Organisations

Q. How many due diligence checks does your organisation undertake on international research partners each year?

The total number of due diligence questionnaires undertaken each year by UK ROs which responded to the questionnaire was 2,923. We estimate (appendix 7.1) that, sector wide, this indicates that between 4,500 and 6,000 due diligence checks are completed each year.

Q. Based on the answers given to the questions above, please estimate the salary cost of performing a single due diligence check and the average annual cost to the organisation of undertaking due diligence in international research.

The respondents to the survey indicated that the cost to them of an individual assessment was between £16.50 and £3,000.00. As well as indicating a wide variety of approaches both to the survey and to DD checks, this made extrapolation difficult.

The mean average cost per survey of £460 is nonetheless a potentially helpful figure, albeit that the confidence intervals for this figure are wide because of the range of responses.

If work on surveys is typically carried out by a Professional Services Manager, the hourly rate would be c£30 (average salary of £40,000 and on costs 25%, spread over 220 * 7.5 hours days). This would indicate that the average number of hours per survey is c15.0 (2 working days) based on the mean cost.

If the highest and lowest 5 costs per survey are excluded, the mean average cost per survey drops to £315 and, based on the same hourly rate, the number of hours drops to 10.4 (1.5 working days).

On average, how much time do you spend chasing responses to due diligence questionnaires? Please choose one of the following options for a single partner.

Respondents to the questionnaire indicated differing lengths of time were taken chasing responses, with 29% indicating less than 1 hour, and 19% more than 7.5 hours.

Based on the range of responses and using a mid-point in the range of hours for each banding, we calculated that a mean average of 3.9 hours was spent chasing responses to each questionnaire.

If chasing is done by a professional services manager, at £30 per hour, for the sector-wide range of 4,500 – 6,000 questionaries then the 'chasing' alone is costing the sector between £525k and £702k per annum.

This can further be extrapolated to provide a range of total costs to the sector for such checks, indicating that the overall costs are likely between £1.4m and £2.0m and could be as much as £3.4m.

Table 2: Estimated total sector costs for undertaking due diligence

		Amount £,000
Very high estimate	6,000 checks @ 15.0 hours + 3.9 hours chasing, @ £30 per hour	3,402
High estimate	6,000 checks @ 15.0 hours, @ £30 per hour	2,700
Upper medium estimate	4,500 checks @ 15.0 hours, @ £30 per hour	2,025
Lower medium estimate	4,500 checks @ 10.4 hours, @ £30 per hour	1,404

Lower estimate	4,500 checks @ 10.4 hours, @ reduced rate £20 per hour	936

These extrapolated results are not out of line with the indications from one HEI, which noted that the plans could save them £30k, c50% of their total costs. If £60k was the average cost per HEI (and we note that the actual figure is likely to be lower if this was a larger institution) then the total cost base for 94 HEIs would be £5.6m.

Q. If you have used the UKRI-approved Questionnaire and Guidance (2020) – are you receiving better quality data? If yes, please tell us how.

Whilst many organisations reported that they had to yet to review their institutional questionnaires or were in the process of updating in line with the new questionnaire, there were some early signs of it having a positive impact on data quality.

"Yes. Being able to present a 'UK-approved' template improves overall professionalism of this exercise as we can demonstrate external validation of the requirement for the due diligence. This may have contributed to why we received very detailed information back. Also, it reduced number of iterations and follow-up requests for additional information."

Respondents have also highlighted that they have used the questionnaire to modify their existing institutional questionnaire which, whilst it has resulted in an improvement in data quality, also suggests that to deliver fully on the objectives to improve efficiency, equity and quality, a mandated questionnaire hosted within a system-based solution may be necessary to guarantee take-up across the sector.

"Although we do not use the approved questionnaire as it is, we have modified it, the answers we do receive back are good and we believe the quality of data to have improved on what was originally being returned at the beginning."

When asked ***is there anything else you would like to tell us relating to due diligence not covered in the survey?*** UK respondents reinforced the view that to achieve maximum benefit, a centralised database and mandated questionnaire was necessary.

"We would <u>very much welcome some kind of centrally-maintained register for due diligence</u> carried out on partners, to prevent each university having to repeat the same sort of work."

"It would be <u>exceptionally helpful to have a national database of central due diligence information</u> gathered from international partners that was managed by UKRI… The current process is a very expensive duplication of effort for UK HEIs and is time consuming and also inconvenient for overseas partners with limited resources… The current process is not efficient, transparent and prevents wider engagement."

"A representative from our institution participated in one of the Challenge Groups around the development of a due diligence clearing house/registry. We would support the proposed level three system assuming it would be free at the point of use - and think it would need to be free at the point of use to gain traction. We would still need to review the information we would access via the service <u>but estimate that this would cut the time involved at the University by half. This would equate to a cost saving of circa £30kpa."</u>

"Requesting and chasing Due Diligence responses from partners places a burden on our GCRF team and creates a bottleneck at post award stage, delaying the negotiation of collaboration agreements and ultimately holding up projects from starting. <u>Having a central database would reduce the</u>

turnaround time by weeks and free up significant senior staff time for other work. We strongly support the idea of a central repository for DD questionnaires"

"The questionnaire is helpful, but what would really save the time would be a centralised database where you could check if a partner had been assessed previously so multiple checks are not undertaken by multiple organisations"

"From discussions with other members of DD at institutions many are not adopting the suggested DD templates. It should become a requirement to use a specified template across the sector, otherwise a database will prove no use as those responsible for risk management will not consider the template covers their own requirements"

International Research Organisations

Whilst the number of international respondents was not as high as hoped, there were commonalities to the data which suggest that a consolidated approach, if taken by UK ROs, will reduce the number of hours it takes to respond to a due diligence request and the associated cost.

For example, the average number of hours taken to respond to a due diligence request from a new UK RO was 18 hours. Asked to estimate the number of hours taken to respond if all UK ROs were using the same questionnaire, the average number of hours was reduced to 12, a saving of 32%.

Other insights from international respondents indicate that senior and executive staff are required to provide sign-off for due diligence questionnaires and data. For example, all respondents indicated at least managerial level staff with half identifying Directors or Heads of Service, and indicating that on average, 4 people were involved in the preparation of responses, with this being duplicated for each new request.

8. Options and Recommendations

Having assessed feasibility, options and benefits for the introduction of a clearing house and/or national service for due diligence in international research it is clear that there is a need and demand for such services across the UK and international research and research management communities.

Feedback received through a variety of mechanisms including the Challenge Group, at ARMA events and through meetings with other key sector stakeholders continues to re-enforce the challenges and risks of international research and the weaknesses in current approaches to due diligence (duplication, inefficiency, incomplete information, lack of monitoring, variable quality, frustrating for international partners etc.). Doing nothing is not a viable option.

Clearing house:

As per section 5, the project has considered multiple approaches to the delivery of a clearing house. Whilst even the simplest 'level 1' version of a clearing house would bring improvements compared to the status quo it would not address all of the challenges (see table 3) and may represent a considerable missed opportunity to address these more fully for the benefit all stakeholders.

A 'level 2' version of a clearing house has been considered and discounted as offering neither material benefits over 'level 1' or a material saving compared to 'level 3'.

