

Technical factsheet

ATOL reporting to the Civil Aviation Authority

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# 1 INTRODUCTION AND ELIGIBILITY

The Air Travel Organiser’s Licence (ATOL) grants licences for a period of no more than one year and ATOL licence holders are required to periodically report certain information to the Civil Aviation Authority (CAA). How often an ATOL licence holder is required to report to the CAA depends on its Public Revenue Licence Limit and the CAA’s risk assessment of the likelihood of failure. During 2020, many airlines, for example, have requested government funding to assist them during the global pandemic due to non-essential travel being banned. This is likely to mean that the CAA may increase its risk assessment of the likelihood of failure for many ATOL-protected travel providers.

ATOL reporting accountants should have regard to the CAA’s *Appendix A Requirements for ATOL Reporting Accountants* in Official Record Series 3 (ORS 3) (formerly known as Guidance Note 10), which can be downloaded using [this link](https://www.caa.co.uk/ATOL-protection/Trade/Maintain-and-renew-your-ATOL/ATOL-reporting-accountants-scheme/). Appendix A applies to all ATOL reporting from February 2020.

ATOL-registered businesses are required to appoint an ATOL reporting accountant, who performs various procedures to ensure that information submitted to the CAA to support a licence application is accurate. The roles and responsibilities of the ATOL reporting accountant are outlined in section 2 of this technical factsheet.

## 1.1 ATOL scheme overview

Section 2 of ORS 3 provides a brief overview of the ATOL scheme as follows:

*‘The ATOL Scheme is a statutory system covering most travel providers who sell air travel. Its purpose is to protect the public from losing money or being stranded abroad because the travel provider that they have booked to travel with fails.*

*The Consumers and Markets Group (CMG) of the CAA carries out the function of granting, varying, renewing and the administration of ATOL licences. This involves fitness, competence and financial assessments as well as ongoing monitoring of ATOL holders.*

*If an ATOL holder fails, claims for refunds or repatriation costs of its customers are met by the ATT (Air Travel Trust). The ATT is funded by the ATOL Protection Contribution (APC) payable by ATOL holders for each passenger booked under a licensable transaction. Some ATOL holders may also be required to provide security which may be in the form of an ATOL bond. The ATOL bond would be used before the ATT Fund to meet customer claims.*

*ATOL licences are valid for a period of no more than one year, to either 31 March or 30 September (generally determined by an ATOL holder’s financial year end). The CAA places a licence limit on each ATOL in terms of licensable passenger numbers and licensable revenue, on a departure date basis and by category of business.*

*ATOL holders are required to report periodically to the CAA on data relevant to the ATOL licence. The frequency of reporting is dependent on the ATOL holder’s Public Revenue Licence Limit and the CAA’s assessment of the likelihood and impact of failure. The level of business being undertaken has an impact on the number of passengers disrupted by a failure and the cost to the ATT of protecting, repatriating and refunding those passengers.’*

## 1.2 Eligibility to become an ATOL reporting accountant (ARA)

ACCA has been approved by the CAA as a professional accountancy body to allow members to provide assurance services on an ATOL-registered business’s CAA licence application.

In order for an ACCA member to become an ARA, there are certain eligibility criteria that must be fulfilled as follows:

* Members must register with, and have a licence issued by, ACCA.
* Members must register and complete the training required by CAA and ATOL before the licence is granted. Members must register with the CAA which can be done via [this link](https://www.caa.co.uk/ATOL-protection/Trade/Maintain-and-renew-your-ATOL/ATOL-reporting-accountants-scheme/).
* The following details will be required by the CAA in respect of the member:
  + name
  + professional accountancy body
  + member registration number
  + email address.

Registration is free for ACCA members who hold a practising certificate issued by ACCA. Non-members will be charged a fee. In addition, the member must also have sat and passed a professional examination covering assurance work as required by the CAA. For ACCA members, this will be AA (Audit and Assurance) or AAA (Advanced Audit and Assurance), or the previous F8 *Audit and Assurance* and P7 *Advanced Audit and Assurance* equivalents.

The agreement between ACCA and the CAA states that:

*‘ACCA will designate and regulate ARA firms and ARAs in accordance with the provisions within the ACCA Rulebook and in full compliance with the requirements of the CAA’s ARA Scheme Key Components document and which forms part of this agreement.’*

Some of the basic requirements of the key components document are that:

* each principal in the firm should be subject to disciplinary arrangements; and
* there should be at least one designated ARA for the relevant category of registered ATOL work.

The firm must demonstrate that:

* it has professional indemnity insurance to cover the liability cap in the *CAA Guidance Note 10* (the current liability cap ranges from £250,000 to £20m); this is covered in section 4 of this factsheet
* the principal business of the firm is the provision of accountancy services
* it is independent of the ATOL holder
* it has appointed a contact principal.

The ARA is also expected to demonstrate competence and must:

* have reviewed guidance (including but not limited to *Appendix A Requirements for ATOL Reporting Accountants*) issued by the CAA and ATOL and their professional body for ARAs
* have successfully completed the CAA ATOL training package (as updated from time to time), and the training package and assessment has been shared with the professional bodies within this arrangement
* have taken and passed a professional examination covering assurance work as approved by the CAA (this may be limited to individual modules of a professional qualification but must include an assurance qualification)
* be a member of an approved professional body, as determined by CAA, and hold a practising certificate where required by the professional body.

The individual designated ARA must be independent of the ATOL holder.

## 1.3 Other requirements

Other requirements include:

### 1.3.1 Competence

A firm must make arrangements so that all members, principals and employees performing ATOL-related work are, and continue to be, competent to carry out ATOL reporting for which they are responsible or employed.

The individual must also meet the continuing professional development guidelines of its professional body for the purposes of ATOL reporting.

### 1.3.2 Manuals and programmes

A firm must maintain an appropriate level of competence in the conduct of ATOL work, and this is best achieved through the use of relevant and bespoke manuals, programmes, checklists and procedures so that the firm has a body of knowledge. Such documentation must be kept up to date if the firm is to retain its competence.

### 1.3.3 Liability of firm/designated ARA to disciplinary action

ACCA will determine whether a firm/designated ARA is liable to disciplinary action under its disciplinary arrangements if:

* it has performed its ATOL reporting work inefficiently or incompetently to such an extent as to bring discredit on itself/him/herself, or
* if it has breached any of the provisions of the registration arrangement, or
* any other regulatory breach.

### 1.3.4 Approved professional body monitoring

A firm must appoint a contact principal who will supply the professional body with information as required and provide an annual declaration to the professional body of the individual designated ARA compliance with its responsibilities under the registration arrangement rules.

The professional body will use the information and annual declaration in their assessment of the continuing designation of the accountant as an ARA.

### 1.3.5 Conduct of licensed work

A designated ARA must:

* act in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants
* comply with any additional conduct of business requirements that are set out in the registration arrangement rules of the professional body for an application to become a designated ARA.

## 1.4 CAA guidance

A designated ARA should follow *Appendix A Requirements for ATOL Reporting Accountants* when performing ATOL returns/reporting work.

Under the ARA scheme, the firm should take responsibility for firm-wide elements including:

* policies and procedures
* work programmes
* internal compliance reviews
* firm-wide training
* fit and proper declarations.

The individual designated ARA will sign off ATOL reports.

# 2 ROLE OF THE ATOL REPORTING ACCOUNTANT

Under the ARA scheme, members who wish to become an ARA must first obtain approval from ACCA. This applies regardless of the fact that the member may also hold an ACCA practising certificate and Audit Qualification from ACCA. Only a designated ARA can sign off an ATOL report. In a firm, only an individual will be able to sign off the accountants’ report, although they would sign for and on behalf of the firm.

Monitoring of members where ATOL reporting work is concerned will be carried out by ACCA. The member firm must appoint a contact who will provide ACCA with an annual declaration that individual(s) designated as ARAs are complying with their responsibilities under the scheme. ACCA may also require an annual return to provide regular and up-to-date information on the firm or individual accountant and its clients so we can perform a risk assessment of each and determine if more intensive supervision is required.

The following two paragraphs and bullet points form key components of the ARA scheme, which are obligations for firms and the designated ARA:

*An accountancy firm should take responsibility for this and the following firm-wide elements:*

* *policies and procedures;*
* *work programmes;*
* *internal compliance reviews;*
* *firm-wide training; and*
* *fit and proper declarations.*

*The individual designated ARA will sign off ATOL reports and give an annual declaration to ACCA as required. The individual ARA or accountancy firm will follow ACCA’s Regulations and bye-laws and therefore must:*

* *at all times comply with the registration rules of ACCA;*
* *deal with ACCA in an open and co-operative manner;*
* *supply ACCA with information as required;*
* *inform ACCA of any substantial changes to the firm and its operations;*
* *pay any fees required by ACCA;*
* *respond to enquiries by ACCA; and*
* *subject itself to any monitoring inspection or review process specified by ACCA.*

*The CAA has the consent on the ATOL holder’s application to share Accountants’ Reports prepared by members or member firms to ACCA to enable us to use actual case studies for the sole purpose and use in our assessment of the continuing designation of the member. We are not permitted to disclose Reports to other parties.*

## 2.1 Role of the ARA

The ARA is required to provide an ATOL accountants’ report (AAR,) which includes:

* an assurance report on the licensable revenue of the ATOL holder
* a factual findings report on the financial data contained within the AAR, which should agree to the financial statements.

