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Shaw Education Trust

Report to the Audit Committee on the audit for the year ended 31 July 2015 (*ISA (UK&I) 260*)

Education Assurance
Services

December 2015



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The principal objective of our audit is to enable us to express our opinion on the financial statements, in line with the requirements of the UK Companies Act 2006, the Trust's funding agreement with the Secretary of State for Education and the Academies Accounts Direction 2014 to 2015.

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1) Executive summary

We have largely completed our audit and intend to issue an unqualified opinion in relation to the Trust. We also intend to issue an unqualified regularity opinion.

Background

This report tells you about the significant findings from our 2014/15 audit. It sets out matters arising from our audit of financial statements for the Trust, which we are required to report to you under the Academies Accounts Direction 2014/15 and International Standard on Auditing (UK & Ireland) 260 'Communication of audit matters with those charged with governance'.

Status of our work

We have completed the majority of our audit work and will issue our audit opinion following approval of the Trust's financial statements before 18 December 2015.

The key outstanding matters, where our work has commenced but is not yet finalised, are:

- review of the detailed disclosures in the financial statements;
- approval of the financial statements and letters of representation;
- receipt of one outstanding bank confirmation; and
- completion procedures including subsequent events review.

Key reporting matters

- There are a number of reporting issues which we are required to bring to the Trust Board's attention, further details are set out on pages 2 – 9.
- The Trust's draft financial statements include the property, plant and equipment at the value they were transferred from Staffordshire County Council. A revaluation of these assets was completed as at

March 2015 for consolidation into the Shaw Trust's accounts and the difference in value is £10.573m. The Trust has agreed to adjust its financial statements for this error.

- As part of our work over financial controls we noted a number of control deficiencies. These were in the areas of fixed assets, payroll and debtors. Further details are set out on pages 10 and 11.
- There are no issues to report in relation to our use of funds or financial memorandum compliance opinions.

This report

We ask the Audit Committee to:

- consider the issues raised in this management letter before approving the financial statements; and
- consider the management representation letter (Appendix 2) and confirm you are comfortable with the representations proposed, including those in respect of any uncorrected misstatements.

We look forward to discussing our report with you on 1 December 2015. Attending the meeting via conference call from PwC will be Katharine Finn.

Acknowledgement

We would like to formally extend our thanks to Helen Turner for the significant and valued assistance she provided during the audit process.

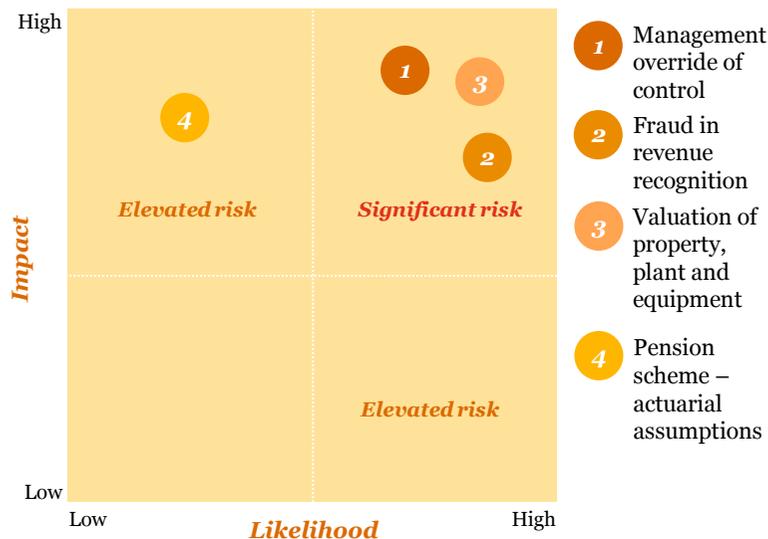
2) Audit approach

Updates to the external audit plan

We developed our audit plan in October 2015. We have reviewed this plan and concluded that it remains appropriate.

Audit risks

We have summarised below the significant and elevated risks we identified in our audit plan. Section three of this report outlines the approach we took in addressing these risks.



