

# Guidance to Independent Accountants on producing an Accountant's Report to Scottish Enterprise for Large Grants

## **Important Note**

This document is intended as guidance only. This does not affect or supersede any of the terms and conditions of any grant offers in any way.

Please contact us if you are in any doubt about any aspect of the grant claim process and the submission of Accountant's Reports.

Please also let us know if you think this guidance can be improved in any way.

## **BACKGROUND**

### **The role of the Independent Accountant**

Your role as the Independent Accountant is to provide a report to confirm to Scottish Enterprise (SE) whether a Grantee has met specific milestones and conditions on a grant project to allow a payment to be made. This information is provided as a report using a template contained in the Grantee's Offer.

We will rely on your professional judgement as we will use your report to help determine if the payment can be made, and we expect you to have a duty of care to SE.

The Accountant's Report does not constitute an audit.

We encourage both you and the Grantee to contact us to discuss any aspect of the claim process before submitting the claim as this may help avoid any delay in the payment.

While this guidance focuses on the claim process, the principles are true for any Accountant's reports provided to SE in relation to a Large Grant.

### **Offers of grant**

Offers of grant made by SE, once accepted by the Grantee, are contracts and therefore legally binding. Each Offer follows a standard format which is then tailored to meet the circumstances of the specific project. It is therefore essential that you read and understand the Offer (and any amendments to the Offer) before accepting an engagement to prepare an Accountant's Report.

Please see the Offer for definitions of key points, such as what constitutes spend on the project and, if relevant, what is considered to be an eligible full-time job for the project.

## Eligibility

Before you agree to complete an Accountant's Report, please ensure that you meet the following criteria:

- You a **registered auditor**, eligible under the Companies Act 2006. This means an accountant who is eligible under either sections 1212 or 1222 of the Companies Act 2006 for appointment as a company auditor.
- You are entirely **independent** of the Grantee (and, if relevant, the group of companies to which the Grantee belongs). Note: if you or your firm prepare the annual audited accounts for the Grantee then you are considered independent (assuming you are not an employee of the Grantee).
- You are willing to provide an Accountant's Report in the **exact** format set out in the Offer.
- You are willing to provide the Accountant's Report **without** including any general caveats or requiring an Engagement Letter with SE.

You should only accept an engagement to carry out the Report process if **all** the statements above are true. Please contact us if you have any questions on these points before agreeing to carry out the process.

## Engagement Letters

As noted above, we will not sign up to any Engagement Letters or Scope Statements (i.e. setting out the level of testing required to form an opinion as that is a matter for your professional judgement). Equally, we do not need to be made aware of the level of testing which you have used in the preparation of the Accountant's Report as we cannot have a view on the adequacy or otherwise of the level of testing undertaken.

As background to this, the Scottish Government participated in the dialogue on Audit 03/03, and as a member of the Stakeholder Group submitted detailed comments to the Institute of Chartered Accountants of England & Wales (ICAEW). The Government's view was that there was too much emphasis on how a Reporting Accountant could limit their obligations. In particular, the Government had a fundamental difficulty with the part of the guidance which said that a grant-giving body should be party to an Engagement Letter and should agree to the scope of work to be performed by the Reporting Accountant. To sign up to a Scope Statement would require us to have detailed knowledge of the internal control systems of all our grantees.

Given this, before agreeing to prepare an Accountant's Report, you should be aware of the following points:

- We will not sign up to any form of Engagement Letter with the Reporting Accountant;
- The Report should also not mention any Engagement Letter between the Accountant and the Grantee, or make any comment on the level or type of work that has been carried out; and
- The Report must be addressed to SE rather than the Grantee (although we can accept a report addressed jointly to SE and the grantee).

# HOW TO COMPLETE THE REPORT

## Format of the report

The wording for the Accountant's Report is set out in the project's specific Offer and should be followed precisely.

The purpose of the Accountant's Report is to confirm the information in the Grantee's completed claim form, rather than to provide the Grantee with the information they need to complete their claim form.

The report must be provided on the Accountant's headed paper and have an original ink signature on it. Once signed, the report can be scanned and emailed directly to the Grant Manager or can be sent by post to *Grant Management, Scottish Enterprise, 4th Floor, Atrium Court, 50 Waterloo Street, Glasgow, G2 6HQ*.

The Report should confirm the actual, cumulative position achieved, not just that a trigger point has been reached. For example, if expenditure of at least £10,000 is required and the actual spend to date is £12,000, then the Report should state the £12,000 figure.

## Date of the Report

There are several points to consider regarding the period that each Accountant's Report should cover:

- The Report **must not** be signed before the date on which the claim form has been signed or it **will** be rejected.
- All Accountant's Reports must cover from the **start date of the project**.
- If the claim form has a specific claim period, the Report should cover **up to the end of that claim period**.
- Alternatively, if there isn't a specific claim period, the last date of the Report must be **within 2 months of the date on which the claim form is signed**.
- Further to the 2 points above, the Report should **never report past the agreed Project end date**.
- Please keep in mind that we are always looking to confirm the current position. Given this, the Accountant's Report must be **received within 2 months** of the date on which the claim form is signed. Equally, if the information in the Report is more than 2 months out of date when we receive it, we reserve the right to request either a new Report or a covering letter to confirm the latest position.

## Covering letter

You do not need to include a covering letter with the Accountant's Report. However, a covering letter can be used to add additional comments on any points that cannot be clarified in the Report (especially as the Report should follow the exact wording provided in the Offer).

Any covering letter which seeks to disclaim responsibility for the Accountant's Report or that mentions an Engagement Letter will not be accepted and will invalidate the Report.

## The claim form

It is the responsibility of the Grantee to complete the claim form, but there are a few points you may want to keep in mind:

- Different claim forms are used according to the type of grant offered and the terms of the Offer, and the Grantee should ensure that they use the right form. They should seek a fresh copy of the claim form before submitting each claim in case there have been any changes since their last claim.
- The Grantee must ensure that they have met any relevant conditions from the Offer before submitting the claim.
- The claim form must be signed by an Executive Director or the Company Secretary of the Grantee (or an authorised signatory if this has already been agreed with us).
- Claims should only be submitted if the project is expected to be completed in full.
- The claim (and all related paperwork) can be submitted by post or by email. However, if emailed, this must come directly from the Grantee (but, as above, the Accountant's Report must come directly from the accountant's email address).

Specific guidance for what is required for each claim is contained in the Offer and claim form (note: these requirements will change depending on both the grant product and the details within the Grantee's Offer).

## CHECKLIST

The following can be used as a basic checklist when completing an Accountant's Report. Please note that this does not cover every eventuality and we may come back to you for more information or an updated report:

- Only use the precise wording from the template in the Offer for your Report.
- Did the Grantee enter into an arrangement to spend money or undertake any project activity before the project start date? If so, this may invalidate the grant contract.
- The Report should be provided on your headed paper, signed in ink (even if it is being emailed), and must be addressed to SE (we cannot accept reports that are only addressed to the Grantee). Your report should not be dated before the date on which the claim form has been signed.
- The date of the original Offer and all subsequent amendments must be given in the Report.
- Report on the position achieved by the grantee since the start of the project by giving the actual, cumulative amounts reached by the date of the claim rather than just confirming that trigger points have been met. Always report on the full project to date, not just since the last claim was paid.
- Ensure that the information being reported on covers up to the correct date.
- Do not refer to any Engagement Letters and do not limit the liability of your report.
- Any inconsistencies between the claim form and your report should be explained in a covering letter.