



# SALVUS MASTER TRUST

## AAF 02/07 ASSURANCE REPORT



WORKPLACE PENSIONS IN BLACK + WHITE

# Internal Controls for Master Trusts Report as at 31 March 2016

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## Introduction

The trustee is pleased to present its report detailing the control procedures that are in place relating to The Salvus Master Trust ('SALVUS' or 'the Scheme').

SALVUS is a Master Trust: a multi-employer workplace pension scheme founded by Goddard Perry Consulting Limited (Goddard Perry). It was launched in 2013 as a product specifically tailored to help employers deal with their statutory auto-enrolment duties.

The Scheme is a flexible and portable workplace pension and is suitable for any organisation, of any size and in any sector. Its focus is on ease and simplicity of use, support for employers and engagement with employees and Scheme members.

Employers using SALVUS have enrolled over 7,000 members since January 2014. SALVUS is governed by a trustee board (the Trustees) comprising of Gowling WLG Trust Corporation Limited (GWLG), Rumbles Pension Services Limited and Clark Benefit Consulting Limited. The Trustees are entirely independent of SALVUS, Goddard Perry and HS Administrative Services Limited (HS Admin).

Strong governance is a key feature of SALVUS. Employers and Scheme members can be reassured that SALVUS is governed by a board of trustees who are independent and have the requisite expertise to carry out this role.

The Trustees have appointed HS Admin as administrator of the Scheme. HS Admin is authorised and regulated by the Financial Conduct Authority.

This report provides information and assurance on the design and description of the governance and administrative procedures, in relation to the business operations of SALVUS. With effect from 17th February 2016 Salvus Master Trust merged with the Spinnaker Master Trust. The newly merged Trust brand is called SALVUS Master Trust and all reference to Salvus Master Trust will also apply to the Spinnaker Master Trust.

The Trustees have adopted the framework provided by the Audit and Assurance Faculty of the Institute of Chartered Accountants in England and Wales, entitled Assurance Reporting On Master Trusts (Master Trust Supplement to ICAEW AAF 02/07), referred to as 'The Master Trust Supplement to AAF 02/07'.

This report is at a point in time, dated 31 March 2016 in accordance with the Master Trust Supplement to AAF 02/07.



## 2. Report of the Trustee of the SALVUS Master Trust

As the Trustees of SALVUS, we are responsible for the identification of control objectives relating to governance and administration in the operation of the Master Trust and the design, implementation and operation of the control procedures to provide reasonable assurance that the control objectives are achieved. Those objectives are derived from the Defined Contribution (DC) code of practice and DC regulatory guidance.

In carrying out those responsibilities, we have regard not only to the interest of employers (who have entrusted their employees' DC contributions to the Master Trust, or are considering doing so) and members of the Master Trust but also to the needs of the trust business and the general effectiveness and efficiency of the relevant operations.

We have evaluated the effectiveness of SALVUS' control procedures having regard to ICAEW's Technical Release AAF 02/07 including its Master Trusts Supplement and the control objectives set out therein.

We set out in Section 5 of this report a description of the relevant control procedures together with the related control objectives which operated as at 31 March 2016 to confirm that:

- (a) the report describes fairly the control procedures that relate to the control objectives referred to above which were in place as at 31 March 2016; and
- (b) the control procedures described were suitably designed such that there is reasonable assurance that the specified control objectives would be achieved if the described control procedures were complied with satisfactorily.

Trustees *R J Smith* *Dwight J. Goulding WLG Trust*  
*Corporation Limited*

Date *15/4/2016*

Signed on behalf of the trustees of the SALVUS Master Trust



### 3. Report by reporting accountants



#### Reporting Accountant's assurance report on the governance and administration control procedures of master trusts

##### Use of our Report

Our report, subject to the permitted disclosures set out below is made solely for the use of the Trustees of Salvus Master Trust ("The Trustees") and solely for the purpose of reporting on the internal controls of Salvus Master Trust, in accordance with the terms of our engagement letter dated 31<sup>st</sup> March 2016 and attached in the Appendix.

We permit the disclosure of our report, in full only to verify to the recipient that a report by reporting accountants has been commissioned by the Trustees and issued in connection with the internal controls of Salvus Master Trust without assuming or accepting a responsibility or liability to the recipient on our part.

To the fullest extent permitted by law, we do not and will not accept or assume responsibility to anyone other than the Trustees as a body for our work, for our report or for the opinions we have formed.

##### Scope

We have been engaged to report on the Trustees' description and design of its governance and administration control procedures as at 31<sup>st</sup> March 2016.

##### Trustees' responsibility

The Trustees' responsibilities and assertions are set out in section 2 of the Trustees' report. The control objectives stated in the description include those control objectives set out in the Master Trust Supplement to AAF 02/07 that are considered relevant by the Trustees.

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### **Our responsibilities**

Our responsibility is to form an independent opinion, based on the work carried out in relation to the control procedures of Salvus Master Trust as described in section 5 of the Trustees' report and report this to the Trustees. We conducted our engagement in accordance with ICAEW Technical Release AAF 02/07 including its Master Trusts Supplement. AAF 02/07 require, among other things, that we comply with ethical and other professional requirements.

We planned and performed our procedures to obtain reasonable assurance about whether, in all material respects, the description is fairly presented and the control procedures are suitably designed. The criteria against which the control procedures were evaluated are the control objectives developed for master trusts as set out within the Master Trust Supplement to AAF 02/07 and identified by the Trustees as control objectives to be applied for the purpose of governance and administration.

Our work involved performing procedures to obtain evidence about the presentation of the Trustees' description of the governance and administration control procedures and the design of those control procedures. Our procedures included assessing the risks that the description is not fairly presented, and that the controls procedures were not suitably designed. An assurance engagement of this type also included evaluating the overall presentation of the description and the suitability of the control objectives stated therein.

### **Inherent limitations**

The Trustees' description of control procedures was prepared to meet the common needs of a broad range of users and may not, therefore, include every aspect of control procedures that may be relevant to each employer company or member Salvus Master Trust. Also, because of their nature, control procedures may not prevent or detect and correct all errors or omissions in performing governance or administration activities.

Our opinion is based on historical information. The projection of any evaluation of the fairness of the presentation of the description, or opinion about the suitability of the design or operating effectiveness of the control procedures to future periods would be inappropriate.



### Opinion

In our opinion, in all material respects:

- (i) Section 5 of the Trustees' report fairly presents the control procedures that relate to the control objectives referred to above which were in place as at 31<sup>st</sup> March 2016 and
- (ii) the control procedures described in section 5 of the Trustees' report were suitably designed to provide reasonable, but no absolute, assurance that the specified control objectives would have been achieved if the described control procedures were complied with satisfactorily



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Date: 8<sup>th</sup> April 2016



## 4. Summary of control objectives

### SAFETY OF ASSETS & RECORDS

#### Commercial & Business Risks

1. Discontinuance plans, which address how member assets or entitlements are safeguarded in the event of the Master Trust or any key service provider failing, are documented, approved and maintained.

#### Business & Disaster Recovery

2. Data and systems are backed up regularly, retained off site and regularly tested for recoverability. Business and information systems recovery plans are documented, approved, tested and maintained.
3. The capacity of an administration system to take on new business is assessed, approved and regularly monitored.
4. New business take-ons are properly established in accordance with Master Trust's rules and contractual arrangements.

#### Data Quality & Security

5. Member data is complete and accurate and is subject to regular data evaluation. Data transmissions are secure and appropriate measures are implemented to counter the threat from malicious electronic attack.
6. Physical and logical access to computer systems, and member and Master Trust records and data, is restricted to authorised persons.
7. IT equipment is maintained in a controlled environment and the maintenance and development of systems, applications and software is authorised, tested approved and implemented.

#### Protection of assets

8. Member assets or entitlements are safeguarded from loss, misappropriation and unauthorised use in accordance with a defined policy.
9. Cash is safeguarded and all payments are suitably authorised and controlled.
10. Financial protection available to members in the event of default is assessed and documented, and communicated to employers and members on request.
11. Investment decisions relating to the selection of investments on regulated markets and unregulated investments are researched, authorised and monitored.



## ASSESSING VALUE

### Assessment of Value For Money

12. A value for money review is undertaken and this review is documented, approved and findings actioned.

### Communication of costs and charges

13. A complete and accurate list of the types of costs and charges incurred by members and employers is documented, monitored and approved.
14. Disclosure of information on costs and charges borne by members is provided to employers at the point of selection and is complete and accurate.
15. Disclosure of information to members of costs and charges (rates (%) and amounts (£)) are complete and accurate.