A 'level 3' clearing house would address many of the identified due diligence challenges, addressing inefficiencies in the UK and overseas, facilitating regular updates to due diligence information and standardising the approach.

National Service:

As set out in section 6 this project has considered a number of options for supplementary functions over and above a clearing house, which could address the identified due diligence challenges and bring additional benefits to the sector. Implementation of a service as set out in section 6, alongside a 'level 3' clearing house is the only identified route to address all the challenges and presents the most efficient and effective solution for all stakeholders including UK research organisations, research funders and overseas partners.

Table 3: Mapping of solutions to challenges

Challenge	***Level 1 CH***	***Level 3 CH alone***	***Level 3 CH + Service***
Sector knowledge / experience around process & risk management	*No impact*	*Partial impact*	*Good impact*
UK Inefficiencies due to duplication	*Partial impact*	*Good impact*	*Good impact*
Partner inefficiencies due to duplication	*Partial impact*	*Good impact*	*Good impact*
Divergent approaches	*Partial impact*	*Good impact*	***Very good impact***
Point in time exercise	*No impact*	*Good impact*	*Good impact*
Difficulty in verifying information	*No impact*	*No impact*	*Partial impact*
Poor DD decisions	*No impact*	*Partial impact*	*Good impact*

Next steps:

On the basis of this assessment, we recommend that **Sector agencies should collaborate to establish a 'level 3' Due Diligence Clearing House and National Service in support of Due Diligence for International Research.**

We have identified 2 viable options for the implementation of this recommendation, both of which will require a second phase of this project, lasting for a period of 36 months. Further details, costing and justification of resources have been provided to UKRI and Research England but it should be noted that both options include full grant funding for the first 2 years with grant funding tapering off in the 3rd year, and with a break/review point between months 18 and 24 allowing for an exit from the project for all parties should the project not have demonstrated success or should the external environment have changed sufficiently to warrant a funding review. However, commitment to a 36 month project rather than an 18 month project is recommended in order to facilitate sector buy in – if there is concern amongst the sector that a clearing house may no longer be available after 18 months they are more likely to take a 'wait and see' approach rather than engaging with the new service from the outset.

Option A (Recommended Option)

ARMA Implementation of 'level 3' due diligence clearing house and national service, subcontracting the technical development and hosting of the clearing house to an appropriate organisation, subject to an appropriate procurement exercise. This option goes directly to delivery a 'level 3' clearing house in year 1, with no intermediate solution. ARMA retain overall responsibility for the clearing house and deliver the national service. **Estimated £398k.**

Use of the system would be free to UK research organisations and their international partners during the first 2 years, and potentially longer term depending on the specifics of a future sustainable funding model (see section 9).

The project would include stakeholder engagement activities to embed the new service and would also include the development of a sustainable future funding model to be implemented by the end of year 2, with grant funding tapering off in year 3 as the new model comes into place (see section 9).

Option B

ARMA implementation of ‘level 1’ due diligence clearing house as an immediate solution, whilst identifying a suitable development partner to build and host a ‘level 3’ clearing house in year 2 and confirm the associated costs. **Estimated £369k**

The project would include stakeholder engagement activities to embed the new service (level 1 and/or level 3) and would also include the development of a sustainable future funding model to be implemented by the end of year 2, with grant funding tapering off in year 3 as the new model comes into place (see section 9).

Option C

ARMA deliver a ‘Level 1’ clearing house solution only. **£196k**

In the event that grant funding is not available at the levels required by options A and B a further option would be to implement and run a ‘level 1’ clearing house solution only. The project would include stakeholder engagement activities to embed the new service and would also include the development of a sustainable future funding model to be implemented by the end of year 2, with grant funding tapering off in year 3 as the new model comes into place (see section 9).

9. Funding

Although this project has been funded by Research England and UKRI, the risks of international research obviously apply regardless of the research funder, through the whole delivery chain from government, through public and private research funders, UK research organisations and their overseas partners. A sector wide challenge requires a sector wide response and therefore it is recommended that <u>**the next stage of work to establish a Due Diligence Clearing House and National Service (option A) should be grant funded by Research England and UKRI in partnership with a broader consortium of UK research funders and government departments.**</u>

Not only would a multi-funder approach significantly reduce costs for each funder, whilst addressing the challenges set out in table 1, it would also further strengthen the impact of the solution by expanding the benefits beyond Research England and UKRI funded research, sharing learning and experience more broadly across the sector, further reducing duplication and brining clarity of expectations for overseas partners. Overall a Due Diligence Clearing House and National Service which works for all UK research with international partners can only serve to make the due diligence process more robust, to reduce risk and to improve the quality of research.

However, whilst grant funding will enable the initial set up/establishment of a Due Diligence Clearing House and National Service it is recognised that full grant funding is not a long-term sustainable option. It is therefore recommended that an output of the next stage of this work is to <u>**develop a long-term sustainable funding model for the Due Diligence Clearing House and National Service.**</u>

A number of potential funding options have been considered for the long-term sustainability of the service, including charging a fee to UK lead research organisations to be paid from their own funds or charged directly to individual research projects, or incorporating a fee for this service with another existing institutional membership (of which there tend to be many). The service could also be made available to overseas research funders and the organisations they fund, at a fee, which may subsidise costs for UK funders and research organisations. A further option could be to build in additional value-added services which could be chargeable over and above the ‘level 3’ clearing house and national service defined here. These and other potential options would be considered in the process of developing a long-term sustainable funding model to come into effect in the 3rd year of the phase 2 project so that the service is sustainable beyond the phase 2 grant funded period.

10. Potential future considerations / developments

Should the implementation of a due diligence clearing house and national service prove successful there are a number of further, future considerations and potential developments which could enhance the benefits of the service over the longer term. These possibilities have arisen through discussions with stakeholders including learning from the FDP Clearing House in the US.

- The potential to make the service available to overseas funders and the organisations they fund, on the basis that we all work with the same partners around the world and face similar risks.
- Some form of partnership arrangement and collaboration with other domestic and international funding bodies and clearing houses such as FDP USA.
- Development of an API (application programme interface) to enable clearing house compatibility for other platforms, for example funder and research organisation grant management systems and workflows.
- Use cases for the clearing house and national service beyond international due diligence, for example in industry due diligence or in terms of services to support the broader Trusted Research agenda and security concerns in research.
- Additional training or capacity building services for partners.

Appendix 3.1

A CONSOLIDATED APPROACH TO DUE DILIGENCE
Project Governance

TERMS OF REFERENCE
December 2019

A consortia of Associations and Universities, led by ARMA UK have received an award from Research England and UKRI to undertake the scoping project 'A consolidated approach to due diligence'. Under the terms and conditions of the grant the project will establish a steering group who will be responsible for the delivery and management of the project outputs. The project will also convene a challenge group who will contribute to the direction of the final outputs.