Materiality

In our audit plan we reported our planned overall materiality which we used in planning the overall audit strategy. We reassessed the materiality figures based on the draft financial statements and concluded that our materiality remained appropriate. As a reminder our materiality levels are as follows:

	Value £
Overall materiality	180,000
Performance materiality	90,000
Clearly trivial reporting de minimis	18,000

ISA (UK&I) 450 (revised) requires that we record all misstatements identified except those which are “clearly trivial” i.e. those which we do expect not to have a material effect on the financial statements even if accumulated. The de minimis threshold was also as set out in our Audit plan dated October 2015.

3) Significant audit and accounting matters

ISA (UK&I) 260 requires us to communicate to you relevant matters relating to the audit of the financial statements sufficiently promptly to enable you to take appropriate action.

	Description of the issue	Results of work performed and conclusion
Fraud and management override of controls	<p>ISA (UK&I) 240 requires that we plan our audit work to consider the risk of fraud, which is presumed to be a significant risk in any audit.</p> <p>In any organisation, management may be in a position to override the financial controls that you have in place. The current economic conditions may also increase fraud risk.</p> <p>We will consider the risk that management may override controls in order to manipulate the financial statements.</p>	<p>Our audit approach in this area included:</p> <ul style="list-style-type: none">• testing the appropriateness of journal entries;• reviewing accounting estimates (including asset valuations, pension asset and liabilities and depreciation charged) for bias and evaluating whether circumstances producing any bias, represented a risk of material misstatement due to fraud;• evaluating the business rationale underlying significant transactions; and• performing 'unpredictable' procedures. <p>Our testing did not identify any significant issues to report to you but we identified a control design weakness on the ability of the trust to provide adequate working papers in relation to journals on page 10.</p> <p>We discussed with you your understanding of the risk of fraud and corruption and any reported instances when presenting our audit plan.</p> <p>In presenting this report to you we ask for your confirmation that there have been no changes to your view of fraud risk and that no additional matters have arisen that should be brought to our attention. A specific confirmation from management in relation to fraud is included in the letter of representation.</p>

Fraud in revenue and expenditure recognition

Description of the issue

Under ISA (UK&I) 240 there is a (rebuttable) presumption that there are risks of fraud in revenue recognition. There is a risk that the Trust could adopt accounting policies or treat income transactions in such a way as to lead to material misstatement in the reported revenue position. Revenue recognition is a particular risk due to changing contracting arrangements.

Revenue recognition is a particular risk due to:

- recognition of grants; and
- one off sources of income

For all of our public sector clients, where there is a desire to meet a break-even position, we extend this risk to also include expenditure recognition, focussing on cut off.

Results of work performed and conclusion

We understood the key revenue and expenditure controls.

We evaluated and tested the accounting policy for income and expenditure recognition and ensured it was consistent with the detailed guidance in the SORP. Our testing focussed on higher risk areas such as one off sources of income and grant funding.

We reviewed funding confirmations received from the Education Funding Agency (EFA) and Staffordshire County Council to confirm the appropriateness of the revenue recognised by the Trust.

We also performed detailed testing of revenue and expenditure transactions, focusing on the income and expenditure streams we consider to be of greatest risk (e.g. grant funding, one off sources of income and repairs and maintenance accounts).

We did not identify any issues to report to you as a result of our work.

	Description of the issue	Results of work performed and conclusion
Valuation of Property, Plant and Equipment	<p>▶ In October 2014, Staffordshire County Council transferred the property plant and equipment for all three schools to the Academy Trust.</p> <p>The value of the land and buildings was assessed by external advisors as at 31 March 2015 for inclusion in the Shaw Trust consolidated accounts. Land and buildings will be the largest balance on your balance sheet. This increases the risk of a material error and because it is an estimated balance based on judgement, the review of key assumptions used in the valuation requires increased scrutiny and challenge.</p>	<p>We understood the valuation methodology used to value the Academy Trust's property plant and equipment by:</p> <ul style="list-style-type: none"> • using our internal valuation experts to review to Academy Trust's valuation (including an assessment of the assumptions used); • testing the inputs used to calculate the valuation (i.e. floor areas) etc; and • reviewing the accounting entries and disclosures to ensure the value is accurately reflected in the financial statements. <p>We found that the Trust's draft financial statements included a material error in relation to the valuation of property, plant and equipment. Further details on this are shown at pages 6- 7.</p>
Pension scheme – actuarial assumptions and enhanced pension contributions	<p>▶ The value of the pension liabilities relating to the Trust's staff who are members of the Local Government Pension Scheme, is calculated by reference to actuarial assumptions for items such as discount rates and life expectancy.</p> <p>There are a range of assumptions which can be used by actuaries depending upon the individual circumstances of the scheme. A small change in the assumptions can have a significant financial impact.</p>	<p>We considered the assumptions applied by the actuaries in their valuation of the pension scheme, and whether these fit within industry norms.</p> <p>We also ensured that the pension members' information sent to the actuary was accurate and complete.</p> <p>We did not identify any issues to report to you as a result of our work.</p>

