

2.07 ACADEMY

The purpose of this schedule and the Standard Terms of Business is to set out the basis on which we are to act as auditors and to clarify our respective responsibilities in respect of the audit.

Auditing Standards require us to appoint an engagement partner who shall take overall responsibility for the planning and conduct of the audit, and for the report that is issued on behalf of the firm. We have assessed the professional requirements of this assignment and have nominated the person listed in [Key Facts](#) as the Senior Statutory Auditor.

Under the *Companies Act* 2006 (CA 2006) the audit report in the signed copy of the financial statements provided to you must be signed by the Senior Statutory Auditor in their own name on behalf of the firm. The audit report in all other copies of the financial statements must state the name of the Senior Statutory Auditor, but may be signed in the name of the firm. The audit report in the financial statements filed at Companies House must state the name of the Senior Statutory Auditor and the name of the firm but does not need to be signed.

1 Your responsibilities as directors/governors

- 1.1 Our audit will be conducted on the basis that you have fulfilled your responsibilities:
- (a) to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the academy and of the incoming resources and application of resources of the academy for that period. As directors/governors you must not approve the financial statements unless you are satisfied that they give a true and fair view of the assets, liabilities, financial position and surplus or deficit of the academy;
 - (b) in preparing those financial statements, to:
 - (i) select suitable accounting policies and then apply them consistently;
 - (ii) make judgments and accounting estimates that are reasonable and prudent; and
 - (iii) prepare the financial statements on the going concern basis, considering in particular the academy's ability to continue in operation for at least twelve months from the date when the financial statements are expected to be approved, unless it is inappropriate to presume that the academy will continue in operation;
 - (c) for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the academy and to enable them to ensure that the financial statements comply with the SORP, the CA 2006, the Academies Accounts Directions from time to time in force and applicable accounting standards as stated in [Key Facts](#). You are also responsible for such internal control as you determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error; and
 - (d) for safeguarding the assets of the academy and hence for taking reasonable steps to ensure the academy's activities are conducted honestly and for the prevention and detection of fraud and other irregularities.
- 1.2 In addition to complying with companies legislation, you are also required to have regard to the Academies Accounts Directions from time to time in force and the relevant Statement of Recommended Practice, *Accounting and Reporting by Charities* (the SORP), published jointly by the Charity Commission for England and Wales and the Office of the Scottish Charity Regulator, and any subsequent amendments or variations to this statement. You should follow that statement insofar as compliance with it does not contradict any requirement of CA 2006 by supplementing the requirements of that Act.

- 1.3 In addition to the general duties of directors specified in CA 2006, s. 170–177 you are responsible for ensuring that the academy complies with laws and regulations applicable to its activities, and for establishing arrangements designed to prevent any non-compliance with laws and regulations and to detect any that occur.
- 1.4 CA 2006, s. 414C requires the directors/governors to include in their report a fair review of the academy's business, and a description of the principal risks and uncertainties facing the academy.
- 1.5 You have agreed to provide us with:
 - (a) access to all information of which you are aware that is relevant to the preparation of the financial statements such as the academy's books of account and all other relevant records and documentation, including minutes of all board/ committee of management /trustees'/ governors' meetings and other matters;
 - (b) additional information that we may request from you for the purpose of the audit, including access to information relevant to disclosures;
 - (c) unrestricted access to persons within the academy from whom we determine it necessary to obtain audit evidence; and
 - (d) additional information that may include when applicable, matters related to other information in accordance with ISA (UK) 720. If such information is not expected until after the date of the auditor's report, you should note that we still have a responsibility to take appropriate action if we consider a material misstatement exists in this other information.
- 1.6 You are required to confirm in the governors' report that:
 - (a) an appropriate accounting basis was used to prepare the financial statements; and
 - (b) in so far as you are aware, there is no relevant audit information of which we, the academy's auditors, are unaware and that you have taken all the steps that you ought to take as governors in order to make yourselves aware of any relevant audit information and to establish that we are aware of that information.
- 1.7 Where audited information is published on the academy's website or by other electronic means, it is your responsibility to advise us of any intended electronic publication before it occurs and to ensure that any such publication properly presents the financial information and auditor's report. We reserve the right to withhold consent to the electronic publication of our report if it or the financial statements are to be published in an inappropriate manner.
- 1.8 It is your responsibility to ensure there are controls in place to prevent or detect quickly any changes to that information. We are neither required to review such controls nor to carry out ongoing reviews of the information, after it is first published. The maintenance and integrity of the academy's website is your responsibility and we accept no responsibility for changes made to audited information after it is first posted.