Steering Group scope

Core activities of the Steering Group will include:

- Strategic oversight and approval of the agreed Project and the agreed deliverables and outputs:
    - A common / core questionnaire for due diligence, co -developed and tested with a number of LMIC partner organisations.
    - Scoping and feasibility report, including delivery options, for a due diligence clearing house and for a national service for due diligence in UK funded research projects and partnerships.
    - Quantification of UK RO and overseas partner resource/cost levels to undertake DD across the proposed options.
- Oversight and responsibility for the financial management of the project – ensuring value for money in the use of public funds.
- Formation of a challenge group, with a broad representation across UK and International partners

Decision-making

Any decisions made by the Steering Group must be made by a majority decision of the members of the Steering Group. In the event of an equality of votes, the Steering Group Chair shall have a casting vote.

Membership

To support these activities, membership of the Steering Group requires representatives to commit time and resource in support of activities and projects under the scope of the Steering Group. The Steering Group will consist of:

- Principal Investigator: Jennifer Stergiou, University of Northumbria, CASRAI and ARMA Chair Elect
- Co-Investigator: Linsey Dickson, University of Stirling, ARMA Board Director
- Co-Investigator: Simon Newitt, University of Northumbria, BUFDG Chair of Learning & Development Group
- Co-Investigator: Simon Kerridge, University of Kent, RIDG and CASRAI
- UKRI International Assurance – represented by Pam Hicks
- Research England – represented by Liz Kebby-Jones
- Rachael Sara Kennedy - UKRI
- Sapna Marwaha – Versus Arthritis and ARMA
- Vanessa Cuthill – British Academy
- Mary Ryan – University of Glasgow
- Universities UK International – Dajana Dzanovic and Isobel O'Hagan

Meetings arrangements

The Steering Group will meet 4 times over the project lifetime, these meetings will predominantly be via conference call however they will aim to have 1 or 2 of face to face meetings.

Reporting

The steering group will be required to produce a final report to Research England as per the terms and conditions of the award. Final reports will be submitted and subject to funder agreement shared with the membership of the stakeholder groups. Informal updates will be available in the form of steering group meeting minutes.

Budget

Any amendment to the proposed expenditure will be reviewed by the steering group and subject to the agreement of the group and the funders.

Steering Group members are required to fund their own travel costs for face to face meetings.

Appendix 3.2

CHALLENGE GROUP

TERMS OF REFERENCE
December 2019

Challenge Group Background

A consortia of Associations and Universities, led by ARMA UK have received an award from Research England and UKRI to undertake the scoping project 'A consolidated approach to due diligence'.

A Challenge Group will be established to contribute to the deliverables and outputs of the scoping project 'A consolidated approach to due diligence' through providing feedback and challenge on assumptions, documentation and ideas that are produced by the project team. The Challenge Group will be drawn from various stakeholder groups to ensure that the project benefits from their experience and knowledge.

Challenge Group Activities
The primary activities of the CG include:

- **Challenge**: To ask questions and to provide critical feedback to the project team on the draft project outputs.

- **Communication**: To act as champions for the work of the project to disseminate and share progress and to encourage adoption of the consolidated questionnaire throughout the sector.

- **Knowledge**: Share their knowledge and experience with the project team to contribute to the development of the project deliverables.

Membership
The membership of the challenge group will consist of representatives from a number of stakeholder bodies. Invitations will be sent to:

- UK (may be universities within the group or individuals from the organisation)

    - Russell Group
    - Guild HE
    - Universities Alliance

- Million Plus
- HESPA
- ARMA (2x ARMA members)
- BUFDG to nominate
- Individual Researchers

➢ Funders:

- Devolved funding councils Research Scotland, Wales and NI
- Wellcome Trust
- Bill and Melinda Gates Foundation
- DfID
- BEIS
- NIHR

➢ International:

- African Academy of Sciences
- UKRI India and China
- INORMS network
- International NGOs (small, medium and large organisations)
- Individual Researchers

The meeting agreed that the approach to inviting Challenge Group Members would first be targeted, followed by a limited open call.

Resources

CG communications and the sharing of resources will be primarily be virtual, using email, or other web based communication platforms. Challenge Group members are required to fund their own travel costs for face to face meetings, however we will look to cover the costs of representatives from LMICs.

Appendix 3.3

Project Engagements

The Consolidated Approach to Due Diligence project undertook the following engagement activities with key stakeholders and groups during the grant period. The project had intended to meet face-to-face with stakeholders and more frequently however, due to COVID19 many events were cancelled and not rescheduled. The Steering Group sought opportunities to engage with the sector virtually where possible.

Stakeholders and Beneficiaries:

ARMA Due Diligence and Post-Award Assurance Good Practice Exchange, Northumbria University, October 14th, 2019. Attendance: 250 delegates from 80 UK ROs.

Cape Town Research Managers Workshop, Cape Town, South Africa, February 25th – 28th, 2020. Attendance: 80 delegates from 30 African ROs.

UUKi-BEIS ODA Research regional events 'ODA compliance: post-award requirements and due diligence' (online), November 24th, 2020.

ARMA Introduction to the Consolidated Due Diligence Questionnaire (online), January 12th, 2021.

Planned Stakeholder and Beneficiary engagements:

EARMA 'A Consolidated Approach to Due Diligence: recommendations for improved efficiency, equity and quality in undertaking due diligence in international research' (online), 30-minute presentation, April 14th – 20th, 2021.

SARIMA Conference 2021 (online), October 26th – 29th, 2021.

Challenge Group Meetings:

Deliverable 1: Questionnaire and Guidance (online), June 24th – 25th, 2020.

Deliverable 2: Clearing House Proposal (online), November 24th, 2020.

Deliverable 3: National Service Proposal (by email), January 13th, 2021.

Other Engagements:

Federal Demonstration Partnership (FDP), USA consultation, June 2nd, 2020.

Global Grant Community Platform, February 18th, 2021.

Multiple meetings and discussions with funders and other groups including Wellcome Trust, JISC, Russell Group, EPSRC etc. over the period of the grant funding.

Appendix 4.1

Due Diligence Questionnaire

The institution will keep this information on record for the purposes of risk management and compliance. It may be shared with staff, professional advisors, partners, auditors, regulators and funders as required in the performance and assurance of due diligence connected with this project or other research projects where we are collaborating with you.

[ ] I/We confirm that I/we have authority to submit this form on behalf of my institution*

[ ] I/We confirm that I/we consent to the information submitted being used for the purposes stated above*

[ ] I/We confirm that all information entered is complete and accurate to the best of my/our knowledge and belief, having made reasonable enquiries*

The institution may receive requests for access to this information from UK research institutions and research funders who are considering partnering with you. Please confirm if you are happy for the information to be shared for these additional purposes.

[ ] I/We confirm that the information can be shared for these additional purposes

[ ] I/We do not wish for the information to be shared for these additional purposes

If you do not provide your consent, we will direct any requesting parties to contact you directly.

The information will not be shared with third parties for any other purpose without your prior consent.

Agreed on behalf of ______________________________________ by

Signatory 1:

Signature	Name	Role	Date

Signatory 2 (if applicable):

Signature	Name	Role	Date

*required

SECTION A: ORGANISATION DETAILS

This section is about your organisation as a whole. Please provide information relating to your organisation's overall structures and processes.