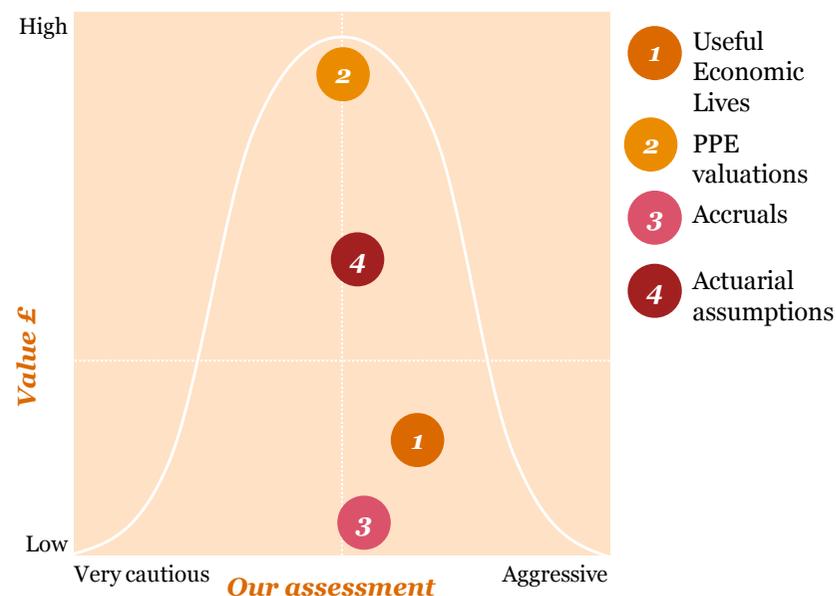
4) Other reporting matters

Management Judgements and accounting estimates

The following significant judgements or accounting estimates were used in the preparation of the financial statements:

- useful Economic Lives applied to fixed assets for the calculation of depreciation;
- the valuation of property, plant and equipment;
- accruals recorded in the financial statements where judgements are required due to the lack of third party evidence; and
- actuarial assumptions as applied by the actuary Hymans Robertson.

We outline below a summary of our view of the key accounting judgements applied by management and management's expert:



We reviewed management's assumptions underlying the financial statements and consider them in general to be reasonable with no significant discrepancies noted in our work.

Although some of the useful economic lives specified within the Trust's accounting policies appear to be slightly aggressive, they are in line with the guidance in the Charities SORP and Academies Account's Direction.

Pension liability

One of the most significant estimates in the financial statements is in the valuation of net pension liabilities for employees in the Staffordshire County

Council pension fund. Your net pension liability at 31 August 2015 was £4.635 million.

We validated the data supplied to the actuary on which to base their calculations and found no exceptions.

We reviewed the reasonableness of the assumptions underlying the pension liability, and we are comfortable that the assumptions are within an acceptable range.

Misstatements and significant audit adjustments

We are required to tell you about all uncorrected misstatements we found during the audit, other than those which are trivial.

At the date of writing this report, the Trust's final accounts will not include any uncorrected misstatements.

We also bring to your attention the following misstatement that the Trust has agreed to adjust in its financial statements:

- The valuation of property plant and equipment has been recognised at the value it was transferred from Staffordshire County Council. The Trust's land and buildings were revalued for consolidation into the Shaw Trust's accounts. At this date the value was £24.537m. We have reviewed the valuation methodology and are satisfied that the valuation as at 31 March remains materially correct.

The Trust will therefore adjust its financial statements to reflect this valuation. The effect on the Trust's financial statements is to increase asset value by £10.573m

Significant accounting principles and policies

We are also required to report to you our view on qualitative aspects of the Trust's accounting practices and financial reporting. There are no such areas that we wish to draw to your attention.

Significant accounting principles and policies are disclosed in the notes to the financial statements. We will ask the Trust to represent to us that they have considered the selection of, or changes in, significant accounting policies and practices that have, or could have, a material effect on the Trust's financial statements.

