

## SCHEDULE U

### GRANT AUDIT ENGAGEMENT

This schedule should be read in conjunction with the engagement letter and the terms of business.

### STANDARD TERMS OF ENGAGEMENT OF ACCOUNTANTS

All references to “The Grant Company” in this Annex refer to the body providing The Grant support.

All references to an “Awardee(s)” in this Annex refer to a director(s) of the Awardee, acting on its behalf, with the financial authority to produce such information or maintain such records as required by the terms of The Grant Company’s grant award.

#### A. Introduction

1. This document provides the pre-agreed terms of engagement on which each grant recipient (hereinafter referred to as an “Awardee” and collectively as “Awardees”) engages an independent accountant (“an Accountant”) to perform a reasonable assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 – ‘Assurance Engagements Other Than Audits or Reviews of Historical Financial Information’ – and to report to The Grant Company their findings in connection with the Project. **Please note that The Grant Company will not need to sign anything and do not need a copy of the Engagement. This contract is between you and your Accountant.**
2. The Grant Company accepts that an agreement between each Awardee, its Accountant and The Grant Company on these terms is formed when the Accountant signs and submits to The Grant Company a report in the manner described in Section C of this document.
3. An Awardee and the Accountant may agree additional engagement terms between themselves, but these terms do not affect the rights and obligations of The Grant Company in respect of The Grant or The Grant report.
4. An Awardee is required to submit to The Grant Company, at those intervals specified in Annex 6 to this grant award, reports that are signed by the Accountant to provide independent assurance. These terms of engagement set out the basis on which the Accountant will sign the report
5. To be qualified to prepare an Accountant’s Report under the terms and conditions of The Grant Company’s Grant offer, the Accountant must be a **registered auditor** as listed at <http://www.auditregister.org.uk/Forms/Default.aspx>. **The Grant Company must be informed of the identity of the Accountant in their acceptance of the offer and reserves the right to approve the selection of that Accountant.** The list is not something that is managed by The Grant Company, it is a gov.uk site. The Grant Company by using the companies that have been confirmed as registered auditors. To be included the firm must apply via this link: <https://www.gov.uk/become-a-registered-auditor>

6. Where a Public Body employs an in-house auditor, The Grant Company will accept their use for producing the Accountant's Report. For the purposes of this document, a Public Body shall mean anybody wholly or partly supported by public funds including any member of the European Union or its institutions, any government department, office or agency, research council, devolved administration, regional development agency, local enterprise partnership, or local authority, or any similar body.

Providing the public body can demonstrate their providence, The Grant Company will allow this type of organisation to provide internal audits. They should appear here:

<https://www.gov.uk/government/organisations>

The internal report must be completed by a Responsible Financial Officer with the following qualification/membership:

- I. The Institute of Chartered Accountants in England & Wales (ICAEW)
- II. The Institute of Chartered Accountants in Ireland (ICAI)
- III. The Institute of Chartered Accountants in Scotland (ICAS)
- IV. Association of Chartered Certified Accountants (ACCA)

The Act requires "Section 151 Officers" to possess qualifications from the Chartered Institute of Public Finance and Accountancy (CIPFA). The (internal) accountant is expected to have professional indemnity insurance. ACCA, CIMA and ICAEW require their members to have a minimum limit of Professional Indemnity insurance in order to practice. Professional liability protects against claims of neglect or professional errors.

## **B. The Awardee's Responsibilities**

7. An Awardee is responsible for producing the information, maintaining proper records complying with the terms of any legislation or regulatory requirements and the terms and conditions of The Grant Company's offer of Grant ('The Grant Terms and Conditions') and providing relevant information to The Grant Company on a basis in compliance with the requirements of The Grant Terms and Conditions.
8. An Awardee will make available to the Accountant all records, correspondence, information and explanations that the Accountant considers necessary to enable the Accountant to perform those works for which it has been engaged.
9. An Awardee and The Grant Company accept that the ability of the Accountant to perform its work effectively depends upon the Awardee providing full and free access to its financial and other records, and the Awardee hereby procures that any such records held by a third party are made available to the Accountant.
10. The Accountant accepts that, whether or not the Awardee meets its obligations, the Accountant himself/herself remains under an obligation to The Grant Company to perform its work with reasonable care and skill. The failure of the Awardee to meet its obligations may cause the Accountant to qualify its report or be unable to provide a report.