1. Organisational Governance

1.1. Name of organisation:

1.2. Registered address:

1.3. Country where organisation is based:

1.4. Registration number and name of registration body (examples of relevant registration bodies are government, tax, corporation, charity, educational authority):

1.5. What is the legal status of the organisation? (for example: public university, private university, charity, private company, non-profit making company, government research organisation, independent research organisation) Please include the date of foundation. *Note: We may be required to ask for evidence of this at a later stage.*

1.6. Is your organisation affiliated to any other organisation? (i.e. is your organisation legally part of a larger organisation or a group of larger organisations / Is your organisation connected to any other organisation in an official capacity / does your organisation share any governance structures with another organisation) If yes, please give details.

1.7. Please describe the authorisation process within your organisation relating to research grants and the structures in which those decisions are made. (This may be an individual or a designated group such as a board/council/committee.) *You may have an organogram or other document showing how authority for matters relating to research grants is delegated at different institutional levels. If this information is available on your website then you can provide a link to the web page.*

1.8. Please provide the name and role/job title of the head of the Organisation (for example Chief Operating Officer / Chief Executive / Principal)

1.9. Please provide the name of the key contact for research-related matters and details of their role for the organisation that can provide further information if required (for example the Director of Research and/or Finance, or a designated spokesperson).

2. Policy, Processes and Procedures

Please describe how your organisation manages the following matters. You may have a policy for some or all of these areas, in which case please provide this. If your organisational policies and procedures do not correspond to these specific categories, please describe the processes that you follow that have the closest match or are most relevant to the areas listed.

Please include how staff are made aware of your approach and how frequently your organisation's policies, processes and/or procedures are reviewed.

2.1. Anti-fraud, corruption and bribery / whistleblowing

Refers to reporting systems for wrongdoing in research

2.2. Travel and subsistence

How is travel organised – through the institution or personally? Do you have a policy containing acceptable rates and guidance for travellers?

2.3. Conflict of interest

Refers to anyone standing to benefit personally or anyone with close relatives or friends who stand to benefit financially from proposed research activities, for example through sub-contracts

2.4. Safeguarding

Refers to the protection of all research participants, particularly children under the age of 18 and vulnerable adults, from harm and details an appropriate response when harm does occur. The scope of safeguarding covers sexual exploitation, abuse and harassment and broader forms of violence, abuse and harassment of research participants, communities and research staff

2.5. Health and Safety

How do you minimise risk of physical injury to anyone involved in a research project

2.6. Risk Management

This could cover travel risk, financial risk, reputational risk etc.

2.7. Ethics

Linked to safeguarding – ethics refers to how you ensure appropriate care of human or animal participants in research projects

2.8. Recruitment and Staffing Policy

What are your processes for recruiting staff, and do these comply with local labour laws and the UK Modern Slavery Act? Please see FAQ glossary for further information on this

2.9. Financial Procedures

Refers to delegation of authority for signing off/approving expenditure, and responsibilities for managing research income and expenditure?

2.10. Research misconduct

Refers to an individual deliberately or negligently not adhering to accepted practices in any of the above categories

2.11. Research data management and data protection

How do you protect/manage personal and confidential data collected during a research project?

2.12. Procurement

What rules/processes do you have in place/must you follow for making purchases? e.g. of equipment or other materials, necessary to carry out a research project

3. **Response to risks around misconduct, including fraud**

This section is about understanding your organisation's processes for resolving issues relating to misconduct and identifying any areas of risk that may impact the delivery of research projects in order to plan appropriate resolutions.

Where information is requested relating to the last three years, this can mean calendar years, financial years, academic years, or similar. You may provide information relating to the annual periods that your organisation normally reports on.

3.1. Please could you confirm if there have been any instances of fraud or misuse of project funds across the organisation in the last three years? And if so, can you tell us how this was dealt with?

3.2. In the last three years has the organisation been subject to:
   a) any claims or disputes by collaborators in relation to research projects
   b) been required to repay any research funds
   c) been subject to early termination of a research contract where the organisation was at fault?

   If so, please give details of the issue(s) and how they were resolved.

3.3. Is the organisation currently or expecting to be involved in any legal proceedings that may impact on achieving the objectives of the project or result in reputational damage to the organisation and/or the individuals involved in the project?

3.4. Could you tell us if any of the organisation's senior staff (since they have been employed at this organisation or whilst employed at a previous organisation) have been found to be involved in, or suspected of, any of the following in the last three years:
   a) fraud
   b) financial misconduct
   c) scientific misconduct
   d) bribery or corruption

   If so, how was the organisation made aware of the allegation?
   If the allegation was substantiated, can you tell us how this was dealt with?

3.5. Can you provide the name of the key contact and details of their role for the organisation that can provide further information if required?

4. **Sub-contract management**

4.1. Please could you outline any due diligence that you undertake on your sub-contractors to assess their suitability to carry out the work required *Note: This may be a specific policy or otherwise, please describing your approach to recruiting and managing sub-contractors*

4.2. Please provide the name of the key contact and details of their role for the organisation that can provide further information, if required

5. Ability to deliver: grant administration

5.1. Please provide a brief outline of the three biggest research projects (by financial value to your organisation) that your organisation is currently or was recently (in the last three years) working on.

5.2. How is research grant administration organised within the organisation?

5.3. Does your organisation have a policy or strategy for researcher development? If yes, who is responsible for administering or delivering this?

5.4. Who has overall responsibility for the management of research grants across the organisation? This could be an individual or a designated group such as a research office.

5.5. How is expenditure on research grants monitored? This includes expenditure relating to staff, travel, equipment and materials purchasing, and invoices.

5.5.1. How do you monitor finances for individual projects separately from the rest of the organisation? E.g. will this be a specific project number / separate bank account?

5.6. You will be required to adhere to funder reporting requirements for individual projects. This may include quarterly detailed transaction listings for all expenditure incurred using grant funds, scanned receipts for transactions, and evidence of staff hours worked on the project. Are you able to comply with these reporting requirements if necessary?

5.7. How will staff hours worked on research grants be evidenced to ensure staff have worked as stated on grant applications?

5.8. Can you provide the name of the key contact and details of their role for the organisation that can provide further information if required? This could be an individual or a designated office.

6. Ability to deliver: finance

6.1. We are required to understand the organisations financial position - do you have audited financial reports for the last three financial years?

a) If no or your organisation has been established for less than three years, can you provide your most recent finalised financial reports?

b) Please provide copies of the financial reports or a link to the web page where they are published if available.

6.2. Does the organisation have a bank account held in the organisation's name, which can receive grant funds in GBP? (YES/NO) If no, which currency/currencies are you able to transact in?

6.3. Is the organisation able to pay sub-contractors who are based outside of your own country? (YES/NO)

6.4. Does your organisation need prior authorisation from another body or government in order to accept and/or disburse funds relating to research projects? If yes, please give details of the circumstances in which this is applicable, the process and timeline for authorisation.

6.5. How do you manage foreign currency exchange risks where the income is in a different currency than the expenditure?

6.6. Does your organisation have an internal audit function? (YES/NO)

6.7. Has your organisation been subjected to any internal/external audits on post award financial research management within the last three years? If not, when was the last time an internal or external audit was carried out, and by who?

6.8. Does your organisation hold public liability insurance that covers work relating to externally funded research projects, and to what value or limit? Please give the expiry date and details of the renewal process if applicable.