It should be noted that the ARA is not required to report on more detailed information than that which is included within the ATOL holder’s financial statements.

### 2.1.1 Assurance report

The assurance report confirms whether the licensable revenue reported by sub-category and calendar quarter dates has been fairly presented in accordance with CAA regulations and guidance. This means the ARA is providing **reasonable assurance** under the International Framework for Assurance Engagements.

### 2.1.2 Factual findings report

The factual findings included in the AAR are based on agreed upon procedures on the following:

* passenger numbers by booking and departure date which are agreed to the ATOL holder’s reservation/booking system
* profit and loss and balance sheet information which is extracted from the ATOL holder’s financial statements.

## 2.2 Reporting

The ARA reports under the following options:

* without exception and submitted the form online directly to the CAA, or
* with exception, whereby the exceptions are provided on the form prior to online submission to the CAA, or
* the ARA does not complete the form and reverts back to the ATOL holder.

## 2.3 Ring-fencing confirmations

The ARA may be requested to provide ring-fencing confirmations in respect of an ATOL holder that operates as a larger group. The objective of this confirmation is to determine whether the ATOL holder is adequately financially independent and could continue to trade if the rest of the group fails.

## 2.4 Work procedures

In respect of annual licensable revenue, the ARA is required to provide an opinion as to:

*‘Whether the licensable revenue reported by sub-category and by calendar quarter has been fairly presented in accordance with CAA Regulations and guidance.’*

As the CAA requires an opinion in respect of this work, they have not outlined any agreed work procedures. ACCA have devised some work procedures (see Appendix 3) which may achieve the objective set above.

**However, it is a matter for the ARA to determine the most appropriate approach to ensure they obtain sufficient and appropriate evidence on which to base an opinion**.

ACCA’s suggested procedures are intended to assist ARAs in the consideration of their approach, but ultimately the work effort is a matter for the ARA to decide.

# 3 FINANCIAL INFORMATION

An ATOL holder is required to provide some financial data from their profit and loss account and balance sheet (or other equivalent financial statements) to the CAA. These details are to be entered into Part 2 of the AAR for the ARA to report on. The data must be entered into the relevant box depending on the financial reporting framework the ATOL holder uses, ie

* FRS 102, *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, or
* FRS 105, *The Financial Reporting Standard applicable to the Micro-entities Regime*, or
* FRS 101, *Reduced Disclosure Framework*, or
* IFRS.

The ATOL Reporting Accountant (ARA) must provide a factual findings report on the financial data contained within the AAR agreeing it to the financial statements (or other equivalent financial statements) of the ATOL holder. The ARA is not required to report on more detailed information than that which is included within the ATOL holder’s financial statements.

ATOL holders with licensable revenue in the region of £20m and above may not be required to complete Part 2 of the AAR. However, they are required to provide other financial information as requested by the CAA. ATOL holders will be notified by the CAA of any additional requirements applicable and whether Part 2 of the AAR needs to be completed. Unless otherwise confirmed by the CAA, all ATOL holders must complete Part 2 of the AAR.

The table below provides the reporting requirements for standard ATOL holders and covers both UK GAAP and IFRS:

|  |  |
| --- | --- |
| UK GAAP (FRS 102 and FRS 105) | IFRS and FRS 101 |
| Revenue | Revenue |
| Profit/(loss) from operations after tax | Profit/(loss) from operations after tax |
| Tax | Tax |
| Interest | Interest |
| Depreciation | Depreciation |
| Amortisation | Amortisation |
| n/a | Impairment of assets |
| Total assets | Total assets |
| Current assets | Current assets |
| Prepayments and accrued income | Prepayments and accrued income |
| Cash at bank and in hand | Cash at bank and in hand |
| n/a | Restricted cash |
| n/a | Non-current assets |
| Creditors: amounts falling due within one year | Current liabilities |
| Creditors: amounts falling due after more than one year | Non-current liabilities |
| Accruals and deferred income | Accruals and deferred income |
| Total liabilities | Total liabilities |

There are reduced reporting requirements for Small Business ATOLS (SBA), which includes sole traders and partnerships that hold an SBA as follows:

|  |
| --- |
| All SBAs will need to provide the following financial data in the AAR |
| Net profit/(loss) |
| Total assets |
| Current assets |
| Cash |
| Current liabilities |
| Total liabilities |

Where an ATOL holder has restated their financial statements for the prior year (eg through a prior-year adjustment to correct an error or reflect a change in accounting policy), then they will also be required to provide the same financial data points for the restated prior year.

## 3.1 Information that does not need to be agreed by the reporting accountant

There is certain information that the ATOL holder will need to submit to the CAA, but which does not need to be agreed by the ARA in the AAR. The ATOL holder will need to provide the following information which is included in the AAR:

* What is your revenue recognition policy with regard to licensable business?
* Is the licensable revenue shown on a gross or net basis?
* Is there any ATOL licensable revenue within deferred income?
* Provide a reconciliation between the turnover/revenue in the financial statements and the ATOL licensable revenue on a departure date basis.
* What is the projected revenue (from the ATOL application form)?
* What is the total revenue for the prior financial year?
* What is the value of the loans in the balance sheet subordinated to the CAA?
* Where is the liability shown, ie short- or long-term liabilities?
* Is the ARA a registered auditor?
* Have the financial statements been audited?
* Has the opinion of the financial statements been modified?

The last three bullet points are included in the ATOL holder confirmation on the AAT Part 2 with a ‘yes’ or ‘no’ answer selection and the ARA is required to test and report on the agreement of these confirmations to the financial statements of the ATOL holder for the period in question.

For sole traders and partnerships, their personal assets and liabilities will also be assessed based on a statement from the ATOL holder at the same date as their financial statements. This statement will not form part of the AAR, but may be signed by an accountant.

## 3.2 Renewal cycle and deadlines

The table below confirms which ATOL renewal an ATOL holder will fall into depending where their financial year end falls.

|  |  |  |
| --- | --- | --- |
| ATOL holder year end | ATOL renewal | Reporting ATOL licence quarters |
| June  July  August | March | September  December  March  June |
| September  October  November | March | December  March  June  September |
| December  January  February | September | March  June  September  December |
| March  April  May | September | June  September  December  March |

Deadlines for submission of the ARA’s report is the *earlier* of:

* the expiry of a nine-month period after the ATOL holder’s financial year end, or
* the ATOL holder’s ATOL renewal date.

# 4 THE ENGAGEMENT TERMS

The CAA Standard ARA-ATOL Terms of Engagement (version dated February 2020) are contained in *Appendix A Requirements for ATOL Reporting Accountants*, Annex 4 of ORS 3. These are the CAA pre-agreed terms of engagement of ARA by ATOL holders to prepare reports required by the CAA.

It should be noted that these terms do not apply to CAA’s lapsed licence and release of bonds, subordinated loans, guarantees and redemption of preference shares reports where the CAA request ATOL reporting accountants to confirm that there are no outstanding or future liabilities in respect of the applicable licensable operations of the business.

ACCA recommends that members do not sign these reports. This is on the basis that, in ACCA’s view, the work carried out will be insufficient to support a signed report. In addition, there would be no contractual limit to the duty of care arising from ARAs who sign these reports.

As the CAA has pre-agreed these terms, it does not sign each engagement letter. Hence, once an ATOL holder has agreed to the terms of an engagement letter, a contract is automatically formed between the ATOL holder and the ARA. On submission of a report to the CAA in accordance with these pre-agreed terms, the CAA accepts that it becomes a party to the contract between the ATOL holder and the ARA on its own behalf and as agent for the trustees of the ATT incorporating these terms.

There will be other matters that need to be agreed between the ATOL holder and the ARA beyond these pre-agreed terms, such as the level of fees to be charged. ACCA has produced a sample engagement letter confirming terms of engagement as Appendix 2 to this factsheet.

The CAA Standard ARA-ATOL Terms of Engagement clarify that it is the responsibility of the ATOL holder to produce the financial information. The ARA’s responsibility is to report on that information provided by the ATOL holder. The report submitted to the CAA requires an electronic signature from a responsible officer of the ATOL holder confirming that they have taken responsibility for the confirmations in the report.

ACCA members who undertake ATOL reporting work should note that these engagements have no effect on other work. Engagements beyond the scope of the report to the CAA are separate and unrelated to any other work the ARA may be involved in. These will be contained within separate schedules of services.

