
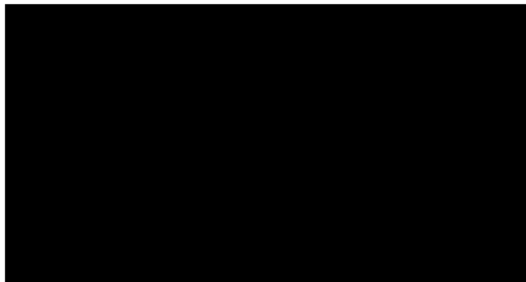




Defra Group Management Consultancy: Project Engagement Letter

Completed forms and any queries should be directed to Defra Group Commercial at [REDACTED]

Engagement details			
Engagement ref #	Ecm_61956		
Extension?	N/A	Ref	N/A
Department / Area	Next Wave Portfolio		
Supplier	KPMG LLP		
Title	Business Change Partner (Phase 2)		
Engagement start / end date (also referred to as “Engagement Term”)	1 July 2021	31 March 2022	
Funding source	Next Wave Portfolio		
Expected costs 20/21	£1.6m		
Expected costs 21/22	N/A		
Dept. PO reference	TBC		
Lot #	Lot 2		
Version #	V1.0		

The parties agree that this Project Engagement Letter is governed by: (i) the terms of MCF2 Call Off Terms RM6008; and (ii) the Call Off Order Form for Provision of Defra Group Management Consultancy Support Arrangements – Lot 2 Transformation & Programme Delivery (Contract Reference 28595) entered into by the Customer and the Supplier dated [25 June 2021] for the provision of Defra Group Management Consultancy Support Arrangements; and (iii) the terms set out in this Project Engagement Letter.

Supplier	Defra Group Commercial
	
or and on behalf of KPMG  Director	Defra Group Commercial  Commercial Manager
20/7/2021	22/07/2021

Defra Group Management Consultancy: Project Engagement Letter

Supplier engages with Department to complete. Once agreed, Supplier signs front page and sends to Department

On approval, DgC signs and returns copy to Department and Supplier

Supplier contact: [REDACTED]

Department contact: [REDACTED]

1. Background

Defra (core department) and 7 of its largest agencies rely on two instances of the Single Operating Platform and Business Process Outsourcing provided by SSCL, alongside a Microsoft Dynamics (MSDAX) system used in the Rural Payments Agency to provide Financial, Human Resources (HR) and Commercial services and data. The Next Wave Portfolio is driving technical solutions to replace these and business transformation of services, processes, and data in preparation for, when the Cabinet Office owned call off framework for these contracts ends for Defra in October 2023.

Under Government Shared Services (GSS) Strategy. Defra moved in March 2021 to be part of a "Delivery Cluster", to deliver Shared Service commercial convergence and policy and data standardisation across Home Office, Department for Work and Pensions and Ministry of Justice.

There are 5 main programmes under the Next Wave Portfolio:

1. Replacement single Enterprise Resource Planning (ERP) system for Defra and its 8 largest agencies, post the expiry of the current Single Operating Platform (SOP) contract in 2023
2. Replacement Business Processing Outsourcing (BPO) for Defra HR, Finance and Commercial services post expiry of the current contract in 2023
3. Harmonised HR, Commercial and Finance service and processes to Government Global Design Principles. This includes providing interoperability across the departments, shared access and streamlined ways of working.
4. Improved Data mapping, cleansing and governance to cross government data standards
5. Effectively managed business change, training future users, implementing improved functional design and to embed smarter ways of streamlined working. Embedding the capability to support our staff have the capability to exploit the opportunities of a new system, (the automation, interoperability it provides)

The Next Wave Portfolio involves a lot of preparatory Change and Transformation specifically of functional business processes and methodology as well as providing a platform of change and capability improvement in preparation of our replacement of our ERP system and re-tender of our BPO services. A key enabler to Defra realising the benefits of this transformation, is an understanding of functional business process change and a methodology to approach this alongside broader business Change.

Defra Group Management Consultancy: Project Engagement Letter

As a result, Defra is looking to bring in a partner to help facilitate this change via harmonised process design, planning activities and best practice professional advice in this area.