Qualitative aspects of accounting practices

We are required under ISA (UK&I) 260 to report to you our view on significant qualitative aspects of the Trust's accounting practices.

We noted some difficulties in obtaining adequate working papers to support the numbers in the financial statements. For example, the Trust's accounting support team (an external team from Entrust Ltd) were unable to provide a listing of journals for our analysis on a timely basis.

The accounting policies used to prepare the Trust's financial statements were appropriate and were in accordance with the Charities SORP and the Academies Accounts Direction.

Financial standing

There were no material uncertainties related to events and conditions that may cast significant doubt on the entity's financial standing.

Compliance with the Accounts Direction

The Academies Accounts Direction applicable for 2014/15 was issued in April 2015, and includes additional accounting and disclosure requirements beyond the SORP.

We have reviewed compliance with the accounts direction and noted no issues.

Compliance with the Financial Memorandum

The EFA Financial Memorandum for 2014/15 was issued in June 2014. There have been no significant changes to the financial memorandum requirements in the current year.

As external auditors, we are required to report on whether, in all material respects, income has been applied in accordance with the financial memorandum.

There are no issues that will impact on our report on compliance with the financial memorandum.

Management representations

The final draft of the representation letter that we ask management to sign is attached in Appendix 2.

5) Internal controls

Accounting systems and systems of internal control

Management are responsible for developing and implementing systems of internal financial control and for putting in place proper arrangements to monitor their adequacy and effectiveness in practice. As auditors, we review these arrangements for the purposes of our audit of the financial statements and our review of the annual governance statement.

The control matters that we wish to bring to your attention are in the areas of fixed assets, journals and general policies and procedures. Most of these matters will be resolved for 2015/16, as the Trust has in-sourced its provision of financial management and reporting and purchased its own finance systems.

Summary of internal control deficiencies

We have set out below details of deficiencies in internal control identified during the audit. The purpose of our audit is for us to express an opinion on the financial statements. This includes consideration of internal controls relevant to preparation of the financial statements in order to design appropriate audit procedures. It does not extend to expressing an opinion on the effectiveness of internal control. Therefore the matters being reported are limited to those deficiencies that we identified during the audit and that we have concluded are of sufficient importance to merit being reported to those charged with governance.

Deficiency	Recommendation	Management's response
Fixed Assets The Trust does not have a detailed fixed asset register.	As the Trust grows, it should develop and maintain a fixed asset register which includes: <ul style="list-style-type: none">- Land.- Buildings.- Vehicles.- Equipment.- Other assets capitalised. The register should detail any additions and disposals and show any revaluations / depreciation charged to the assets.	The Management team will ensure that a fixed asset register to, include the areas identified, is maintained for the financial year starting September 2015.

Deficiency	Recommendation	Management's response
<p>Journals A key element of our testing focussed on the Trust's journals. During the audit, the Trust's external accountant struggled to provide a complete list of journals posted during the year. We also noted that there is not regular review of journals posted by the Trust.</p>	<p>The Trust should ensure that the new accounting system can provide details of all journals posted. A monthly review of journals posted should be undertaken by the Trust's Financial Controller.</p>	<p>A new financial system has been introduced in the trust from 1st September 2015. This system is able to report on journal transactions posted during the financial year. There are now processes and procedures in place to review journals processed on a monthly basis.</p>
<p>Policies and procedures We noted that a number of the Trust's key policies and procedures are still in draft format.</p>	<p>The Trust should seek to establish the following key policies and ensure they are updated as and when the Trust expands.</p> <ul style="list-style-type: none"> - Whistleblowing policy. - Code of conduct. - Anti Bribery Policy (including gifts and hospitality). - Financial regulations. 	<p>All policies will be updated and approved at the meeting of the Trustees in the Spring Term 2016.</p>

Appendices

Appendix 1: Letter of representation

This representation letter is provided in connection with your audit of the financial statements of Shaw Education Trust (the “Trust”) for the year ended 31 August 2015 for the purpose of expressing an opinion as to whether the financial statements of the Trust give a true and fair view, have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP), and have been prepared in accordance with the Statement of Recommended Practice (SORP) on Accounting for Charities and the Academies Accounts Direction 2014-2015.