## 4.1 Limitation of liability

The CAA has agreed to cap an ARA’s liability in accordance with its capping formula contained in *Appendix A Requirements for ATOL Reporting Accountants*. This is reproduced at **4.1.1** below. This formula applies a cap on the reporting accountant’s liability for losses (with no distinction between direct loss and indirect or consequential loss).

It will be up to the individual firm to consider whether to accept the CAA’s capping formula. If a firm decides that it will not be able to accept the formula, they can negotiate their own individual capping arrangements with the CAA.

Firms may wish to highlight the work and any liability cap to the firm’s professional indemnity insurance provider.

ACCA has not approved the CAA’s capping formula and, by including it in this factsheet, does not endorse it.

### 4.1.1 Capping formula

The liability cap for work performed in respect of SBA licences and trade licences will be £250,000 in each case.

|  |  |
| --- | --- |
| Box (a) – for standard ATOL licences, and franchise member ATOL holder licences > £5m, where 15% of the ATOL holder’s public revenue licence limit (as defined above) or the actual bond, whichever is the greater is: | Limit of accountants’ liability |
| < £0.25m | £0.25m |
| > £0.25m but < £0.5m | £0.5m |
| > £0.5m but < £5m | 100% of the amount calculated in box (a) |
| > £5m but < £15m | £5m plus 50% of the amount calculated in box (a) that is over and above £5m, up to a limit of £10m |
| > £15m but < £100m | £10m |
| > £100m but < £200m | £20m |
| More than £200m | £20m – however, the CAA retains the right to individual negotiations for a higher liability cap for ATOL holders in this bracket |

**De-minimis**

Where the following conditions are satisfied:

* a failure of the ATOL holder has occurred
* there is no bond
* the CAA and/or the ATT have taken reasonable steps to recover the loss from the ATOL holder or any guarantees provided to the CAA or the ATT by the principals of the ATOL holder or any other appropriate third party, or
* the loss to the ATT does not exceed 15% of the ATOL holder’s public revenue licence limit,

the accountants’ liability to the ATT and/or to the CAA shall be limited (on the basis stated above to £250,000.

**Groups**

Where an accountant is engaged to report on one or more ATOL holders within a group, the aggregate public revenue licence limit (as set out in paragraph 2 of *Appendix A Requirements for ATOL Reporting Accountants*, Annex 5), for all ATOL holders on which it reports, shall be used as the basis for which the liability cap is calculated.

**APPENDIX 1**

# CAA STANDARD ARA-ATOL TERMS OF ENGAGEMENT[[1]](#footnote-1) (VERSION DATED FEBRUARY 2020)

The following are the CAA’s pre-agreed terms of engagement of ATOL Reporting Accountants by ATOL holders to prepare reports required by the CAA in connection with the ATOL holder’s obligations under the Civil Aviation (Air Travel Organisers’ Licensing) Regulations 2012 (as amended) and the Civil Aviation (Contributions to the Air Travel Trust) Regulations 2007 (as amended).

These terms must be included, unamended, within the wider terms of engagement between the ATOL holder and the ATOL Reporting Accountant. However, none of the wide terms may contradict or purport to contradict these terms and the ATOL holder and the ATOL Reporting Accountant agree that any that purport to do so will be void.

A contract between an ATOL holder, its ATOL Reporting Accountants, the CAA on its own behalf and as agent for the Trustees of the Air Travel Trust on these terms is formed when the ATOL holder and the ATOL Reporting Accountant sign and submit to the CAA a Report as set out in Clause 3 herein.

In these terms of engagement:

“CAA” refers to the Civil Aviation Authority;

“Accountable person” refers to the ATOL holder’s director with authority to ensure the ATOL holder complies with the terms and conditions of its ATOL acceptable to the CAA (pursuant to ATOL Regulation 32);

“ARA” refers to the ATOL Reporting Accountant;

“ATT” refers to the Trustees for the time being of the Air Travel Trust;

“the ATOL holder” refers to the air travel organiser that is required to submit a Report to the CAA;

“the Accountants” refers to the ATOL holder’s ATOL Reporting Accountant as defined in the ATOL Standard Term 3, published in the CAA’s Official Record Series 3 pursuant to ATOL Regulation 40(1);

“Appendix A” refers to the publication by the CAA of the Requirements for ATOL Reporting Accountants dated February 2020 in Official Record Series 3; and

“Guidance Note 10” refers to the former name of the publication by the CAA of the Requirements for ATOL Reporting Accountants dated February 2020 in Official Record Series 3.

**1 Introduction**

The ATOL holder is required to submit to the CAA Reports as set out in Clause 3 below that are signed by their Accountants to provide independent assurance or factual confirmations on the information provided. These CAA Standard ARA-ATOL Terms of Engagement set out the basis on which the Accountants will sign the Report.

**2 The ATOL Holder’s Responsibilities**

2.1 The ATOL holder is responsible for producing the information set out in the Reports, maintaining proper records complying with the terms of the CAA’s ATOL Standard Terms and providing relevant financial information to the CAA on a monthly, quarterly and annual basis in accordance with the requirements of the ATOL Standard Terms. The ATOL holder is responsible for ensuring that the non-financial records are reconcilable to the financial records.

2.2 The ATOL holder’s Accountable Person will ensure that all records, correspondence, information and explanations that the Accountants consider necessary to enable the Accountants to perform the Accountants’ work are made available to the Accountants.

2.3 The ATOL holder, the CAA and the ATT accept that the liability of the Accountants to perform their work effectively depends upon the ATOL holder providing full and free access to the financial and other records and the ATOL holder shall procure that any such records held by a third party are made available to the Accountants.

2.4 The Accountants accept that, whether or not the ATOL holder meets its obligations, the Accountants remain under an obligation to the CAA and the ATT to perform their work with reasonable care. The failure by the ATOL holder to meet its obligations may cause the Accountants to qualify their report or to be unable to provide a report.

**3 Scope of the Accountants’ Work**

3.1 The ATOL holder will provide the Accountants with such information, explanations and documentation that the Accountants consider necessary to carry out their responsibilities. The Accountants will seek written representations from management in relation to matters for which independent corroboration is not available. The Accountants will also seek confirmation that any significant matters of which the Accountants should be aware have been brought to the Accountant’s attention.

3.2 The Accountants will perform the following work in relation to the Reports required by the CAA[[2]](#footnote-2):

3.2.1 Annual Accountants’ Reports (Part 1): Licensable Revenue on a departure date basis (or recognised over the period from departure date to return date of the package): The Accountants will perform such procedures as are necessary, for forming an opinion as to whether the total annual Licensable Revenue declared in section 1 of Part 1 of the Annual Accountants’ Report has been prepared, in all material respects, in accordance with CAA Regulations and Guidance and subject to any adverse findings will produce a report in the form provided in the ATOL online system. An example of AAR Part 1 including the accountants report has been provided in Annex 10.

3.2.2 Annual Accountants’ Report (Part 1): Licensable passenger numbers on a booking date and departure date basis: The Accountants will perform the work procedures set out in Annex 7 of Appendix A on both an annual and 4 calendar quarters basis and subject to any adverse findings will produce a report in the form provided in the ATOL online system.

3.2.3 Annual Accountants’ Report (Part 2): Extraction of information from the ATOL holder’s Financial Statements: The Accountants will perform the work procedures set out in Annex 7 Appendix A and subject to any adverse findings will produce a report in the form provided in the ATOL online system.

3.2.4 Airline Ticket Agent Report: The Accountants will perform the work procedures set out in Annex 7 of Appendix A and subject to any adverse findings will produce a report in the form set out in Annex 10.

3.2.5 Factual Confirmations Report: The Accountants will perform the work procedures set out in Annex 8 of Appendix A on request by the CAA to the ATOL holder for an accountants’ confirmation report and subject to any adverse findings will produce a Factual Confirmations report in the form set out in Annex 8 of Appendix A.

3.2.6 Ring Fencing Report: The Accountants will perform the work procedures set out in Annex 9 of Appendix A on request by the CAA to the ATOL holder for an accountants’ ring fencing report and subject to any adverse findings will produce a Ring Fencing report in the form set out in Annex 9 of Appendix A.

3.2.7 The Accountants will not subject the information provided by the ATOL holder to checking or verification except to the extent expressly stated. While the Accountants will perform their work with reasonable skill and care and will report any misstatements, frauds or errors that are revealed by enquiries within the scope of the engagement, the Accountants’ work should not be relied upon to disclose all misstatements, fraud or errors that might exist.