## ASSESSMENT OF INVESTMENT OPTIONS

### Appropriateness of the default strategies

16. The design and ongoing suitability of the default strategies is regularly reviewed and monitored. This review is documented and approved.
17. The performance of the default strategies and funds within the default strategies are regularly reviewed and monitored. This review is documented and approved. Appropriateness of the other investment options (i.e. non default strategy investment options)
18. The range and risk profile of other investment options are documented, approved and regularly reviewed for suitability. This review is documented.
19. The performance of other investments options is regularly reviewed against relevant investment objectives and (where available) industry benchmarks. This review is documented and approved.

### Identification of investment objectives and assessment against them

20. A complete and accurate description of all investment options is maintained and approved.
21. A Statement of Investment Principles (SIP) is documented, approved and regularly reviewed.



## PEOPLE

### Conflicts of interest

22. Conflicts of interest are identified, recorded and managed in accordance with a defined policy which is regularly reviewed and approved.

### Fit and proper trustees

23. Fitness and propriety requirements are recorded and managed in accordance with a defined policy which is regularly reviewed and approved.
24. The fitness and propriety of trustees is regularly reviewed and monitored prior to appointment and thereafter. This review is documented and approved.
25. Trustee skills and knowledge are managed and maintained in accordance with an approved training programme. The training programme is regularly reviewed and updated.

## GOVERNANCE

### Resource planning

26. A plan is maintained and regularly reviewed to ensure that resources are properly allocated

### Scheme Management

27. Roles, responsibilities and duties of all trustees, advisers and service providers are documented, approved and regularly reviewed.
28. Activities undertaken by all scheme advisers and service providers are properly managed and subject to regular performance reviews which are documented and approved.

### Internal control framework

29. A risk management framework is established to identify, manage and monitor significant operational, financial, regulatory and compliance risks.

### Core scheme transactions

30. Contributions, benefit payments, investment transactions and calculations and related income and expenditure are completely and accurately processed in a timely manner and recorded in the proper period.
31. Contributions are invested in accordance with member instructions or the default policy.



32. Transaction errors are rectified and members are treated fairly as a result of that rectification.

## Receipt of contributions

33. Late and inaccurate contributions are pursued and resolved.

## Retirement process

- 34. Retirements are managed in accordance with a documented process which is regularly reviewed and approved.
- 35. Retirement products selected by members are monitored and the range of retirement products made available is reviewed regularly for ongoing suitability.
- 36. Members are regularly made aware of their investment choices, the importance of reviewing the suitability of their investment choices and that their level of contributions is a key factor in determining the overall size of their pension fund.

## Communications

- 37. Scheme communications are accurate, clear and understandable and are produced in accordance with a documented communications plan. The plan is regularly reviewed and monitored.
- 38. Communications contain information to support the decisions members need to make at retirement.



## 5. Control objectives and procedures

This Master Trust Supplement to AAF 02/07 focuses on the Trustee's governance of how Goddard Perry and HS Admin conduct business and controls and manages their risks.

### SAFETY OF ASSETS & RECORDS

#### Commercial & Business Risks

I. Discontinuance plans, which address how member assets or entitlements are safeguarded in the event of the Master Trust or any key service provider failing, are documented, approved and maintained.

All Scheme assets are invested in mainstream pooled investment funds accessed via a contract of long-term insurance with AEGON UK.

The Trustees review the financial position of the Scheme at each Trustee Board meeting and this is documented in the Trustee meeting agendas and minutes.

The Trustees monitor the financial position of the Scheme through the Administration Reports provided to the Trustees at each Trustee meeting. These reports show a summary of the Scheme's financial details including the assets under management, contributions received, funds claimed and transfers out, employers joining the Scheme and employers ceasing to participate in the Scheme.

The Trustees also review Goddard Perry's investment report for the quarter at each Trustee meeting and this is documented in the Trustee meeting agendas and minutes.

The Trustees' annual report and financial statements for the year ended 31 December 2014 have been prepared, audited and signed. The accounts are prepared on a going concern basis as there is nothing to indicate that either the Scheme will be wound up in the coming 12 months.

Goddard Perry concluded that there were no material uncertainties casting significant doubt about the ability of the Trustees to continue as a going concern.

The SALVUS Trust Deed and Scheme Rules dated 12 January 2012 are the governing documents by which the Scheme is currently administered and managed. These Rules include provisions for the eventuality of the termination and winding up of the Scheme as well as the possibility of the merger with another scheme.

Legal advice was taken when these Rules were prepared, and the Trustees were involved in agreeing the provisions. In accordance with the Rules, no amendment can be made without the written consent of the Trustees, who would consider the proposed changes to the Rules in light of their obligations and responsibilities towards members and other beneficiaries of the Scheme.

The Trustees have prepared a Scheme Discontinuance Plan considering the events that could trigger the discontinuance of the Scheme and how the Trustees may fulfil their overarching duty to act in the best interest of the beneficiaries of the Scheme. The Scheme Discontinuance Plan was agreed by the Trustees in 2014 as recorded in the Trustee meeting agenda and minutes. The Trustees are to review the Scheme Discontinuance Plan annually.



## Business & Disaster Recovery

2. Data and systems are backed up regularly, retained off site and regularly tested for recoverability. Business and information systems recovery plans are documented, approved, tested and maintained.

The SALVUS member and employer customer records are held on HS Admin's computer system. Procedures for system backups form an integral part of HS Admin's Information Security Policy and ISO:9001 accreditation. The backup of all critical data is carried out on a daily basis to high capacity LTO media and the supporting housekeeping procedures include an audit of the success or otherwise of this operation.

In the event of failure, for example due to a tape breakage, an additional intra-day backup of critical data is made to online storage.

HS Admin use SQL server technology and has implemented auditing and roll-forward functionality for this technology with hourly 'data snapshots' being taken. This approach means that data recovery points exist much more frequently than would be the case with daily tape backups alone.

Media is automatically audited via bar coding and a daily collection occurs in which the most recently used tape media is removed from site and transferred to secure storage at a third party data archivist. The external archivist is a company that specialises in media storage and is also accredited with the ISO9001 standard.

HS Admin's IT Department test for business recoverability twice a year during maintenance weekends and follow documented procedures and checks.

In the case of a recovery event HS Admin have a long term contract in place with Sungard Availability Services Ltd. which provides HS Admin with a fully equipped second site for immediate use including all office, IT and telephony equipment.

The contract with Sungard includes a number of days per year for testing purpose. The most recent test took place in January 2015.

Each of HS Admin's business areas has their own individual Business Continuity Plan detailing the steps each area will take following an incident, to return to 'business as usual' in the quickest possible time. These Business Continuity Plans are reviewed each 6 months and the last Business Recovery exercise was carried out in January 2015.

The business continuity plans include a range of prioritised recovery objectives with associated recovery timings. Although many aspects of our service have lower individual targets, recovery of full administration, payroll and member support services have a collective maximum target of 72 hours. This includes transfer of our operations to the second site maintained on our behalf by Sungard.



### **3. The capacity of an administration system to take on new business is assessed, approved and regularly monitored.**

HS Admin regularly reviews the capacity of its administration systems and resources. The Trustees review of HS Admin's capacity is carried out periodically and is documented in the Trustee meeting agendas.

The Trustees monitor HS Admin's capacity through the Scheme Administration Reports provided to the Trustees at each Trustee Board meeting. These reports include active and deferred Scheme membership figures.

### **4. New business take-ons are properly established in accordance with Master Trust's rules and contractual arrangements.**

SALVUS is a multi-employer workplace pension scheme specifically tailored to deal with pensions auto-enrolment and is available to all employers from any sector. The Scheme was established by Goddard Perry, through a deed dated 12 January 2012.

The SALVUS Trust Deed and Scheme Rules dated 12 January 2012 are the governing documents by which the Scheme is currently administered and managed. Employers wishing to participate in the Scheme are admitted to the Scheme by Goddard Perry in accordance with these Rules.

Contractual arrangements are made between Goddard Perry and the participating employer with responsibilities of each party clearly defined within the Rules. The employer agrees to be bound by the provisions of the Scheme Rules via an application process and deed of adherence to the provisions of the Trust. Each participating employer has their own section within the Scheme.