The chosen partner will be developing on prior work done in this space, outputs of which will be made available.

2. Statement of services

Objectives and outcomes to be achieved

This Project Engagement Letter is complemented by a document setting out the approach, plan, and resource profile, from the Supplier, attached below for reference:



Defra_Next Wave
Business Change Ph

The work has been divided into 4 work packages as outlined below:

1. Work package 1 : Completion of any outstanding process harmonisation design work

At the point of this commission, 90% of this work is envisaged to be complete, under the Phase 1 Commission. It is likely there will be ca 10% of Defra group processes (mainly Finance) remaining, these will need to be completed by end of September.

The scope of this remaining design work involves using best practice and a proven methodology to complete the Harmonised Process Design for Defra HR & Finance to Civil Service Human Resources (CSHR) and Government Finance Function global process design standards. This is a detailed design down to all levels and seeking opportunities for automation. This will include the services provided across 8 Arm's length bodies and the core department in line with the ERP and BPO scope.

For commercial harmonisation:

- Complete E-Marketplace TOM, RACI, Process Maps aligned to new ERP/P2P Processes
- In preparation for ERP and E -Commercial systems produce a Source to Contract and Purchase to Pay interface Process - aligning to the Government Commercial Function global design standards (process taxonomy, data standards and systems standards) and the new ERP system design

The product of this work should include :

- Building experiential evidence on pain points, KPIs, benchmarks, policy alignment
- Bringing a lean starting model and key design considerations, based on learning, best practice process taxonomy and global process design
- Workshops with SMEs, to produce a Defra group harmonised process

Defra Group Management Consultancy: Project Engagement Letter

- Documentation of process design, to include a clear record of decision making
- Process & data documentation, flows and validation of outcomes with stakeholders

For the following work packages, the supplier will be expected to work with the information produced to date during Phase 1 in other areas.

2. Work package 2 : Implementation planning

Using experience of successful implementation of corporate scale ERP driven enterprise change provide professional support to implementation planning for Finance, HR and Commercial programme managers as they seek to operationalise the harmonised process design.

Using a tested methodology develop an optimise and implementation plan (using the outputs of the design harmonisation), this should include consideration of :

- sequencing (i.e. what can/ should be done now including quick wins, suggested short term changes in SOP, change into the function and business, what we wait for a future system for or design into a future BPO),
- alignment to data improvement work. Support programme managers in building process performance measurements and forecasting the benefits (when , how much)
- To support, (only where required to enable harmonisation implementation), the building of the Functional Service Offer and Service Delivery Plan

Integral to this will be bringing expert understanding where process change is dependent on policy change, ERP replacement, Service Integration and Business Process outsourcing and what has worked effectively in other organisations.

The output product will be a prioritised implementation plan in the form of detailed a roadmap and plan – categorised sequences with detailed recommendations of how to deliver it

3. Work package 3: Professional Advice to the Business Change Manager

The Next Wave Business Change manager owns the business change plan and coordinates change activity across the Portfolio. As part of this the commission will expect the successful supplier to

- Support her as she aligns the Business Change strategy and change plan to the Roadmap and supporting Narrative emerging from work package 2
- Supporting more detailed business impact analysis (including ALBs)
- support the HR and Finance Programme Managers as they implement functional change (with technical expertise)

The supplier should also include advice on ongoing governance and design of service delivery and service management frameworks e.g. role of process owner, reporting and advising on the relevant control and key performance indicators, design governance and policy

Defra Group Management Consultancy: Project Engagement Letter

4. Work package 4 : Delivery Cluster – Internal advice into Defra occurring as a result of Operating Model Design Decisions within the Delivery Cluster

Complete impact assessment of Delivery Cluster SOBC on the Next Wave Portfolio so that we can reset any necessary work, fill any gaps and how effective the programmes can be in achieving in their aims. Where possible bringing in best practice e.g. in implementing the Data improvement, process harmonisation and technical implementation. The product would be a report or pack.