**4 Form of the Accountants’ Reports**

4.1 The Accountants’ Reports are prepared on the following bases:

4.1.1 The Accountants’ Reports are prepared solely for the confidential use of the ATOL holder and the CAA and solely for the purpose of submission to the CAA in connection with the CAA’s requirements in connection with the ATOL holder’s Air Travel Organiser’s Licence. They may not be relied upon by the ATOL holder or the CAA for any other purpose except as provided in 4.1.2 below;

4.1.2 The CAA may disclose the Reports to the ATT in connection with any actual or potential liability to the ATT that may arise out of the business conducted by the ATOL holder, and the ATT will be entitled to rely on them subject to the terms of this agreement. The ATT may share the Accountants’ Reports and/or the information contained in the Accountants’ Reports with:

* the ATT’s insurers in connection with making an insurance claim, where required by the ATT obligations under its contract of insurance; and
* the ATT’s own statutory auditors and legal advisors;

and the Accountants do not object to such disclosure provided that the ATT’s insurers and the ATT’s own statutory auditors and legal advisors agree for the benefit of the Accountants (and the CAA produces evidence of such agreement if and when requested by the Accountants) that:

a) the Reports prepared by the Accountants are designed to meet the agreed requirements of the CAA, the ATT and the ATOL holder only;

b) the Reports are not to be regarded as suitable to be used or relied on by any party wishing to acquire any rights against the Accountants other than the CAA, the ATT and the ATOL holder in accordance with this agreement;

c) the Accountants do not assume any responsibility in respect of their work performed for the CAA, the ATT and the ATOL holder or the Reports, or any judgments, conclusions, opinions, or findings that the Accountants may have formed or made, to any party except the CAA, the ATT and the ATOL holder in accordance with this agreement;

d) to the fullest extent permitted by law the Accountants accept no liability in respect of any such matters to any party except the CAA, the ATT and the ATOL holder in accordance with this agreement;

e) should any party except the CAA, the ATT or the ATOL holder choose to rely on the work performed by the Accountants or the Reports, that party will do so at its own risk; and that

f) the Reports are to remain confidential in the hands of the ATT’s insurers and the ATT’s own statutory auditors and legal advisors.

Neither the ATOL holder, the CAA nor the ATT may rely on any oral or draft reports the Accountants provide. The Accountants accept responsibility to the ATOL holder, the CAA and the ATT for the Accountants’ final signed reports only;

4.1.3 Except as provided for in clause 4.1.2 above and clause 4.1.5 below, the Accountants’ Reports must not be recited or referred to in whole or in part in any other document (including, without limitation, any publication issued by the CAA);

4.1.4 Subject to clause 4.1.2 above and except to the extent required by court order, law or regulation or to assist in the resolution of any court proceedings, the Accountants’ Reports must not be made available, copied or recited to any other person (including, without limitation, any person who may use or refer to any of the CAA’s publications);

4.1.5 The Accountants, their partners and staff neither owe nor accept any duty to any person other than the ATOL holder, the CAA or the ATT in accordance with this agreement (including, without limitation, any person who may use or refer to any of the CAA’s Publications) and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by their reliance on representations in the Accountants’ Reports.

**5 Rights and duties of the Accountants**

5.1 An ATOL holder recognises that, if during the course of preparing an Accountants’ report the Accountants become aware of breaches of the ATOL Regulations by the ATOL holder, the Accountants are required to report them directly to the Civil Aviation Authority, in accordance with the terms of their designation as an ARA and as set out in more detail in Appendix A.

5.1.1 The Accountants may make that report without prior reference to the ATOL holder.

5.1.2 To the extent necessary to enable the Accountants to comply with this requirement, the ATOL holder waives the right of confidentiality. This waiver extends to any report made, document produced or information disclosed to the Civil Aviation Authority in good faith pursuant to these instructions, even though it may subsequently transpire that the Accountants were mistaken in their belief that there was cause for concern.

**6 Liability Provisions**

6.1 The Accountants will perform the engagement with reasonable skill and care and acknowledge that they will be liable to the ATOL holder, the CAA and the ATT for losses, damages, costs or expenses (“losses”) caused by their breach of contract, negligence, or dishonesty or fraud or other deliberate breach of duty, subject to the following provisions:

6.1.1 The Accountants will not be so liable if such losses are due to the provision of false, misleading or incomplete information or documentation or due to the acts or omissions of any person other than the Accountants, except where, on the basis of the enquiries normally undertaken by Accountants within the scope set out in these CAA Standard ARA-ATOL Terms of Engagement, it would have been reasonable for the Accountants to discover such defects;

6.1.2 The Accountants accept liability without limit for the consequences of their own fraud and for any other liability which it is not permitted by law to limit or exclude;

6.1.3 Subject to the previous clause (6.1.2), the total aggregate liability of the Accountants whether in contract, tort (including negligence) or otherwise, to the CAA, the ATT and the ATOL holder, for any losses suffered by the CAA, the ATT, or the ATOL holder arising from or in connection with the work which is the subject of these terms (including any addition or variation to the work), shall not exceed an amount to be agreed between the parties by separate written agreement or, in the absence of such agreement, calculated in accordance with the CAA’s capping formula published in Appendix A (“the Liability Cap”);[[3]](#footnote-3)

In accepting an Accountants report prepared under an engagement in these terms the CAA and the ATT and the ATOL holder agree that the Liability Cap will be shared between them and that their respective claims against the Accountant shall be dealt with in accordance with the following priority. In the event of successful claims against the Accountants by more than one of the CAA, the ATT and the ATOL holder, the CAA and the ATT shall be entitled to recover their loss in priority to the ATOL holder subject always to the maximum Liability Cap. The Accountants shall notify the CAA if a claim is commenced by the ATOL holder against the Accountants but the Accountants are not party to the separately agreed priority set out in the preceding sentence. Nothing in this clause will affect the validity or operation of clause 6.1.5 below;

6.1.4 The Accountants’ liability arising after the application of the other provisions of this clause 6 (above and below) shall in aggregate be limited to that proportion of the total losses, after taking into account contributory negligence (if any), which is just and equitable having regard to the extent of the responsibility of the Accountants for the losses, and the extent of responsibility of any other person (“Other Person”);

In order to calculate the proportionate share of the Accountants’ liability, no account shall be taken of any matter affecting the possibility of recovering compensation from any Other Person, including the Other Person having ceased to exist, having ceased to be liable, having an agreed limit on its liability or for other reasons being unable to pay, and full account shall be taken of the Other Person’s responsibility even if that Other Person is not a party or witness to any relevant proceedings;

6.1.5 The allocation of the Liability Cap between the CAA, the ATT and the ATOL holder shall be entirely a matter for the CAA, the ATT and the ATOL holder, who will be under no obligation to inform the Accountant of it. If (for whatever reason) no such allocation is agreed, none of the CAA, the ATT and the ATOL holder will dispute the validity, enforceability or operation of the Liability Cap on the grounds that no such allocation is agreed.

6.2 This clause 6.2 shall not apply to any claim that might be brought against the Accountants separately by the ATOL holder. The CAA and the ATT agree that neither the CAA nor the ATT will bring any legal proceedings against the Accountants arising out of or in connection with this agreement or the services to be provided thereunder unless the ATT has suffered a loss as a result of the Accountants’ breach of contract or their negligence arising from the provision of the services and: (i) a failure of the ATOL holder has occurred[[4]](#footnote-4); (ii) the loss to the Air Travel Trust (ATT) exceeds 15% of the ATOL holder’s Public Revenue Licence Limit, or the total of the actual bond (if a bond was provided by the ATOL holder as a specific condition of its ATOL), whichever is the greater; and (iii) the CAA and/or the ATT have taken reasonable steps[[5]](#footnote-5) to recover the loss from the ATOL holder or any guarantees provided to the CAA or the ATT by the principals of the ATOL holder or any other appropriate third parties. In the event that such conditions are satisfied, the CAA and the ATT further agree that the Accountants’ liability shall, subject always to the Liability Cap referred to in clause 6.1.3 above, be limited to that proportion of the ATT loss that is in excess of 15% of the ATOL holder’s Public Revenue Licence Limit or actual bond (if a bond was provided by the ATOL holder as a specific condition of its ATOL), whichever is the greater. Please see footnotes 4 and 5 below for definitions in respect of failure of the ATOL holder and reasonable steps. In the event that conditions (i) and (iii) are satisfied but condition (ii) is not, such that the loss to the ATT does not exceed the 15% threshold stated in (ii) and there is no bond, the Accountants’ liability to the ATT and/or to the CAA shall be limited (on the basis stated above) to £250,000.

6.3 The ATOL holder, the CAA and the ATT agree that they will not bring any claims or proceedings against any individual partners, members, directors or employees of the Accountants. This clause is intended to benefit such partners, members, directors and employees who may enforce this clause pursuant to the Contracts (Rights of Third Parties) Act 1999 (the “Act”). Notwithstanding any benefits or rights conferred by this agreement on any third party by virtue of the Act, the parties to this agreement may agree to vary or rescind this agreement without any third party’s consent. Other than as expressly provided in these terms, the Act is excluded.

