

# Guidance for council due diligence



## What is due diligence?

### **Due diligence is checking the supplier to understand:**

- Are they genuine, capable, reliable, legitimate company?
- Are they financially stable?
- Do they have the required insurances, authorities, licences and management systems/processes in place?
- Do they have supporting documents achieving the desired sustainability goals and objectives or would like to innovate to create those outcomes?
- Any conflict of interests?

# Why should we ask questions of a potential supplier?

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Due diligence helps to answer 3 main questions before entering into a relationship with the supplier or contractor:

1

Do we know enough about this supplier to make an informed decision about whether we should do business with them?

2

Are there any potential risks that council and the supplier we need to manage?

3

What are the areas the supplier must improve upon, to meet minimum standards and expectations?

## Tiered approach to due diligence:

### Baseline

Usually between  
\$2k to \$50k

- Do they have the business registration, required insurances etc.
- Validate business name
- Simple product or services risk assessment
- Follow your procurement policy and procedure.

### Medium Level

Usually between  
50k to \$500k

- Baseline approach +
- Financial viability assessment
- Non-technical sustainability questions tailored to the goods or services (see SSROC Guide)
- Tailored technical sustainability questions relevant to the goods or services and desired sustainability outcomes
- Check with your procurement department for RFQ or RFT and probity guidelines
- Check with your legal department if required.

### Formal

For Large, Complex,  
or High risk

- Baseline and medium level due diligence levels +
- Detailed and tailored non-technical and technical sustainability questions relevant to the goods or services *and* desired sustainability outcomes
- Follow policy and procedures for engagement of consultants
- Ensure approvals under delegated authority.

# Checklist for due diligence - things to look for

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- Operational capacity:** risk/quality management ISO certification, insurance policy, past performance references
- Governance:** code of conduct, board or management charter, whistle-blower policy
- People:** labour, recruitment, equal opportunity, gender and diversity policies, employee screening process
- Work, health and safety:** policy, incident register, track record
- Financial management:** audit reports, financial policies and procedures manual, delegations of authority and limits policy
- Legal and regulatory:** registration certificates, insurance certificates
- supply chain management:** procurement policy and procedure, examples of completed evaluation matrices, copies of contracts
- Risk:** risk management framework, copy of incident register
- Environment:** eco-label/third party certifications, awards, published reports, demonstration of strong understanding of sustainability objectives, policies and reports.