Scope of audit

- 1.9 In connection with representations and the supply of information to us generally, we draw your attention to CA 2006, s. 501 under which it is an offence for an officer or employee of the academy to knowingly or recklessly make misleading, false or deceptive statements to the auditors.
- 1.10 We expect that you will inform us of any material event occurring between the date of our report and that of the annual general meeting, which may affect the financial statements. We are entitled to receive details of all written resolutions that are to be circulated to governors (where applicable), to attend all general meetings of the academy, and to receive notice of all such meetings.

2 Our responsibilities as auditors

2.1 Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (ISAs) (UK) as to whether:

- the financial statements give a true and fair view of the state of the academy's affairs as at the year end and of its incoming resources and application of resources for the year then ended;
- the financial statements have been properly prepared in accordance with applicable accounting standards, as stated in [Key Facts](#);
- the financial statements have been prepared properly in accordance with the CA 2006;
- the financial statements have been prepared in accordance with the financial reporting and annual accounts requirements issued by the Department for Education in respect of the relevant financial year;
- the financial statements have been appropriately prepared on the going concern basis;
- the financial statements have disclosed any identified material uncertainties that may cast significant doubt on the academy's ability to continue to adopt the going concern basis for at least the next 12 months from the date they are approved;
- the governors'/trustees' report and, if relevant, the strategic report or any other information included in the annual report:
 - have been prepared in accordance with applicable legal requirements;
 - include information that is consistent with the financial statements; and
- in the light of the knowledge and understanding of the academy and its environment obtained in the course of the audit, we have identified any material misstatements in the governors'/trustees' report and, if relevant, the strategic report or any other information included in the annual report, and to give an indication of the nature of such misstatements.

In respect of the following matters specified in the CA 2006 we will also report to you on whether or not in our opinion:

- adequate accounting records have been kept by the academy throughout the year and proper returns adequate for our audit have been received from branches not visited by us; or
- the academy's balance sheet and profit and loss account are in agreement with the accounting records and returns; or
- certain disclosures of governors' remuneration specified by law are not made; or
- we have obtained all the information and explanations which we think necessary for the purpose of our audit.

In arriving at that opinion those standards require us to comply with ethical requirements.

2.2 As reporting accountants, we are also required to undertake a review of the statement on regularity, propriety and compliance made by the academy's accounting officer. We will provide a limited assurance report to you and the Secretary of State for Education acting through the Education and Skills Funding Agency (ESFA) on whether, in the course of our work, anything has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the financial year has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them. In undertaking this work we will have regard to the guidance in the Accounts Direction and the ICAEW's Assurance Sourcebook.

The Secretary of State for Education acting through the ESFA has adopted the Standardised Terms of Engagement included within the Accounts Direction 2017 to 2018. We will report to the Secretary of State for Education acting through the ESFA in accordance with those Standardised Terms of Engagement for Independent Reporting Accountants' Reports. The Secretary of State for Education acting through the ESFA will not be required to sign this engagement letter.