Goddard Perry may, at the request of a participating employer, agree to make a variation to a section of the Scheme by way of Deed and will seek the agreement of the Trustees. Goddard Perry may make a minor change to the section of the Scheme by way of Memorandum without seeking the agreement of the Trustees but will make the Memorandum available to the Trustees for review

## **Data Quality & Security**

### **5. Member data is complete and accurate and is subject to regular data evaluation. Data transmissions are secure and appropriate measures are implemented to counter the threat from malicious electronic attack.**

HS Admin's computer system records are updated daily through ad hoc instructions received from Scheme members and information received from employers participating in the Scheme.

As part of its Data Protection Policy, HS Admin uses encryption to protect the contents of files containing sensitive data being transmitted via email.



HS Admin regularly reviews the completeness and accuracy of the Common data it holds for members of SALVUS. Should any breach of data protection regulations occur, HS Admin will inform the Trustees as soon as reasonably possible or at their next Trustee Board meeting, depending upon the nature of the breach.

The Trustees will review the completeness and accuracy of member data at each Trustee Board meeting and this will be documented in the Trustee meeting agendas and minutes.

The Trustees will monitor the completeness and accuracy of member data through the Scheme Administration Reports provided to the Trustees at each Trustee Board meeting. These reports will show the percentage of Scheme membership where Common data are present. These will also include details of any Data Protection breaches which have occurred during the quarter.

HS Admin has an Intrusion Detection System deployed to counter the threat from malicious activities. This is a component of HS Admin's firewall, from a leading provider, protecting their internal systems, in-house hosted website and mail server from unauthorised access from the internet.

HS Admin has also deployed licensed software that manages the roll out of antivirus updates on user computers and HS Admin's mail servers. Virus definitions are downloaded daily to the server and on first boot to user systems.

## 6. Physical and logical access to computer systems, and member and Master Trust records and data, is restricted to authorised persons.

HS Admin's Liverpool office is protected by a CCTV system, a 24 hour guard, office access fob and an alarm.

All electronic data is held on servers in a secure, locked room. Only authorised members of HS Admin's IT Department have access to the server room.

HS Admin's administrators using its in-house system are allocated user names and a password is required to access servers and network devices. These passwords expire and users are prompted to change them on a monthly basis. The system requires best practice from users in relation to setting passwords.

User functionality within HS Admin's administration and accounting systems is restricted using appropriate permissions. Functional groups of users are maintained, each with appropriate levels of access permissions based upon their job function.

Only authorised IT administrators can define user and user group policies, rights and permissions, which are enforced by the system. Updates to system records have an audit trail, showing the user ID, date and timestamp.

HS Admin has an Intrusion Detection System deployed to counter the threat of unauthorised access from the internet. This is a component of HS Admin's firewall protecting its internal systems, in-house hosted website and mail server.



To access server and network devices from remote locations, a secure connection to HS Admin's firewall using a network logon account is required, as well as having remote access enabled by HS Admin's IT Department.

Reusable apparatus such as memory disks have data erased in house. Non-recyclable components are transported securely to a site where they are destroyed.

## 7. IT equipment is maintained in a controlled environment and the maintenance and development of systems, applications and software is authorised, tested approved and implemented.

All electronic data at HS Admin's Liverpool Office is held on servers in a secure, locked room. This room is equipped with air conditioning and a system is in place to control the temperature and humidity.

HS Admin regularly updates its entire IT estate, including websites and mail servers with the latest security patches.

## Protection of assets

## 8. Member assets or entitlements are safeguarded from loss, misappropriation and unauthorised use in accordance with a defined policy.

All Scheme assets are invested in mainstream pooled investment funds accessed via a contract of long-term insurance with AEGON UK.

The Trustees have a written Statement of Investment Principles setting out the principles governing how decisions about investments must be made. The Trustees formally review the Statement of Investment Principles each year and this was last updated in December 2015.

The Trustees review Goddard Perry's quarterly investment reports. These contain details of any stock lending and collateralisation which the Trustees will review at each Trustee Board meeting. This will be documented in the Trustee meeting agendas and minutes.

SALVUS has a daily valuation cycle with automated electronic transaction instructions sent between HS Admin's in-house system and the investment managers via SWIFT. HS Admin's Client Accounts Team check the instructions before sending these to the investment managers and automated validation checks are performed on the valuation details received from the investment managers. The valuation process ends with automated validation checks confirming at a member level that the member funds and unit movements agree with the overall valuation totals.



## 9. Cash is safeguarded and all payments are suitably authorised and controlled.

HS Admin's Client Accounts Team has a highly detailed Payment and Receipts Procedure documenting procedures and controls for the authorisation of payments.

User functionality within HS Admin's administration and accounts systems is restricted using appropriate permissions enabling a clear segregation of duties. All payments are checked before being authorised and the system prohibits the initiation and authorisation of payments by the same user.

Once a payment has been authorised a second set of authorisation processes begins within the Client Accounts Team which involves dual authorisation, including Senior Management authorisation.

The Trustees have a mandate with Barclays Bank setting out a list of authorised signatories and the authorisation levels for accepting payment instructions.

It is impractical for the Trustees to give their authorisation to AEGON UK for each and every payment. However, AEGON UK will alert the Trustees in the event they were ever instructed to make payment into any account other than a Trustee account, or if the authorised bank account was ever changed

## 10. Financial protection available to members in the event of default is assessed and documented, and communicated to employers and members on request

The Trustees and Goddard Perry are consulting with the Financial Services Compensation Scheme and AEGON UK to assess the financial protection open to members. The Scheme does not offer unregulated investments to members and there are appropriate compensation arrangements in place in respect of the regulated investments offered to members.

## 11. Investment decisions relating to the selection of investments on regulated markets and unregulated investments are researched, authorised and monitored.

SALVUS does not offer unregulated investment options to members and any use of such investments would require approval by the Trustees.

The Trustees, in conjunction with an authorised, regulated investment adviser, regularly reviews the suitability of the regulated investment funds available to members and the Statement of Investment Principles.

All Scheme assets are invested in mainstream pooled investment funds accessed via a contract of long-term insurance with AEGON UK.

The Trustees monitor the performance of the funds available to members through the investment report for the quarter, presented to the Trustees at each Trustee Board meeting. The quarterly Goddard Perry investment report contains information about the performance of the funds compared with the total return of the relevant benchmark index.



For passive tracking funds the Trustee monitors whether the fund performance during the quarter is within expected tolerances for the asset class in question. Any greater variance would be queried with Goddard Perry.

The Statement of Investment Principles was last updated in December 2015. The Trustees are to review the Statement of Investment Principles each year and is recorded in the Trustee meeting agendas and minutes.

## ASSESSING VALUE

### Assessment of Value For Money

**12. A value for money review is undertaken and this review is documented, approved and findings actioned.**

Value for money is one of the key attributes of SALVUS.

Goddard Perry regularly reviews SALVUS against the Government established NEST (National Employment Savings Trust) and other major Master Trusts in the market place. This analysis includes a value for money assessment.

Goddard Perry has provided an annual value for money assessment to the Trustees, which will be reviewed by the Trustees and recorded in the Trustee papers.

### Communication of costs and charges

**13. A complete and accurate list of the types of costs and charges incurred by members and employers is documented, monitored and approved.**

SALVUS (excluding the Spinnaker section) has a charging structure of between a 0.29% and 0.75% Annual Management Charge (AMC), dependent on the employer. In addition a monthly administration fee of a maximum of £0.83p per month per member may be applied in line with Better Workplace Pensions CM8840.

AEGON UK's investment service fees, including the underlying investment manager fees, are deducted from the AMC paid to the Scheme administrators.

The SALVUS Trust Deed and Scheme Rules dated 12 January 2012 are the governing documents by which the Scheme is currently administered and managed. These set out the specific circumstances in which the Trustees and/or Founder has a power to impose a charge on a participating employer or Scheme member.



#### 14. Disclosure of information on costs and charges borne by members is provided to employers at the point of selection and is complete and accurate.

A simple transparent charging structure is one of the key foundations of SALVUS and the Scheme's simple Annual Management Charge (AMC) is mentioned in literature provided to employers (as well as to members and advisers).

A 'Costs & Charges' document is available to employers upon request, which sets out the charging structure of SALVUS in the format as prescribed by the 'Pension Charges Made Clear: Joint Industry Code of Conduct'.

#### 15. Disclosure of information to members of costs and charges (rates (%) and amounts (£)) are complete and accurate.

A simple transparent charging structure is one of the key foundations of SALVUS. Upon joining the Scheme, new members are provided with a Fact Sheet confirming the Annual Management Charge (AMC) applicable to them and any administration charge applicable. The AMC is automatically reflected in the value of their fund.

The Scheme members' annual benefit statement also states their AMC and that this is reflected in the price of the units.

