

Partner organisation due diligence policy and guide

1. Introduction

IDS works with a variety of partner institutions and subcontractors, and is engaged in multiple networks, collaborating with a high number of individuals and organisations. Collaboration is central to the aims and objectives of the Institute and our global network of partners and collaborators are vital towards delivering on cutting edge research and knowledge on a global scale. Subcontracting is a significant undertaking within the Institute. Subcontracts can vary in value from a few hundred pounds for one day's work to hundreds of thousands of pounds sustained over a multi-year programme. Subcontractors range from individual consultants to large organisations in the public or private sector. In many cases, subcontractors are identified during the preparation of the proposal, when partnerships are formed and negotiated. In other cases, a subcontractor is identified at the point at which a specific input is required once the project is underway. Whilst partnerships will always be central to IDS core aims, we also operate within a regulatory and operating environment which demands greater transparency in the distribution and use of donor funds as well as ever increasing scrutiny of the general day-to-day conduct of IDS and those we work with.

IDS must ensure, prior to any partner undertaking activity within agreements, that appropriate due diligence has been conducted, captured, assessed, and controlled.

In 2017, IDS commissioned the auditors Crowe Clark and Whitehill (CCW) to review the IDS contracting and due diligence procedures and to provide recommendations on best practices that align with industry, regulatory, and donor standards. Following the audit and the subsequent recommendations provided, this policy sets out the IDS due diligence framework and the minimum standards required to ensure that our approach and application of due diligence is in keeping with the standards required. It is IDS policy that due diligence is considered and applied to the right levels *before* contracts and financial arrangements are in place with partners.

2. Principles of the IDS due diligence framework

- The due diligence framework will apply to the procurement, selection, and contracting of a partner.
- The framework takes a **proportionate** and **risk-based** approach to due diligence in an effort to focus on the most important areas of concern regarding a prospective partnership/contract. The framework shall also address all of the recommendations from the auditors, CCW.

- Application of due diligence will be applied before or during the contracting process, sympathetic to the dynamic starting points for sub-contracting.
- The framework will facilitate the development of a central approved supplier repository where due diligence assessments will be stored, time stamped, and approved.
- Funder due diligence requirements will supersede the IDS due diligence framework where this is applicable.
- Due diligence will be conducted by the project/programme team commissioning the work, supported by the contracts and compliance team, finance and other colleagues.
- Training and guidance material as well as the application tools have been developed to help project and programme teams to effectively and consistently apply due diligence, and these are available to staff on the Intranet.
- To be applied to organisations. Partners acting within an individual capacity¹ will be managed through IDS contracting and new policy framework.

3. Due diligence risk assessments

To fulfil the principle of proportionate and risk-based due diligence, it is important to understand the key characteristics of the work that the partner will perform on behalf of IDS and the donor. Understanding the nature of the work will help to consider the inherent *risk* linked to activities and the appropriate level and types of due diligence to be applied. The following outlines *risk triggers* for due diligence that project teams must consider. The partner shall:

- **Be a consortium member;** partner is a member of a consortium, leading on one or more project or programme work-streams and has programme governance and management responsibilities. Funding is contingent on the partners ongoing role within the project or programme.
- **Be a key implementing partner;** the partner is playing a lead role on a significant component within inception and implementation activities. The partner will be present throughout the lifecycle of the project or for a significant period of it. Funding may be contingent on the partners' ongoing role within the project or programme.
- **Receive pass through of more than £25K;** the partner will receive a significant proportion of the project's or programme's funds and will be responsible for the management and reporting of the funds.
- **Pass through funds downstream;** the partner will be responsible for flowing down project or programme funds through commissioned/contracted work.

¹ It may still be required to screen individual consultants and providers against sanction lists as detailed further down within this document and project teams should ensure that they can evidence the selection and procurement criteria followed.

- **Operate within a high risk/FCAS setting;** the partner will be operating directly within a FCAS setting/within a location which would require a secondary risk assessment in order for IDS staff to travel.
- **Have direct contact with research participants;** the partner will be responsible for the direct engagement of, and contact with, research participants who are children or vulnerable adults.
- **Deploy staff overseas;** the partner will be deploying a number of their staff (which can include volunteers) in order to meet the objectives of the project or programme. Deployment can involve overnight travel within home country or travel overseas.