- The standardised terms referred to above are set out in section 9.6.1 of the Academies Accounts Direction 2017 to 2018 and are not included in this letter, but should be applied as if they were.
- 2.3 It is not sufficient for us as auditors to conclude that the financial statements give a true and fair view solely on the basis that the financial statements were prepared in accordance with accounting standards and any other applicable legal requirements. We are therefore required to consider whether additional disclosure will be necessary in the financial statements when compliance with an accounting standard is insufficient to give a true and fair view. If you are unwilling to make such additional disclosures, we will have to consider the effect on our report.
- 2.4 Our reports will be made solely to the academy's members, as a body, (and in respect of the report on regularity to the ESFA) in accordance with Chapter 3 of Part 16 of CA 2006. Our audit work will be undertaken so that we might state to the academy's members (and where appropriate the ESFA) those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we will not accept or assume responsibility to anyone other than the academy and the academy's members as a body (and where appropriate to the ESFA), for our audit work, for the audit report, or for the opinions we form. The audit of the financial statements does not relieve you of your responsibilities.
- 2.5 There are certain other matters, which according to the circumstances may need to be dealt with in our report. For example, in the unlikely event that there was governors' remuneration or transactions between the governors and the academy and these were not disclosed properly in the financial statements, then CA 2006 requires us to disclose such matters in our report. Although only auditors of listed companies are required to include key audit matters in their report, there may be rare occasions when we believe it necessary to communicate key audit matters in our report.
- 2.6 In addition, we have a professional duty to report if the financial statements do not comply in any material respect with the SORP or applicable accounting standards, unless in our opinion non-compliance is justified in the circumstances. In determining whether or not any departure is justified we will consider:
- (a) whether the departure is required in order for the financial statements to give a true and fair view; and
 - (b) whether adequate disclosure has been made concerning the departure.
- 2.7 Our professional duties also include:
- (a) incorporating in our report a description of the governors' responsibilities for the financial statements, where the financial statements or accompanying information do not include such description; and
 - (b) considering whether other information in documentation containing the financial statements is consistent with the audited financial statements and our knowledge acquired during the course of the audit.
- 2.8 We will report to the Teachers Pension Scheme on the payment of contributions to that scheme on the EOYC in accordance with the instructions issued by the Teachers Pension Scheme. We are required to carry out the procedures specified by the Teachers Pension Scheme and report as to whether we are satisfied:
- (a) that teacher and employer contributions have been correctly calculated for all those required to contribute to the scheme, based on the pensionable salaries paid and the appropriate contribution rates; and
 - (b) that the correct amount has been paid.
- In the event that we are unable to form an opinion without qualification, we will:
- where the amendments are simple and agreed with you, make them in red on the EOYC and include 'subject to the amendments in red'. No report is required; or
 - where there are uncertainties or disagreement with you, set out the reasons for concern and any matters in dispute in the form of a formal letter to the Teachers Pension Scheme.

- 2.9 Where the academy is a subsidiary of a group, the audited accounts of this company are included in the group accounts of the parent. We are required by auditing standards to cooperate with the auditors of the parent company and to provide them with representations and confirmations concerning the conduct of the audit of this company. You agree that we may correspond with the auditors of the parent and respond to their reasonable requests for information (which may include granting them access to our working papers) concerning the preparation and audit of the group accounts without further authority from you.
- 2.10 Where the academy is the parent of a group and all components are audited by the same firm, the audited accounts of this company are the group accounts. As the group engagement auditors, we are required by auditing standards to coordinate the audit work on all subsidiary companies. Therefore, whilst as auditors of each subsidiary company the firm already has access to the management of those companies concerning their individual audited accounts, you agree that we may also correspond with the management of the subsidiary companies and request reasonable information concerning the preparation and audit of the group accounts without further authority from you.
- 2.11 Where the academy is the parent of a group and not all component auditors are from the same firm, the audited accounts of this company are the group accounts. As the group engagement auditors, we are required by auditing standards to coordinate the work of the auditors of the subsidiary companies and to provide them with guidance concerning the conduct of the audit of the group. You agree that we may correspond with the management of the subsidiary companies, and their auditors, and request reasonable information (which may include access to the subsidiary auditor's working papers) concerning the preparation and audit of the group accounts without further authority from you.

Scope of audit

- 2.12 Our audit will be conducted in accordance with the ISAs (UK) issued by the Financial Reporting Council (FRC). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. We will evaluate whether the information presented in the financial statements is relevant, reliable, comparable and understandable as well as providing adequate disclosures and appropriate terminology. This includes an assessment of:
- whether the accounting policies are appropriate to the academy's circumstances and have been consistently applied and adequately disclosed;
 - the reasonableness of significant accounting estimates made by the governors/directors;
 - whether there is adequate disclosure of the applicable financial reporting framework; and
 - the overall presentation of the financial statements.
- In addition, we read all the financial and non-financial information in the Governors Annual Report and, if relevant, the Strategic Report, and state whether in our opinion the information given in the strategic report (if any) and the annual report is consistent with the accounts; whether the report(s) have been prepared in accordance with applicable legal requirements and whether, in the light of our knowledge and understanding of the academy and its environment obtained in the course of the audit, we have identified any material misstatements in the report(s). If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.
- 2.13 Because of the test nature and other inherent limitations of an audit, together with the inherent limitations of any accounting and internal control system, there is an unavoidable risk that even some material misstatements may remain undiscovered even though the audit is properly planned and performed in accordance with ISAs (UK).
- 2.14 We will obtain an understanding of the accounting and internal control systems in order to assess their adequacy as a basis for the preparation of the financial statements and to establish

whether the academy has maintained adequate accounting records. We will need to obtain relevant and reliable evidence sufficient to enable us to draw reasonable conclusions therefrom.