We confirm that the following representations are made on the basis of enquiries of management and staff of the Trust with relevant knowledge and experience and, where appropriate, of inspection of supporting documentation sufficient to satisfy ourselves that we can properly make each of the following representations to you.

We confirm, for all members of the Trust Board (who are also trustees for the purposes of charity law) at the time the directors’ report is approved, to the best of our knowledge and belief, and having made the appropriate enquiries, the following representations:

Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated 31 October 2015, for the preparation of the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP), the Statement of Recommended Practice (SORP) on Accounting for Charities and the Academies Accounts Direction 2014-2015 and in particular the financial statements give a true and fair view in accordance therewith.
- All transactions have been recorded in the accounting records and are reflected in the financial statements. All grants, donations and other income have been notified to you and where donations are subject to specific terms or conditions, we confirm that they have been accounted for as restricted donations. There have been no breaches of terms or conditions during the period in the application of such income.
- We are not aware of any instances where we have not provided in the financial statements for grants repayable to the Education Funding Agency. We have made all correspondence relating to funding from Education Funding Agency available to you
- Significant assumptions used by us in making accounting estimates, including those surrounding measurement at fair value, are reasonable.
- All events subsequent to the date of the financial statements for which UK GAAP requires adjustment or disclosure have been adjusted or disclosed.

- The restatement made to correct a material misstatement in the financial statements has been appropriately accounted for and disclosed in accordance with the requirements of UK GAAP.

Information Provided

- Each member of the Trust Board has taken all the steps that he or she ought to have taken as a member of the Board in order to make himself or herself aware of any relevant audit information and to establish that you (the Trust's auditors) are aware of that information.
- We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the Trust from whom you determined it necessary to obtain audit evidence.
- So far as each member of the Trust Board is aware, there is no relevant audit information of which you are unaware.

Fraud and non-compliance with laws and regulations

- We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- We also acknowledge our other responsibilities under the Financial Memorandum with the Education Funding Agency, the conditions set out in the Financial Memorandum and any other conditions that the Education Funding Agency may from time to time prescribe.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Trust and involves:
 - Management;
 - Employees who have significant roles in internal control; or
 - Others where the fraud could have a material effect on the financial statements.
- We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the Trust's financial statements communicated by employees, former employees, analysts, regulators or others.
- We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

Regularity

We confirm that there are no instances where the business of the Trust has not been conducted in accordance with the purposes identified by Parliament and the financial transactions conform to the authorities which govern them, as set out in the Academies Accounts Direction 2014 to 2015 issued by the EFA (the “Accounts Direction”).

We confirm that:

- The information as set out in the Self - Assessment Questionnaire in response to each point is complete and accurate to the best of our knowledge;
- There are proper arrangements and controls in place to ensure that appropriate standards of conduct, behaviour and corporate governance direct the activities of the Trust;
- There are no instances where the business of the Trust has not been conducted in accordance with the Academies Accounts Direction 2014 to 2015 issued by the EFA (the “Accounts Direction”) the Financial Memorandum and other conditions that the Education Funding Agency may from time to time prescribe.

Application of funds

We confirm that funds, from whatever source, administered by the Trust for specific purposes, have been properly applied to those purposes and, where relevant, managed in accordance with appropriate legislation, and that all funds provided by the Education Funding Agency have been applied in accordance with the relevant Financial Memorandum and any other terms and conditions applied to them.

Related party transactions

We have disclosed to you the identity of the Trust’s related parties and all the related party relationships and transactions of which we are aware.

Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of FRS 8, the Statement of Recommended Practice (SORP) on Accounting for Charities and the Academies Accounts Direction 2014-2015.

We confirm that we have identified to you all employees with emoluments over £100,000 per annum and all senior employees receiving compensation for loss of office, as defined by Education Funding Agency guidance, and that we have disclosed emoluments and compensation for loss of office in accordance with the Financial Memorandum and the Academies Accounts Direction 2014-2015.

We confirm that no member of the Trust Board other than staff members received any payment from the Trust, other than the reimbursement of travel and subsistence incurred in the course of their duties.

Employee Benefits

We confirm that we have made you aware of all employee benefit schemes in which employees the Trust participate.

Contractual arrangements/agreements

All contractual arrangements (including side-letters to agreements) entered into by the Trust have been properly reflected in the accounting records or, where material (or potentially material) to the financial statements, have been disclosed to you.

