

# **Hackett Griffey LLP**

## **Supplementary standard terms of business for limited company audit appointments (revised 1 April 2010)**

The following supplementary standard terms of business apply to all limited company engagements accepted by Hackett Griffey LLP ("the firm") where the firm has agreed to act as statutory auditors, in addition to the extant Standard Terms of Business for Limited Companies. All work carried out is subject to these terms except where changes are expressly agreed in writing.

### **1 Your responsibilities as directors**

- 1.1 As directors of the company, you are required to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, you are required to:
  - (a) select suitable accounting policies and then apply them consistently;
  - (b) make judgements and estimates that are reasonable and prudent; and
  - (c) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.
- 1.2 You are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006 ("the Act").
- 1.3 You are responsible for safeguarding the assets of the company and hence for taking reasonable steps to ensure the company's activities are conducted honestly and for the prevention and detection of fraud and other irregularities.
- 1.4 In addition to the general duties of directors specified in sections 170 to 177 of the Act you are responsible for ensuring that the company 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.
- 1.5 You have agreed to make available to us, as and when required, all the company's accounting records and related financial information, including minutes of directors' and shareholders' meetings. You are required to confirm in the directors' report that so far as you are aware, there is no relevant audit information of which we, the company's auditors, are unaware and that you have taken all the steps that you ought to take as directors in order to make yourselves aware of any relevant audit information and to establish that we are aware of that information..
- 1.6 Where audited information is published on the company'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.
- 1.7 It is your responsibility to ensure there are controls in place to prevent or detect quickly any changes to that information. We are not 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 company's website is your responsibility and we accept no responsibility for changes made to audited information after it is first posted.

## **2 Our responsibilities as auditors**

2.1 Our legal and professional duty is to make a report to the members stating whether, in our opinion:

- the financial statements give a true and fair view of the state of the company's affairs as at the balance sheet date and of its profit or loss for the period then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the Companies Act 2006, and
- the information given in the directors' report is consistent with the financial statements.

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

- adequate accounting records have been kept by the company and returns adequate for our audit have been received from branches not visited by us, or
- the financial statements are in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have received all the information and explanations we require for our audit, and
- where the company has prepared accounts in accordance with the small company regime, whether it is entitled to do so.

2.2 As noted above, our report will be made solely to the company's members, as a body, in accordance with Section 495 of the Companies Act 2006. Our audit work will be undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. In those circumstances, to the fullest extent permitted by law, we will not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for the audit report, or for the opinions we form.

2.3 There are certain other matters, which according to the circumstances, may need to be dealt with in our report. For example, where the financial statements do not give details of directors' remuneration or of their transactions with the company, the Companies Act 2006 requires us to disclose such matters in our report.

2.4 In addition, we have a professional duty to report if the financial statements do not comply in any material respect with Financial Reporting Standards or Statements of Standard Accounting Practice, 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.

2.5 Our professional duties also include:

- (a) incorporating in our report a description of the directors' 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.

### **3 Scope of audit**

- 3.1 Our auditing procedures will be carried out in accordance with the International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. 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.
- 3.2 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 company has maintained proper accounting records. We will need to obtain relevant and reliable evidence sufficient to enable us to draw reasonable conclusions therefrom.
- 3.3 The nature and extent of our tests will vary according to our assessment of the company's accounting and internal control systems, and may cover any aspects of the business's operations. We shall report to the management any significant weaknesses in, or observations on, the company's systems that come to our attention of which we believe the directors 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.
- 3.4 The responsibility for safeguarding the assets of the company and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with the management. 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.
- 3.5 As part of our normal audit procedures, we may 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 misstatements in the financial statements to your attention that are not adjusted, we shall require written representation of your reasons. In connection with representations and the supply of information to us generally, we draw your attention to section 501 of the Companies Act 2006 under which it is an offence for an officer or employee of the company to knowingly or recklessly make misleading, false or deceptive statements to the auditors.
- 3.6 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.
- 3.7 Once we have issued our report we will have no further direct responsibility in relation to the financial statements for that financial year. However, 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 attend all general meetings of the company, and to receive notice of all such meetings.

3.8 We appreciate that the present size of your business renders it uneconomic to create a system of internal control based on the segregation of duties for different functions within each area of the business. In the running of your company we understand that the directors are closely involved with the control of the company's transactions. In planning and performing our audit work we shall take account of this supervision.

3.9 A fuller description of the scope of an audit of financial statements arising from the requirements of ISAs (UK and Ireland), together with other legal and regulatory requirements, is provided on the Auditing Practices Board website at [www.frc.org.uk/apb/scope/UKNP](http://www.frc.org.uk/apb/scope/UKNP).

## **4 Communication**

4.1 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 you 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.

4.2 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.