- 2.15 The nature and extent of our tests will vary according to our assessment of the academy's accounting and internal control systems, and may cover any aspects of the business's operations. We shall report to the management any significant deficiencies in, or observations on, the academy's systems that come to our attention of which we believe the governors should be made aware. Any such report may not be provided to any third party without our prior written consent. Such consent will only be granted on the basis that such reports are not prepared with the interests of any party other than the members in mind and that we therefore neither have nor accept any duty or responsibility to any other party as concerns the reports.
- 2.16 As noted in section 1, the responsibility for safeguarding the assets of the academy and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with the directors/governors. However, we will plan our audit so that we have a reasonable expectation of detecting material misstatements in the financial statements resulting from irregularities, fraud or non-compliance with law or regulations, but our examination should not be relied upon to disclose all such material misstatements or frauds, errors or instances of non-compliance that might exist.
- 2.17 As part of our normal audit procedures, we will request you to provide formal representations concerning certain information and explanations we receive from you during the course of our audit. In particular, where we bring to your attention misstatements in the financial statements which are not adjusted, we shall require written representation of your reasons.
- 2.18 To enable us to conduct a review of your financial statements, which constitutes part of our audit, we will request sight of any documents or statements which will be issued with the financial statements.
- 2.19 Once we have issued our report we will have no further direct responsibility in relation to the financial statements for that financial year. However, as noted in section 1, we expect that you will inform us of any material event occurring between the date of our report and that of the annual general meeting, which may affect the financial statements.
- 2.20 HMRC does not require the auditor to provide assurance on the XBRL tagging of the financial statements submitted to it with the Company Tax Return. In addition, the ISAs (UK) do not require the auditor to confirm the accuracy of the tagging as part of the audit. Accordingly, our audit does not cover the accuracy of the XBRL tagging in the financial statements, and we accept no responsibility for any inaccuracies identified by HMRC.
- 2.21 A fuller description of the scope of an audit of financial statements arising from the requirements of ISAs (UK), together with other legal and regulatory requirements, is provided on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities.
- 2.22 In accordance with the Academies Financial Handbook and notwithstanding any other terms set out in this engagement letter the board of governors may remove this firm as auditors before the expiry of our term of office. For this removal to be effective there must be a majority vote of the board of governors to this effect. Where this occurs the governors must notify the ESFA immediately and provide the ESFA and the ICAEW with a statement of the reasons for the removal. In such circumstances we reserve the right to invoice the academy for any costs incurred to the date of our removal.
- 2.23 Where this firm ceases to hold office as auditor whether through resignation or removal we will provide a statement of circumstances of our ceasing to hold office as required by, and in the timeframe stipulated by, company law. In addition, where we have resigned we will send a statement of our reasons for resigning to both the ESFA and the ICAEW.

Communication

- 2.24 In order to ensure that there is effective two-way communication between us we set out below the expected form and timing of such communications.
- We shall contact your primary contact listed in [Key Facts](#) by telephone prior to each year-end for preliminary discussions concerning the audit. We will confirm in writing the matters discussed and any agreed action.
 - We will arrange a meeting to discuss the forthcoming audit prior to the expected start date. Again we will confirm in writing the matters discussed and any agreed action.
 - We will arrange a meeting to discuss any matters arising from the audit after completion of the detailed work. Again we will confirm in writing the matters discussed and any agreed action.
- 2.25 The formal communications set out above are the minimum required to comply with auditing standards. We shall of course contact you on a more frequent and regular basis regarding both audit and other matters.
- 2.26 We shall not be treated as having notice, for the purposes of our audit responsibilities, of information provided to members of our firm (principals and staff) other than those engaged on the audit, for example information provided in connection with accounting, taxation and other services..