A 'Costs & Charges' document is also available to Scheme members upon request, which sets out the charging structure of SALVUS in the format as prescribed by the 'Pension Charges Made Clear: Joint Industry Code of Conduct'.

## ASSESSMENT OF INVESTMENT OPTIONS

### Appropriateness of the default strategies

#### 16. The design and on-going suitability of the default strategies is regularly reviewed and monitored. This review is documented and approved.

The Trustees, in conjunction with an authorised, regulated investment adviser, regularly reviews the suitability of the funds and the Statement of Investment Principles.

The Trustees' initial investment adviser carried out an Investment Review in October 2013. This confirmed that the Scheme's default investment strategy was appropriate to meet the expected needs of Scheme members. This was underpinned by the Trustees' ambition to provide members with a good quality scheme with a low cost.

The Trustees have taken professional advice from the current investment adviser on the default strategy available to members. The investment adviser also provides advice to the Trustees on an ad hoc basis, as and when requested.

The Trustees formally review the suitability of the default strategy at each Trustee meeting and the next review is due to be carried out in April 2016. This is recorded in the Trustee meeting agendas and minutes.



**17. The performance of the default strategies and funds within the default strategies are regularly reviewed and monitored. This review is documented and approved.**

The Trustees' review of the performance of the default strategy is carried out at each Trustee Board meeting and is documented in the Trustee meeting agendas and minutes.

The Trustees monitor the default strategy through the Goddard Perry investment report for the quarter, presented to the Trustees at each Trustee Board meeting. The quarterly Goddard Perry investment report contains information about the performance of the funds compared with the total return of the relevant benchmark index.

The Scheme offers passive tracking funds. The Trustees monitor whether the fund performance during the quarter is within expected tolerances for the asset class in question. Any greater variance would be queried with Goddard Perry.

**18. The range and risk profile of other investment options are documented, approved and regularly reviewed for suitability. This review is documented.**

The Trustees, in conjunction with an authorised, regulated investment adviser, regularly reviews the suitability of the funds and the Statement of Investment Principles.

The Trustees initial investment adviser carried out an Investment Review in October 2013. This confirmed that the non-default funds offered by the Scheme were appropriate to meet the expected needs of Scheme members. The Trustees aimed to keep investment options simple by giving members a small number of funds to choose from.

The Trustees have taken professional advice from the current investment adviser on the non-default funds available to members.

The Trustees formally reviews the suitability of the non default funds at each Trustee meeting and the next review is due to be carried out in April 2016. This is recorded in the Trustee meeting agendas and minutes.

**19. The performance of other investments options is regularly reviewed against relevant investment objectives and (where available) industry benchmarks. This review is documented and approved.**

The Trustees have taken professional advice on the range of investment options available to Scheme members.

The Trustees' review of the performance of the non-default strategy investment options is carried out at each Trustee Board meeting and is documented in the Trustee meeting agendas and minutes



The Trustees monitor the non-default strategy investments options through the Goddard Perry investment report for the quarter, presented to the Trustees at each Trustee Board meeting. The quarterly Goddard Perry investment report contains information about the performance of the funds compared with the total return of the relevant benchmark index.

The Scheme offers passive tracking funds. The Trustees monitor whether the fund performance during the quarter is within expected tolerances for the asset class in question. Any greater variance would be queried with Goddard Perry.

## **20. A complete and accurate description of all investment options is maintained and approved.**

Upon joining the Scheme, new members are provided with an Investment Choices booklet providing a complete and accurate description of the different investment profiles and fund choices available to Scheme members.

Scheme members can also find these details on the SALVUS website at [www.salvustrust.com/members-area](http://www.salvustrust.com/members-area). A Statement of Investment Principles setting out a complete and accurate description of all investment options is also available to employers and Scheme members upon request.

## **21. A Statement of Investment Principles (SIP) is documented, approved and regularly reviewed.**

The Trustees have prepared, after taking advice from an authorised, regulated investment adviser, a written Statement of Investment Principles setting out the principles governing how decisions about investments must be made.

The Trustees review Goddard Perry's investment report for the quarter at each Trustee Board meeting and this is documented in the Trustee meeting agendas and minutes.

The Statement of Investment Principles was last updated in December 2015. The Trustees are to review the Statement of Investment Principles annually. This is to be recorded in the Trustee meeting agendas and minutes

## **PEOPLE**

### **Conflicts of interest**

## **22. Conflicts of interest are identified, recorded and managed in accordance with a defined policy which is regularly reviewed and approved.**

The Trustees, in conjunction with an authorised, regulated investment adviser, regularly reviews the suitability of the funds and the Statement of Investment Principles.

The Trustees have a written Conflicts of Interest policy. This sets out the Trustees' process for determining when a potential conflict situation might arise, how the Trustees would evaluate this and how the Trustees will deal with it once it has been identified.



The Trustees also maintains a Conflicts of Interest register recording any actual conflicts of interest as well as any potential and perceived conflicts of interest.

In their letters of appointment, the Trustees declared they were not aware of any conflict of interest or potential conflict of interest arising from their appointment. The Trustees also agreed to notify Goddard Perry if they became aware of any such conflict during their appointment.

At each Trustee Board meeting the Trustees are asked whether there are any conflicts of interest to be considered. This is documented in the Trustee meeting agendas and minutes.

In their letters of engagement, service providers are asked to inform the Trustees of any conflict of interest that may arise as soon as reasonably possible.

The Trustees are to review their Conflicts of Interest policy and Conflicts of Interest Register each year at the fourth quarter meeting. This is documented in the Trustee Business Plan and is to be recorded in the Trustee meeting agendas and minutes.

## Fit and proper Trustees

### 23. Fitness and propriety requirements are recorded and managed in accordance with a defined policy which is regularly reviewed and approved.

The existing Trustees are GWLG, Rumbles Pension Services Limited and Clark Benefit Consulting Limited.

In their letters of appointment, the existing Trustees have included declarations that they have the 'expertise and experience of acting as a trustee of an occupational pension scheme'. The Trust Deed & Rules sets out circumstances in which a Trustee is required to vacate their office.

The Trustees/Founder last reviewed the Trustees fitness and propriety requirements policy in July 2015.

Prior to their appointment, any new Trustees will be required to complete a declaration confirming their fitness and propriety.

Each Trustee is to make a declaration to Goddard Perry and other Trustees annually, confirming their fitness and propriety and undertaking to notify Goddard Perry of any changes in these circumstances.

### 24. The fitness and propriety of trustees is regularly reviewed and monitored prior to appointment and thereafter. This review is documented and approved.

In their letters of appointment, the existing Trustees included declarations that they have the 'expertise and experience of acting as a trustee of an occupational pension scheme'.



Prior to their appointment, any new Trustee will be required to complete a declaration confirming their fitness and propriety.

A review of the fitness and propriety of each Trustee is carried out each year and is to be recorded in the Trustee meeting agendas and minutes.

**25. Trustee skills and knowledge are managed and maintained in accordance with an approved training programme. The training programme is regularly reviewed and updated.**

The training undertaken by each Trustee is recorded in their individual training logs.

At each Trustee Board meeting the Trustees also consider whether there are any matters that they would like training on. This is documented in the Trustee meeting agendas and minutes.

The skills and knowledge of the Trustees is included in a review carried out by the Chairman of the Trustees each year and is to be recorded in the Trustee meeting agendas and minutes.

## GOVERNANCE

### Resource planning

**26. A plan is maintained and regularly reviewed to ensure that resources are properly allocated.**

The Trustees meet with both Goddard Perry and HS Admin regularly to discuss key issues affecting the Scheme.

HS Admin regularly reviews the capacity of its administration systems and resources. The Trustees' review of HS Admin's capacity is carried out periodically and is to be documented in the Trustee meeting agendas and minutes.

The Trustees monitor HS Admin's capacity through the Scheme Administration Reports provided to the Trustees at each Trustee Board meeting. These reports include active and deferred Scheme membership figures.

The Trustees review ongoing governance arrangements, as detailed in the Business Plan and Internal Controls document, on an annual basis.



## Scheme Management

### **27. Roles, responsibilities and duties of all trustees, advisers and service providers are documented, approved and regularly reviewed.**

The duties, delegated responsibilities and accountabilities of the Trustees, advisers and service providers are acknowledged in the contracts that the Trustees have entered into with each adviser and service provider.

The SALVUS Trust Deed and Scheme Rules dated 12 January 2012 are the governing documents by which the Scheme is currently administered and managed. The Trustees and Founder have jointly reviewed the Scheme Rules and have agreed a 'Balance of Powers' document setting out how the various powers, duties and discretions within the Scheme Rules are to be exercised, which party exercises the powers, and what constraints there are.

