

Schedule 19

Financial Reports and Audit Rights

Part 1: Financial Transparency Objectives and Open Book Data

- 1 Financial Transparency Objectives
 - 1.1 Each Supplier acknowledges that the provisions of this Schedule are designed (inter alia) to facilitate, and each Supplier shall co-operate with the Authority in order to achieve, the following objectives:
 - 1.1.1 Understanding the Charges
 - (a) for the Authority to understand any payment sought from it by each Supplier including an analysis of the Costs, Overhead recoveries (where relevant), time spent by Supplier Personnel in providing the Services and each Supplier's Profit Margin;
 - (b) for both Parties to be able to understand the Financial Model and Cost forecasts and to have confidence that these are based on justifiable numbers and appropriate forecasting techniques; and
 - (c) to facilitate the use of Guaranteed Maximum Price with Target Cost pricing mechanisms (where relevant as referred to in Schedule 15 (Charges and Invoicing));
 - 1.1.2 Agreeing the impact of Change
 - (a) for both Parties to agree the quantitative impact of any Changes that affect ongoing costs and to identify how these could be mitigated and/or reflected in the relevant Supplier's Charges; and
 - (b) for both Parties to be able to review, address issues with and re-forecast progress in relation to the provision of the Services; and
 - 1.1.3 Continuous improvement
 - (a) for the Parties to challenge each other with ideas for efficiency and improvements; and
 - (b) to enable the Authority to demonstrate that it is achieving value for money for the tax payer relative to current market prices,
- (together the **Financial Transparency Objectives**).
- 2 Open Book Data
 - 2.1 Each Supplier acknowledges the importance to the Authority of the Financial Transparency Objectives and the Authority's need for complete transparency in the way in which the Charges are calculated.
 - 2.2 During the Term, and for a period of seven (7) years following the end of the Term, each Supplier shall:
 - 2.2.1 maintain and retain the Open Book Data; and
 - 2.2.2 disclose and allow the Authority and/or the Audit Agents access to the Open Book Data.

3 Onerous Contracts

- 3.1 If the relevant Supplier publicly designates the Contract as an Onerous Contract (including where the relevant Supplier has identified the Contract as such in any published accounts or public reports and announcements), the relevant Supplier shall promptly notify the Authority of the designation and shall prepare and deliver to the Authority within the timescales agreed by the Parties (and in any event, no later than two (2) months following the publication of the designation) a draft Onerous Contract Report which includes the following:
- 3.1.1 an initial root cause analysis of the issues and circumstances which may have contributed to the Contract being designated as an Onerous Contract;
 - 3.1.2 an initial risk analysis and impact assessment on the provision of the Services as a result of the relevant Supplier's designation of the Contract as an Onerous Contract;
 - 3.1.3 the measures which the relevant Supplier intends to put in place to minimise and mitigate any adverse impact on the provision on the Services; and
 - 3.1.4 details of any other options which could be put in place to remove the designation of the Contract as an Onerous Contract and/or which could minimise and mitigate any adverse impact on the provision of the Services.
- 3.2 Following receipt of the Onerous Contract Report, the Authority shall review and comment on the report as soon as reasonably practicable and the Parties shall cooperate in good faith to agree the final form of the report, which shall be submitted to the Programme Board, such final form report to be agreed no later than one (1) month following the Authority's receipt of the draft Onerous Contract Report.
- 3.3 The Programme Board shall meet within fourteen (14) Working Days of the final Onerous Contract Report being agreed by the Parties to discuss the contents of the report; and the Parties shall procure the attendance at the meeting of any key participants where reasonably required (including the Cabinet Office Markets and Suppliers team where the relevant Supplier is a Strategic Supplier; representatives from any Key Sub-contractors/Monitored Suppliers; and the project's senior responsible officers (or equivalent) for each Party).
- 3.4 The relevant Supplier acknowledges and agrees that the report is submitted to the Authority and Programme Board on an information only basis and the Authority and Programme Board's receipt of and comments in relation to the report shall not be deemed to be an acceptance or rejection of the report nor shall it relieve the relevant Supplier of any liability under this Contract. Any Changes to be agreed by the Parties pursuant to the report shall be subject to the Change Control Procedure.

Part 2: Financial Reports

1 Provision of the financial reports

1.1 Each Supplier shall provide

1.1.1 the Contract Inception Report on or before the Effective Date; and

1.1.2 during the Term the following financial reports to the Authority, in the frequency specified below:

Financial Report	When to be provided
Contract Amendment Report	Within one (1) month of a Material Change being agreed between the relevant Supplier and the Authority
Quarterly Contract Report	Within one (1) month of the end of each Quarter
Annual Contract Report	Within one (1) month of the end of the Contract Year to which that report relates
Final Reconciliation Report	Within six (6) months after the end of the Term

1.2 Each Supplier shall provide to the Authority the Financial Reports in the same software package (Microsoft Excel or Microsoft Word), layout and format as the blank templates which have been issued by the Authority to each Supplier on or before the Effective Date for the purposes of this Contract. The Authority shall be entitled to modify the template for any Financial Report by giving written notice to the relevant Supplier, including a copy of the updated template.

