



Spelthorne Borough Council
Procurement Policies & Procedures

DRAFT 08_Supplier Due Diligence Checklist

Supplier Due Diligence Checklist

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1. Introduction

The Council procures works, goods and services from a wide range of suppliers, and relies on the supplier to be financially solvent for the duration of the contract, to comply with its legal and commercial obligations as a trading company and to be a reputable organisation with which the Council is happy to be associated.

To ensure that suppliers can deliver the contract to the standard and quality required, throughout the life of the contract, it is important to carry out effective supplier due diligence not only as part of the tender process, but during the contract term.

2. Purpose

This procedure provides guidance to officers who manage, or who are about to embark on managing, a contractual relationship with supplier(s), to provide assurance of supplier reliability.

The procedure details when due diligence needs to be carried out, and the scope of the due diligence check to be undertaken. A due diligence checklist is at Appendix A.

3. When to carry out Due Diligence

The financial health of a supplier should be checked at a number of stages:

- At tender stage, when the supplier submits their corporate information as part of their tender
- Prior to finalising the contract if this is a significant amount of time (6 months or more) after the tender submission

- At appropriate intervals during the contract, but a minimum of every six months is suggested if the supplier is providing a higher value (over the PCR threshold), complex or strategic contract.

4. Scope of the Due Diligence Check

The Standard Supplier Questionnaire (SQ), used as the basis for shortlisting suppliers during a formal procurement process, provides a good template for conducting supplier due diligence both during the tender process and - in short form - during the life of the contract.

The SQ covers the following key areas to consider:

- **Supplier Information:** such as trading name; company number; registration address; trading status (e.g. limited company), etc.
- **Grounds for Mandatory Exclusion:** Involvement in fraud, corruption, terrorist events, money laundering, modern slavery, etc.
- **Grounds for Discretionary Exclusion:** breach of social, environmental or labour laws, significant underperformance of a public contract, etc.
- **Evidence of Economic or Financial Standing:** two years' audited accounts, or other financial documents which demonstrate financial standing, etc.
- **Confirmation of suitable levels of Insurance:** as appropriate for the value and risk associated with the contract.

The SQ will be used during the tender process. The short form of the SQ will be used during the contract life to periodically check the supplier's status. This can be found at Appendix A – Due Diligence Checklist.

Officers responsible for the management or administration of a contract are advised to conduct checks in accordance with the guidelines below:

| Contract characteristics | Example | Frequency |
|---|---|--|
| High value, complex potentially high risk | Construction contract; Meals on Wheels | Start of contract; every 6 months thereafter |
| Medium value, lower risk | Cleaning contract; maintenance contracts | Annually |
| Low value, low risk | Stationery | Start of contract, not required thereafter |

5. References to other SBC Policies

Contract Standing Orders
09_Managing Risk in Procurement Projects

APPENDIX A – DUE DILIGENCE CHECKLIST

DUE DILIGENCE CHECKLIST

Supplier Information

| | |
|---|--|
| Please complete the following in full: | |
| Contact name | |
| Supplier full trading name | |
| Registered office address | |
| Trading status (e.g. limited company, sole trader etc). | |
| Company registration number | |
| Registered VAT number | |
| Are you a Small, Medium or Micro Enterprise (SME)? | Yes <input type="checkbox"/> No <input type="checkbox"/> |
| Name of immediate parent company, if applicable | |
| Role in organisation | |
| Telephone number | |
| Email address | |
| Signature (electronic is acceptable) | |
| Date | |

Grounds for Mandatory Exclusion

| | |
|---|--|
| Please answer the following questions in full. Please indicate if, within the past five years you or your organisation have been convicted anywhere in the world of any of the offences within the summary below: | |
| Participation in a criminal organisation | Yes <input type="checkbox"/> If yes, please provide details No <input type="checkbox"/> |
| Corruption | Yes <input type="checkbox"/> If yes, please provide details No <input type="checkbox"/> |
| Fraud | Yes <input type="checkbox"/> If yes, please provide details No <input type="checkbox"/> |
| Terrorist offences or offences linked to terrorist activities | Yes <input type="checkbox"/> If yes, please provide details No <input type="checkbox"/> |
| Money laundering or terrorist financing | Yes <input type="checkbox"/> If yes, please provide details No <input type="checkbox"/> |
| Appear on the UK Sanctions List | Yes <input type="checkbox"/> If yes, please provide details No <input type="checkbox"/> |
| Child labour, Modern Slavery and / or other forms of trafficking in human beings | Yes <input type="checkbox"/> If yes, please provide details No <input type="checkbox"/> |

Grounds for Discretionary Exclusion

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|--|
| Please indicate if, within the past three years, anywhere in the world any of the following situations have applied to you or your organisation: |
|--|

| | |
|---|--|
| Breach of environmental obligations | Yes <input type="checkbox"/> If yes, please provide details No <input type="checkbox"/> |
| Breach of social obligations (e.g. not delivered full social value as tendered within a contract) | Yes <input type="checkbox"/> If yes, please provide details No <input type="checkbox"/> |
| Breach of labour law obligations | Yes <input type="checkbox"/> If yes, please provide details No <input type="checkbox"/> |
| Breach of cyber security | Yes <input type="checkbox"/> If yes, please provide details No <input type="checkbox"/> |
| Bankrupt or the subject of insolvency or winding-up proceedings, the organisation's assets being administered by a liquidator or by the court, has an arrangement with creditors, where business activities are suspended or similar? | Yes <input type="checkbox"/> If yes, please provide details No <input type="checkbox"/> |
| Guilty of grave professional misconduct? | Yes <input type="checkbox"/> If yes, please provide details No <input type="checkbox"/> |
| Entered into agreements with other economic operators aimed at distorting competition? | Yes <input type="checkbox"/> If yes, please provide details No <input type="checkbox"/> |
| Shown significant or persistent deficiencies in the performance of a substantive requirement under a prior public or other contract, including a concession contract, which led to early termination of that prior contract, damages or other comparable sanctions? | Yes <input type="checkbox"/> If yes, please provide details No <input type="checkbox"/> |

Economic & Financial Standing

| | |
|--|--|
| Are you able to provide a copy of your audited accounts for the last two years, if requested, or a minimum of one of the following: | |
| <p>(a) A statement of the turnover, Profit and Loss Account/Income Statement, Balance Sheet/Statement of Financial Position and Statement of Cash Flow for the most recent year of trading for this organisation;</p> <p>(b) A statement of the cash flow forecast for the current year and a bank letter outlining the current cash and credit position.</p> <p>(c) Alternative means of demonstrating financial status if any of the above are not available (e.g. forecast of turnover for the current year and a statement of funding provided by the owners and/or the bank</p> | <p>Yes <input type="checkbox"/></p> <p>No <input type="checkbox"/></p> |
| Note: Advice must be sought from the Finance Team to assess any financial documents provided by the Supplier. | |

Insurance

| |
|--|
| Please confirm the levels of insurance cover you have, as below: |
| <p>Employer's (Compulsory) Liability Insurance = £</p> <p>Public Liability Insurance = £</p> <p>Professional Indemnity Insurance = £</p> <p>Product Liability Insurance = £TBC</p> <p>*It is a legal requirement that all companies hold Employer's (Compulsory) Liability Insurance of £5 million as a minimum (not applicable to Sole Traders)</p> |