6.9. Do you have professional indemnity insurance that extends beyond the life of the project and to what value or limit?

6.10. Can you please provide the name of the key contact and details of their role for the organisation that can provide further information if required?

7. **Country-specific information**

This section is about any external regulations that your organisation must adhere to. This information is being requested to assist with project planning, for example if there are any additional administrative requirements or fees, these can be built into the project timeline. It is important to understand these requirements at the outset, if applicable, in order to work together to ensure the project can run as smoothly as possible.

7.1. Are there any local, regional, national requirements that may impact on the project e.g. import controls, ethics, research permit etc.? If so, please describe.

7.2. Are there any external fees or charges that the organisation would be subject to in order to be able to carry out externally funded research projects? e.g. fees for ethical review, withholding tax and licenses.

SECTION B: PROJECT DETAILS

This section is exclusively about the research project in question. Please answer these questions with information specific to the way the project will be managed.

8. **Project Governance**

8.1. Please describe the governance and project management arrangements that are specific to this project, including the names and roles of the person/people responsible for academic management and administrative management, if different. Please include how project expenditure is authorised, processed and paid, and who is responsible at each stage.

8.2. Please can you provide the names and roles of the following key personnel that are specific to this project, including email and phone number?

a) Persons responsible for financial management and reporting
b) Key legal contact
c) Project manager if applicable (or other administrative support for the project)

8.3. Please describe the physical infrastructure in place to deliver the project

8.4. Please identify any intended third parties/subcontractors contributing to this project

8.4.1. Please identify which of the of the third parties/subcontractors named above are receiving funds and the amount which will be disbursed to each partner?

8.5. If applicable, please provide details of possible conflicts of interest from key personnel, or any of their family or people living within the same household and how this will be managed.

8.6. What ethical review will this project be subject to?

8.7. Research misconduct - have any of the key personnel been subject to an investigation into research misconduct where the allegations have been upheld?

8.8. Have any of the key personnel had publications retracted? (YES/NO) If yes, please give reasons

8.9. Do you have any other comments or is there anything else that you feel the project team should be made aware of?

Document Checklist

Please complete this table to indicate whether you have included the documentation required as part of this assessment.

If you are not able to supply certain documents (for instance a policy not in existence in your organisation) please indicate why this is the case.

Document	Enclosed		Comments
	Y	N	
Evidence of legal status			
Organogram			
Anti-fraud, corruption & bribery policy			
Travel & subsistence policy			
Conflict of interest policy			
Safeguarding policy			
Health and Safety Policy			
Risk Management Policy			
Ethics Policy			
Recruitment and Selection Policy			
Financial Procedures			
Research Misconduct Policy			

Appendix 4.2

Due Diligence Questionnaire Guidance

Due Diligence is the investigation, or exercise of care, that a reasonable business or person is expected to take before entering into an agreement or contract with another party. It supports good decision-making – understanding costs, benefits and risks.

This questionnaire is designed to help facilitate successful partnerships, by understanding the way that each of us work we can help support each other throughout the project. It also ensures that all parties are able to meet the funder requirements and to accept the terms and conditions of the grant. As funders require their terms and conditions to be cascaded down to all of those involved in the project, it is important that the project partners understand what is required before the project starts.

The questionnaire provides all project leads with a consistent approach for conducting Due Diligence, with the aim of reducing the administrative burden for all involved.

It is important to realise that it may not always be possible to answer every question, and that a lack of policies or processes does not mean that the project and partnership cannot go ahead, but rather allows the parties to enter into a discussion about how certain elements will be managed.

It may not be appropriate to use the full question set for each partner and you may select to use fewer questions from the set, taking account of the nature of the partner, the value and assessed risks of the planned research project.

This questionnaire has been developed as part of a project led by the Association of Research Managers and Administrators (ARMA) UK, funded by Research England and UK Research & Innovation.

Who should complete this form?

This form should be completed by legal, financial, research management and/or compliance/risk management personnel within your organisation. One individual should be nominated to be the key contact person for this form (in case there are any questions) and also have the authority to sign this form upon submission in order to confirm its accuracy.

How should this form be completed?

The form should be completed, in English, to the best of your knowledge and supply the relevant documentation which is requested. If you are unable to respond to specific questions or provide documents in English, please contact the UK Lead for further support and guidance.

What if I have any questions?

If you have any questions about how to complete the Due Diligence Questionnaire, please contact the UK lead institution by email.

Section A: Organisation Details

1. Organisational Governance

We want to understand what type of organisation you are, how long you have been operating and whether you have a formal attachment to any other organisations. This includes any previous affiliations whereby a formal partner might still retain significant influence over your organisation or retain a high level of access to your organisation and its research or staff.

We are looking to understand how you are registered and with who. Relevant supporting documents may include your registration documents and any Memorandum or Articles of Association.

We are looking to understand how your organisation is structured and what the decision-making processes are.

2. Policy and procedures

We are looking to understand what processes you have in place to manage areas that are important for the success of the research project and what support we can offer to ensure the project's success. URL links to policies (especially those in English) for any of the described areas would be very useful.

We are also looking to understand any regulatory requirements you may have to undertake to participate in the project.

3. Response to risks around misconduct, including fraud

We are trying to understand your organisation's processes for resolving issues relating to misconduct and fraud and identifying any areas of risk that may impact the delivery of research projects in order to plan appropriate resolutions.

4. Sub-contract management

Lead organisations are expected to undertake compliance checks on expenditure incurred by sub-contractors and therefore must understand what due diligence checks you undertake on your sub-contractors and how we can ensure they are operating in accordance with the funder's terms & conditions.

5. Ability to Deliver: grant administration

We are trying to understand what experience your organisation has in participating in and managing externally funded collaborative research projects, including if you have no prior experience of participating in externally funded collaborative research projects.

We are looking to understand the scale and scope of research projects you have previously been involved with. Information about the funder, the total value of the project, and the value of the project you were responsible for and the number of organisations involved in the project would be useful information.

We are trying to understand how externally funded research projects are managed and administered in your organisation.

6. Ability to deliver: finance

We are looking for evidence of how externally funded projects are financially managed within your organisation

We are looking for evidence to support the assessment of the financial security of your organisation and how risks can be mitigated if necessary.

We are looking for evidence that your organisation will still exist during the project to ensure its successful delivery.

We are looking to determine how we can ensure the project funds are paid to your organisation safely.

We are looking to understand what internal and external checks are undertaken within your organisation relating to financial transactions. Supporting evidence could include audit reports from internal or external auditors or financial regulators.

We are trying to establish what insurance cover you have and that it is appropriate for the project being undertaken.

7. Country-specific information

We are looking for any information about requirements that must be taken into consideration when planning the successful delivery of the project. Examples could be issues like import or export controls, local ethics requirements, permits required to undertake projects, government approval to receive funds and the level of any associated fees.

Section B: Project Details

8. Project governance

We are looking for information for how the project will be managed on a day-to-day basis. We would like to know how project-specific risks are managed, how the finances are managed and by who.

We are looking for assurance that the project will be conducted in accordance with all regulatory requirements and that those involved are appropriate for the project being conducted.

