



Independent Accountant's Report (IAR)

What it is and why you need one

Why You Need an IAR

Innovate UK is the UK's national innovation agency. They offer funding and support across all academic disciplines and industrial areas from the medical and biological sciences to astronomy, physics, chemistry and engineering, social sciences, economics, environmental sciences, and the arts and humanities.

If you apply for and are successful in your application for an innovate grant you will need an Independent Accountant's Report as follows:

Grants <£100k

Audit report required as part of last claim only

Grants £100k – <£500k

Audit report required as part of first and last claims only

Grants £500k – £2m

Audit report required as part of first, last and each anniversary of the project

**Special circumstances
(Grants >£2m)**

Audit report required with each claim submitted

IARs Explained

An Independent Accountant's Report is essentially a mini audit whereby the accountant is checking that expenditure is properly incurred and defrayed (paid) on the project in accordance with the offer letter.

This will normally involve:

- **Checking a sample of invoices to bank records**
- **Checking payroll and timesheet records**
- **Reviewing overhead calculations**
- **Reviewing other grant documentation to ensure no double claims.**

In most cases there are very few errors identified and those that are, are not significant so there are no reporting requirements. Occasionally larger errors are found. If this is the case these will be reported on the final Independent Accountant's Report (IAR). In many cases if innovate are already aware, or it is more of a timing issue there may be no tangible consequences to the claimant. Sometimes instead of a qualified report the errors are adjusted for in the last claim by the claiming company.

The most common errors tend to be as follows.

- **Expenditure defrayed after the grant has finished.**
- **Day rates for labour incorrectly calculated.**
- **Overhead calculations incorrectly claimed.**
- **Not including Employers NI and pensions.**
- **Spreadsheet errors.**
- **Double counting where invoices are claimed under other grants.**
- **Claiming VAT already recovered from HMRC.**

There are prescribed procedures required by Innovate in terms of the engagement letter, the wording of the final report and the materiality level. The innovate prescribed engagement letter will need to be agreed between the accountant and the claimant company before the outset of the work.

The perfect choice for companies in the technology industry

Edwards Accountants supports tech companies of varying sizes with our specialist services. These range from IARs to guidance with research and development tax credits and helping businesses apply for the patent box scheme, guidance on the Seed Investment Enterprise scheme (SEIS) and much more. We will work closely with your business to establish lasting relationships whilst working as efficiently as possible to keep fees to a minimum.

Edwards are very familiar with IARs so we can normally carry out the work very efficiently with little input from your business. If the information is all well organised and readily to hand the work should be able to be completed relatively quickly; in most cases we can turn them round in under two weeks or sooner depending on our staff availability.



Talk to our Tech Accounting Expert, Neil Taylor

Leverage Neil's 20+ years of experience in finance and fundraising for businesses in the technology sector, including:

- ✓ **Research & Development Tax Credits**
- ✓ **Grant Assurance & Assisting Grant Claims**
- ✓ **Independent Accountant's Reports**
- ✓ **Seed Enterprise Investment Scheme (SEIS)**
- ✓ **Enterprise Investment Schemes (EIS)**
- ✓ **Business Plans**

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30 minute 1-2-1
consultation for qualified
tech businesses



34 High Street,
Aldridge, Walsall,
West Midlands WS9 8LZ

01922 743 100
Available 09:00 – 17:15 GMT

edwardsaccountants.co.uk