# Research and Enterprise Due Diligence Process

## 1. Introduction

1.1 Lancaster University values our collaborative partnerships for research, enterprise and engagement highly and these enrich our teaching and research. There is increasing emphasis on [Trusted Research](https://www.cpni.gov.uk/trusted-research)  and Innovation and requirements of UKRI and other funders to have policies and processes in place that enable appropriate and proportionate risk-based due diligence. As a research organisation, we need to understand who we are partnering with and assess any associated financial, reputational and operational risks involved, particularly when partnering with overseas organisations.

1.2 Lancaster University is required to evidence our assessment processes as part of the UKRI funding assurance programme. The risk relating to funding going to some jurisdictions overseas is greater than funding going to UK Research Organisations, as not all jurisdictions are subject to equivalent audit checks. Our due diligence process is a way to mitigate these potential risks, and assure both ourselves and our UK based funders that partner organisations overseas have the capacity, probity and expertise to carry out the activities requested of them.

1.3 All international funders, collaborators and subcontractors are assessed through a series of checks to identify and manage risk in the categories below before an activity is approved to proceed:

* Grant/Funding amount
* Country risk rating/Business climate rating (globalEDGE)
* Corruption index score
* Organisation legal status
* Sanctions
* Contracting arrangements
* Reputational impact
* Any other known assurance related issues.

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

1.5 The scope of this due diligence process includes research, enterprise and consultancy activities defined in the [*acceptance of funding from external research and enterprise policy*](#_Acceptance_of_Funding) (Part 3) and covers:

* all research and enterprise relationships with third parties entered into by or in connection with the University;
* multi-collaborative research projects, where overseas third party organisations are in receipt of funds from the University;
* any research funder identified through the University policy on acceptance of funding for external research and enterprise activities [link].

# It will have particular focus on:

* Overseas research funders with emphasis on financial and reputational risks
* Collaborative partnerships for research
* Collaborative partnerships for enterprise
* Consultancy partners

1.6 A due diligence light-touch first check should be undertaken during initial stages of project development using guidance on the Research and Enterprise [website](https://www.lancaster.ac.uk/research/research-services/) to assess whether there are potential reputational risks or financial and operational risks of collaborating with an external organisation, either as funder or research partner. The first checks will identify funders/partners or projects that require further review by the REDD Panel. Ideally, an initial assessment for any specific funder or partner will be undertaken prior to submission, but must be completed and approved *before* any funding is accepted and *prior* to payment of funds or commencement of the research or enterprise activity. A flow chart is included in Appendix 1.

## 2. Risk assessment

**2.1 Assessment Matrix**

|  |  |  |  |
| --- | --- | --- | --- |
| **Category** | **Low (scores 1)** | **Medium (scores 2)** | **High (scores 3)** |
| Grant Value/ Funding Value | £30,000 - £99,999 | £100,000 – £149,999 | £150,000 and over |
| GlobalEdge Country Risk | A1, A2, A3 and A4 | B and C | D and E |
| GlobalEdge Business Risk | A1, A2, A3 and A4 | B and C | D and E |
| Corruption Index | Over 55 | 34 - 55 | 33 and under |
| Organisation Legal Status | Public sector/HEI or Govt body | Private sector organisation with audited financial accounts | Private sector organisation without audited accounts or unknown |
| Sub-contracting arrangements | None or to UK HEIs/ROs and equivalent organisations in countries with low risk on corruption | Organisations in countries with medium risk on corruption index | Organisations in countries with high score on corruption index or unknown |
| Issues with potential to impact project completion | No | Yes, more than 3 months ago and issue now resolved | Yes, in the last 3 months and/or ongoing |
| Reputational risk | Unlikely - not flagged by PI or RDO |   | Links to military, hostile state, individuals with significant control, or flagged by PI/RDO for other reason |

**2.2 Action Table**

|  |  |  |  |
| --- | --- | --- | --- |
| **Overall Score =** | **8 to 10** | **11 to 15** | **15 to 24** |
| **Overall risk levels** | Low risk | Medium risk | High risk |
| **Action/review** | Proceed No requirement for REDD Panel review | Responses to relevant sections of the Due Diligence Questionnaire needed and review by REDD Panel required | Responses to all sections of the Due Diligence Questionnaire needed, review by REDD Panel including meeting attended by PI |
| **Contracting** | Standard collaboration agreement | Adapted collaboration agreement (for financial arrangements, IP etc) | Adapted collaboration agreement (for financial arrangements, IP etc) |
| **Reporting** | Normal reporting requirements | Quarterly statements in addition to normal reporting requirements | Quarterly Spend Report (including evidence), mid- award audit in addition to normal reporting requirements |

# 3. Research and Enterprise Due Diligence Panel (REDD Panel)

3.1 The University needs to assess the risk of working with certain partners or research funders. This is done through a series of checks to identify and manage risk before an activity is approved to proceed, and where necessary through review by the **REDD Panel**.

