

Due Diligence Policy

Creation/Revision date:	June 2024
Approved by:	Board of Directors
Date of Approval:	11 July 2024
Next Review date:	December 2026
Policy Owner:	Director of Consultancy and Network

As a responsible charity, INTRAC needs to perform due diligence checks to ensure it is not put at risk. The risks fall into the following main areas: legal, financial, and reputational. These areas can overlap.

Risks can arise because of the activities we undertake or because of the relationships we have with clients, funders and suppliers (including consultants). One key area for relationships is being sure we understand who we are working with.

A due diligence process will be carried out before entering into a new business relationship with a new client or consultant, and should be reviewed periodically. The exceptions to this general rule, unless there has been a significant change in any factor of the relationship and/or programme, are when:

- The proposed opportunity is a continuation of funding or development of an existing project; and/or
- A recent due diligence assessment, within the last year, has been carried out on the proposed partner/project and where this assessment relates to activities in a similar or related sphere of activity.

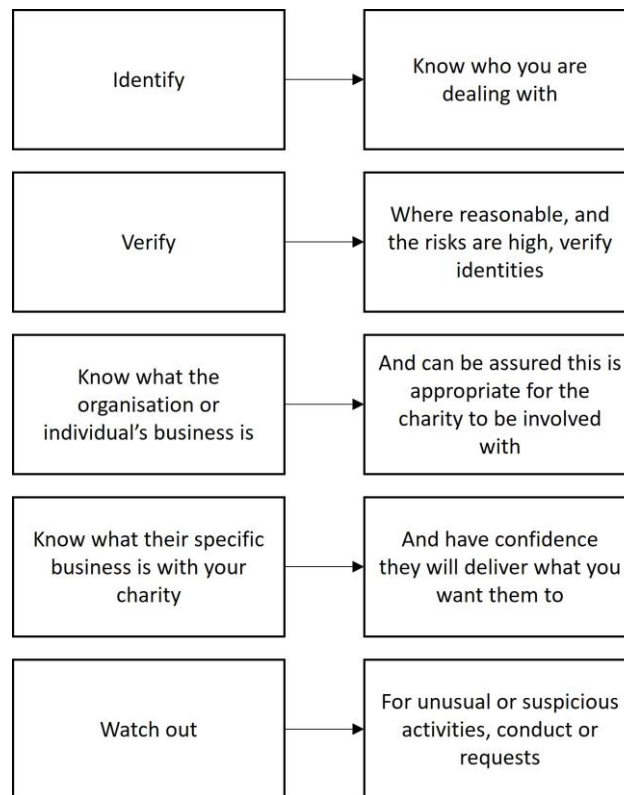
Additionally, as we become more network-led and enhance our network (ensuring opportunities for interaction among network members as part of learning, professional development, advocacy activities as well as work), due diligence should be **carried out with all new members of the network, by completing the consultant checklist, as part of our standard vetting process.**

Note: See our other [key policies](#) that relate to due diligence:

- Values and code of ethics
- Travel Safety and Security
- Finance
- Procurement
- Safeguarding

1 Due diligence core principles

The Charity Commission for England and Wales sets out due diligence core principles, below. These should also be considered in terms of INTRAC's own [values](#) and [code of ethics](#):



2 Risk Areas

a) Legal

Ensuring that INTRAC complies with legal requirements.

- Terrorism and sanctions:
 - not working with prohibited organisations
 - not transferring to or receiving funds from any designated entities, subject to financial sanctions, unless we have obtained permission from HM Treasury to do so. This includes participants of our open training courses
- Bribery legislation: It is a criminal offence for INTRAC to do anything that promotes bribery and corruption. This applies to our activities everywhere in the world.
- Health and safety. This is more relevant to our activities than our relationships. Safety and Security of both the staff we employ and consultants we engage on particular assignments is a key area. This is covered in key policies and procedures, such as [Travel Safety and Security, and Safeguarding](#).

b) Financial

We need to know that

- Clients will be able to pay us
- Funders are financially stable

- Suppliers will be able to provide the goods and services we have engaged them for.