In addition

- With programme managers adapt any Defra process in line with agreed design in the Delivery Cluster. This is likely to involve amendments to the previous design as we seek alignment (where possible across the 4 government departments involved in the delivery cluster). Although the Global Process Design will be the common standard. The Product will be updated Process Design Packs.
- Support the Portfolio and its Programme Managers with technical process expertise as they input into the cluster design model
- Provide professional advice to the Portfolio Director and ERP Programme Director, especially to shape the service Defra needs (including opportunities for ai, innovation and automation) when the cluster level operating model is agreed (noting at present the direction of these is evolving) e.g. functional, service and business structures, key roles, estimated required resource & skills changes in the future.

Scope

The detailed work required is specified in the above section.

The work is specifically on behalf of Defra, and outputs should be focused as such. It may need to acknowledge the dependency that Defra is part of a cluster for ERP transformation work, but this commission is to manage the impact of that on the Defra owned plans and is inwardly focused on the transformation in the department, rather than feed into the Cluster design development, which is a separate commission. Further detail on this is outlined in the Government Shared Services (GSS) strategy, full details of which are published on gov.uk.

The scope of works is aligned to the Work Packages listed under the Statement of Services. This work will need to conclude within the 2021 – 2022 Financial Year, and therefore any dependencies upon the Authority to enable the Supplier to achieve this will need to be clearly documented and agreed to up front. Examples of such dependencies may include availability of staff, documentation, or systems.

Defra Group Management Consultancy: Project Engagement Letter

There are a number of specific deliverables required from this work, which are listed in the Deliverables section of this document.

Assumptions and dependencies

KPMG will deploy resources as required to deliver agreed deliverables and timescales. We reserve the right to vary the actual resource inputs at our discretion subject to their availability at the time of awarding the work.

Timely and satisfactory responses from Defra to our requests for information, inputs, arranging meetings or review of materials. If additional work arises due to delays in responses to these requests, or due to other circumstances beyond our control, we will raise this with you immediately and agree the implication for our work.

The following activities are also chargeable on a time and materials basis to meet agreed outcomes: ad-hoc support, professional advice or other similar, this can include attendance at meetings, briefing papers or any similar such activity that is requested by the Authority but not articulated in this PEL as a Deliverable.

We will use resources from our KGS organisation located in India. This team delivers services as part of our KPMG Group and is subject to the same terms of the contract.

Work Package 1&2

A detailed project plan across each Work Package will be developed with you which will include the activities, owners, timelines, assumptions, and dependencies.

1. Scope includes HR, Finance and Commercial only
2. Number of processes to be developed, mapped, and documented
 1. HR – Process design for 4 areas not previously included in scope
Manage fee paid workers, Manage overseas workers, Manage SCS leavers, Manage TUPE (for Government).
 2. Finance – 11 process areas – as defined in the plan
 3. Commercial – e-Marketing TOM and processes including links to the Source to Contract and Purchase to Pay processes.
3. Processes will likely need to be revisited as a result of Operating Model Design Decisions within the Delivery Cluster and this work will be undertaken as part of Work Package 4.
4. Process harmonisation work will include the services provided across 8 Arm's length bodies and the core department in line with the ERP and BPO scope.
5. Programme managers and teams will support the engagement, planning and scheduling of Defra resources to support meetings, workshops, and review.
6. Defra process owners and other process specialists will have capacity to commit to workshops, review, and validation sessions within the planned timescales.
7. KPMG deliverables will be signed off by either the Portfolio Director or the Programme Managers.
8. Process owners will be responsible for involving the right team members in workshops and validation. Programme managers will be responsible for taking output and decisions through functional and Portfolio approval processes.
9. Detailed activities and timescales subject to the detailed planning required at the beginning of the contract for those aspects not already in progress from the current contract.
10. Work will largely be carried out remotely using MS Teams for collaboration. Where face-to-face meetings are beneficial, these will be arranged in London locations (either KPMG or Defra) unless otherwise agreed.

Defra Group Management Consultancy: Project Engagement Letter

11. Our fees include all expenses other than travel to locations outside of London which will be agreed on an individual basis as required.