The Trustees plan to carry out a triennial review of each of the advisers and service providers.

### **28. Activities undertaken by all scheme advisers and service providers are properly managed and subject to regular performance reviews which are documented and approved.**

The Trustees' will monitor the activities carried out by service providers and advisers to the Scheme at each Trustee Board meeting and will be documented in the Trustee meeting agendas and minutes, to be compared against the agreed Service Level Agreements.

In advance of each Trustee Board meeting HS Admin provides a quarterly Administration Report to the Trustees. These reports include:

- a summary of active and deferred members, new joiners, leavers and opt-outs
- contributions received, assets under management, funds claimed and transferred out
- HS Admin's performance against the service levels agreed with the Trustees
- a summary of any complaints received during the quarter and any compensation paid to Scheme members

The Trustees also review Goddard Perry's investment report for the quarter at each Trustee Board meeting and this will be documented in the Trustee meeting agendas and minutes.



## Internal control framework

### 29. A risk management framework is established to identify, manage and monitor significant operational, financial, regulatory and compliance risks.

The Trustees have implemented an effective risk management process which forms a key part of the Trustees' internal control and governance framework.

The Trustees identify the risks applying to the Scheme, assesses these by considering the impacts and likelihood of their occurrence and manages the risks by identifying suitable controls and countermeasures to mitigate the risks.

The Trustees record this information on a Risk Register and allocates two scores to each risk, which are:

- an untreated score taking into consideration any existing controls already in place when the risk was identified; and
- a current risk score assuming all countermeasures to mitigate the risks have been

The Trustees Risk Register includes all risks identified within the Master Trust Supplement to ICAEW AAF 02/07. The Trustees review the Risk Register annually and this is documented in the Trustee meeting agendas and minutes.

## Core scheme transactions

### 30. Contributions, benefit payments, investment transactions and calculations and related income and expenditure are completely and accurately processed in a timely manner and recorded in the proper period.

The Trustees will monitor HS Admin's performance of core scheme transactions. This will be reviewed at each Trustee Board meeting and documented in the Trustee meeting agendas and minutes.

The Trustees will review this through the Scheme Administration Reports provided to the Trustees at each Trustee Board meeting. These reports show HS Admin's performance against the service levels agreed with the Trustees.

HS Admin has processes and procedures in place for carrying out core scheme transactions and ensures that related income and expenditure are completely and accurately processed in a timely manner and recorded in the proper period.

HS Admin shall provide the Trustees with a yearly AAF 01/06 Report on Internal Controls, which details HS Admin's processes and controls, and which is audited by an external auditor. The Trustees are to review these reports and this is to be recorded in the Trustee meeting agendas and minutes.



### **31. Contributions are invested in accordance with member instructions or the default policy.**

The Trustees monitor HS Admin carrying out of member instructions. This is reviewed at each Trustee Board meeting and documented in the Trustee meeting agendas and minutes.

The Trustees review this through the Scheme Administration Reports provided to the Trustees at each Trustee Board meeting. These reports show HS Admin's performance against the service levels agreed with the Trustees. These reports also include a reconciliation of contributions received against the contributions invested together with a summary of investments within each fund.

HS Admin has processes and procedures in place for carrying out investments in accordance with each member's instructions.

HS Admin shall provide the Trustees with a yearly AAF 01/06 Report on Internal Controls, which details HS Admin's processes and controls, and which is audited by an external auditor. The Trustees are to review these reports and this is to be recorded in the Trustee meeting agendas and minutes.

### **32. Transaction errors are rectified and members are treated fairly as a result of that rectification.**

The Trustees will monitor HS Admin's performance. This will be reviewed at each Trustee Board meeting and documented in the Trustee meeting agendas and minutes.

The Trustees will review HS Admin's performance through the Scheme Administration Reports provided to the Trustees at each Trustee Board meeting. In the event of any transaction errors occurring, HS Admin will provide the Trustees with details of the error, what actions have been taken to prevent a reoccurrence, whether the member has suffered a loss and what actions have been taken to remedy the situation.

HS Admin shall provide the Trustees with a yearly AAF 01/06 Report on Internal Controls, which details HS Admin's processes and controls, and which is audited by an external auditor. The Trustees are to review these reports and this is to be recorded in the Trustee meeting agendas and minutes.

## **Receipt of contributions**

### **33. Late and inaccurate contributions are pursued and resolved.**

The Trustees annually review HS Admin's procedures for monitoring the payment of contributions in accordance with The Pensions Regulator's Code of Practice No.5.

The Trustees review late and inaccurate contributions at each Trustee Board meeting which is documented in the Trustee meeting agendas and minutes.

The Trustees monitor these through the quarterly Scheme Administration Reports provided to the Trustees at each Trustee Board meeting. These reports show details of any late payments and any employers reported to The Pensions Regulator for material breaches.



HS Admin shall provide the Trustees with a yearly AAF 01/06 Report on Internal Controls, which details HS Admin's processes and controls, and which is audited by an external auditor. The Trustees are to review these reports and this is to be recorded in the Trustee meeting agendas and minutes.

## Retirement process

### **34. Retirements are managed in accordance with a documented process which is regularly reviewed and approved.**

The SALVUS Trust Deed and Scheme Rules dated 12 January 2012 are the governing documents by which the Scheme is currently administered and managed. These Rules include provisions for the commencement of benefits and ways of providing a pension, through the purchase of an annuity in the name of the member.

SALVUS does not provide members with a pension from the Scheme. Scheme members can use their Open Market Option to shop around for their retirement income product.

HS Admin has procedures in place for managing the retirement process and ensuring this meets regulatory requirements, including the Association of British Insurers code of conduct on retirement choices and The Pension Regulator's DC regulatory guidance.

HS Admin shall provide the Trustees with a yearly AAF 01/06 Report on Internal Controls, which details HS Admin's processes and controls, and which is audited by an external auditor. The Trustees are to review these reports and this is to be recorded in the Trustee meeting agendas and minutes

### **35. Retirement products selected by members are monitored and the range of retirement products made available is reviewed regularly for ongoing suitability**

The Trustees on a yearly basis review the retirement options made available to Scheme members.

The SALVUS Trust Deed and Scheme Rules dated 12 January 2012 are the governing documents by which the Scheme is currently administered and managed. These Rules include provisions for the commencement of benefits and ways of providing a pension, through the purchase of an annuity in the name of the member.

### **36. Members are regularly made aware of their investment choices, the importance of reviewing the suitability of their investment choices and that their level of contributions is a key factor in determining the overall size of their pension fund.**



Upon joining the Scheme, new members are provided with an Investment Choices booklet providing a complete and accurate description of the different investment profiles and fund choices available to Scheme members.

Scheme members can also find these details on the SALVUS website at [www.salvustrust.com/members-area](http://www.salvustrust.com/members-area). A Statement of Investment Principles setting out a complete and accurate description of all investment options is also available to employers and Scheme members upon request.

The Scheme members' annual benefit statement contains details of the funds in which the member is investing and reminds them that their level of contributions affects their income in retirement.

## Communications

**37. Scheme communications are accurate, clear and understandable and are produced in accordance with a documented communications plan. The plan is regularly reviewed and monitored.**

HS Admin shall provide the Trustees with an annual report which includes a communications plan. This will set out the communications over the 'Member Journey', from the employer signing up to participation in the Scheme, through to the payment of member benefits. This is documented in the Trustees Business Plan and is to be recorded in the Trustee meeting agendas and minutes.

HS Admin shall provide the Trustees with a yearly report for the Trustees to monitor the effectiveness of their document approval process and scheme communications. The Trustees are to review these reports at each second quarter meeting. This is documented in the Trustee Business Plan and is to be recorded in the Trustee meeting agendas and minutes.

**38. Communications contain information to support the decisions members need to make at retirement.**

SALVUS does not provide members with a pension from the Scheme. Scheme members can use their Open Market Option to shop around for their retirement income product.

HS Admin has procedures in place for managing the retirement process and ensuring that communications to members approaching retirement meet regulatory requirements, including the Association of British Insurers code of conduct on retirement choices and The Pension Regulator's DC regulatory guidance.

The retirement 'wake up' letter sent to Scheme members is accompanied by The Money Advice Service's 'Your pension: it's time to choose' booklet. This explains the various options for converting a pension fund into an income in retirement and the decisions that the member will have to make.