The Charity Commission provides guidance on:

- [Due diligence checking for partner organisations](#)
- [Complying with legislation on terrorism](#)

c) Reputational

We need to ensure that relationships we form – including funding and working relationships are not going to damage our reputation, e.g. by working with, receiving funds or sourcing goods and services from organisations and individuals who are involved in activities that go against our aims and objectives and might be contrary to our charitable status. For more information, see [INTRAC's Procurement Policy](#).

Reputational risk is a key distinction in determining the countries that require enhanced due diligence, where extra vigilance is needed and potential sign off from INTRAC's Finance and Risk Committee (FARCOM). This goes beyond the regulatory risks that should be picked up in standard due diligence checks. (See more on enhanced due diligence, below).

3 Due diligence checks

a) Organisations and individuals we work with

Due diligence checks with new organisations or those we've not worked with for more than a year will cover the following areas:

- Identity
- Control
- Third-party relationships – such as with other partners, suppliers, funders
- Activities
- Financial stability
- Safety, security, equality, diversity and inclusion. It is important to know that organisations we work with have acceptable safeguarding and EDI procedures
- Assessment of the potential impact on our financial stability

Due diligence checks for individual consultants will cover:

- Identity and sanctions
- Safety, security, equality, diversity and inclusion, by completing the checklist and signing up to network code of conduct (on joining the network) signing up to safeguarding and other policies as part of contracting

Due diligence checks for open training participants will cover:

- Identity and sanctions for those from countries where enhanced due diligence is advised

Note: various donors will have their own minimum standards and requirements in relation to due diligence. These will often relate to the donor country's own laws. It is important to check contracts

around due diligence. Donor requirements will need to be adhered to, and sanctions lists, for example, may differ according to different countries.

b) Terrorism and financial sanctions

All new organisations and consultants should be checked against terrorism and financial sanctions.

a) Check name against UK lists of designated entities (NB: entities can be individuals or organisations)

- [List of designated persons, terrorism and terrorist financing](#)
- [Financial sanctions targets: list of all asset freeze targets](#)
- [Note: you can subscribe to updates here](#)

b) Internet search for [any known associations with proscribed terrorist groups and organisations](#) and owning/controlling entities, by searching 'name+sanctions+association'

c) Effort should be made to ensure accommodation outside UK is suitable and not linked to sanctions lists. It is the responsibility of the job manager to be vigilant when booking:

a) Consult the client to ask for recommendations for suitable accommodation, taking into account safety and value for money

b) Ask the client if they have policies in place to ensure that the hotel is not owned, or controlled by a designated entity under UN, EU or UK sanctions.

c) If the answer to 'b)' above is no then you should perform the checks listed in a) above.

If the hotel fails this test and is identified as being connected with a designated person you should ask the client for alternative recommendations – or suggest alternatives that you have identified. If no suitable alternatives can be found it may still be possible to use it but we will need to apply to OFSI at HM Treasury for a licence before we are able to make any payments. [Details of how to do this can be found in guidance on the OFSI website](#)

c) Local laws and customs

Charity Commission guidance states the importance of understanding and complying with local laws and customs as part of due diligence. When designing work, proposals, contracts it is important to consult and co-design with local partners who can provide advice on specific aspects, such as local VAT and other financial issues, as well as the appropriateness of the work more generally given the context. Some countries also have specific laws and restrictions around the flow of money into and out of the country. Guidance may also be found in lead contracts from donors. These aspects may influence if work should be undertaken on ethical and financial grounds. It is the responsibility of team leaders, job and finance managers to be aware of and seek to understand local laws and customs in this regard.

d) Enhanced due diligence

A key aspect of determining countries with enhanced due diligence is the **perceived reputational risk to INTRAC**, beyond the regulatory risks picked up in standard due diligence checks.