3.2 For research and enterprise activities, risks fall broadly into three areas with examples:

1. **Reputational**: Association with a funder, an individual with significant control or project that could damage Lancaster University’s reputation or the research community as a whole. Receipt of funding from one partner that could unduly damage the University’s relationship with another.
2. **Financial**: Understanding the financial standing of a partners/funders and that there are robust financial management and record keeping processes in place to enable the University and its partners to claim from funders against expenditure.
3. **Operational**: Consideration of how effective safeguarding and health and safety issues are addressed. Country constraints such as corruption risks and transferring funds and/or know-how, particularly research that involves export of controlled knowledge, technology or physical items to a partner outside of the UK.

3.3 The REDD Panel will review cases brought forward through the process of risk assessment and due diligence questionnaires to ensure that the research and enterprise carried out in the University’s name and with its partners is able to proceed and that partners understand from the outset what they are committing to in operational terms when working with us. In addition, the University has an obligation to review our relationships with regard to national security issues and an increasing number of external research funders place a requirement to undertake due diligence checks as a condition of award. The REDD Panel will undertake to mitigate any risks to the University arising from those checks.

### **4. Research and Enterprise Due Diligence Panel: Terms of Reference**

4.1 The remit of the Research and Enterprise Due Diligence Panel is:

4.1.1 To assess due diligence information in relation to collaborative research and enterprise projects with third party partners identified as medium or high risk (based on the risk assessment matrix [link]) through the University’s ACP governance checks or through other routes and in accordance with funder requirements e.g. UKRI GCRF proposals.

4.1.2 To evaluate the likely legal, financial, reputational, regulatory, safety and other risks identified on, but not limited to, the University’s due diligence questionnaire and checklists (which includes checks on country assessment, sanction lists, corruption index and FCDO advice for example).

4.1.3 To give **REDD Panel** **approval**, **approval with conditions or** **non-approval** of research and enterprise project partners identified as medium risk on financial and operational assessment, based on the risk assessment matrix.

4.1.4 To make **REDD Panel** **recommendations** **for approval, approval with conditions** **or non-approval** to the Pro Vice Chancellor for Research and Enterprise for final decisions on:

1. research and enterprise funders or project partners on reputational assessment,
2. research and enterprise funders or partners identified as high risk (financial or operational) on the risk assessment matrix.

The PVC will escalate **recommendations for approval with conditions** to the Vice-Chancellor for final decision, and may consider escalation of any large-scale awards or potential for significant reputational impact. In exceptional circumstances, cases may require consideration by Council.

4.1.5 To reconsider due diligence information in light of changes to project plans, or changes to partner organisations brought forward to the REDDP that could materially affect the risk.

4.1.6 To maintain a list of organisations assessed through the due diligence process. Assessment of the organisations and subsequent decisions will stand for a period of 2 years without the need for re-assessment unless there are substantial changes to take into account.

4.1.7 To review research and enterprise due diligence processes periodically to ensure they are fit for purpose and address external compliance requirements.

### **5. Approvals and Reporting Relationship**

**5.1 Financial and operational risk assessment,** the REDDP will either**:**

1. **Approve** (deemed to be acceptable medium risk with no outstanding concerns and no identifiable mitigations required)
2. **Approve with conditions** (where identified risks can be mitigated e.g. in collaboration agreements such as revised payment terms, IP clauses or where further information is requested)
3. **Not Approve**

**5.2 For all reputational and for high-risk financial and operational risk assessments** the REDDP will review cases and make **recommendations** to the PVC Research and Enterprise for:

1. A**pproval** (deemed to be acceptable high risk and no identifiable mitigations required)
2. **Approval with conditions** (where identified risks can be mitigated e.g. in collaboration agreements such as revised payment terms, IP clauses).
3. **Non-Approval**

The PVC will escalate all cases for **approval with conditions** to the Vice-Chancellor with recommendation for final decision. The PVC may choose to escalate other large-scale or high-risk cases to the Vice-Chancellor. In consultation with the Vice-Chancellor and the University Executive Board, some exceptional cases may be referred Council for consideration.

5.3 Once a funder has been approved by this process, future cases for the same funder will be approved by the REDDP, unless upon review the risk changes substantially. Where the risk has changed the REDD Panel will escalate with a new recommendation to the PVC Research and Enterprise.

5.4 The REDD Panel will provide periodic reports to the University Research Ethics and Integrity Committee and report annually to the PVC Research and Enterprise.

### **6. Frequency of Meetings and Membership**

6.1 The Research and Enterprise Due Diligence Panel will meet as required.

6.2 Membership will comprise of:

Director of Research and Enterprise Services (Chair)

Associate Director of Research Services (Deputy Chair)

Director of Strategic Planning and Governance (or nominee)

Deputy Director of Finance (Operations and Compliance) (or nominee agreed by the Director of Finance)

Head of Global Engagement

Academic representative from each faculty (nominated by faculty Dean)

Assistant Director of Communications (or nominee)

In attendance as required for specific cases:

Project Principal Investigator

Relevant Research Development /Business Development Manager

Further key people may be co-opted to the membership as required.

# 7. Appendix 1: Flowchart

