

SCHEDULE 5.3

AUDIT RIGHTS

Version Control

VERSION	DATE	COMMENT
1.0	July 2017	Execution version

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 the Supplier and/or its Key Sub-contractors of the Supplier's obligations under this Agreement, including for the following purposes:

1.1.1 to verify the accuracy of the Charges and any other amounts payable by the Authority under this Agreement (and proposed or actual variations to such Charges and payments);

1.1.2 to verify the Costs (including the amounts paid to all Sub contractors and any third party suppliers);

1.1.3 to verify the Open Book Data;

1.1.4 to verify the Supplier's and each Key Sub-contractor's compliance with this Agreement and applicable Law;

1.1.5 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 the Supplier of the purpose or objective of its investigations;

1.1.6 to identify or investigate any circumstances which may impact upon the financial stability of the Supplier and/or any Key Sub-contractors or their ability to perform the Services;

1.1.7 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;

1.1.8 to review any books of account and the internal contract management accounts kept by the Supplier in connection with this Agreement;

1.1.9 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;

1.1.10 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;

1.1.11 to verify the accuracy and completeness of the Monthly Contract Review Report, Quarterly Contract Review Report and/or any other reports or management information delivered or required by this Agreement;

- 1.1.12 to review the accuracy and completeness of the Service Data;
 - 1.1.13 to review the Supplier's compliance with the Policies and Standards;
 - 1.1.14 to inspect the Authority Assets, including the relevant 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;
 - 1.1.15 to review the integrity, confidentiality and security of the Authority Data; and/or
 - 1.1.16 to verify compliance with the requirements of Clause 26 (Protection of Personal Data) and any obligations under the Data Protection Laws.
- 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 the Supplier has not complied with its obligations under this Agreement, the Authority may not conduct an audit of the Supplier or of the same Key Sub-contractor more than twice in any Contract Year.
- 1.3 Nothing in this Agreement 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 the Supplier and/or any of the Key Sub-contractors for the purposes of and pursuant to applicable Law.
- 2. CONDUCT OF AUDITS**
- 2.1 The Authority shall during each audit comply with those security, sites, systems and facilities operating procedures of the Supplier that the Authority deems reasonable and use its reasonable endeavours to ensure that the conduct of each audit does not unreasonably disrupt the Supplier or delay the provision of the Services.
- 2.2 Subject to the Authority's obligations of confidentiality, the 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 of the Supplier's premises or any third party premises from which the Services are (or are to be) provided and to any equipment used (whether exclusively or non-exclusively) in the performance of the Services;
 - 2.2.3 access to the Supplier System; and
 - 2.2.4 access to Supplier Personnel.
- 2.3 The Supplier shall implement all measurement and monitoring tools and procedures necessary to measure and report on the Supplier's performance of the Services against the applicable Performance Measure at a level of detail sufficient to verify compliance with the Performance Measure.
- 2.4 The Authority shall endeavour to (but is not obliged to) provide at least 15 Working Days' notice of its intention to conduct an audit.
- 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 the Supplier in which case the 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 require in writing that an audit is undertaken by the Supplier's own internal audit function 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 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 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 Paragraph 1 or 3 identifies that:

4.1.1 the Supplier has committed a Default, the Authority may (without prejudice to any rights and remedies the Authority may have) require the 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 Supplier shall promptly rectify the error;

4.1.3 the Authority has overpaid any Charges, the 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 Supplier; and

(c) the reasonable costs incurred by the Authority in undertaking the audit,

and 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 Supplier shall not be entitled to increase the Charges paid or payable by the Authority.