4. Due diligence pillars

Once the inherent risk within the partners’ activities is understood, due diligence can be conducted through matching the risk trigger with a due diligence *risk pillar*. The pillars will outline particular due diligence matters of concern. The pillars are shown within figure 1:

GOVERNANCE & CONTROL	CAPACITY & EXPERIENCE	FINANCES	DOWNSTREAM MANAGEMENT	SAFEGUARDING AND ETHICS	SECURITY
<ul style="list-style-type: none"> • Legal basis for org • Fraud, bribery and anti-corruption policy • GDPR/Data protection compliance • External/internal audit 	<ul style="list-style-type: none"> • Staff capacities and capabilities • Demonstrable prior experience 	<ul style="list-style-type: none"> • Financial stability and liquidity • Financial management and controls • Pricing and <u>VfM</u> 	<ul style="list-style-type: none"> • Contracting processes and procedures • Due diligence framework • Fraud bribery and anti-corruption policies 	<ul style="list-style-type: none"> • Safeguarding, monitoring and reporting • Anti-discrimination, harassment, bullying 	<ul style="list-style-type: none"> • Travel and physical security safeguards • Duty of Care/Insurance

Figure 1

Figure 2 demonstrates how the risk triggers correspond to the risk pillars.

	RISK TRIGGER	Consortium Member	Key Implementing Partner	>£20K pass through	Downstream Pass through	FCAS Setting	Direct Beneficiary Contact	Deploy staff overseas
PILLAR								
Governance and control		✓	✓	✓		✓		
Capacity and experience		✓	✓			✓		
Finances		✓	✓	✓		✓		
Downstream management		✓			✓			
Safeguarding and Ethics		✓				✓	✓	✓
Security		✓				✓		✓

Figure 2

5. Due diligence request for information

Due diligence will be applied through requesting information from the partner relevant for the risk pillars identified as necessary through the assessment of the partner’s scope of work. Requests for information (RFIs) should be issued to partners, which solicits information on the partner’s ability to deliver on the

expectations and manage risks at least to an equal standard of IDS. RFIs should be issued to partners at the earliest opportunity. Timing for RFIs will be variable, but should be executed under the following guidelines:

- **For IDS issued grant/funding tenders:** due diligence RFIs should be requested as part of the Instructions for Tender and should form part of the tender evaluation.
- **For partners selected and named within IDS to funder proposals:** the partner's capacity and value to the project and funder should be assessed before inclusion within a proposal (see guidance from the Partnerships office) and due diligence RFIs complete before award notifications².
- **For new partners during project and programme implementation:** due diligence must be complete prior to any contracts being awarded, so it will be important to consider the time needed to complete this within project plans and timelines.

6. FCDO Supplier Code of Conduct Due Diligence

The UK Foreign, Commonwealth & Development Office (FCDO) have new terms of contract that have been in place since September 2017. Contractual terms issued since this time include assurances and requirements regarding compliance with the FCDO Supplier Code of Conduct. Partners to be contracted under FCDO projects may need to complete enhanced due diligence that aligns with the FCDO requirement.

7. Assessing due diligence responses and remediation

Once partners have completed and returned RFIs, responses will need to be assessed and a determination made as to whether the responses are 'good'. It is IDS policy to work with partners towards mitigating any concerns that arise through the partners' responses. Assessments shall consider if any *red flags* are present that require mitigation before work can be commissioned. Figure 3 outlines the red flags, escalation points, and suggested mitigating actions. The project manager and support officers will work with the Contracts and Compliance team to ensure remedial actions are in place. The due diligence report must be completed by a member of the project team and saved to the CRM organisational record. The contracts and compliance team will use the report to determine if any additional contractual stipulations are required to ensure that risks are satisfactorily remediated.

² It may be the case that IDS and named partners must complete a funder due diligence request for information. Where this is required, the funder requirements will take priority. Additional due diligence may need to be complete at a later date if the funder due diligence has not sufficiently satisfied the standards set forth within this policy.