1.3 A copy of each Financial Report shall be held by both the Authority and each Supplier. If there is a Dispute regarding a Financial Report, the Authority's copy of the relevant Financial Report shall be authoritative.

1.4 Each Financial Report shall:

1.4.1 be completed by each Supplier using reasonable skill and care;

1.4.2 incorporate and use the same defined terms as are used in this Contract;

1.4.3 quote all monetary values in pounds sterling;

1.4.4 quote all Costs as exclusive of any VAT; and

1.4.5 quote all Costs and Charges based on current prices.

1.5 Each Annual Contract Report and the Final Reconciliation Report shall be certified by the relevant Supplier's Chief Financial Officer or Director of Finance (or equivalent as agreed in writing by the Authority in advance of issue of the relevant Financial Report), acting with express authority, as:

1.5.1 being accurate and not misleading;

1.5.2 having been prepared in conformity with generally accepted accounting principles within the United Kingdom;

1.5.3 being a true and fair reflection of the information included within the relevant Supplier's management and statutory accounts; and

- 1.5.4 compliant with the requirements of Paragraph 1.6.
- 1.6 Each Supplier shall:
 - 1.6.1 prepare each Financial Report using the same methodology as that used for the Contract Inception Report;
 - 1.6.2 to the extent permitted by Law, ensure that each Annual Contract Report and each Contract Amendment Report (if any) is a true and fair reflection of the Costs and Supplier Profit Margin forecast by the relevant Supplier;
 - 1.6.3 to the extent permitted by Law, ensure that the Final Reconciliation Report is a true and fair reflection of the Costs; and
 - 1.6.4 not have any other internal financial model in relation to the Services inconsistent with the Financial Model.
- 1.7 During the Term, and for a period of eighteen (18) months following the end of the Term, each Supplier shall make available the Financial Representative at reasonable times and on reasonable notice to answer any queries that the Authority may have on any of the Financial Reports and/or Open Book Data.
- 1.8 If either Supplier becomes aware of the occurrence, or the likelihood of the future occurrence, of an event which will or may have a material effect on the following:
 - 1.8.1 the Costs incurred (or those forecast to be incurred) by the relevant Supplier; and/or
 - 1.8.2 the forecast Charges for the remainder of the Term,

the relevant Supplier shall, as soon as practicable, notify the Authority in writing of the event in question detailing the actual or anticipated effect. For the avoidance of doubt, notifications provided in accordance with this Paragraph 1.8 shall not have the effect of amending any provisions of this Contract.
- 2 Financial Model
 - 2.1 Following the delivery by each Supplier of each Annual Contract Report and any Contract Amendment Report:
 - 2.1.1 the Parties shall meet to discuss its contents within ten (10) Working Days of receipt (or such other period as the Parties shall agree). The Financial Representative shall attend the meeting;
 - 2.1.2 the relevant Supplier shall make appropriate Supplier Personnel and advisers available to discuss any variations between the relevant Financial Report and the Contract Inception Report or immediately preceding Annual Contract Report or Contract Amendment Report (as the case may be) and to explain such variations (with reference to supporting evidence) to the satisfaction of the Authority; and
 - 2.1.3 the Authority shall either within ten (10) Working Days of the meeting referred to in Paragraph 2.1.1 notify the relevant Supplier that:
 - (a) the relevant Financial Report contains errors or omissions or that further explanations or supporting information is required, in which event the relevant Supplier shall make any necessary modifications to the Financial Report and/or supply the Authority with such supporting evidence as is required to address the Authority's concerns within ten (10) Working Days of such notification and the Authority shall following receipt of such amended Financial Report and/or supporting information, approve or reject such Financial Report; or
 - (b) the Authority has approved the relevant Financial Report.