6.4 Any claims, whether in contract, negligence or otherwise, must be formally commenced within two years after the party bringing the claim becomes aware (or ought reasonably to have become aware) of the facts which give rise to the action and in any event no later than four years after any alleged breach of contract, negligence or other cause of action. This expressly overrides any statutory provision which would otherwise apply. In the event that the CAA and/or the ATT delay commencing a claim against the Accountants in order to comply with their obligations under clause 6.2 to take reasonable steps to recover loss from the ATOL holder and any guarantors, time will be deemed to have stopped running for the purposes of this clause 6.4 for the period that the CAA and/or the ATT are taking such reasonable steps.

6.5 The services provided by the Accountants under this agreement are separate from and unrelated to the Accountants’ audit work on the Financial Statements of the ATOL holder for the purposes of the Companies Act 2006 as appropriate (the “statutory audit work”). The Accountants obligations under this agreement are entirely separate from the statutory audit work for the ATOL holder. Nothing in this agreement should be taken to and shall not add to or vary or extend in any way or on any basis any duty of care the Accountants may have in their capacity as auditor of the ATOL holder’s Financial Statements, nor to create any obligations or liabilities on the Accountants regarding the Accountants’ statutory audit which would not otherwise exist.

**7 Fees**

The Accountants’ fees, together with VAT and out of pocket expenses, will be agreed with and billed to the ATOL holder, who will be responsible for payment of such fees. Neither the CAA nor the ATT is liable to pay the Accountants’ fees.

**8 Quality of Service**

The Accountants will investigate all complaints. The CAA, the ATT and the ATOL holder have the right to take any complaint up with the relevant Professional Accountancy Body under which the Accountants are designated as an ATOL Reporting Accountant.

**9 Providing Services to Other Parties**

The Accountants will not be prevented or restricted by virtue of the Accountants’ relationship with the ATOL holder, the CAA and the ATT, including anything in these CAA Standard ARA-ATOL Terms of Engagement, from providing services to other clients. The Accountants’ standard internal procedures are designed to ensure that confidential information communicated to the Accountants during the course of an assignment will be maintained confidentially.

**10 Applicable Law and Jurisdiction**

10.1 This agreement shall be governed by, and interpreted and construed in accordance with, English Law.

10.2 The ATOL holder, the CAA, the ATT and the Accountants irrevocably agree that the courts of England and Wales shall have exclusive jurisdiction to settle any dispute (including claims for set-off and counterclaims) which may arise in connection with the validity, effect, interpretation or performance of, or the legal relationship established by this agreement or otherwise arising in connection with this agreement.

**11 Alteration to Terms**

Without prejudice to the ATOL holder’s and the Accountants liability to agree additional terms that do not contradict or purport to contradict these CAA Standard ARA-ATOL Terms of Engagement no amendments and variations to these CAA Standard ARA-ATOL Terms of Engagement are permitted or binding unless agreed in writing and signed by the duly authorised representatives of the parties and the CAA. These terms supersede any previous agreements and representations between the parties in respect of the scope of the Accountants’ work and the Accountants’ Reports or the obligations of any parties relating thereto (whether oral or written) and, together with the matters included in the letter confirming the CAA Standard ARA-ATOL Terms of Engagement, represent the entire understanding between the parties. The CAA acknowledges that supplementary terms may be agreed between the Accountants and the ATOL holder but the CAA will not be a party to those terms unless expressly agreed by the CAA. No terms negotiated between the ATOL holder and the ATOL holder’s accountant may contradict or purport to contradict the CAA’s mandated terms. Should they do so then the accountants’ reports will not be acceptable to the CAA. In effect this will be a failure by the ATOL holder to comply with the terms of its ATOL, and ultimately can lead to licensing action being taken against the ATOL holder.

**12 Termination**

12.1 This agreement may be terminated by a party at any time by giving not less than 30 days’ notice to each of the other parties.

12.2 This agreement may be terminated by a party by notice with immediate effect if another party is unable to pay its debts or has a receiver, administrator, administrative receiver or liquidator (or in each case, the equivalent in another jurisdiction) appointed or calls a meeting of its creditors or ceases for any reason to carry on business or if in the reasonable opinion of the party wishing to terminate any of these events appear likely.

12.3 Notices must be in writing and delivered by hand or sent by registered post, in each case to the registered office of each party to this agreement, save that a notice will be validly delivered to the ATT if it is sent to the CAA. Any notice sent by post will be deemed to have been delivered 3 days after sending.

# APPENDIX 2

# SAMPLE Schedule of services

The schedule should be issued with the components of engagement letters that includes suitably amended terms and conditions and privacy requirements.

**CAA Reporting**

**SCHEDULE OF SERVICES**

This schedule should be read in conjunction with the engagement letter and the standard terms and conditions.

Our service to you

We will prepare a factual confirmation report of the confirmations requested by CAA from information and explanations provided by you. [We confirm our terms of engagement for performing the relevant procedures and reporting in respect of ABC PLC in connection with the Civil Aviation (Air Travel Organisers’ Licensing) Regulations 2012, as amended, and the Civil Aviation (Contributions to the Air Travel Trust) Regulations 2007, as amended.

These arrangements are agreed between the Civil Aviation Authority (CAA) and ACCA which are set out in Annex 4 (Appendix A) *Requirements for ATOL Reporting Accountants* and CAA Standard ARA-ATOL Terms of Engagement. A copy of those engagement terms is attached and form part of this schedule of services[insert Appendix 1.]

Our responsibility to you

We have set out the agreed scope and objectives of your instructions within this letter of engagement. Any subsequent changes will be discussed with you and, where appropriate, a new letter of engagement will be agreed. We shall proceed on the basis of the instructions we have received from you and will rely on you to tell us as soon as possible if anything occurs which renders any information previously given to us as incorrect or inaccurate. We shall not be responsible for any failure to advise or comment on any matter that falls outside the specific scope of your instructions. We cannot accept any responsibility for any event, loss or situation unless it is one against which it is the expressed purpose of these instructions to provide protection.

**Your responsibility to us**

In so far as that information is provided by you, or by third parties with your permission, your responsibility arises as soon as possible if any circumstances or facts alter, as any alteration may have a significant impact on the advice given.

You will ensure that we are informed on any requests from CAA including confirmations requested by CAA.

If the circumstances change, therefore, or your needs alter, advise us of the alteration as soon as possible in writing.

**Responsibilities**

On acceptance of these engagement terms, a contract is formed between you and this firm. The CAA accepts that a contract between you, this firm, the CAA on its own behalf and as agent for the Trustees of the Air Travel Trust on these terms is also formed when you and this firm sign and submit to the CAA a report(s) as set out in Clause 3 of Appendix A *Requirements for ATOL Reporting Accountants* in Official Record Series 3 issued by the CAA.

Our function as reporting accountant is to prepare a factual findings report. We have agreed that you will be responsible for maintaining your business records that includes:

1. maintaining records of all receipts and payments of cash
2. maintaining records of invoices issued and received
3. reconciling balances monthly/annually with the bank statements [delete as applicable]
4. preparing a record of business mileage undertaken in the year
5. preparing a record of hours per month worked at home if you wish to claim for business use of your home
6. preparing details of any loan interest paid
7. preparing details of the following at the year-end: stocks and work in progress; fixed assets; amounts owing to creditors; amounts owing by customers; and accruals and prepayments. [delete as applicable]

Our report will be based on information gained from you, and we accept no responsibility to you for any losses arising out of implementing our report. Further, our report requires us to rely substantially on your representations.

As part of our normal procedures, we may request you to provide written confirmation of any oral information and explanations given to us during the course of our work.

**Timetable**

The Report must be submitted by [insert date].

Limitation of liability

**Our services as detailed above are subject to the limitations on our liability set out in the engagement letter, including the attached provisions [Appendix 1] and in paragraph 18 of our standard terms and conditions of business. These are important provisions, which you should read and consider carefully.**[We have agreed that the following third parties should be entitled to rely on our work pursuant to this engagement:

Our aggregate liability to you, the Civil Aviation Authority (CAA) and the Air Travel Trust (ATT) is capped at £X as agreed in a letter dated [insert date]

OR

in accordance with the CAA’s capping arrangements set out in *Appendix A Requirements for ATOL Reporting Accountants*.]

**Fees**

Our fees for this reporting engagement are payable by xxx.

[Fixed fees: On the basis that there are no unforeseen complications and no additional works are involved, the fee for our reporting to the CAA, excluding disbursements and VAT, will be £X]

[Variable fees: Our fees are charged based on the time spent on your affairs and according to the level of seniority of the firm’s personnel involved. Unless the engagement has to be extended for reasons that are beyond our control, we estimate our fees for reporting to the CAA to be £X].

Other services

You may request that we provide other services from time to time. We will issue a separate schedule of service and scope of work to be performed accordingly.

Because rules and regulations frequently change, you must ask us to confirm any advice already given if a transaction is delayed or a similar transaction is to be undertaken.

[Date:

Name of practice:]

**APPENDIX 3**

# SUGGESTED PROCEDURES

The suggested procedures in table (a) below are illustrative only and should not be taken as being prescriptive in every case. Reporting Accountants will be providing an assurance opinion and therefore professional judgement will be needed in determining the level and nature of work procedures which are performed in respect of Annual Public Licensable Revenue.