Litigation and claims

We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements and such matters have been appropriately accounted for and disclosed in accordance with UK GAAP.

Taxation

We have complied with the taxation requirements of all countries within which we operate and have brought to account all liabilities for taxation due to the relevant tax authorities whether in respect of any corporation or other direct tax or any indirect taxes. We are not aware of any non-compliance that would give rise to additional liabilities by way of penalty or interest and we have made full disclosure regarding any Revenue Authority queries or investigations that we are aware of or that are ongoing.

In managing the tax affairs of the Trust, we have taken into account any special provisions such as transfer pricing, debt cap, tax avoidance disclosure and controlled foreign companies' legislation as applied in different tax jurisdictions.

We confirm that to the best of our knowledge, throughout the year, the Trust has acted within its charitable objectives and therefore there are no activities on which the Trust should be accounting for direct taxes.

Using the work of experts

We agree with the findings of Hymans Robertson, experts in evaluating the actuarial valuations relevant to the Trust and have adequately considered the competence and capabilities of the experts in determining the amounts and disclosures used in the preparation of the financial statements and underlying accounting records. We did not give or cause any instructions to be given to experts with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the objectivity of the experts.

We agree with the findings of Mouchel, experts in evaluating the Property, Plant and Equipment valuations relevant to the Trust and have adequately considered the competence and capabilities of the experts in determining the amounts and disclosures used in the preparation of the financial statements and underlying

accounting records. We did not give or cause any instructions to be given to experts with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the objectivity of the experts.

Assets and liabilities

- We have no plans or intentions that may materially alter the carrying value and where relevant the fair value measurements or classification of assets and liabilities reflected in the financial statements.
- In our opinion, on realisation in the ordinary course of the business the current assets in the balance sheet are expected to produce no less than the net book amounts at which they are stated.
- We have no plans to abandon lines of product or other plans or intentions that will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of net realisable value.
- The Trust has satisfactory title to all assets and there are no liens or encumbrances on the Trust's assets, except for those that are disclosed in the financial statements.
- We confirm that we have carried out impairment reviews appropriately, including an assessment of when such reviews are required, where they are not mandatory. We confirm that we have used the appropriate assumptions with those reviews.
- Details of all financial instruments, including derivatives, entered into during the year have been made available to you. Any such instruments open at the year-end have been properly valued and that valuation incorporated into the financial statements. When appropriate, open positions in off-balance sheet financial instruments have also been properly disclosed in the financial statements.

Retirement benefits

- All retirement benefits that the Trust is committed to providing, including any arrangements that are statutory, contractual or implicit in the Trust's actions, wherever they arise, whether funded or unfunded, approved or unapproved, have been identified and properly accounted for and/or disclosed.
- All settlements and curtailments in respect of retirement benefit schemes have been identified and properly accounted for.
- The following actuarial assumptions underlying the valuation of retirement benefit scheme liabilities are consistent with our knowledge of the business and in our view would lead to the best estimate of the future cash flows that will arise under the scheme liabilities:

	2015
Discount rate	3.80%
Inflation assumption (CPI)	2.60%
Rate of increase in salaries	4.60%
Rate of increase in pensions	2.70%
Pensioners (males)	22.1
Pensioners (females)	24.3
Non-pensioners (males)	24.3
Non-pensioners (females)	26.6
Equities and other	3.80%
Bonds	3.80%
Property	3.80%
Cash/liquidity	3.80%

- The Trust participates in the Teachers' Pension Scheme defined benefit scheme. We confirm that the Trust's share of the underlying assets and liabilities of this scheme cannot be identified and as a consequence the scheme has been accounted for as a defined contribution scheme.

As minuted by the Trust Board at its meeting on 1st December 2015.

.....

(Chair)

.....

Director of Finance

For and on behalf of

Date.....

Appendix 2: Supplementary reporting matters

Related parties

In forming an opinion on the financial statements, we are required to evaluate:

- whether identified related party relationships and transactions have been appropriately accounted for and disclosed; and
- whether the effects of the related party relationships and transactions cause the financial statements to be misleading.

We did not identify any matters during the course of our work.

We have reviewed the disclosures of interest completed by key members of management and members of the Trust Board and compared these listings to the results of our own searches. We then considered the results of other procedures to consider what comfort it provided to us in relation to related parties.