- 2.2 Following approval by the Authority of the relevant Financial Report in accordance with Paragraph 2.1.3, that version shall become, with effect from the date of such approval, the current approved version of the Financial Model for the purposes of this Contract, a version of which shall be held by both the Authority and the relevant Supplier. If there is a Dispute regarding a Financial Report, the Authority's copy of the relevant Financial Report shall be authoritative.
- 2.3 If the Parties are unable to reach agreement on any Financial Report within thirty (30) Working Days of its receipt by the Authority, the matter shall be referred for determination in accordance with Schedule 23 (Dispute Resolution Procedure).
- 3 Discussion of quarterly contract reports and final reconciliation report
 - 3.1 Following the delivery by each Supplier of each Quarterly Contract Report, the Parties shall meet to discuss its contents within ten (10) Working Days of receipt (or such other period as the Parties shall agree). The Financial Representative shall attend the meeting.
 - 3.2 Following the delivery by each Supplier of the Final Reconciliation Report, the Parties shall meet to discuss its contents within ten (10) Working Days of receipt (or such other period as the Parties shall agree). The Financial Representative shall attend the meeting.
- 4 Key sub-contractors
 - 4.1 Each Supplier shall, if requested by the Authority, provide (or procure the provision of) a report or reports including the level of information set out in the Financial Reports in relation to the costs and expenses to be incurred by any of its Key Sub-contractors.
 - 4.2 Without prejudice to Paragraph 1 of Part 3, each Supplier shall:
 - 4.2.1 be responsible for auditing the financial models/reports of its Key Sub-contractors and for any associated costs and expenses incurred or forecast to be incurred; and
 - 4.2.2 on written request by the Authority, provide the Authority or procure that the Authority is provided with:
 - (a) full copies of audit reports for the Key Sub-contractors. The Authority shall be entitled to rely on such audit reports; and
 - (b) further explanation of, and supporting information in relation to, any audit reports provided.

Part 3: Audit rights

- 1 Audit rights
- 1.1 The Authority, acting by itself or through its Audit Agents, shall have the right during the Term and for a period of 18 months thereafter, to assess compliance by each Supplier and/or its Key Sub-contractors of each Supplier's obligations under this Contract, including for the following purposes:
 - 1.1.1 to verify the integrity and content of any Financial Report;
 - 1.1.2 to verify the accuracy of the Charges and any other amounts payable by the Authority under this Contract (and proposed or actual variations to such Charges and payments);
 - 1.1.3 to verify the Costs (including the amounts paid to all Sub-contractors and any third-party suppliers);
 - 1.1.4 to verify the Certificate of Costs and/or the Open Book Data;
 - 1.1.5 to verify each Supplier's and each Key Sub-contractor's compliance with this Contract and applicable Law;
 - 1.1.6 to identify or investigate actual or suspected fraud, impropriety or accounting mistakes or any breach or threatened breach of security and in these circumstances the Authority shall have no obligation to inform each Supplier of the purpose or objective of its investigations;
 - 1.1.7 to identify or investigate any circumstances which may impact upon the financial stability of each Supplier, the Guarantor and/or any Key Sub-contractors or their ability to perform the Services;
 - 1.1.8 to obtain such information as is necessary to fulfil the Authority's obligations to supply information for parliamentary, ministerial, judicial or administrative purposes including the supply of information to the Comptroller and Auditor General;
 - 1.1.9 to review any books of account and the internal contract management accounts kept by each Supplier in connection with this Contract;
 - 1.1.10 to carry out the Authority's internal and statutory audits and to prepare, examine and/or certify the Authority's annual and interim reports and accounts;
 - 1.1.11 to enable the National Audit Office to carry out an examination pursuant to Section 6(1) of the National Audit Act 1983 of the economy, efficiency and effectiveness with which the Authority has used its resources;
 - 1.1.12 to verify the accuracy and completeness of any Management Information delivered or required by this Contract;
 - 1.1.13 to review any Performance Monitoring Reports and/or other records relating to each Supplier's performance of the Services and to verify that these reflect each Supplier's own internal reports and records;
 - 1.1.14 to inspect the IT Environment (or any part of it) and the wider service delivery environment (or any part of it);
 - 1.1.15 to review the accuracy and completeness of the Registers;
 - 1.1.16 to review any records created during the design and development of each Supplier System and pre-operational environment such as information relating to Testing;

