

## **Example letter of engagement for audit assignment for an incorporated company**

The directors of Insert company name Ltd

Insert date

Dear Insert name,

We are pleased to accept the instruction to act as auditor for your company and are writing to confirm the terms of our appointment.

The purpose of this letter, together with the attached terms and conditions, is to set out our terms for carrying out the work and to clarify our respective responsibilities.

We are bound by the ethical guidelines of ACCA, and accept instructions to act for you on the basis that we will act in accordance with those ethical guidelines. A copy of these guidelines can be viewed at our offices on request or at [www.accaglobal.com](http://www.accaglobal.com).

### **Period of engagement**

This letter is effective from insert date.

We will deal with matters arising in respect of periods prior to the above date as appropriate.

### **Scope of services to be provided**

Our audit will be carried out with the objective of expressing an opinion on the financial statements, which comprise the statement of financial position, the income and expenditure account and the profit and loss account and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **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.

Insert name of SA will be the statutory auditor responsible for your audit.

### **Your responsibility to us**

The advice that we give can only be as good as the information on which it is based. 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. If the circumstances change therefore or your needs alter, advise us of the alteration as soon as possible in writing.

## **Statutory responsibilities**

As directors of the above company, you are responsible for ensuring that the company maintains proper books and records and for preparing accounts (financial statements) for each financial year, which give a true and fair view of the state of affairs of the company and of its profit or loss for that period and have been prepared in accordance with the Companies Act 2014. In preparing those accounts you must:

1. Select suitable accounting policies and then apply them consistently.
2. Make judgements and estimates that are reasonable and prudent.
3. Prepare the accounts on the going concern basis unless it is not appropriate to presume that the company will continue in business.

It is your responsibility to keep proper accounting records that disclose with reasonable accuracy at any particular time the financial position of the company. It is also your responsibility to safeguard the assets of the company and to take reasonable steps for the prevention of, and detection of, fraud and other irregularities with an appropriate system of internal controls.

You are also responsible for making available to us, as and when required, all the company's accounting records and all other relevant records and related information, including minutes of all management and shareholders' meetings along with access to all staff. We are entitled to require from the company's officers such other information and explanations as we think necessary for the performance of our duties as auditor.

The intended users of the report are the shareholders. The report will be addressed to the shareholders.

As independent auditor we will report to you whether, in our opinion, the accounts of the company that we have audited give a true and fair view of the state of the company's affairs, and of the profit or loss for the year, and whether they have been prepared in accordance with the Companies Act 2014. In arriving at our opinion we are required to consider the following matters, and to report on any in respect of which we are not satisfied:

1. Whether proper accounting records have been kept by the company and that those accounting records were sufficient to permit the financial statements to be readily audited.
2. Whether the company's statement of financial position and income and expenditure account are in agreement with the accounting records and returns.
3. Whether we have obtained all the information and explanations that we think necessary for the purpose of our audit.
4. Whether the information in the directors' report is consistent with that in the audited accounts.

There are certain other matters that, according to the circumstances, may need to be dealt with in our report. For example, where the accounts do not give details of directors' remuneration or of transactions with the company as specified in S305 to S312 of the Companies Act 2014.

As noted above, our report will be made solely to the company's members/shareholders as a body in accordance with S391 of the Companies Act

2014. Our audit work will be undertaken so that we might state to the company's members those matters that we are required to state to them in an auditor's report and for no other purpose.

In those circumstances, to the fullest extent permitted by law, we will not accept or assume responsibility to anyone other than the company and the company's members/shareholders as a body for our audit work, for the audit report, or for the opinions we form. The form and content of our report may need to be amended in the light of our audit findings.

We also have a responsibility under S.392 of the Companies Act 2014, to serve notice on the company and report to the Director of Corporate Enforcement if we become aware during the course of the audit that the company is contravening Sections 281 to 285 of the Act in relation to the maintenance of adequate accounting records. Where, following receipt of notice of such a contravention, you do not take steps within 7 days to ensure that proper books of account are kept we have a duty to notify the Companies Registration Office.