## C. Scope of the Accountant's Work

11. The Awardee will provide the Accountant with such supporting information, explanations and documentation that the Accountant considers necessary to carry out its responsibilities. The Accountant will seek written representations from the Awardee's management in relation to matters for which independent corroboration is not available. The Accountant will also seek confirmation that any significant matters of which the Accountant should be aware have been brought to the Accountant's attention.
12. The Accountant will review a Awardee's supporting information (including financial statements) in preparing Accountant's Reports certifying eligible Project costs incurred and defrayed (unless otherwise agreed exceptionally by The Grant Company beforehand), as required by the terms of The Grant Company's grant award, to a **reasonable level of assurance ("reasonable assurance")**, as defined by the ICAEW, and conforming to all applicable International Standards on Auditing. The Accountant will determine the exact scope, nature and extent of the procedures required to support their opinion, subject to any conditions outlined in paragraph 12.
13. It is the Accountant's responsibility to exercise his/her professional judgment in determining the nature and scope of checks to be undertaken. However, The Grant Company requires the Accountant to carry out specific procedures in respect of the following areas:
  - a. testing any overheads included in the expenditure to ensure that any amounts are in respect of the Awardee's own labour, not calculated to include any profit and not in excess of overhead rates applicable to similar work carried out by the Awardee; and
  - b. reviewing the breakdown of grant income received by the Awardee, and confirming that no other public funding, including any other income paid by, or associated with, a Public Body, has been received in respect of expenditure funded by this The Grant Company's grant. The Grant Company requires the Accountant to seek a formal written representation from management that the expenditure has not been double funded and may exercise the right to require the Accountant to provide a copy of that representation.
  - c. checking that the amount claimed excludes input Value Added Tax and interest and service charges arising from hire purchase, contract hire, leasing and credit arrangements;
  - d. making enquires with the directors of the Awardee into whether the amounts claimed include any addition for profit by the Awardee.
  - e. checking that all directors' remuneration in respect of activity undertaken on The Grant Company grant-funded work is recorded as a 'Labour' in any claim for grant submitted.
14. The Grant Company requires that the Accountant disclose the materiality level used in undertaking the assignment. The materiality level of the assignment **must** be disclosed by the Accountant in the Accountant's Report and must be applied to that level across all eligible cost categories.
15. The Grant Company also requires the Accountant to disclose in the Accountant's Report the number of transactions tested and their total value as a proportion of the value of The Grant. The Grant Company reserves the right to require further assurance procedures to be undertaken where it believes the materiality and testing levels are insufficient.

16. The Accountant will not subject the information provided by the Awardee to checking or verification except to the extent expressly stated. While the Accountant will perform his work with reasonable skill and care, his work will not be relied upon to disclose all misstatements, fraud or errors that might exist.

**D. Form of the Accountant's Report**

17. Accountant's reports are prepared solely for the confidential use of the Awardee and The Grant Company and solely in connection with The Grant Company's requirements (or, acting on its instructions, the requirements of the National Audit Office or other regulatory body) that eligible costs relating to The Grant award are certified before such Grant is paid. They may not be relied upon by the Awardee or The Grant Company for any other purpose. Such reports will not be copied or distributed in whole or in part outside the Awardee's or The Grant Company's offices without the prior written consent of the Accountant, which may be conditional.

18. The Grant Company and the Awardee may disclose the reports to others who demonstrate statutory or regulatory rights of access to the report, provided such disclosure does not impose on the Accountant, and without the Accountant assuming any duty or responsibility, nor imposing or accepting any liability to anyone except the Awardee and The Grant Company.

19. Neither the Awardees, The Grant Company, nor any other parties may rely on any oral or draft reports the Accountant provides. The Accountant accepts responsibility to the Awardee and The Grant Company for the Accountant's final signed reports **only**.

20. To the fullest extent permitted by law, except for the Awardee and The Grant Company, the firm of accountants, its partners and staff neither owe nor accept any duty to any third party, and shall not be liable for any loss, damage or expense of whatsoever nature caused by any such person's reliance on the Accountant's work or reports.

**E. Liability**

21. The Accountant will perform the engagement with reasonable skill and care and accepts responsibility to the Awardee and/or The Grant Company for losses, damages, costs or expenses caused by any breach of contract, negligence or wilful misconduct, to an amount not exceeding the total amount of the award, subject to the following exceptions:

21.1 if such losses are due to the provision of false, misleading or incomplete information or documentation or due to the acts or omissions of any person other than the Accountant, except where, on the basis of the enquiries normally undertaken by auditors within the scope set out in these terms of engagement, it would have been reasonable for the Accountant to discover such errors and/or omissions; or

21.2 the Accountant accepting unlimited liability for the consequences of its own fraud and for any other liability which it is not permitted by law to limit or exclude.

22. Notwithstanding that the Accountant's letter of engagement is between themselves and the Awardee, The Grant Company is a 'third party' to that letter of engagement and may exercise its rights under the 'Contracts (Rights of Third Parties) Act 1999'.

23. In accordance with the ICAEW's *Members' Handbook Statement 9.1: Managing the professional liability of accountants*, 'The Grant-paying body will seek to recover losses from The Grant recipient directly but may seek to recover losses from accountants where it believes that the accountant have been negligent in carrying out their work, or in providing the report'.

#### **F. Fees**

24. The Accountant's fees, including VAT and out-of-pocket expenses, are costs which are ineligible for grant. Any costs directly associated with the preparation of the Accountant's Report shall be borne solely by the Awardee. The Awardee may not recharge these costs to The Grant Company.

#### **G. Quality of Service**

25. The Accountant will investigate all complaints, and The Grant Company and/or the Awardee reserve the right to take any complaint to the ICAEW where the accountant is registered in England and Wales (or ICAS in Scotland or ICAI in Northern Ireland)

#### **H. Services to Third Parties**

26. The Accountant will not be prevented or restricted by virtue of the Accountant's relationship with the Awardee and The Grant Company, including anything in these standard terms, from providing services to other clients.

#### **I. Governing Law**

27. This engagement shall be governed by and interpreted and construed in accordance with English law.

#### **J. Variations**

28. All additions, amendments and variations to these terms of engagement shall be binding only if in writing and signed by the duly authorised representatives of the Awardee and the accountant. Any such additional terms will not affect The Grant Company's rights under these terms of engagement.