## Appendix – Letter of engagement



Our Ref: ADMW/H08121

31st March 2016

The Trustees  
Salvus Master Trust  
c/o H S Administrative Services Limited  
25 Goodlass Road  
Liverpool  
L24 9HJ

Dear Sirs

We are pleased to accept the appointment in connection with the Trust.

The purpose of this letter, with its attached Schedule of Services and Standard Terms and Conditions of Business, is to set out the basis on which Rothman Pantall LLP is to act as your reporting accountants, to clarify our respective responsibilities in respect of our work and to specify other areas of work to be undertaken. We draw your attention in particular to the General section at the beginning of the Standard Terms and Conditions of Business which sets out important provisions relating to the terms on which Rothman Pantall LLP will undertake work for you.

We are bound by the ethical guidelines of The Institute of Chartered Accountants in England and Wales and accept instructions to act for you on the basis that we will act in accordance with those ethical guidelines.

### Agreement of terms

This engagement will be on the control procedure as at 31<sup>st</sup> March 2016.

This letter supersedes any previous engagement letter for the period covered. The terms set out in this letter and our attached Standard Terms of Business shall take effect immediately upon your countersigning this letter and returning it to us. If we are instructed to start work before receiving a signed copy of this letter we will treat that as acceptance of all the terms of this engagement letter, unless we hear from you to the contrary within 7 days of you giving that instruction.

Once it has been agreed, this letter and the attached Standard Terms of Business will remain effective until they are replaced.

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Chartered Accountants  
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Surrey  
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\*Rothmans\* is a trade name of Rothman Pantall LLP.  
The trading style 'Rothmans' is used by other unrelated Rothmans entities.  
Rothman Pantall LLP is a limited liability partnership.  
Registered in England & Wales No. 0232582.  
Registered Office: Avonby House, 25 West Street, Wotton Bassett, 5023 9BQ  
A list of members of the LLP can be obtained from the registered office.



2/

The Trustees  
Salvus Master Trust

Our Ref.ADMVWH08121  
31<sup>st</sup> March 2016

We shall be grateful if you could confirm your agreement to these terms by signing the enclosed copy of this letter and returning it to us immediately. The second copy is for your retention.

Yours faithfully

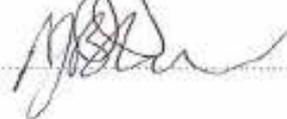


ROTHMAN PANTALL LLP

We, as Trustees, confirm that we have read and understood the contents of this letter and the attached Schedule of Services and Standard Terms and conditions of Business, and agree that they accurately reflect the services that we have instructed you to provide.

Signed  .....

Date 8/4/2016 .....

Signed  .....

Date 8/4/2016 .....



## SCHEDULE OF SERVICES

We understand that you require us to act as reporting accountant to deliver services to you in connection with the internal control procedures at Salvus Master Trust ("the Master Trust")

### **Responsibilities of the Trustees**

The Trustees of the Master Trust (the "Trustees") in relation to which the reporting accountants' assurance report is to be provided is and shall be responsible for the design, implementation and operation of the internal control procedures at the Master Trust. The Trustees' responsibilities are and shall include:

- acceptance of responsibility for internal controls;
- evaluation of the effectiveness of the Master Trust's control procedures using suitable criteria;
- supporting its evaluation with sufficient evidence, including documentation; and
- providing a written report ("Trustees' Report") on the description and suitability of the Master Trust's internal controls at the reporting date to be agreed.

In drafting this Trustees' Report the Trustees have regard to, as a minimum, the criteria specified within TECH 07/14AAF, the Assurance Reporting on Master Trusts (Master Trust Supplement to ICAEW AAF 02/07) issued by the Institute of Chartered Accountants in England and Wales in May 2014 but they may add to these to the extent that this is considered appropriate.

### **Responsibilities of reporting accountants**

It is our responsibility to form an independent conclusion on the Trustees' description of its governance and administration control procedures and on the suitability of the design of the control procedures, based on the work carried out in relation to the control procedures of the Master Trust as described in the Trustees' Report and report on this to be the Trustees.

### **Scope of the reporting accountants' work**

We conduct our work in accordance with the procedures set out in AAF 02/07. Our work will include enquires of key individuals at the Master Trust, together with tests of certain specific control procedures which will be set out in an appendix to our report.

In reaching our conclusion, the criteria against which the control procedures are to be evaluated are the internal control objectives developed for Trustees as set out within the Master Trust Supplement to ICAEW AAF 02/07.

Any work already performed in connection with this engagement before the date of this letter will also be governed by the terms and conditions of this letter.

We may seek written representations from the Trustees in relation to matters on which independent corroboration is not available. We shall seek confirmation from the Trustees that any significant matters of which we should be aware have been brought to our attention.



**Inherent Limitations**

The Trustees acknowledge that control procedures designed to address specified control objectives are subject to inherent limitations and, accordingly, errors or irregularities may occur and not be detected. Such procedures cannot guarantee protection against fraudulent collusion especially on the part of those holding positions of authority or trust. Furthermore, the opinion set out in our report will be based on historical information and the projection of any information or conclusions in our report to any future periods will be inappropriate.

**Use of our report**

Our report will, subject to the permitted disclosures set out below, be made solely for the use of the Trustees, and solely for the purpose of reporting on the internal controls of the Master Trust, in accordance with these terms of our engagement

**Provision of information from third parties**

You agree that we can approach third parties as may be appropriate for information that we consider necessary to deal with your affairs.

**Changes in the law**

We will not accept responsibility if you act on advice previously given by us without first confirming with us that the advice is still valid in light of any change in the law or your circumstances.

We will accept no liability for losses arising from changes in the law or the interpretation thereof that occur after the date on which the advice is given.



## STANDARD TERMS AND CONDITIONS OF BUSINESS

### General

These Standard Terms and Conditions of Business ('Terms') apply to the services which Rothman Pantall LLP supplies to its clients. In these Terms, references to 'Rothman Pantall', 'we', 'us' or 'our' are references to Rothman Pantall LLP and any successor or assignee. Rothman Pantall LLP is a limited liability partnership incorporated in England and Wales with registered number OC342585 and registered office at Avebury House, St Peter Street, Winchester, Hampshire SO23 8BN.

When you instruct us in relation to a new matter or case, we will normally send you a letter confirming your instructions (an "**engagement letter**"). The terms of an engagement letter (if any) and these Terms will together form the contract between us in relation to that matter or case. If you are arranging for any other person to pay our fees and expenses on a matter you must ensure that they are aware of the Terms and the arrangements agreed in your engagement letter.

These Terms supersede any earlier terms of business we may have provided to you.

Your contract is a contract with Rothman Pantall LLP. A limited liability partnership is a body corporate which has 'members'. However, it is more usual for senior professionals to be referred to as 'Partners'. We have decided to retain the traditional title of 'Partner' to describe members of the LLP. There is, however, no partnership between the members or employees or between the members or the employees and the LLP. A reference in these Terms or otherwise in the course of your dealings with us, to a person being a 'Partner', is a reference to that person in his capacity as a member or employee of the LLP. We also use the descriptions 'Director' and 'Manager' to refer to senior employees of the LLP. Such references are not intended to refer to or infer the existence of any business or company other than Rothman Pantall LLP.

There is no contract between you and any member, employee or consultant of the LLP. Any advice given to (or other work done for) you by a

member, employee or consultant of the LLP is given (or done) by that person on behalf of the LLP and not in his or her individual capacity and no such person assumes any personal responsibility to you for the advice or other work.

You agree that, to the extent permitted under any applicable law, if, as a matter of law, a duty of care, or any other duty, liability or obligation would otherwise be owed to you by any member, employee or consultant of the LLP, such duty is hereby excluded and you agree that you will not bring any claim – whether on the basis of breach of contract, tort (including, without limitation, negligence), breach of statutory duty or otherwise howsoever (including for contribution or indemnity) – against any member, employee or consultant of the LLP in respect of any loss or damage that you or any person or company associated with you suffer or incur, directly or indirectly, in connection in any way with any advice given to or other work done for you. Accordingly, any claim that you wish to make can only be made against the LLP and not against a member, employee or consultant of the LLP.

Each member, employee and consultant of the LLP shall be entitled to the benefit of these provisions under the Contracts (Rights of Third Parties) Act 1999, but LLP's contract with you may be varied from time to time or terminated without the consent of any such person.

### Professional Obligations

Details of the firm's professional registrations can be found at [www.rothmansllp.com](http://www.rothmansllp.com) in the EU Services Directory – Rothman Pantall LLP

We will observe and act in accordance with the bye-laws and regulations of the Institute of Chartered Accountants in England and Wales together with their code of ethics. We accept instructions to act for you on this basis. In particular you give us authority to correct errors made by HMRC where we become aware of them. We will not be liable for any loss, damage or cost arising from our compliance with statutory or regulatory obligations.