We are looking for information about other organisations involved in the project, whether they will receive funds form the project and if so how they are being managed.

We are trying to understand what resources you have available and whether they are sufficient for the project’s needs, or if there is anything we can provide to support the successful outcome of the project.

Glossary

Term	Meaning
Affiliated	An official attachment of one organisation to another
Audit	An objective examination and evaluation of the financial statements of an organization to make sure that the financial records are a fair and accurate representation of the transactions they claim to represent
Audited accounts	An organisation's financial records that have been officially examined to check that they are accurate
Bribery	The act of offering someone money or something valuable in order to persuade them to do something
Conflict of interest	A conflict of interest occurs when an entity or individual becomes unreliable because of a clash between personal (or self-serving) interests and professional duties or responsibilities.
Corruption	The abuse of entrusted power for private gain
Due Diligence	A way to identify, evaluate and verify all available information on an individual or entity
Financial procedures	A guide to best practice for all staff with responsibilities for finance administration, including mandatory rules and framework for financial activities.
Fraud	Wrongful or criminal deception intended to result in financial or personal gain
Governance	The framework of rules and practices by which an organisation ensures accountability, fairness, risk management and transparency in its relationship with all stakeholders.
Health & Safety	Regulations and procedures intended to prevent accident or injury in workplaces or public environments.
Insurance	A contract, represented by a policy, in which an individual or entity receives financial protection or reimbursement against losses from an insurance company.
Internal audit	Evaluation of an organisation's internal controls, including its corporate governance and accounting processes.
Physical infrastructure	Buildings, equipment and facilities.
Procurement	The act or process of purchasing something
Project Management	The application of processes, methods, skills, knowledge and experience to achieve specific project objectives according to the project acceptance criteria
Recruitment & Staffing policy	The process of identifying, attracting, interviewing, selecting and hiring employees.
Research data management and data protection	The care and maintenance of the data that is produced during the course of research in accordance with contractual and legal obligations.
Research ethics	A set of principles governing the way any research involving interaction between the researcher and other humans or human tissue or data relating to humans, is designed, managed and conducted.

Research misconduct	The fabrication, falsification, or plagiarism in proposing, performing, or reviewing research, or in reporting research results.
Risk management	The forecasting and evaluation of risks together with the identification of procedures to avoid or minimise their impact.
Safeguarding	Measures to protect the health, well-being and human rights of individuals, which allow people — especially children, young people and vulnerable adults — to live free from abuse, harm and neglect
Travel & subsistence	The cost of spending on business travel, meals, hotels, sundry items such as laundry and similar ad hoc expenditures. These reimbursements often have tax and related implications and vary depending on the country of the business.
UK Modern Slavery Act	https://www.gov.uk/government/collections/modern-slavery-bill
Whistleblowing	The term used when a worker passes on information concerning wrongdoing

Useful Links:

Trusted Research for Academia: https://www.cpni.gov.uk/trusted-research

Department for Business, Energy and Industrial Strategy Research & Development Roadmap: https://www.gov.uk/government/publications/uk-research-and-development-roadmap

Appendix 5.1

Clearing House Service Levels

Level 1 – Staffed Inbox

Service diagram: https://miro.com/app/board/o9J_kk4uUdw=/

This simple solution provides a 'post box' service in which users send completed due diligence questionnaires to a staffed inbox to be stored on a cloud-based database. The database will only be accessible to admin staff and requests to view due diligence documentation must be received by email.

User Roles and Responsibilities

- User completes due diligence questionnaire received from UK HEI (.docx or .pdf) and seeks approval from their authorised signatory.
- Once approved, the User submits their completed due diligence questionnaire to a staffed inbox (e.g. researchduedil@arma.ac.uk).

Admin Roles and Responsibilities

- Once received Admin will check the due diligence questionnaire for completeness only and store the documents in the cloud-based database (e.g. SharePoint or other).
- Admin will process requests to view completed due diligence questionnaires from UK HEIs sharing data by email as appropriate.
- If a completed due diligence questionnaire is more than 12 months old, Admin requests the partner to review the document for update and if applicable, stores an updated version of the questionnaire in the database.
- Admin staffing will be comprised of several individuals working a combined total of 1.0 FTE to allow for leave, absence etc.