If an organisation or consultant is entering into a business relationship with INTRAC from a country where the perceived reputational risk to INTRAC is high, it is important to raise this with the Director

of Consultancy and Network who will, if appropriate, raise with FARCOM. This helps provide oversight and mitigate risk on the part of INTRAC's Board of Trustees, as well as providing a level of scrutiny to give confidence to the Charity Commission and other bodies. Being subject to enhanced due diligence does not stop INTRAC from working with consultants or forming partnerships and entering into business relationships with individuals or organisations from that country, only that we will ensure an additional level of scrutiny and document such relationship in Board minutes.

There is no single authority on what constitutes reputational risk. SMT/FARCOM have associated increasing reputational risk with the level of human and economic freedom abuses in a jurisdiction.

To determine if enhanced due diligence is required:

- If a country appears on the Financial Action Task Force's (FATF) list of high-risk jurisdictions (<https://www.fatf-gafi.org/en/countries/black-and-grey-lists.html>) (at 12th June 2024 these are: Democratic People's Republic of Korea, Iran, Myanmar): enhanced due diligence is required. Contracts relating to these countries will be raised with FARCOM
- If a country has a score under 5 on the [World Population's Human Freedom Index](http://worldpopulationsreview.com/country-rankings/freedom-index-by-country):¹ (<http://worldpopulationsreview.com/country-rankings/freedom-index-by-country>) raise with the Director of Consultancy and Network, or SMT. They will look into current active conflict, rights abuses, etc, and make a call if to raise with FARCOM.

Should due diligence not surface any aspects that would disqualify partnership, such as links to sanctions/terrorism, the Treasurer, acting on behalf of FARCOM, will make a judgement based on the due diligence evidence – this will weigh up and balance compliance and ethical aspects, such as financial evidence, contract value, and availability of safeguarding, EDI information on ethical grounds.

The following evidence should be shared with SMT/ the Treasurer:

- ToR for the work / contract
- Completed due diligence templates/checklists
- Our recommendation for the outcomes based on the evidence

Contracting a consultant or having a participant on an open training course, **does not** require FARCOM sign off. Please notify the Director of Consultancy and Network if:

- Standard due diligence checks pick up anything suspicious. DCN will make a call on if FARCOM needs to be notified (recorded in the next FARCOM meeting)
- The individual is from a country on the FATF list of high-risk jurisdictions – FARCOM will be notified by DCN of any individuals from these countries
- The individual is from a country that has a score lower than 5 on the World Population Human Freedom Index. DCN will make a call on if FARCOM needs to be notified
- If due diligence SMT/Director of Consultancy and Network should be notified before due diligence is carried out.

This will be documented in FARCOM minutes.

¹ The [Human Freedom Index](#) is the most comprehensive empirical measure of freedom created. It compares 82 different indicators to quantify degrees of freedom in 165 countries. This is a guide; we recognize there is lag time between review and published data and that some jurisdictions are missing from the Index. If in doubt, raise with Director of Consultancy and Network