### Professional Indemnity Insurance

In accordance with the disclosure requirements of the Provision of Services Regulations 2009, our professional indemnity insurer can be found at [www.rothmansllp.com](http://www.rothmansllp.com) in the EU Services Directory – Rothman Pantall LLP. The territorial coverage is worldwide however additional terms, conditions and exclusions will apply in respect of claims made or legal proceedings made in the United States of America and/or Canada.

### Data Protection Act 1998

To enable us to discharge the services agreed under our engagement, and for other related purposes including updating and enhancing client records, analysis for management purposes and statutory returns, crime prevention and legal and regulatory compliance, we may obtain, use, process and disclose personal data about you / other Trustees / your business / company / partnership / its officers and employees.

A more detailed list of the purposes for which we may process and disclose data can be obtained from the Information Commissioner or the website [www.ico.gov.uk](http://www.ico.gov.uk).

We confirm when processing data on your behalf that we will comply with the relevant provisions of the Data Protection Act 1998.

Sections 11 and 12 of the Data Protection Act 1998 place express obligations on you as a data controller where we as a data processor undertake the processing of personal data on your behalf. We therefore confirm that we will at all times comply with the requirements of the Data Protection Act 1998 when processing data on your behalf. In particular we confirm that we have adequate security measures in place and that we will comply with any obligations equivalent to those placed on you as a data controller.

We may share your data with any member of our group, which includes our subsidiaries as defined in section 1159 of the UK Companies Act 2006. If applicable we will share your data with Rothmans Audit LLP.

We may share your data with selected third parties including business partners, suppliers and sub-contractors for the performance of any contract we enter into with them or you.

We may disclose your data to third parties if we are under a duty to disclose or share your data in order to comply with any legal obligation.

Depending on the nature of engagement, your data may be transferred outside the European Economic Area ("EEA") where the data protection regulations may not offer the same protection as within Europe. If you would prefer that your data is not transferred outside of the EEA please write to Graham Hindley at [grahamhindley@rothmansllp.com](mailto:grahamhindley@rothmansllp.com) and/or Rothmans, Trinity Court, 34 West Street, Sutton, Surrey SM1 1SH.

The Data Protection Act 1998 gives you the right to access personal data held about you. Your right of access can be exercised in accordance with the Data Protection Act 1998. Any access request may be subject to a fee of £10 to meet our costs in providing you with details of the personal data we hold about you.

### Investment services

Since we are not authorised by the Financial Conduct Authority then we may have to refer you to someone who is authorised if you need advice on investments. However, as we are licensed by the Institute of Chartered Accountants in England and Wales, we may be able to provide certain investment services that are complementary to, or arise out of, the professional services we are providing to you.

Such advice may include:

- advise you on investments generally, but not recommend a particular investment or type of investment;
- refer you to a Permitted Third Party (PTP) (an independent firm authorised by the FCA), assist you and the PTP during the course of any advice given by that party and comment on, or explain, the advice received (but not make alternative recommendations). The PTP will issue you with his own terms and conditions letter, will be remunerated separately for his services and will take full responsibility for compliance with the requirements of the Financial Services and Markets Act 2000;
- advise you in connection with the disposal of an investment, other than your rights in a pension policy or scheme;
- advise and assist you in transactions concerning shares or other securities not quoted on a recognised exchange;



- assist you in making arrangements for transactions in investments in certain circumstances; and
- manage investments or act as trustee (or donee of a power of attorney) where decisions to invest are taken on the advice of an authorised person.

For corporate clients, we may also, on the understanding that the shares or other securities of the company are not publicly traded:

- advise the company, existing or prospective shareholders in relation to exercising rights, taking benefits or share options, valuations and methods of such valuations;
- arrange any agreements in connection with the issue, sale or transfer of the company's shares or other securities;
- arrange for the issue of new shares; and
- act as the addressee to receive confirmation of acceptance of offer documents, etc.

The LLP may receive commission from any introduction to an associated company or a PTP in connection with the above, in which case you will be fully informed of the expected size and nature of such commission at the time of the introduction. Such commission will be held in our clients' account until we receive instructions from you as to how it should be treated.

In the event of no such instructions being received, we may use such monies against any fees that have been outstanding for 30 days or more and concerning which you are not in dispute with us.

When we reduce the fees that we would otherwise charge by the amount of commission retained, we will apply the HMRC concession which allows VAT to be calculated on the net fee after deduction of the commission.

We may also request that you allow us to retain such commissions to cover our costs in connection with the above, but permission will be sought separately from you in these circumstances. If you are dissatisfied in any way about our services described in this section, you should follow the procedures set out in the 'Help us to give you the right service' section of this letter and, if in the unlikely event that we cannot meet our liabilities to you, you may be able to

claim compensation under the Chartered Accountants Compensation Scheme.

Where the firm is providing insurance mediation services (including fee protection) we are not authorised by the Financial Conduct Authority. However, we are included on the EPF Register maintained by the Financial Conduct Authority so that we can carry on insurance mediation activity, which is broadly the advising on, selling and administration of insurance contracts. This part of our business, including arrangements for complaints or redress if something goes wrong, is regulated by The Institute of Chartered Accountants in England and Wales. The register can be accessed via the Financial Conduct Authority website at [www.fca.gov.uk/register](http://www.fca.gov.uk/register).

#### Other services

There are many other areas where we can be of assistance and we shall be pleased to discuss any matters with you. These other services include:

- a) reports in support of returns or claims, eg insurance company certificates, Government claims, etc;
- b) advice on financial matters;
- c) management accounting, including such matters as cash flow statements, costing systems, etc, and advice on management;
- d) advice on the selection and implementation of computer systems;
- e) investigations for special purposes, eg acquisitions of other businesses or examination of specific aspects of your business; and
- f) advice on the selection and recruitment of staff.

#### Retention of and access to records

During the course of our work we will collect information from you and others acting on your behalf and will return any original documents to you following the preparation of your financial statements. You should retain these records for at least 6 years from the end of the accounting year to which they relate.

Whilst certain documents may legally belong to you, we intend to destroy correspondence and other papers that we store which are more than 6



years old, other than documents which we consider to be of continuing significance. If you require retention of any document you must notify us of that fact in writing.

#### Clients' monies

We may, from time to time, hold money on your behalf. Such money will be held in trust in a client bank account, which is segregated from the LLP's funds. The account will be operated in accordance with the Clients' Money Regulations of the Institute of Chartered Accountants in England and Wales.

In order to avoid an excessive amount of administration, interest will only be paid to you where the amount of interest that would be earned on the balances held on your behalf in any calendar year exceeds £25. Any such interest would be calculated using the prevailing rate applied by HSBC for small deposits subject to a minimum period of notice for withdrawals. Subject to any tax legislation, interest will be paid gross.

If the total sum of money held on your behalf is enough to give rise to a significant amount of interest or is likely to do so, then the money will be placed in an interest-bearing client bank account. All interest earned on such money will be paid to you. Subject to any tax legislation, interest will be paid gross.

We will return monies held on your behalf promptly as soon as there is no longer any reason to retain those funds. In the unlikely event of us holding any unclaimed monies we reserve the right to pay such monies to a registered charity in line with the guidelines set out in the Clients' Money Regulations referred to above. We will not do this unless we have been unable to contact you for at least five years and we have taken reasonable steps to trace you and return the monies.

#### Fees

Our fees are computed on the basis of time spent on your affairs by ourselves and on the level of skill and responsibility involved.

Disbursements represent travel, accommodation and other expenses incurred in dealing with your affairs.

We reserve the right to terminate our engagement and cease acting if payment of any fees billed is unduly delayed.

Fee invoices will be rendered at appropriate intervals during the course of the year and will be due on presentation. We reserve the right to charge interest on any balances not paid within 30 days. The rate of interest applicable will be that determined from time to time by the Late Payment of Commercial Debts (Interest) Act 1998. Any query in relation to a fee that has been rendered to you must be raised in writing within 21 days from the date shown thereon.

Certified copies of your accounts will be supplied to you and third parties upon settlement of all outstanding fees, including fees rendered to you with your draft accounts for approval.

It is our normal practice to request that clients make arrangements to pay a proportion of their fee on a monthly standing order or by monthly direct debit. These standing orders or monthly direct debit payments will be applied to fees arising from work agreed in this Letter of Engagement for the current and ensuing years. Once we have been able to assess the amount of work and time involved we would be grateful if you would agree to pay an amount to us on a regular basis.