Work Package 3&4

1. Early scoping in the contract period of likely KPMG support required for work packages 3 and 4 so we can secure resource at the right time.
2. Detailed activities, timescales and resource days will be agreed for these work packages at agreed points through the period of the contract.
3. Work Package 1 & 2 are complete before Work Package 4 impact assessment of cluster operating model on process design and implementation planning is commenced.

Weekly meetings to track progress, weekly progress reports, forecasts, supplemented by resource profiles.

Deliverables

Specific deliverables aligned with each work package are listed below.

Work Package 1

1. Complete the Harmonised Process Design TOM for Defra HR & Finance to Civil Service Human Resources (CSHR) and Government Finance Function global process design standards.
2. Agreed process maps (process, roles, data), RACI, supporting documentation (assumptions, car park etc.), implementation impact assessment and playback intelligence from previous supplier on implementation plans – signed off by Programme Manager

Work Package 2

3. Implementation plans/Roadmap for process design change spanning full programme 2021 to ERP/BPO implementation including business change – signed off by Programme Manager

Work Package 3

4. Professional advice into developing a Change Management Plan (including all sub products e.g. Communications plan, sponsorship, change network, adoption measurement etc.) – signed off by Business Change Manager
5. Service Management Framework Advisory Pack for Next Wave – signed off by Programme Director

Work Package 4

- Delivery Cluster Advisory Report

Defra Group Management Consultancy: Project Engagement Letter

Deliverable	Success Criteria	Milestone / Date	Owner (who in the delivery team?)
Detailed Project Plan	Signed off by Portfolio Director	Complete by end Jul 21	██████████
Work Package 1			
HR workstream deliverables	Sign off by Programme Manager	Complete by end Sep 21	██████████
Commercial workstream deliverables	Sign off by Programme Manager	Complete by end Sep 21	██████████
Finance workstream deliverables	Sign off by Programme Manager	Complete by end Nov 21	██████████
Work Package 2			
HR workstream Draft Implementation Plans / Roadmap	Sign off by Programme Manager	Complete by end Oct 21	██████████
Commercial workstream Draft Implementation Plans / Roadmap	Sign off by Programme Manager	Complete by end Nov 21	██████████
Finance workstream Draft Implementation Plans / Roadmap	Sign off by Programme Manager	Complete by end Dec 21	██████████
Final Implementation Plans / Roadmap	Sign off by Programme Managers	Complete by end Jan 21	██████████
Work Package 3			
Pack of recommendations and advice to inform the Change Management Approach	signed off by Business Change Manager	Complete by March 21	██████████
Service Management Framework Advisory Pack	signed off by Programme Director	Complete by March 21	██████████
Work Package 4			
Delivery Cluster Advisory Report	signed off by Programme Director	Complete by March 21	██████████
Internal Capability Development			
Business change capability	Improved capability in Defra resource	Complete by March 21	██████████
Implementation planning approach support to Function PM's	Improved capability in Defra resource	Complete by March 21	██████████
Service management/governance & controls to Functions	Improved capability in Defra resource	Complete by March 21	██████████
Handover documents for the process design are provided to customer before contract end date in agreed format.	All products shared.		██████████

Defra Group Management Consultancy: Project Engagement Letter

Deliverable	Success Criteria	Milestone / Date	Owner (who in the delivery team?)
Any info held on process design systems outputs and process documents are provided to customer in agreed format.	All products shared.		██████████
Transition plans are provided to customer in agreed format.	All products shared.	Complete by March 21	██████████

Limitations on scope and change control

Unless instructions to the Supplier are later amended in writing, the work undertaken will be restricted to that set out above. In providing the services detailed above, the Supplier will be acting in reliance on information provided by the Department.

The Project Engagement Letter is the agreed contract of work between Defra Group, Department and Supplier and can be varied under the change control process. Any changes to timescales, scope and costs will require approval by DgC.

3. Delivery team

The delivery team structure is set out on page 20 of the Supplier document attached.

For delivery of work packages 3 and 4 activity, we will provide details of consultant grades and days as part of our regular planning, reporting, and invoicing.