Work must be adequately documented throughout (including planning) and adequate documentation must be on file to support any conclusions drawn.

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| (a) Annual Public Licensable Revenue which falls into two categories:   * Public (flight-only, flight-inclusive or flight-plus); and * ATOL to ATOL |
| Note: Annex 7 to Appendix A to ORS 3 does not provide any agreed work procedures in respect of Public Licensable Revenue. Reporting Accountants will need to use their professional judgment in this respect. The following procedures are suggested work procedures by ACCA but Reporting Accountants are encouraged to devise ATOL holder-specific procedures where necessary depending on the client’s specific circumstances and the Reporting Accountant’s assessment of risk. |
| *Acceptance and continuance of engagements*   1. Obtain a thorough understanding of the CAA’s *Appendix A Requirements for ATOL Reporting Accountants* in ORS 3. 2. Ensure full compliance with ACCA’s *Code of Ethics and Conduct* and consider any threats that have been identified at the planning stage and ensure adequate safeguards are in place. Ensure safeguards are documented and that the documentation explains why the safeguards reduce threats to an acceptable level. 3. Review the firm’s professional indemnity insurance cover and ensure that it adequately extends to at least the value of the liability cap agreed with the CAA. 4. Ensure the engagement team have a sound understanding and knowledge of the regulatory environment and a sufficient understanding of the client and the environment it operates within. 5. Ensure the control environment is adequately documented and reflects any changes in internal controls following initial pre-planning discussions with the client. |
| *Planning and execution*   1. Obtain a copy of the ATOL Licence, the renewal offer letter(s) and any variation(s) offer and grant letter(s) filed during the year. 2. Ascertain whether the ATOL holder is on the register of failed ATOL holders via the CAA’s website ([www.caa.co.uk/ATOL-protection/Trade/Compliance-and-regulation/Register-of-failed-ATOL-holders/](http://www.caa.co.uk/ATOL-protection/Trade/Compliance-and-regulation/Register-of-failed-ATOL-holders/)). Where an ATOL holder is on the register of failed ATOL holders, contact the CAA for further instructions BEFORE carrying out any further work. 3. Enquire of management as to any level of management judgment applied in applying the definition of ‘Public Licensable Revenue’. For any sales of certain products which have been excluded from the report of public licensable revenue, obtain corroboratory reasons from management and whether any discussions have taken place with the CAA for such exclusions. 4. Enquire as to the basis and methodology used by the management of the ATOL holder to compile its quarterly passenger returns to the CAA and the controls it has in place to monitor and ensure accuracy and completeness of that data. 5. Carry out walk-through testing or other compliance tests on the controls over the production of these returns and revenue recording systems. If the results of this work suggest controls are ineffective or are missing, a more substantive approach must be carried out. Controls test should include controls over IT systems to ensure the control environment:    * classifies bookings into the correct category of licensable/non-licensable categories;    * classifies bookings into the correct sub-category of licensable revenue (for example, flight-only or ATOL to ATOL);    * includes bookings in the correct quarterly return having regard to both the date of booking and departure date;    * reservations are not cancelled prior to departure having regard to the initial deposit and subsequent payment of the balance; and    * where Airline Ticket Agent sales are concerned, the date the ticket is issued is correctly recorded in the reservation system and the nominal ledger. 6. Review the content of airline ticket agent agreements. 7. Ensure that revenue has been recognised in accordance with the ATOL holder’s revenue recognition policy and that this policy is reasonable and has been consistently applied. 8. Ensure that revenue has been recorded and measured correctly (ie net or gross depending on the basis selected). 9. Obtain copies of the four quarterly returns for Public Licensable Revenue and:    * agree these returns to the annual return;    * for any reconciling items between the quarterly returns and the annual return, agree the items to supporting documentation and/or obtain explanations for the reconciling items from management; and    * for each category of revenue, agree the quarterly return to the general ledger/reservation system. 10. Reconcile the quarterly turnover to the annual return and to that reported in the statutory profit and loss account. 11. Perform cut-off testing to ensure that revenue has been recognised in the correct accounting period by referring to both the booking and departure date. 12. Carry out analytical procedures. This should include a review on a quarterly basis of how the business has performed against budgeted or previous years and whether this performance is in line with the Reporting Accountant’s understanding. 13. For a sample of bookings from the accounting records ensure that each booking is correctly classified as licensable/non-licensable revenue as appropriate and for licensable revenue ensure that each booking:     * is included in the correct quarterly return having regard to the departure date;     * is classified into the correct sub-category of licensable revenue; and     * the booking is not cancelled prior to departure having regard to the initial deposit and payment of the balance. 14. Obtain a written representation from management (refer to Appendix 6 of this factsheet or Appendix 6 of ORS 3), which must include the appropriate paragraphs regarding respective responsibilities and availability of books, records and judgments. 15. If the Reporting Accountant discovers any breaches of the ATOL Regulations, report them to the CAA (see Appendix A to ORS 3 as to how to report in these circumstances). |

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| (b) Public licensable passenger numbers on a booking date and departure date basis  The following procedures are required by the CAA |
| 1. Read *Appendix A Requirements for ATOL Reporting Accountants* issued by the CAA. 2. Obtain a copy of the ATOL Licence, the renewal offer letter(s) and any variation(s) offer and grant letter(s) filed during the year. 3. Enquire as to the basis and methodology used by the management of the ATOL holder to compile its quarterly passenger returns to the CAA and the controls it has in place to monitor and ensure accuracy and completeness of the data. 4. Obtain from the reservation system of the ATOL holder a report that provides the number of passengers booked on a quarterly basis broken into the three sub-categories (flight-only, single-contract package and multi-contract package) for the period under review. (It is recommended that you request the ATOL holder to print the reports at the end of each reporting quarter, as depending on the nature of the ATOL holder’s reservation system, it may not be possible to reproduce the reports retrospectively). Agree the passenger numbers shown on the report obtained from the reservation system to the CAA return on passenger numbers for each quarter broken into the three sub-categories (flight-only, single-contract package and multi-contract package). 5. Review the reconciliation of this report to the equivalent passenger levy returns and subsequent payments to the CAA of the passenger ATOL Protection Contribution (APC). 6. From the reservation system of the ATOL holder, obtain a report that provides the number of public licensable passenger numbers on a departure date basis on a quarterly basis broken into the three sub-categories (flight-only, single-contract package and multi-contract package) or ATOL to ATOL for the period under review. Agree the passenger numbers shown on that report from the reservation system to the CAA return on passenger numbers for each quarter broken into the three sub-categories (flight-only, single-contract package and multi-contract package) or ATOL to ATOL. Check that the ATOL holder’s licence limits have not been exceeded for both the year and the calendar quarters. 7. Differences identified in the passenger numbers between the reservation system and the CAA return on passenger numbers should be reported to the CAA using the ATOL online Annual Accountants’ Report. |

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| (c) Extraction of information from the financial statements  The following work procedures are required by the CAA |
| 1. Obtain from the ATOL holder the financial statements for the relevant period to which the Annual Accountants’ Report (AAR) applies. 2. Agree the data entry fields included in the relevant section of Part 2 of the AAR to the line entries in the ATOL holders’ financial statements [the relevant section will depend on whether the client is a Standard ATOL holder (and which GAAP has been applied) or Small Business ATOL (SBA)]. 3. Enquire whether the prior-year financial information in the financial statements has been restated and, where it has been, agree the data entry fields included in the relevant section of Part 2 of the AAR to the line entries in the financial statements. 4. If the relevant data entry fields cannot be agreed back directly to the line entries in the financial statements, ATOL Reporting Accountants include as exceptions in the report. 5. Enquire whether the financial statements have been audited and agree this to the ATOL holder’s confirmation in section 7.2.2 of Part 2 of the AAR. 6. Where the ATOL Reporting Accountant was the statutory auditor of the financial statements, agree that the ATOL holder has ticked ‘yes’ in the confirmation section 7.2.1 of Part 2 of the AAR. Where the ATOL holder was not the statutory auditor of the financial statements, agree that the ATOL holder has ticked ‘no’ in the confirmation in section 7.2.1 of Part 2 of the AAR. 7. Review the audit opinion in the auditor’s report attached to the financial statements. Where the audit opinion is modified, agree this to the ATOL holder’s confirmation in section 7.2.3 of Part 2 of the AAR. |

