

## 2.13 PENSION SCHEME: SMALL SCHEME

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 engagement partner.

The respective statutory duties of trustees and scheme auditors in regard to financial statements and audit are contained in the trust deed and scheme rules as dated in [Key Facts](#).

### 1 Your responsibilities as trustees

- 1.1 Our audit will be conducted on the basis that you acknowledge and understand that you have responsibility:
  - (a) under the trust deed and scheme rules, to obtain audited financial statements for each scheme year. In accordance with generally accepted accounting practice such financial statements should show a true and fair view of the scheme's financial transactions during the year and of the disposition at the end of the scheme year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the scheme year;
  - (b) in preparing those financial statements to:
    - (i) select suitable accounting policies and then apply them consistently; and
    - (ii) make judgments and accounting estimates that are reasonable and prudent;
  - (c) for maintaining books and records in accordance with regulations made under the *Pension Schemes Act 1993* and *Pensions Act 1995*, including the *Occupational Pension Schemes (Scheme Administration) Regulations 1996* (SI 1996/1715) (the Scheme Administration Regulations). These records should disclose with reasonable accuracy at any time the financial position of the scheme and to enable you to ensure that the financial statements comply with 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 scheme and hence for taking reasonable steps to ensure the scheme's activities are conducted honestly and for the prevention and detection of fraud and other irregularities.
- 1.2 You are also responsible for ensuring that the scheme 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.
- 1.3 You have agreed to provide us with:
  - (a) access to all the scheme's books, financial statements and records and other information as may be relevant to the preparation of the financial statements, including minutes of all trustees' meetings. Your accounting records are kept by the person named in [Key Facts](#) and we shall require direct access to those records;
  - (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 responsible for the operation of, and other advisers to, the scheme from whom we determine it necessary to obtain 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.

- 1.4 You undertake to notify us of matters which may be relevant to the financial affairs of the scheme which have been notified to you by the sponsoring employers or have otherwise come to your attention.
- 1.5 Where audited information is published on the scheme'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.
- 1.6 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 scheme's website is your responsibility and we accept no responsibility for changes made to audited information after it is first posted.
- 1.7 It is your responsibility to ensure that the scheme continues to qualify as a small self-administered scheme. You undertake to inform us immediately of any change in the status of the scheme.
- 1.8 As Trustees, you are responsible for notifying us if you become aware that under the *Pensions Act 1995*, s. 27, any trustee of the scheme is connected with, or is an associate of this firm which would render us ineligible to act as auditor to the scheme.

## 2 Our responsibilities as auditors

- 2.1 We confirm that we will notify you immediately if we become aware of the existence of any conflict of interest to which we are subject in relation to the scheme.
- 2.2 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 financial transactions of the scheme during the scheme year and of the amount and disposition at the end of the scheme year of the scheme assets and of its liabilities, other than liabilities to pay pensions and benefits after the end of the scheme year; and
  - the financial statements have been properly prepared in accordance with applicable accounting standards, as stated in [Key Facts](#).

In arriving at that opinion those standards require us to comply with ethical requirements.
- 2.3 The financial statements are required to include a statement as to whether they have been prepared in accordance with the relevant financial reporting framework, and if not to indicate where there are any material departures. Failure to comply in this respect will require us to qualify our opinion.
- 2.4 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.
- 2.5 Our report will be made solely to the trustees as a body, in accordance with the trust deed and scheme rules. Our audit work will be undertaken so that we might state to the scheme's trustees 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 scheme and the scheme's trustees as a body, 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.
- 2.6 There are certain other matters which, according to the circumstances, may need to be dealt with in our report. For example, 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.