Grades and daily rates of the core team (using the agreed rate card for this call-off contract) is included below.

Name	Role (link to stage/s resource will work on)	Grade	Daily rate
██████████	Engagement Leader	Director/ Partner	██████████
██████████	KPMG Lead Partner for Defra	Director/ Partner	██████████
██████████	KPMG Lead Partner for Powered	Director/ Partner	██████████
██████████	Engagement Manager Work Packages 1 and 2 HR Lead	Principal Consultant	██████████
██████████	Work Packages 1 and 2 Finance Lead	Managing Consultant	██████████
██████████	Work Packages 1 and 2 Commercial Lead	Principal Consultant	██████████
██████████	Work Package 3 Lead	Principal Consultant	██████████

Name	Role (link to stage/s resource will work on)	Grade	Daily rate
██████████)	Work Package 4 Scoping Lead	Director/ Partner	██████

Please see the Supplier's document attached which outlines how the Supplier and Department teams will work together to deliver this commission.

This total Call Off Contract Charges figure applies only to the Fixed Price elements of the commission (Work Packages 1 and 2), as detailed in the table below, and the Work Packages 3 and 4 charges will be calculated on a time and materials basis in accordance with the Rate Card set out in the Call Off Order Form for Provision of Defra Group Management Consultancy Support Arrangements – Lot 2 Transformation & Programme Delivery (Contract Reference 28595) entered into by the Customer and the Supplier dated [25 June 2021].

Stage	Cost	Due (link to milestone dates)
Work Package 1		
1		DD/MM/YY
Detailed Project Plan		30/07/21
2		

Defra Group Management Consultancy: Project Engagement Letter

Stage	Cost	Due (link to milestone dates)
August Deliverables	██████	17/09/21
3		
September Deliverables	██████	15/10/21
4		
October Deliverables	██████	12/11/21
5		
November Deliverables	██████	17/12/21
Work Package 2		
6		
HR Draft Implementation Plans / Roadmap	██████	29/10/21
7		
Finance and Commercial Draft Implementation Plans / Roadmap	██████	21/01/22
8		
Final Implementation Plans / Roadmap	██████	21/02/22

Expenses statement

Defra Group overarching contract rates include expenses for any travel to/from any UK location defined by the Department as the base office for the work. Only expenses for travel at departmental request from this base can be charged. If appropriate, define permissible expenses to be charged.

Payment

The Supplier should invoice Call-off Contract Charges monthly in arrears. Defra Group will pay the Call-off Contract Charges monthly on confirmation of acceptance of Deliverables by the Department. The Supplier will keep an accurate record of time spent by staff in providing the services and provide this information and supporting narrative, if requested.

5. Governance and reporting

Governance and reporting are managed between the lead Department contact, Kerry Cooke, and the Supplier. At a minimum there will be weekly progress meetings, supplemented upon request by written progress reports.

In support of milestones and deliverables being met, the supplier will provide a milestone completion certificate for review by the Department. This will be reviewed by the lead Department contact, Kerry Cooke, and agreed prior to payment being released.

Feedback and satisfaction

Defra Group Management Consultancy: Project Engagement Letter

Defra Group reserves the right to hold review meetings during the assignment, discussing what went well, opportunities for improvement on future assignments and similar. This will incorporate any 'Show and Tell' documentation or transferable products that have been produced.

A post-engagement quality review of the engagement will be arranged where client departments rate the services provided.

Non-disclosure agreements

Not considered applicable at point of contract signature, any deviation from this will be agreed in writing between the parties.

Notice period

The nature of these engagements require that the Department / Defra Group have the ability to terminate an engagement with notice. The Department or Defra Group's termination rights for this engagement are marked below.

The minimum notice period for termination is 5 working days regardless of engagement duration.

6. Legal terms and variations

The parties agree to these additional terms and variations to apply for the purpose of this Project Engagement Letter.

6.1. Intellectual Property Rights

- **Additional definitions**

The following definitions shall apply to Clause 34 (Intellectual Property Rights):

"Cluster" means Ministry of Justice; and Department for Work and Pensions; and Home Office.