If circumstances arise that require a modification to the audit opinion, this will be expressed in our auditor's report and in the audit findings letter.

Under sections 291, 292, 294 and 295, if a company's statutory financial statements fail to give a true and fair view or otherwise comply with the Companies Act 2014, the company and any relevant officer who is in default has committed a category two offence. Therefore any modification to the audit report may result in a requirement to make a report to the Director of Corporate Enforcement.

We have a professional duty to report if the accounts do not comply in any material respect with applicable accounting standards, unless in our opinion the non-compliance is justified in the circumstances. In determining whether or not the departure is justified we consider whether:

1. The departure is required in order for the accounts to give a true and fair view.
2. Whether adequate disclosure has been made concerning the departure.

Our professional responsibilities also include:

1. Stating in our report a description of the directors' responsibilities for the accounts, where the accounts or accompanying information do not include such a description.
2. Considering whether other information and documents contained in audited accounts are consistent with those accounts.
3. Reporting to you on a timely basis in respect of any issues, such as material weaknesses in your accounting system, which we feel need to be brought to your attention.

As part of our audit process, we will request from management written confirmation concerning representations made to us in connection with the audit.

Should you instruct us to carry out any alternative report, then it will be necessary for us to issue a separate letter of engagement.

## **Our service to you**

We will conduct our audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

Because of the test nature and other inherent limitations of an audit, together with the inherent limitations of any accounting and internal control system, there is an unavoidable risk that even some material misstatements may remain undiscovered.

In addition to our report on the financial statements, we expect to provide you with a separate letter concerning any material weaknesses in accounting and internal control systems that come to our notice.

Our auditing procedures will be carried out in accordance with International Standards on Auditing (UK and Ireland) issued by the Financial Reporting Council (FRC), and will include such tests of transactions and of the existence, ownership and valuation of assets and liabilities as we consider necessary. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. We shall obtain an understanding of the accounting and internal control systems in order to assess their adequacy as a basis for the preparation of the accounts, and to establish whether proper accounting records have been maintained by the company. We will need to obtain sufficient relevant and reliable evidence to enable us to draw reasonable conclusions.

The nature and extent of our tests will vary according to our assessment of the company's accounting and internal control systems, and may cover any aspects of the company's operations that we consider appropriate. Our audit is not designed to identify all significant weaknesses in the company's systems, but we shall report to the management any significant weaknesses in, or observations on, the company's systems which come to our notice and which we think should be brought to management's attention. Any such report may not be provided to third parties without our prior written consent. Such consent would be granted only on the basis that such reports are not prepared for the interests of anyone other than the company in mind, and that we accept no duty or responsibility to any other party as concerns the reports.

The responsibility for safeguarding the assets of the company and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with the management. We will plan our audit so that we have a reasonable expectation of detecting material misstatements in the accounts resulting from irregularities, fraud or non-compliance with law or regulations, but our examination should not be relied on to disclose all such material misstatements or fraud, errors or instances of non-compliance as may exist.

As part of our normal audit procedures, we may request you to provide formal written representations concerning certain information and explanations we have received from you during the course of our audit. We draw your attention to section 389 of the Companies Act 2014, under which it is an offence for an officer or employee of the

company to knowingly or recklessly make misleading, false or deceptive statements to auditors.

In order to assist us with a review of your accounts, which constitutes part of our audit, we will request sight of any documents or statements that will be issued with the accounts. We are also entitled to attend all general meetings of the company, and to receive notice of all such meetings.

Once we have issued our report we have no further direct responsibility in relation to the accounts for that financial year. However, we expect that you will inform us of any material event occurring between the date of our report and that of the annual general meeting that may affect the accounts.

We shall not be treated as having notice, for the purposes of our audit responsibilities, of information provided to members of our firm other than those engaged on the audit (for example information provided in connection with accounting, taxation and other services).