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| (d) Airline Ticket Agent (ATOL Regulation 13)  The following work procedures are required by the CAA |
| 1. For a sample of 5% of airline ticket agent bookings, up to a maximum sample of 25 bookings selected randomly, check the reservation or ticketing system to establish whether the ticket is recorded as having been issued to the consumer promptly at the point when the payment is made.   (For guidance, the following scenarios illustrate how ‘promptness’ will depend on the circumstances of the sale. In the case of a high-street retail outlet, the ticket should be issued on the occasion of the same visit as the payment was made. In the case of a visit to a website or other electronic sales medium, the ticket should be issued by an automated process as soon as the payment is made, with no more delay than it occasioned by normal electronic processing. In the case of a sale made over the telephone, tickets should be sent to the consumer on the same working day as the payment was made).   1. For the sample selected above, confirm that there is a written airline ticket agency agreement in place with the airline, which includes the fact that the airline will honour the ticket even if it has not been paid for and/or that there is a valid IATA accreditation in place by checking that they have been issued with an IATA number. |

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| (e) Flight-Only Ticket Fully Paid (Exemption 02/2018) – If the ATOL holder does not comply with the requirements of this exemption then the sale will be an ATOL Licensable sale  The following work procedures are required by the CAA |
| 1. Read the exemption for the Flight-Only Ticket Fully Paid, which can be found using this link: <https://www.caa.co.uk/ATOL-protection/Trade/Compliance-and-regulation/Official-Record-Series-3/> 2. For a sample of 5% of flight-only ticket fully paid bookings, up to a maximum sample of 25 bookings selected randomly, check the reservation or ticketing system to establish whether the ticket is recorded as having been issued to the consumer immediately. 3. For the sample selected above, confirm that the invoices issued in respect of that ticket include the wording ‘This sale is not protected under the ATOL Scheme’. 4. For the sample selected above, check that the ticket is not part of a package (which would indicate that the sale is not exempt and would be an ATOL Licensable sale). 5. For the sample selected above, check that the operator of the aircraft on which the flight accommodation is made available does not state in its general terms and conditions that it reserves the right to refuse to carry a person that purchased flight accommodation on aircraft it operates other than direct from its website or where that flight accommodation was made available by a person other than the operator. Where this condition applies it would indicate that the sale is not exempt from the ATOL regulations.   (For guidance, the terms and conditions can usually be found on the website of the operator of the aircraft and may be headed as ‘terms and conditions of carriage’, ‘general conditions of carriage’ or ‘refusal and limitation of carriage’.) |

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| (f) Specific factual confirmations  The following work procedures are required by the CAA |
| 1. Confirmation of sub-ordinated loans 2. Obtain a copy of the subordinated loan agreement. 3. Agree the receipt of cash is in the name of the party/parties identified in the loan agreement. 4. Agree the receipt of cash to the bank statement of an account in the name of the ATOL holder. 5. Confirmation of total subordinated loans at the balance sheet date   Obtain confirmation from each lender of the subordinated loans owed to them at the balance sheet date. |
| 1. Cash gift (sole traders and partnerships) 2. Obtain a copy of the ‘memorandum of a cash gift’ form. 3. Agree the receipt of cash is in the name of the party/parties identified on the form. 4. Agree the receipt of cash to the bank statement of an account in the name of the ATOL holder. |
| 1. Guarantees   Obtain a copy of any deed of guarantee and any other guarantees (usually from the parent or ultimate holding company) given in favour of the ATOL holder (occasionally to the parent group). |
| 1. New share capital/rights issue 2. Obtain a copy of the stamped Form 88(2) submitted to Companies House. 3. Obtain minutes and shareholder agreements (if applicable) in respect of the new share issue and confirm in the share register records that the new shares have been issued in accordance with the minutes and agreements. 4. For shares issued in cash: 5. Agree the receipt of consideration for the shares and any premium thereon to the bank statement of a bank account of the ATOL holder. 6. Agree the receipt of cash into a bank account of the ATOL holder. If cash is initially placed in an escrow account, agree the amount to the bank statement and enquire of the directors as to when it is intended that the money will be transferred from escrow to a bank account of the ATOL holder. 7. Where a subordinated loan has been waived and additional share capital has been issued as consideration:   Confirm the existence of an agreement between the lender and company to this end signed by both parties. |
| 1. Bank loan funding 2. Obtain a copy of the bank loan agreement. 3. Agree the receipt of cash in the name of the party/parties identified in the loan agreement. 4. Agree receipt of loan monies to the bank statement of a bank account of the ATOL holder. |
| 1. Repayment of item post-year end 2. Obtain details of asset being queried by the CAA. 3. Agree receipt of cash post-year end to supporting documentation and the bank statement of a bank account of the ATOL holder. |
| 1. Confirmation of a change of ownership 2. Obtain copies of shares transfer/issue forms. 3. Obtain a copy of the new ownership structure provided by the directors of the ATOL holder to the CAA. 4. Confirm that the share register held by the ATOL holder correctly reflects these changes. |

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| (g) Ring-fencing confirmations  The following work procedures are required by the CAA |
| 1. Read the CAA’s ATOL Policy and Regulations paper on groups and related parties, dated 2010/3, for ATOL holders about licensing requirements for firms that are part of a group or have associated. 2. Obtain copy of ATOL licence offer letters and any variation offer and grant letter(s) filed during the year to understand the agreed ring-fence criteria stated as being met by the ATOL holder in their application. |
| 1. Guarantees, loans and letters of support 2. Obtain and read board minutes of all group companies for the financial year defined by the CAA in their letter to the ATOL holder and note whether any guarantees, loans or letters of support have been provided to the ATOL holder. 3. Also enquire of the directors whether any guarantees, loans or letters of support have been provided to the ATOL holder. |
| 1. Inter-company debtors 2. Enquire of the directors as to the nature of all inter-company debtors to the ATOL holder and whether they all arise from trading and are repaid on normal commercial terms. (For normal commercial terms, the CAA would expect the balances to be settled at least monthly.) 3. Test that the inter-company balance has been settled at least monthly. 4. Test a sample of entries for each inter-company account to backing invoices to agree that they are trading in nature. 5. Where the debtor relates to funding of the group undertaking, this is to be separately identified to the CAA. |
| 1. Inter-company creditors 2. Enquire of the directors as to the nature of all inter-company creditors to the ATOL holder and whether they all arise from trading. 3. Test a sample of entries for each inter-company account to backing invoices to agree that they are trading in nature. 4. Test that the inter-company balance has been settled at least monthly. 5. Where the creditor relates to funding by the group undertaking, this is to be separately identified to the CAA. |
| 1. Merchant agreements with credit card companies   Obtain from management all merchant agreements with credit card companies in the ATOL holder’s name and agree whether they are solely for the ATOL holder. |
| 1. Banking arrangements 2. Check the ATOL holder’s bank accounts to ensure that they are in the sole name of the ATOL holder. 3. Obtain from management copies of the current banking agreements to which the ATOL holder is a party and check that the ATOL holder’s bank accounts are not subject to rights of set-off against the accounts of other entities. |

# APPENDIX 4

# ACCOUNTANTS’ REPORT – FACTUAL CONFIRMATIONS

To: The Civil Aviation Authority

11 Westferry Circus

London

E14 4HD

**Factual Confirmations Report**

We have performed the work procedures agreed with you and XYZ Limited ATOL Number [ ] (the ATOL holder) with respect to XYZ Limited. The confirmations made by XYZ Limited are attached (to be attached) and are repeated below. Our engagement was undertaken in accordance with the work procedures in the CAA Appendix A and under the CAA Standard ARA-ATOL Terms of Engagement dated February 2020 set out in CAA *Appendix A*. The work procedures were performed solely to assist you in your process for licensing the ATOL holder under the Civil Aviation (Air Travel Organisers’ Licensing) Regulations 2012 (as amended), and with the Civil Aviation (Contributions to the Air Travel Trust) Regulations 2007, as amended and our findings are summarised as follows:

[Note: The following is a full list of potential confirmations. \*Delete those confirmations not requested by the CAA.]

**Confirmation of subordinated loans**

1. Confirmation of new subordinated loans

The directors of the ATOL holder confirmed to us that since [date] £[XX] of new cash has been injected into the bank account of [company name] in the form of a subordinated loan (as issued to the ATOL holder in the CAA’s approved form of words) from [the parties form whom the cash was received].

In respect of the confirmation above, we performed the work procedures set out in the CAA Appendix A dated February 2020 [without exception.]/[and noted the following exceptions: List exceptions.]\*

1. Confirmation of total subordinated loans at the balance sheet date

The directors of the ATOL holder confirmed to us that the total subordinated loans held within [company name] at [date] is [£XX].

In respect of the confirmation above, we performed the work procedures set out in the CAA Appendix A dated February 2020 [without exception.]/[and noted the following exceptions: List exceptions.]\*

**Confirmation of cash gift (sole traders and partnerships)**

The sole traders/partners of the ATOL holder confirmed to us that since [date] £[XXX] of new cash has been donated into the bank account of the [ATOL holder] by [the parties] in the form of a cash gift.

In respect of the confirmation above, we performed the work procedures set out in the CAA Appendix A dated February 2020 [without exception.]/[and noted the following exceptions: List exceptions.]\*

**Guarantees**

We confirm that the completed deed of guarantee dated [date] provided in favour of [ATOL holder]/[parent group] by [issuer of guarantee] has been drawn to our attention.