- A new clause 34.1.5 shall be added as follows:

34.1.5 Although the Customer may use and exploit the Project Specific IPRs (and any of Supplier Background IPRs) in accordance with the terms of the Call-Off Contract and this Project Engagement Letter, the Supplier will have prepared the Project Specific IPR with the intent that they are used and relied upon by the Customer only and only for the purposes of the Services or as otherwise stated in this Project Engagement Letter. Accordingly, we do not accept a duty of care to others who may see or use any Project Specific IPRs outside of the scope of this Project Engagement Letter and the Services (and the Customer shall not inform or infer to any third party that the Supplier does so).

Defra Group Management Consultancy: Project Engagement Letter

- Clause 34.2.3 of MCF2 Call Off Terms RM6008 is not applicable to the Services and shall not apply to this Project Engagement Letter.
- Clause 34.3 (Licences granted by the Supplier: Supplier Background IPR) of MCF2 Call Off Terms RM6008 shall not apply to this Project Engagement Letter and the following new clause shall apply:

34.3 Licences granted by the Supplier: Supplier Background IPR

34.3.1 Subject to the payment of the Call Off Contract Charges the Supplier grants to the Customer:

- (i) the rights to use the Supplier Background IPR as set out in clause 34;*
- (ii) with effect from the date of delivery (or otherwise making available) of the Deliverables, a non-exclusive, non-transferrable, perpetual, royalty-free licence to use those Deliverables (including any of the Supplier Background IPR embedded in those Deliverables) for the Customer ordinary business activities; and*
- (iii) the rights to use during the Engagement Term (on a non-exclusive non-transferable basis), any of the other Supplier Background IPR which the Supplier provides or makes available to the Customer in providing the Services, solely to the extent you need to use the same to receive the benefit of the Services during the Engagement Term and no longer than for the duration of the relevant phase of the Services.*

The licences granted in clause 34 and paragraph 34.2(ii) and 34.2(iii) shall be revoked if Call Off Contract Charges are not paid in accordance with the terms of this Project Engagement Letter.

34.3.2 For the purpose of the Call-Off Contract, Supplier Background IPRs include any IPRs licensed to the Supplier before the Start Date of this Project Engagement Letter and any IPRs that are a development of or an enhancement and/or modification to any IPRs owned by or licensed to the Supplier before the Start Date of this Project Engagement Letter (howsoever arising, including as a consequence of the Services), and the definition of Supplier Background IPRs shall be interpreted accordingly.

- Clause 34.4 (Customer's right to sub-license) of MCF2 Call Off Terms RM6008 shall not apply to this Project Engagement Letter and the following new clause shall apply:

34.4 Customer's right to sub-license

34.4.1 The Customer may only sub-license or transfer the rights granted under clause 34.3.1(ii):

- (i) to a supplier or contractor, solely to the extent necessary and for so long as is necessary for the supply of their services to you, and provided that such supplier or contractor may only use the Supplier Background IPR for the purposes of those services and may not disclose the Supplier Background IPR to any other third party and may not exploit it commercially in any way; and*

Defra Group Management Consultancy: Project Engagement Letter

(ii) to any member of: (i) the Customer's department, agency, commission or other government or public sector body or contracting authority; or (ii) the Cluster, for as long as they remain a member of: (i) the Customer's department, agency, commission or other government or public sector body or contracting authority; or (ii) the Cluster,

in each case, only in relation to your ordinary business activities.

- Clause 34.5 (Customer's right to assign/novate licences) of MCF2 Call Off Terms RM6008 shall not apply to this Project Engagement Letter.
- Clause 34.6 (Third Party IPR) of MCF2 Call Off Terms RM6008 shall not apply to this Project Engagement Letter.
- Clauses 34.8.1 and 34.8.2 (Termination of licences) of MCF2 Call Off Terms RM6008 shall not apply to this Project Engagement Letter.
- Clause 34.10 (Open Source Publication) of MCF2 Call Off Terms RM6008 shall not apply to this Project Engagement Letter. We do not believe that it is appropriate for the deliverables to be shared on an open source basis. Both parties agree that the Project Specific IPR, Deliverables and all materials provided by the Supplier are excluded from Open Source publication (excluded items).
- A new clause 34.11 shall be added as follows:

34.11 General

34.11.1 Each party shall notify the other if it becomes aware of an infringement of Intellectual Property Rights licensed to it under this Agreement.