DUE DILIGENCE PILLAR	RED FLAG	ESCALATION POINT	ACTION TO TAKE
Governance and Control	<ul style="list-style-type: none"> ❑ No legal basis for organisation established or concern over legitimacy ❑ No institutional bank accounts in place ❑ Weak internal or in country financial controls ❑ Lack of adequate data protection policies and practices ❑ No requested policy in place 	<ul style="list-style-type: none"> ❑ CCM ❑ CCM ❑ CCM ❑ DPO ❑ CCM 	<ul style="list-style-type: none"> ❑ Escalate to CCM. Further investigation required. Establish possibility for individual consultant sub-contracts ❑ Delay money transfer until institutional account is in place ❑ Set up tranche payments considering risks established and establish financial reporting framework through the contract ❑ Seek further data risk assessment through DPO ❑ Flow down appropriate IDS policy in contract framework
Capacity and Experience	<ul style="list-style-type: none"> ❑ No past experience demonstrated ❑ Capacity to deliver not determined 	<ul style="list-style-type: none"> ❑ PI ❑ PI 	<ul style="list-style-type: none"> ❑ Raise to PI and request approval to proceed ❑ Raise to PI and request approval to proceed
Finances	<ul style="list-style-type: none"> ❑ No audited accounts provided ❑ Accounts show liquidity or solvency issue ❑ Other sources of income not provided or established 	<ul style="list-style-type: none"> ❑ CCM ❑ CCM ❑ CCM 	<ul style="list-style-type: none"> ❑ Sign off from DFO required to proceed ❑ Sign off from DFO required to proceed ❑ Sign off from DFO required to proceed
Downstream Management	<ul style="list-style-type: none"> ❑ No contracting management policy/processes established ❑ No due diligence process in place ❑ No fraud, anti-corruption policies in place 	<ul style="list-style-type: none"> ❑ CCM ❑ CCM ❑ CCM 	<ul style="list-style-type: none"> ❑ Escalate to CCM. Explore option to directly sub-contract downstream partners or ensure contracts can be issued in line with IDS standards ❑ Request IDS Due Diligence pro-formas are complete ❑ Flow down appropriate IDS policy in contract framework
Security, Safeguarding and Ethics	<ul style="list-style-type: none"> ❑ No safeguarding policies, monitoring, reporting mechanisms in place ❑ No anti-harassment/bullying/discrimination policies in place ❑ No duty of care established/insurances in place 	<ul style="list-style-type: none"> ❑ CCM ❑ CCM ❑ CCM 	<ul style="list-style-type: none"> ❑ IDS safeguarding policies to be included in contract framework with declaration from partner provided that standards are understood are met along with code of conduct ❑ Flow down appropriate IDS policy in contract framework along with code of conduct ❑ IDS duty of care and insurances extended through TNF/SRA process

Figure 3

The IDS Due Diligence Pro-forma contains a partner risk assessment that project teams need to complete. Once the risk assessment is complete, the relevant RFIs required for the partner will be auto-generated.

8. Capturing and storing due diligence

The organisational page for the partner within the Customer Relationship Management (CRM) system will be the central repository for due diligence records. Within this page, the type of due diligence conducted (according to the risk pillars) and the outcomes will be recorded and time stamped. The Contracts and Compliance team will also need to approve due diligence records to confirm that it has been complete to a satisfactory standard and will identify any red flags. Due diligence records will stay on file and remain valid for a period of two years. Partners with approved due diligence records will be listed within the *IDS Approved Partners List*. The same type of due diligence will not need to be complete again for the partner within this period unless the requirements of their work are materially different or carry a higher level of risk.

9. Country, organisational, and individual sanctions

IDS staff are asked to be aware of sanctions that may be in place on certain countries, as they can restrict direct and indirect business and economic transactions within affected countries. If it is necessary to set up a contract with anyone from within a sanctioned country, IDS staff should first speak to the Contracts team to discuss requirements **before** any work has started. Information on sanctioned countries can be found within the Contracts and Compliance intranet page.

It is IDS policy to screen prospective partners against consolidated sanction and terrorist screening lists. New organisations will be screened by the Contracts and Compliance team against the following lists prior to contracting:

- HM Treasury and Office of Financial Sanctions Implementation consolidated list of financial sanctions targets
- The Home Office list of Proscribed Terrorist Organisations

Other sanction or terrorist screening lists may be used when appropriate. For example, contracts from US based funders may stipulate that screening lists provided by the Office of Foreign Assets Control (OFAC) of the US Department of Treasury need to be used.

Materials and Training

The Contracts and Compliance team has developed tools, materials, and training needed to complete due diligence as required within this policy, and these are available on the Contracts and Compliance Intranet page.

Approved Partner List

An approved partner list is available as a standard rolling report within CRM that lists details of due diligence complete by partner organisations. Details of complete due diligence can also be found in the organisational contacts record within CRM.

Revisions

This document will be reviewed and updated on a regular basis. It will be maintained by the Contracts and Compliance Manager and will be re-issued when revisions have been made.

Revision History

Issue Number	Date	Changes Made	Owner	Approved By
2	September 2021	Reviewed with updates on training materials provided and FCDO terms of contract	Muz Roberts	Muz Roberts
1	August 2018	First Issue	Muz Roberts	Tim Catherall, Director of Finance and Strategic Operations