- 1.1.17 to review each Supplier's quality management systems (including all relevant Quality Plans and any quality manuals and procedures);
 - 1.1.18 to review each Supplier's compliance with the Standards;
 - 1.1.19 to inspect the Authority Assets, including the Authority's IPRs, equipment and facilities, for the purposes of ensuring that the Authority Assets are secure and that any register of assets is up to date;
 - 1.1.20 to review the integrity, confidentiality and security of the Authority Data; and/or
 - 1.1.21 where the Authority (acting reasonably) has bona fide concerns relating to the Supplier's non-compliance with the Modern Slavery Act 2015 which could not be addressed by other means, to carry out an unannounced or semi-announced inspection of any Site and speak directly to any Supplier Personnel in a confidential manner and in the native language of such Supplier Personnel in respect of workforce conditions, working or employment practices and recruitment practices.
- 1.2 Except where an audit is imposed on the Authority by a regulatory body or where the Authority has reasonable grounds for believing that either Supplier has not complied with its obligations under this Contract, the Authority may not conduct an audit of either Supplier or of the same Key Sub-contractor more than once in any Contract Year.
- 1.3 Nothing in this Contract shall prevent or restrict the rights of the Comptroller and/or Auditor General and/or their representatives from carrying out an audit, examination or investigation of either Supplier and/or any of the Key Sub-contractors for the purposes of and pursuant to applicable Law.
- 1.4 For the avoidance of doubt, in respect of Supplier A, the Authority agrees that where an audit required by the Authority may be satisfied by exercising the audit and provision of information rights granted to the Authority pursuant to the Exhibit B (Supplier A Data Processing Agreement) to Appendix A of Schedule 34 (ERP Supplier Terms), the Authority shall exercise its rights of audit or provision of information pursuant to the terms of that Exhibit B and not this Schedule 19 (Financial Reports and Audit Rights).
- 2 Conduct of audits
- 2.1 The Authority shall during each audit comply with those security, sites, systems and facilities operating procedures of each Supplier that the Authority deems reasonable and use its reasonable endeavours to ensure that the conduct of each audit does not unreasonably disrupt either Supplier or delay the provision of the Services.
- 2.2 Subject to the Authority's obligations of confidentiality, each Supplier shall on demand provide the Authority and the Audit Agents with all reasonable co-operation and assistance (and shall procure such co-operation and assistance from its Sub-contractors) in relation to each audit, including:
- 2.2.1 all information requested by the Authority within the permitted scope of the audit;
 - 2.2.2 reasonable access to any Sites and to any equipment used (whether exclusively or non-exclusively) in the performance of the Services;
 - 2.2.3 access to the relevant Supplier's System; and
 - 2.2.4 access to Supplier Personnel.
- 2.3 Each Supplier shall implement all measurement and monitoring tools and procedures necessary to measure and report on the relevant Supplier's performance of the Services against the applicable Performance Indicators at a level of detail sufficient to verify compliance with the Performance Indicators.

- 2.4 The Authority shall endeavour to (but is not obliged to) provide at least fifteen (15) Working Days' notice of its intention to conduct an audit together with a proposed audit plan describing the proposed scope, start date and duration of the audit, and the identity of the Audit Agent (if applicable).
- 2.5 The Parties agree that they shall bear their own respective costs and expenses incurred in respect of compliance with their obligations under this Paragraph 2, unless the audit identifies a material Default by either Supplier in which case the relevant Supplier shall reimburse the Authority for all the Authority's reasonable costs incurred in connection with the audit.
- 3 Use of supplier's internal audit team
- 3.1 As an alternative to the Authority's right pursuant to Paragraph 1.1 to exercise an audit either itself or through its Audit Agents, the Authority may, acting reasonably and in good faith, require in writing that an audit is undertaken by the relevant Supplier's own internal audit function (subject to mutual agreement of applicable reasonable charges) for any of the purposes set out in Paragraph 1.1.
- 3.2 Following the receipt of a request from the Authority under Paragraph 3.1 above, the relevant Supplier shall procure that the relevant audit is undertaken as soon as reasonably practicable and that the Authority has unfettered access to:
- 3.2.1 the resultant audit reports; and
- 3.2.2 all relevant members of the relevant Supplier's internal audit team for the purpose of understanding such audit reports.
- 4 Response to audits
- 4.1 If an audit undertaken pursuant to Paragraphs 1 or 3 identifies that:
- 4.1.1 the relevant Supplier has committed a Default, the Authority may (without prejudice to any rights and remedies the Authority may have) require the relevant Supplier to correct such Default as soon as reasonably practicable and, if such Default constitutes a Notifiable Default, to comply with the Rectification Plan Process;
- 4.1.2 there is an error in a Financial Report, the relevant Supplier shall promptly rectify the error;
- 4.1.3 the Authority has overpaid any Charges, the relevant Supplier shall pay to the Authority:
- (a) the amount overpaid;
- (b) interest on the amount overpaid at the applicable rate under the Late Payment of Commercial Debts (Interest) Act 1998, accruing on a daily basis from the date of overpayment by the Authority up to the date of repayment by the relevant Supplier; and
- (c) the reasonable costs incurred by the Authority in undertaking the audit,
- the Authority may exercise its right to deduct such amount from the Charges if it prefers; and
- 4.1.4 the Authority has underpaid any Charges, the relevant Supplier shall not be entitled to increase the Charges paid or payable by the Authority, but the Authority shall pay to the Supplier the amount outstanding without undue delay.