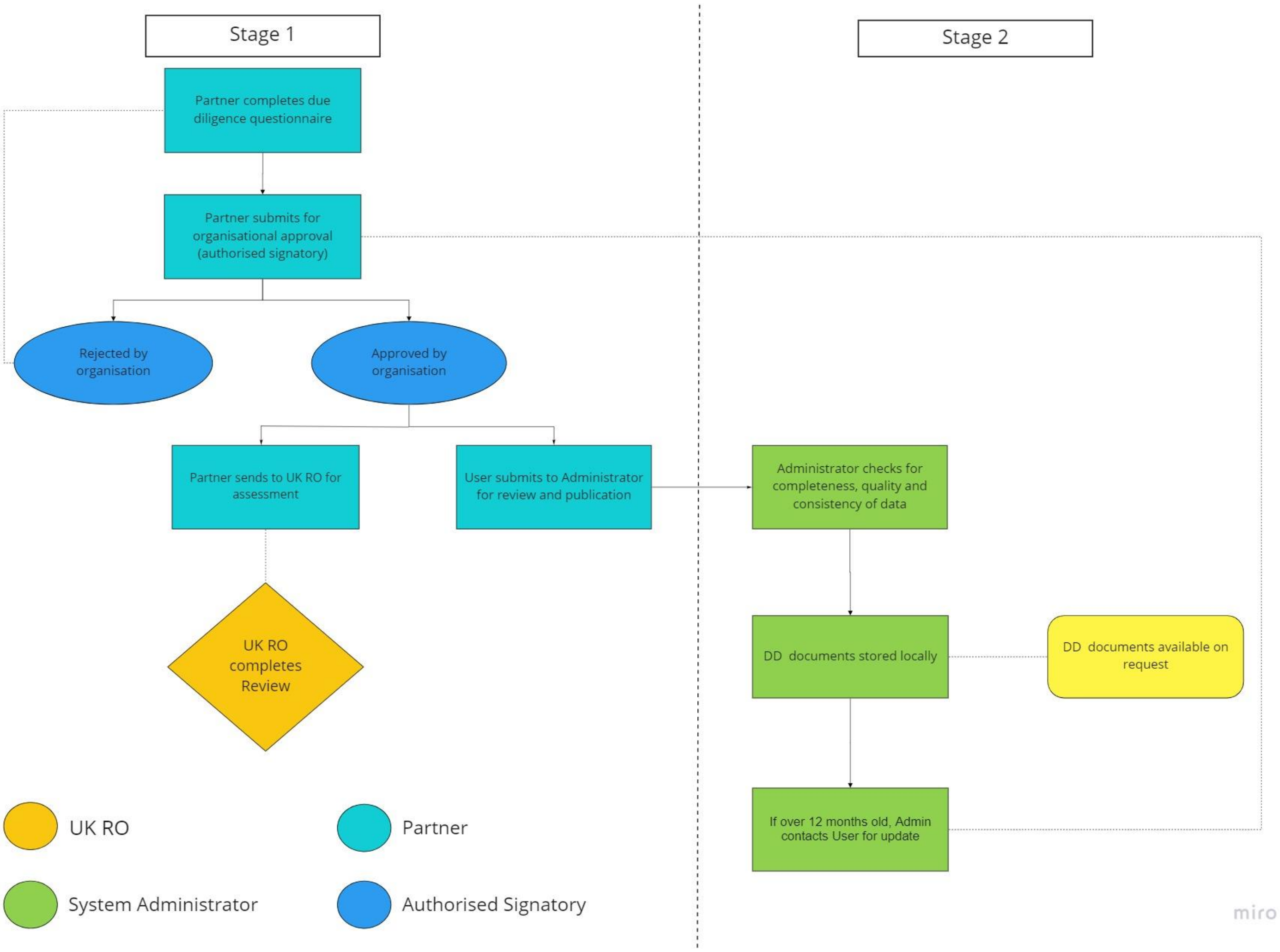
Positives

- Simple solution to prevent overseas partners from receiving multiple requests for due diligence from UK HEIs.
- Could be implemented quickly and with little to no start-up costs.

Negatives

- Could prove more costly over a longer period of time.
- Onus for quality of data rests with the User and there is little oversight or curation of the database by Admin.
- Limits the ability to standardise the input data because the questionnaire is not contained within an online system and therefore may still vary by UK HEI depending on their interpretation of the questionnaire and risk appetite.
- Potential to have bottlenecks as requests will increase significantly around popular deadlines.
- No way for Users to self-serve as access is mediated by Admin using email.

Clearing House Level 1 – Staffed Inbox Flow Diagram



Level 2 – Basic Online Repository

Service diagram: https://miro.com/app/board/o9J_kk4uUQ8=/

This solution offers Users access to an online repository where completed due diligence questionnaires can be uploaded and are accessible to other Users. The database is premised on reciprocity and Admin grant Users access to the database upon receipt of a complete due diligence questionnaire. UK and international partners will be able to access the platform.

User Roles and Responsibilities

- User completes due diligence questionnaire received from UK HEI (.docx or .pdf) and seeks approval from their authorised signatory.
- Once approved, the User submits their completed due diligence questionnaire to a staffed inbox (e.g. researchduedil@arma.ac.uk).
- Once approved, the User will be granted access to the repository and able to retrieve completed due diligence questionnaires from other Users organisations.

Admin Roles and Responsibilities

- Once received Admin will check the due diligence questionnaire for completeness only and store the documents in the online repository.
- Upon confirming satisfactory receipt of a complete due diligence questionnaire, Admin will grant the User access to the online repository so that they can retrieve data from other User organisations.
- Admin will schedule an annual system-generated email to the User requesting that they review and update their data accordingly. Continued access to the repository is contingent on completed updates.
- Admin staffing will be comprised of several individuals working a combined total of 1.0 FTE to allow for leave, absence etc.

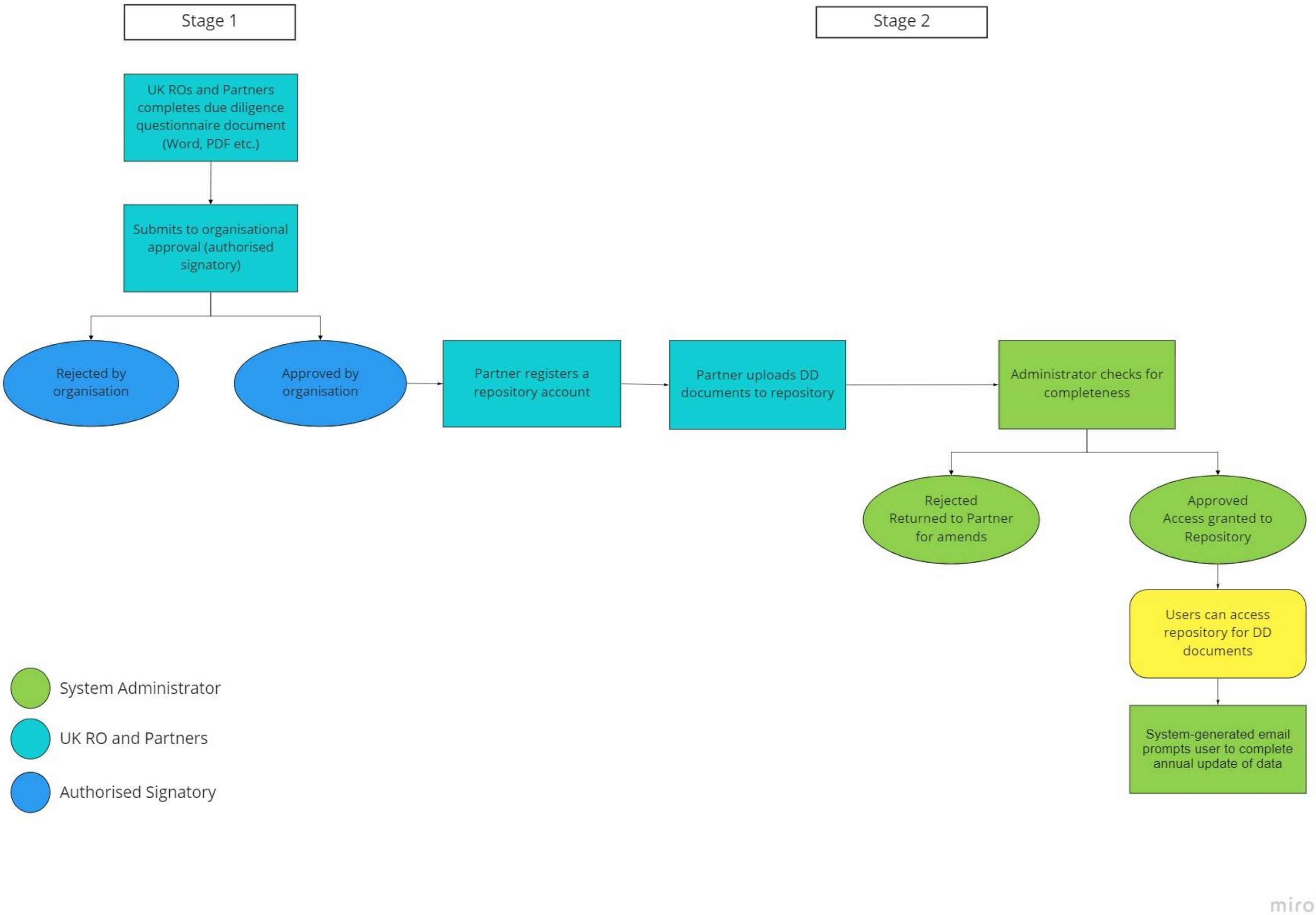
Positives

- Provides a self-service solution to due diligence requests which will significantly reduce duplication of effort (Users able to see who has completed due diligence questionnaires etc.)
- Access to the system is contingent on the satisfactory completion of a due diligence questionnaire thereby limiting access to active Users only.
- Likely to be less admin intensive over time and start-up and ongoing maintenance costs are unlikely to be high.