In consideration of our providing a credit facility to you in respect of our fees the signatories of this document accept joint and several personal liability for any of our fees not settled within 60 days from the invoice date.

If it becomes necessary for us to withdraw from the engagement, our fees for work performed up to that date will be payable by you irrespective of any agreement in place with regard to the settlement of any outstanding balances.

In the event that this firm ceases to act in relation to your company's affairs you agree to meet all reasonable costs of providing information to the company's new advisers. In particular you agree to meet these costs where we are required by law to provide information to a successor firm.

#### The Proceeds of Crime Act 2002 and the Money Laundering Regulations 2007

In common with all accountancy and legal practices the LLP is required by the Proceeds of Crime Act 2002 and the Money Laundering Regulations 2007 (SI 2007/2157) to:

- maintain identification procedures for clients and beneficial owners of clients;



- maintain records of identification evidence and the work undertaken for the client; and
- report in accordance with the relevant legislation and regulations.

We have a duty under section 330 of the Proceeds of Crime Act 2002 to report to the National Crime Agency (NCA) if we know, or have reasonable cause to suspect, that another person is involved in money laundering.

Failure on our part to make a report where we have knowledge or reasonable grounds for suspicion would constitute a criminal offence.

The offence of money laundering is defined by section 340(11) of the Proceeds of Crime Act and includes concealing, converting, using or possessing the benefits of any activity that constitutes a criminal offence in the UK. It also includes involvement in any arrangement that facilitates the acquisition, retention, use or control of such a benefit.

This definition is very wide and would include such crimes as:

- deliberate tax evasion;
- deliberate failure to inform the tax authorities of known underpayments or excessive repayments;
- fraudulent claiming of benefits or grants; or
- obtaining a contract through bribery.

We are obliged by law to report any instances of money laundering to NCA without your knowledge or consent. In consequence, neither the firm's principals nor staff may enter into any correspondence or discussions with you regarding such matters.

We are not required to undertake work for the sole purpose of identifying suspicions of money laundering. We shall fulfil our obligations under the Proceeds of Crime Act 2002 in accordance with the guidance published by the Consultative Committee of Accountancy Bodies.

#### Help us to give you the right service

If at any time you would like to discuss with us how our service to you could be improved or if you are dissatisfied with the service you are

receiving, please let us know by contacting Graham Hindley.

We undertake to look into any complaint carefully and promptly and do all we can to explain the position to you. If we do not answer your complaint to your satisfaction, you may of course take up the matter with the Institute of Chartered Accountants in England and Wales.

In order for us to provide you with a high quality service on an ongoing basis it is essential that you provide us with relevant records and information when requested and reply to correspondence in a timely manner and otherwise follow the terms of the agreement between us set out in this Standard Terms and Conditions of Business and associated Engagement Letters.

We therefore reserve the right to cancel the engagement between us with immediate effect in the event of:

- your insolvency, bankruptcy or other arrangement being reached with creditors;
- failure to pay our fees by the due dates;
- either party being in breach of their obligations where this is not corrected within 30 days of being asked to do so.

#### Contact

We may from time to time contact you regarding services that we feel could be of value to you.

#### Confidentiality

We confirm that where you give us confidential information, we shall at all times keep it confidential, except that we may disclose such confidential information to those of our members, employees, partners, directors, managers, agents and subcontractors who need to know it for the performance of any contract we enter into with them or you, as required by law or as provided for in regulatory, ethical or other professional statements relevant to our engagement.

Where we disclose confidential information to those of our members, employees, partners, directors, managers, agents and subcontractors (for example tax or accounting professionals) we shall ensure that they comply with these confidentiality obligations as though they were a party to this Standard Terms and Conditions of Business and associated Engagement Letters.



### Quality control

As part of our ongoing commitment to providing a quality service, our files are periodically subject to an independent regulatory or quality review. Our reviewers are highly experienced and professional people and are, of course bound by the same requirements of confidentiality as our Partners and Staff.

### Dealing with HM Revenue & Customs

When dealing with HMRC on your behalf we are required to be honest and to take reasonable care to ensure that your returns are correct. To enable us to do this, you are required to be honest with us and to provide us with all necessary information in a timely manner. For more information about 'Your Charter' for your dealings with HMRC see [www.hmrc.gov.uk/charter/index.htm](http://www.hmrc.gov.uk/charter/index.htm). To the best of our abilities, we will ensure that HMRC meet their side of the Charter in their dealings with you.

### Applicable law

This engagement letter shall be governed by, and construed in accordance with, the law of England and Wales. The Courts of England and Wales will have exclusive jurisdiction in relation to any claim, dispute or difference concerning this engagement letter and any matter arising from it. Each party irrevocably waives any right it may have to object to any action being brought in those Courts, to claim that the action has been brought in an inappropriate forum, or to claim that those Courts do not have jurisdiction.

If any provision in this Standard Terms and Conditions of Business or any associated Engagement Letter or Schedule of Services, or its application, is found to be invalid, illegal or otherwise unenforceable in any respect, the validity, legality or enforceability of any other provision shall not in any way be affected or impaired.

### Electronic and other communication

Unless you instruct us otherwise we may, where appropriate, communicate with you and with third parties via email or by other electronic means. The recipient is responsible for virus checking emails and any attachments.

With electronic communication there is a risk of non-receipt, delayed receipt, inadvertent misdirection or interception by third parties. We use virus-scanning software to reduce the risk of viruses and similar damaging items being transmitted through emails or electronic storage devices. However electronic communication is not totally secure and we cannot be held responsible for damage or loss caused by viruses nor for communications which are corrupted or altered after despatch. Nor can we accept any liability for problems or accidental errors relating to this means of communication especially in relation to commercially sensitive material. These are risks you must bear in return for greater efficiency and lower costs. If you do not wish to accept these risks please let us know and we will communicate by paper mail, other than where electronic submission is mandatory.

Any communication by us with you sent through the post system is deemed to arrive at your postal address two working days after the day that the document was sent.

### Contracts (Rights of Third Parties) Act 1999

Persons who are not party to this agreement shall have no rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this agreement. This clause does not affect any right or remedy of any person which exists or is available otherwise than pursuant to that Act.

The advice we give you is for your sole use and is confidential to you and will not constitute advice for any third party to whom you may communicate it. We will accept no responsibility to third parties for any aspect of our professional services or work that is made available to them.

### General Limitation of liability

We will provide services as outlined in this letter with reasonable care and skill. However, to the fullest extent permitted by law, we will not be responsible for any losses, penalties, surcharges, interest or additional tax liabilities where you or others supply incorrect or incomplete information, or fail to supply any appropriate information, or where you fail to act on our advice or respond promptly to communications from us or the tax authorities.

You will not hold us, our Partners/Directors and staff, responsible, to the fullest extent permitted by law, for any loss suffered by you arising from any misrepresentation, intentional or unintentional, supplied to us orally or in writing in



connection with this agreement. You have agreed that you will not bring any claim in connection with services we provide to you against any of our Partners/Directors or employees personally.

Our work is not, unless there is a legal or regulatory requirement, to be made available to third parties without our permission and we will accept no responsibility to third parties for any aspect of our professional services or work that is made available to them.

#### **Use of our name in statements or documents issued by you**

You are not permitted to use our name in any statement or document that you may issue unless our prior written consent has been obtained. The only exception to this restriction would be statements or documents that in accordance with applicable law are to be made public.

#### **Draft/interim work or oral advice**

In the course of our providing services to you we may provide advice or reports or other work products in draft or interim form, or orally. However, final written work products will always prevail over any draft, interim or oral statements. Where you request it, we will provide you with written confirmation of matters stated orally.

#### **Non-solicitation**

Neither Rothman Pantall LLP nor the client shall offer employment to any member, officer or employee working on the engagement or induce or solicit any such person to take up employment with the party, nor shall either party use the services of any member of the other party's staff as a consultant, either independently or via a third party, during the engagement or for a period of six months following the end of the involvement by the individual concerned with any work pursuant to the engagement without the written consent of the other.

Where employment is offered in breach of this term within six months following the end of the involvement by the individual, the party in breach will be liable to pay the other party damages equal to four months gross salary of the person concerned in his/her new position. This provision shall not restrict the right of either Rothman Pantall LLP or the client to solicit or recruit

If you have any queries after reading this report please contact us at: [salvus@hsadmin.com](mailto:salvus@hsadmin.com)  
The information in this document is correct as at 31 March 2016 and may be subject to change.