- 2.7 We have a professional responsibility to report if the financial statements do not comply in any material respect with applicable accounting standards, unless in our opinion the non-compliance is justified in the circumstances. In determining whether or not the departure is justified we consider:
- (a) whether the departure is required in order that the financial statements give a true and fair view; and
  - (b) whether adequate disclosure has been made concerning the departure.
- 2.8 Our professional responsibilities also include:
- (a) including in our report a description of the trustees' responsibilities for the financial statements where the financial statements or accompanying information do not include such a description; and
  - (b) considering whether other information in documents containing audited financial statements is consistent with and does not undermine the credibility of the audited financial statements and our knowledge acquired during the course of the audit.
- 2.9 However, our responsibility in relation to any statements, certificates or reports by the scheme's actuary, or by other scheme advisors, issued with the audited financial statements is limited to that of understanding their implications for the scheme's financial statements.
- 2.10 We have a duty under the *Pensions Act 2004*, s. 70, to report to The Pensions Regulator if we have reasonable cause to believe that there is or has been some failure to comply with any duty relevant to the administration of the scheme imposed by any enactment or rule of law on the trustees or managers, the employer, any professional adviser or any prescribed person acting in connection with the scheme and that the failure to comply is likely to be of material significance in the exercise by The Regulator of any of its functions. We may have to make this report without your knowledge and consent and we cannot undertake to you to fetter this discretion in any manner.
- 2.11 The *Pensions Act 2004*, s. 70 does not require us to undertake work for the sole purpose of identifying breaches likely to be of material significance to The Regulator. We shall exercise our right under this section in accordance with the requirements and guidance set out in ISA 250(B) the *Auditors' Right and Duty to Report to Regulators in the Financial Sector* and Practice Note 15 the *Audit of Occupational Pension Schemes in the United Kingdom*. In considering the need to make a report, we may decide to consult the scheme actuary.
- 2.12 Guidance issued by the Pensions Regulator has encouraged voluntary reporting by the trustees and other advisers who have a statutory right to report. If the trustees make a report or if the trustees are aware of such a report being made by one of their advisers, you agree to provide us with a copy of such a report.

### Scope of our audit

- 2.13 Our audit will be conducted in accordance with the ISAs (UK) issued by the 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 scheme's circumstances and have been consistently applied and adequately disclosed;
  - the reasonableness of significant accounting estimates made by the trustees;
  - 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 Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

- 2.14 Because of the test nature and inherent limitations of an audit, together with the inherent limitations of any accounting and internal control system, there is an unavoidable risk that some material misstatements may remain undiscovered, even though the audit is properly planned and performed in accordance with ISAs (UK).
- 2.15 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 scheme has maintained sufficient accounting records. We will need to obtain relevant and reliable evidence sufficient to enable us to draw reasonable conclusions therefrom.
- 2.16 The nature and extent of our tests will vary according to our assessment of the scheme's accounting and internal control systems and may cover any aspect of the scheme's operations, but we are not required to perform tests in connection with our report on:
- the scheme's long term pension liabilities;
  - the trustees' report, the investment report and any other reports accompanying the financial statements.

We shall report to the trustees any significant deficiencies in, or observations on, the scheme's systems that come to our attention of which we believe the trustees 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.

- 2.17 As noted in section 1, the responsibility for safeguarding the assets of the scheme and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with the trustees. However, we shall endeavour to plan our audit so that we have a reasonable expectation of detecting material misstatements in the financial statements (including those resulting from fraud, error, non-compliance with law or regulations or breaches of trust), but our examination should not be relied upon to disclose all such material misstatements or frauds, errors or instances of non-compliance or breach of trust as may exist.
- 2.18 Information and explanations from the scheme's personnel are an important part of our audit evidence. As part of our normal audit procedures, we will request you to provide formal representations concerning certain information and explanations we receive from trustees or your personnel during the course of our audit. In particular, where we bring misstatements in the financial statements to your attention which are not adjusted, we shall require written representation of your reasons.
- 2.19 In order to carry out our duties as scheme auditors, we may need to consult with the scheme actuary or other actuarial adviser appointed by you. You hereby authorise us to communicate directly with such persons for the purposes of performing our duties as scheme auditors.
- 2.20 To enable us to conduct a review of your financial statements, which constitutes part of our audit, we shall request sight of all documents or statements which are due to be issued with the financial statements.
- 2.21 Once we have issued our report we have no further direct responsibility in relation to the financial statements for that financial year.
- 2.22 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](http://www.frc.org.uk/auditorsresponsibilities).

### Communication

- 2.23 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.
- 2.24 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.
- 2.25 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.