34.11.2 Neither party shall delete trademark or copyright notices appearing on the other's proprietary documentation or material.

34.11.3 Each party shall be responsible for the acts and omissions of all sub-licensees in respect of the other party's Intellectual Property Rights made available to that party in connection with this Agreement, in each case as if they were the acts and omissions of that party.

34.11.3 Where the Customer sub-licenses KPMG IPR or discloses KPMG's Confidential Information to any Contractor in accordance with this Agreement it shall inform them that, to the fullest extent permitted by law, KPMG accepts no responsibility or liability to them in connection with the Confidential Information, those Intellectual Property Rights or the Services.

- A new clause 34.12 shall be added as follows:

34.12 Independence

Defra Group Management Consultancy: Project Engagement Letter

34.12.1 To ensure that the Supplier is able to comply with applicable auditor independence requirements and applicable Law (including to ensure that the Supplier is not auditing its own work or the output of its own work during a specified period), during the Independence Period the Supplier requires that the Customer notifies the Supplier as soon as possible if:

- (i) the Customer or any entity of the Cluster cease to be a public agency, commission or other government or public sector body or contracting authority;*
- (ii) the Customer or any entity of the Cluster merge with another agency, commission or other government or public sector body or contracting authority; or*
- (iii) a new government agency, commission or other government or public sector body or contracting authority is merged with the Customer or any entity of the Cluster so that they will also benefit from or otherwise use the Services or any Deliverables.*

34.12.2 In relation to paragraph 34.12.1, the following defined terms shall apply:

- (i) **"Independence Period"** means the earlier to end of:*
 - (a) the period from the date of the Call-Off Contract to the first Confirmation of Clean Audit thereafter; or*
 - (b) such shorter period as we may notify to you if we determine (acting reasonably) that such shorter period allows the independence requirements imposed upon us in under applicable Laws to be met.*
- (ii) **"Confirmation of Clean Audit"** means confirmation by your external auditor of a full financial year's Clean Audit for a financial year commencing after completion of the Services.*
- (iii) **"Clean Audit"** means, in relation to your external audit report, that there are no qualifications or matters of emphasis in that report:*
 - (a) that are related to the implementation Deliverables that have been placed in live use; and*
 - (b) which cite subsisting functional or operational issues in those Deliverables referred to in (a) which have resulted in your ability to generate accurate financial statements being compromised.*

6.2 Liability

Subject to Clause 37.1 (Unlimited Liability) of MCF2 Call Off Terms RM6008, the Supplier's total aggregate liability, in respect of all other Losses incurred by the Customer under or in connection with this Project Engagement Letter as a result of Defaults by the Supplier shall in no event exceed a sum equal to one hundred and twenty-five per cent of the Call Off Contract Charges payable in connection with this Project Engagement Letter.

6.3 Termination Rights

**Defra Group Management Consultancy: Project
Engagement Letter**

A new clause 43.2 shall be added as follows:

43.2 The Supplier may terminate this Project Engagement Letter upon such period of written notice as is reasonable in the circumstances if there is a change of law, rule, regulation or professional standard or circumstances arise that would prejudice the Supplier's ability to comply with applicable auditor independence requirements provided that the Supplier shall use reasonable endeavours to mitigate the impact of any such circumstances and seek a work-around solution with the Customer, prior to issuing any notice of termination.

6.4 Assignment and Novation

Clauses 48.2, 48.3 and 48.4 of MCF2 Call Off Terms RM6008 shall not apply to this Project Engagement Letter and the following new clause shall apply:

48.2 The Customer shall not assign, novate or otherwise dispose of or create any trust in relation to any or all of its rights, obligations or liabilities under this Call Off Contract or any part of it without the prior written consent of the Supplier.

Defra Group Management Consultancy: Project Engagement Letter