**Confirmation of new share capital/rights issue**

Either – The directors of the ATOL holder confirmed to us that at [date] £[XXXX] new cash has been injected into the bank account of [company name] in the form of [specify share capital type] paid up share capital.

Or – The directors of the ATOL holder confirmed to us that at [date] £[YYYY] of the [profit and loss account]/[existing subordinated loan] has been capitalised as fully paid up [specify share capital type] share capital.

In respect of the confirmation above, we performed the procedures set out in the CAA Appendix A dated February 2020 [without exception.]/[and noted the following exceptions: List exceptions including, if cash is initially placed in an escrow account, the date the directors intend that the money will be transferred from escrow to a bank account of the ATOL holder.]\*

**Confirmation of bank loan funding**

The directors of the ATOL holder confirmed to us that an amount of £[XXX] was injected on [date] into the bank account of [company name] in the form of a bank loan from [lender].

In respect of the confirmation above, we performed the work procedures set out in the CAA Appendix A dated February 2020 [without exception.]/[and noted the following exceptions: List exceptions.]\*

**Confirmation of repayment of item post-year end**

The directors of the ATOL holder confirmed to us that since [date] the sum of £[XXX] has been received into the bank account of [company name] from [named debtor] in respect of the [named debt].

In respect of the confirmation above, we performed the work procedures set out in the CAA Appendix A dated February 2020 [without exception.]/[and noted the following exceptions: List exceptions.]\*

**Confirmation of change of ownership**

The directors of the ATOL holder confirmed to us that the ownership structure at [date] is as follows: [List all shareholders and their shareholdings].

In respect of the confirmation above, we performed the work procedures set out in the CAA Appendix A dated February 2020 [without exception.]/[and noted the following exceptions: List exceptions.]\*

The work procedures we have performed do not constitute either an audit or a review made in accordance with United Kingdom auditing and review standards and bulletins issued by the Financial Reporting Council. Had we performed additional work procedures or had we performed an audit or review in accordance with such standards and bulletins, other matters might have come to our attention that would have been reported to you.

Our report is prepared solely for the confidential use of the ATOL holder, the CAA and the Air Travel Trust, and solely for the purpose of reporting to the CAA under its licensing procedures. Our report must not be recited or referred to in whole or in part in any other document. Our report must not be made available, copied or recited to any other party without our express written permission except as agreed in the CAA Standard ARA-ATOL Terms of Engagement dated February 2020 set out in the CAA Appendix A. [insert name of ATOL Reporting Accountants] neither owes nor accepts any duty to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by other parties’ reliance on our report.

Date

Accountant’s address

# APPENDIX 5

# LETTER FROM THE CAA TO ATOL HOLDERS AND REPORTING ACCOUNTANTS REQUESTING ADDITIONAL PROCEDURES

We refer to [name of ATOL holder]’s (the ATOL holder) application for an Air Travel Organiser’s Licence and the reports we have received from the ATOL holder’s ATOL Reporting Accountants, [name of ATOL Reporting Accountants].

We request that the ATOL holder’s ATOL Reporting Accountants perform the additional procedures listed in the appendix to this letter and report their findings to us.

The work performed in accordance with this letter is an extension of the scope of work set out in section 3 of the CAA Standard ARA-ATOL Terms of Engagement dated February 2020, set out in CAA *Appendix A Requirements for ATOL Reporting Accountants* dated 7 February 2020, and will be performed subject to the CAA Standard ARA-ATOL Terms of Engagement.

# APPENDIX 6

# SAMPLE WRITTEN REPRESENTATION LETTER

This letter is a sample written representation letter obtained from the ATOL holder. It should be produced on the ATOL holder’s letterhead. This sample written representation is for illustrative purposes only and other representations may need to be included where appropriate.

[Insert date]

Dear Sir(s)

This representation letter is provided in connection with your reporting on the annual Accountants’ Report of [insert ATOL holder’s name] for the [year/period ended [insert reporting date]] in accordance with the terms of our engagement letter dated [insert date of engagement letter] and in connection with our obligations under the Civil Aviation (Air Travel Organisers’ Licensing) Regulations 2012 (as amended) and the Civil Aviation (Contributions to the Air Travel Trust) Regulations 2007 (as amended).

1. I have fulfilled my responsibilities as Accountable Person, as set out in the engagement letter dated [insert date] for producing the information set out in the Annual Accountants’ Report, maintaining proper records, complying with the terms of the CAA Standard ARA-ATOL Terms of Engagement and providing relevant financial information to the CAA in accordance with the requirements of the ATOL Standard Terms.
2. I confirm that:
3. I have evaluated the Annual Public Licensable Revenue reported in the Annual Accountants’ Report against the Civil Aviation Authority (Air Travel Organisers’ Licensing) Regulations 2012 (as amended) and confirm that it is complete and has been appropriately analysed between the three sub-categories of flight-only, single-contract package and multi-contract package, and between the calendar quarters indicated in the Annual Accountants’ Report.
4. I have ensured that all records, correspondence, information and explanations which you consider necessary to carry out your work under the terms of our engagement are made available to you.
5. I have provided you with all other information requested and have provided you with unrestricted access to persons within the entity from whom you have deemed it necessary to allow you to fulfil your responsibilities.
6. I confirm to the best of my knowledge and belief that the above representations are made on the basis of enquiries of management and staff with relevant knowledge and experience and, where appropriate, of inspecting supporting documentation sufficient to satisfy myself that I can properly make each of the above representations to you.
7. I acknowledge my responsibilities regarding disclosure of information to you and confirm that, so far as I am aware, there is no relevant information required by you in connection with the preparation of the Annual Accountants’ Report of which you are unaware. This includes:
8. Confirmation that uncorrected misstatements in the Annual Public Licensable figures are immaterial both individually and in combination to the Annual Accountants’ Report as a whole.
9. Acknowledgement of my responsibility for the design, implementation and maintenance of internal controls necessary to prevent and detect fraud.
10. My assessment of the risk of material misstatement as a result of fraud.
11. Disclosure to you of any instances of fraud or suspected fraud, or that there are no such instances of which I am aware.
12. Disclosure to you of any instances of non-compliance or suspected non-compliance with CAA regulations relevant to the preparation of the Annual Accountants’ Report.
13. Disclosure to you of all correspondence relating to the ATOL holder’s licence, in particular regarding non-compliance or deficiencies.

Yours faithfully

[Insert name of accountable person or responsible officer of the ATOL holder]

[Insert date]

**DECEMBER 2020**

**ACCA LEGAL NOTICE**

This technical factsheet is for guidance purposes only. It is not a substitute for obtaining specific legal advice. While every care has been taken with the preparation of the technical factsheet, neither ACCA nor its employees accept any responsibility for any loss occasioned by reliance on the contents.

1. These CAA Standard ARA-ATOL terms of engagement do not cover any reports requested by the CAA in connection with lapsed licences and the release of bonds, sub-ordinated loans, guarantees and redemption of preference shares. [↑](#footnote-ref-1)
2. The following reports will be required depending on the category of ATOL holder and whether requested by the CAA and Accountants should be aware of the requirement for each engagement accordingly:

   a) Standard ATOL holders – 3.2.1 to 3.2.4 above;

   b) SBAs – 3.2.1 to 3.2.4 above;

   c) Trade licences – 3.2.2 but departure date basis only and 3.2.3 above;

   d) Franchise Member ATOL holders > £5m ATOL revenue – 3.2.1 to 3.2.3 above;

   e) Franchise Member ATOL holders < £5m ATOL revenue – no reporting required;

   f) Other Reports outlined under 3.2.5 and 3.2.6 will only be requested in specific circumstances. [↑](#footnote-ref-2)
3. The Requirements for ATOL Reporting Accountants is available on the CAA’s website at Appendix A of the Official Record Series 3: <http:///www.caa.co.uk/ATOL-protection/Trade/Maintain-and-renew-your-ATOL/ATOL-reporting-accountants-scheme/>

   Individual firms of accountants need to consider whether or not to accept the CAA’s offered capping formula or negotiate a liability cap with the CAA by separate agreement. Such consideration will take into account, inter alia, whether the limitation is appropriate to the scope of the engagement, the fees generated, their assessment of risks in undertaking the work and their internal risk management policies. Where firms consider that they are unable to accept the formula, they may wish to negotiate their own individual capping arrangements with the CAA. [↑](#footnote-ref-3)
4. A failure of the ATOL holder will occur if an authorised signatory of the CAA has signed a Notice of ATOL holder failure in respect of that ATOL holder and has placed a copy of that Notice on the CAA’s Register of Failed ATOL holders. [↑](#footnote-ref-4)
5. Reasonable steps are either: the institution of legal proceedings where it is consistent with the ATT fiduciary duties and/or the CAA function and duties; or formal claim in any insolvency. [↑](#footnote-ref-5)