Negatives

- Onus for quality of data rests with the User and there is little oversight or curation of the database by Admin.
- Limits the ability to standardise the input data because the questionnaire is not contained within an online system and therefore may still vary by UK HEI depending on their interpretation of the questionnaire and risk appetite.

Clearing House Level 2 – Basic Online Repository Flow Diagram



Level 3 – Curated System

Service diagram: https://miro.com/app/board/o9J_kk3G_uc=/

This solution provides a bespoke system which hosts the due diligence questionnaire and permits Users to complete, approve and access documents online. The system would include facility for multiple Users and Approvers within an organisation and automate annual updates.

User Roles and Responsibilities

- Users are required to request permission to create an organisational account and create a profile which assigns a Primary Contact, User(s) and Approvers to administer tasks.
- Users complete the due diligence questionnaire online and submit for organisational approval via the system.
- Users submit the completed questionnaire to Admin for approval before being granted full access to the online repository and are given the opportunity to routinely update their data using their organisational account.
- Users could potentially administer access to organisational level data / project level data / sensitive data on a request basis.

Admin Roles and Responsibilities

- Admin receive requests to register an account and checks this against existing registrants to avoid duplication of accounts.
- Admin reviews completed due diligence questionnaires for completeness and quality and either approves the submission or returns it to the User within the system for further information.
- Admin will monitor the progress of account requests, drafting documents, submissions, re-submissions and updates using a system dashboard or reporting tool.
- Admin will communicate with Users using the system.

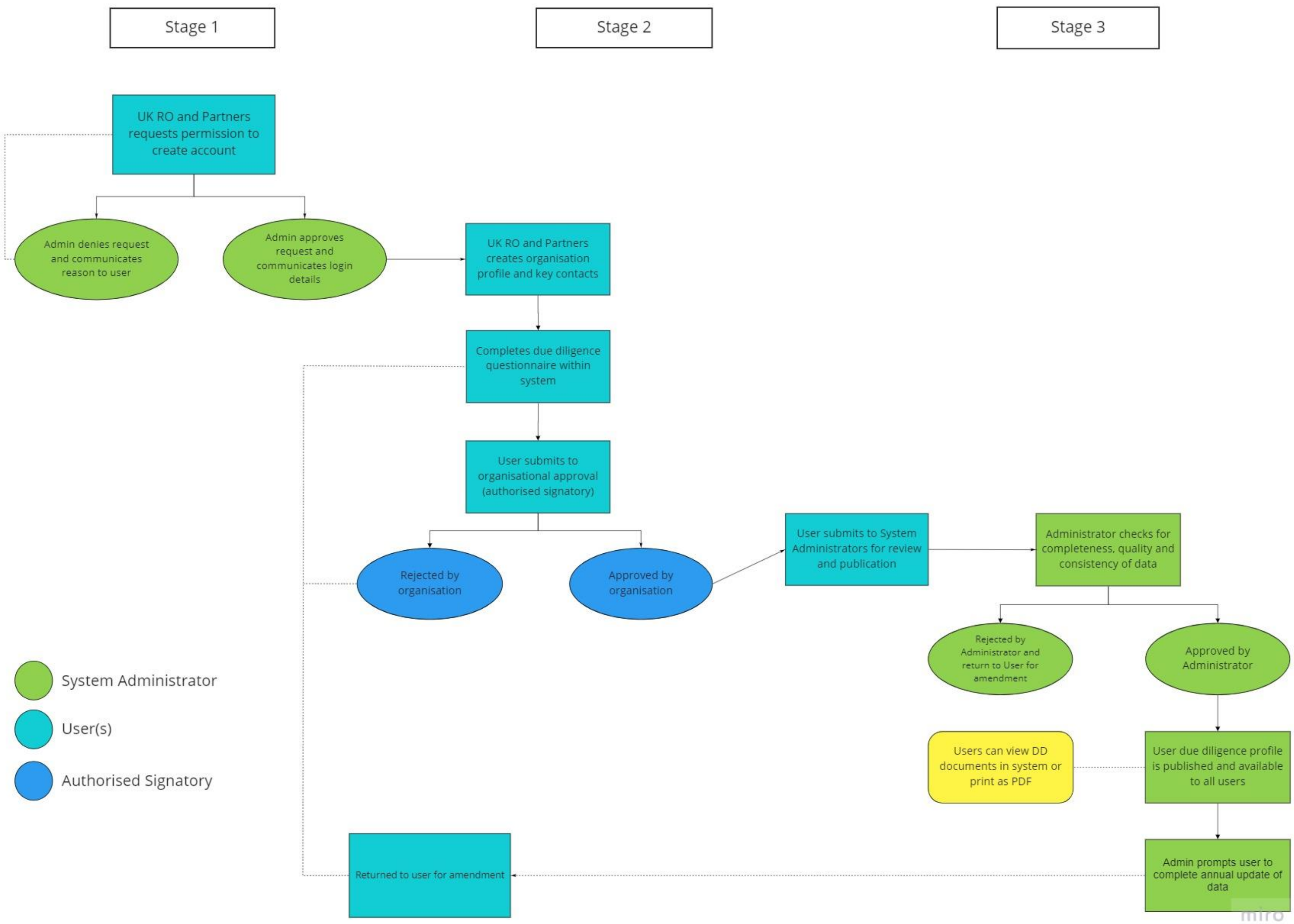
Positives

- Provides an end-to-end workflow solution for due diligence questionnaires which will minimise duplication of effort for UK HEIs and international partners.
- Can be staffed by a small number of Admin staff working within the system to limit email traffic.
- Could provide the facility to make organisational data public to other Users and project/sensitive data private and available upon request.

Negatives

- Likely to incur expensive start-up costs.
- Could lack flexibility i.e. if the whole questionnaire has to be completed within the system could this limit the participation of smaller organisations who would struggle to answer all questions?

Clearing House Level 3 – Comprehensive Online System Flow Diagram



Appendix 7.1

Cost Benefit Analysis Supporting Calculations

<table>
<tr><th>Q. How many due diligence checks does your organisation undertake on international research partners each year?</th><th>Commentary</th></tr>
<tr><td>Mean average
Due diligence questionaries from respondents to survey = 2,923
Respondents = 46 (a further 3 provided no data)
Mean average = ~64
Range = 1 - 440</td><td>The range, and inclusion of some nil returns, made a straight extrapolation inappropriate</td></tr>
<tr><td>Upper estimate
Mean average of respondents = ~64
HEIs with RGCI income > 2.5% of total income and RGCI > £1m = 94
Upper estimate = 94 * 64 = 6,016</td><td>Income data source = HESA data, 2018/19.

The 94 HEIs were considered to be a good proxy for those where there is sufficient RGCI activity to indicate a potential a cost-benefit from the project’s recommendations.</td></tr>
<tr><td>Lower estimate
1,728 surveys undertaken by the top 10 respondents to the survey were excluded
Mean average for remaining HEIs which responded = ~33
Using the same 94 HEIs identified above, less the 10 excluded, gives 84 remaining
Lower estimate = (84 * 33) + 1,728 = 4,516</td><td>Exclusion of top 10 respondents based on recognition that a few larger, research intensive, HEIs would heavily impact the mean average.</td></tr>
</table>