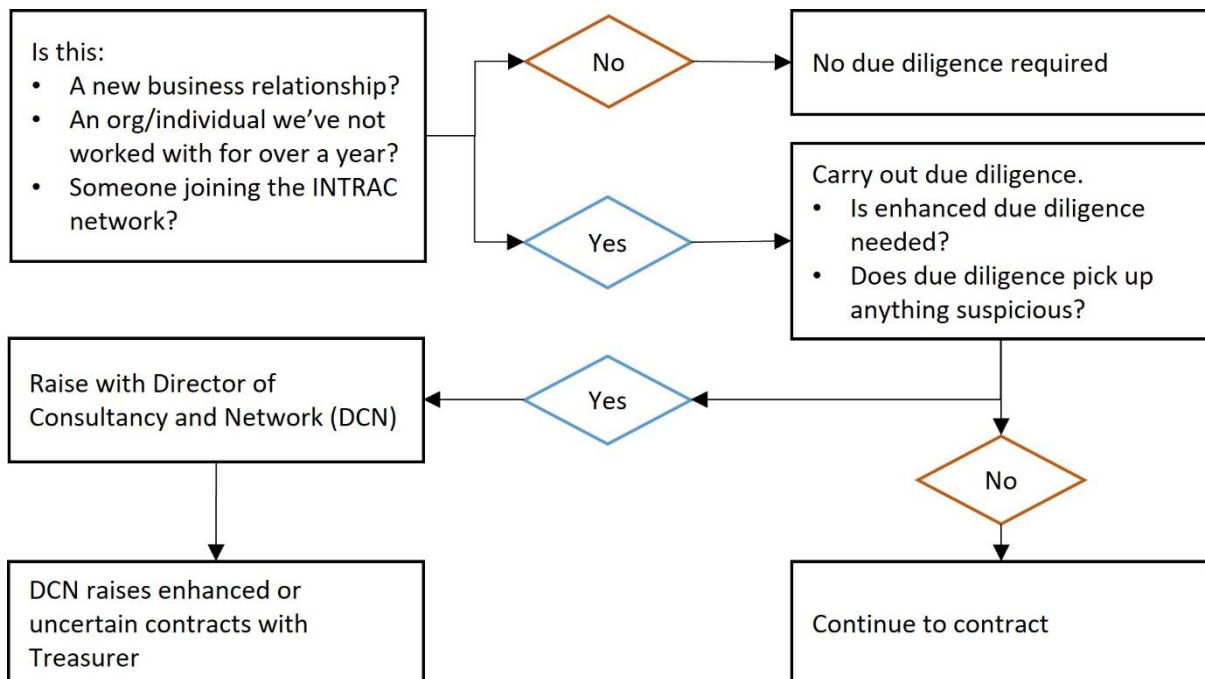
e) Scheme of delegation

- Due diligence for all projects, consultancies, and with individual consultants is carried out by the Business Development and Consultancies Coordinator (BD&CC). If unavailable, this should be carried out by a consultant or principal consultant on the project, or the Business Development Manager.
- Due diligence for open training participants is carried out by the Training and eLearning Officer. If unavailable, this should be carried out by the Senior Training Coordinator, or Training Strategy and Delivery Lead.

If anything arises during due diligence checks that questions the due diligence core principles, this should be raised with the Director of Consultancy and Network. Any contracts relating to high-risk countries (as determined above) should be raised with the Director of Consultancy and Network ahead of due diligence checks, who will raise with the Treasurer as necessary.

f) Decision making process

The following flowchart summaries the due diligence decision making process:



5 Recording due diligence checks and decisions

The due diligence templates and checklists appended and linked to this policy should be completed when carrying out due diligence. Guidance is included in these documents for completion.

These should be cut and pasted to a new word document and annotated to record the due diligence work that has been done and basis for decisions made, and saved in the relevant jobs folder, along with supporting documentation that may have been gathered during the assessment.

6 What to do if due diligence checks raise suspicions

If due diligence checks reveal evidence of crime, INTRAC must report the matter to the police and/or other appropriate authorities.

There are some specific requirements around donations/grants:

- If we have reasonable cause to suspect that a donation or client fund is related to terrorist financing, Trustees are under specific legal duties under the Counter-Terrorism Act to report the matter to the police. In the case of money laundering, reports can be made to the police, a customs officer (HMRC), or an officer of the National Crime Agency.
- Such issues should be reported to the Charity Commission under the reporting serious incidents regime, especially if significant sums of money or other property are donated to the charity from an unknown or unverified source. This could include an unusually large one-off donation or a series of smaller donations from a source you cannot identify or check. The commission expect trustees to report any such payment (or payments) totalling £25,000 or more.

If in doubt, raise the matter with the Director of Consultancy and Network/SMT.

Appendices – Due Diligence Checklist Templates

[Client and consultant due diligence checklist](#)

[Supplier due diligence questionnaire](#)

[Consultancy process – guidance on induction, contracting, due diligence etc](#)

[Consultant/Trainers Form](#) – due diligence checklist