Regularity

We are required to provide a limited assurance opinion on regularity to the Trust Board as described in the Financial Memorandum between the Trust and the EFA, and the Academies Accounts Direction 2014-2015. This report is focused on the regularity and propriety of the Trust's income and expenditure.

Members of the Trust Board are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition they are responsible for ensuring that funds from the Education Funding Agency (EFA) are used only in accordance with the Financial Memorandum with the EFA and any other conditions that may be prescribed

from time to time. Our work on regularity considers the Trust's use of funds in accordance with relevant legislation, terms and conditions and the financial memorandum. We consider non-recurrent grant funding, other EFA funding, the general activities of the Trust and propriety.

There is no requirement to undertake any work in respect of, and we have not undertaken any work upon, the eligibility or existence of student learners, Work Based Learning and ESF co-financing. Consequently we have not included these areas within the scope of our work.

Independence

We have been engaged to audit the financial statements and the effectiveness of internal control over financial reporting of Shaw Education Trust ("the Trust") for the year ending 31 August 2015.

As we are Statutory Auditors of the Trust in the United Kingdom ("UK"), we are required to follow International Standard on Auditing (UK and Ireland) 260 (Revised October 2012) "*Communication with those charged with governance*", UK Ethical Standard 1 (Revised) "*Integrity, objectivity and independence*" and UK Ethical Standard 5 (Revised) "*Non-audit services provided to audited entities*" issued by the UK Auditing Practices Board

All the above require that we communicate at least annually with you regarding all relationships between PricewaterhouseCoopers LLP in the UK and other PricewaterhouseCoopers firms and associated entities ("PwC") and the Trust, its directors and senior management and its affiliates and those persons in financial reporting oversight roles at the Trust ("FRORs") that, in our professional judgement, may reasonably be thought to bear on our independence and objectivity.

For the purposes of this letter we have made enquiries of all PwC teams whose work we intend to use when forming our opinion on the truth and fairness of the financial statements.

Relationships between PwC and the Trust

We are not aware of any relationships between PwC and the Trust or persons in financial reporting oversight roles at the Trust that may reasonably be thought to bear on our independence which have continued or occurred since our date of appointment through the date of this letter.

Relationships and Investments held by individuals

We have not identified any potential issues in respect of personal relationships with the Trust or investments in the Trust held by individuals.

Employment of PricewaterhouseCoopers staff by the Trust

We are not aware of any former PwC partners or staff being employed, or holding discussions in respect of employment, by the Trust as a director or in a senior management role covering financial, accounting or control related areas.

Business relationships

We are not aware of any joint business relationships between PwC and the Trust.

Other services provided to the Trust

The audit of the financial statements and the effectiveness of the internal control over financial reporting is undertaken in accordance with the UK Firm's internal policies. The audit engagement is subject to an independent partner review of all significant judgements taken, including our reporting to the Trust Board and a review of the annual report. The audit is also subject to other internal PwC quality control procedures such as peer reviews by other offices.

Apart from the audit of the financial statements, PwC has not undertaken any other work for the Trust.

Overall assessment of threats and safeguards to independence

Overall the threats to our independence are mitigated by the identified safeguards. These were also discussed during the presentation of our audit plan.

Fees

The analysis of our audit fees for the year ended 31 August 2015 was set out in our audit plan dated 31 October 2015.

Contingent fees

In relation to the audit services provided, none included contingent fee arrangements.

Services to Directors and Senior Management

PwC does not provide any services e.g. personal tax services, directly to directors, senior management.

Gifts and hospitality

We have not identified any significant gifts or hospitality provided to, or received from, a member of Trust Board, senior management or staff.

Conclusion

We hereby affirm that, in our professional judgement, as at the date of this letter:

- we comply with UK regulatory and professional requirements, including the Ethical Standards issued by the Auditing Practices Board; and
- our objectivity is not compromised.

This report is intended solely for the use of the Trust Board, management, and others within the Trust and should not be used for any other purposes.



In the event that, pursuant to a request which Shaw Education Trust has received under the Freedom of Information Act 2000, it is required to disclose any information contained in this report, it will notify PwC promptly and consult with PwC prior to disclosing such report. Shaw Education Trust agrees to pay due regard to any representations which PwC may make in connection with such disclosure and Shaw Education Trust shall apply any relevant exemptions which may exist under the Act to such report. If, following consultation with PwC, Shaw Education Trust discloses this report or any part thereof, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

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