### **Reporting Obligations**

We as auditors have a statutory duty to report certain matters as follows;

- S.392 of the Companies Act 2014 requires us to report offences falling into Categories 1 and 2 that we become aware to the Director of Corporate Enforcement
- S.19 of the Criminal Justice (Theft and Fraud Offences) Act 2001 requires that where we became aware that an offence, as detailed in the Act, may have been committed that we report same to the Garda Siochana; and
- The Criminal Justice (Money Laundering and Terrorist Financing) Act 2010 and 2013 requires that where we have a suspicion that a money laundering offence or terrorist financing has been committed that we report the matter to the Garda Siochana and to the Revenue Commissioners.
- The Criminal Justice Act 2011 requires that where we have a suspicion that a listed offence has been committed that we report the matter to the Garda Siochana.
- S.107a of the Taxes Consolidation Act 1997 requires auditors and tax advisors to cease to act for a company where they become aware of material tax offences that remain uncorrected for a period of six months.

### **Other services**

You may request that we provide other services from time to time. If these services will exceed £insert value, we will issue a separate letter of engagement 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.

### **Agreement of terms**

This letter supersedes any previous engagement letter. Once it has been agreed, this letter will remain effective until it is replaced.

You or we may vary or terminate our authority to act on your behalf at any time without penalty. Notice of variation or termination must be given in writing.

We would be grateful if you could confirm your agreement to the terms of this letter by signing the enclosed copy and returning it to us immediately.

If this letter is not in accordance with your understanding of the scope of our engagement or your circumstances have changed, please let us know.

This letter should be read in conjunction with the firm's standard terms and conditions.

Yours sincerely,

For and on behalf of

Insert firm name

I/We confirm that I/we have read and understood the contents of this letter and the related terms and conditions and agree that it accurately reflects my/our fair understanding of the services that I/we require you to undertake.

Signed..... Date.....

For and on behalf of

Insert company name

## **Terms and conditions in respect of the work undertaken for Insert name**

### **Introduction**

These terms and conditions set out the general terms under which we undertake our business. The specific conditions relating to particular assignments will be covered in a separate letter/letters of engagement.

### **Applicable law**

This engagement letter, the schedule of services and our standard terms and conditions of business are governed by, and should be construed in accordance with Irish law. Each party agrees that the Courts of Ireland will have exclusive jurisdiction in relation to any claim, dispute or difference concerning this engagement letter and any matter arising from it. Each party irrevocably waives any right to object to any action being brought in those Courts, to claim that the action has been brought in an inappropriate forum, or to claim that those Courts do not have jurisdiction.

### **Authorisation and registration**

Insert your firm's name are registered with the Association of Chartered Certified Accountants as chartered certified accountants and can be found on the register of members at [www.accaglobal.com/za/en/member/find-an-accountant/find-firm.html?isocountry=GB](http://www.accaglobal.com/za/en/member/find-an-accountant/find-firm.html?isocountry=GB)

We are registered as auditors by the ACCA in the Republic of Ireland and details of our registration can be found at [www.search.cro.ie/auditors/](http://www.search.cro.ie/auditors/) under registration number Insert registration number

### **Criminal Justice (Corruption) Bill**

In accordance with the requirements of the Criminal Justice (Corruption) Bill we have policies and procedures in place to prevent the business and its partners and staff from offering or receiving bribes.

### **Client monies**

We may, from time to time, hold money on your behalf. Such money will be held in trust in a client bank account, which is segregated from the firm's funds. The account will be operated, and all funds dealt with, in accordance with the Clients' Monies Rules of the Association of Chartered Certified Accountants. These rules can be found on the ACCA website at <http://www.accaglobal.com/rulebook>

All client monies will be held in an interest-bearing account. To avoid excessive administration, interest will only be paid to you where the amount earned on the balances held on your behalf in any calendar year exceeds €[Insert amount.] If the total sum of money held on your behalf is enough to give rise to a significant amount of interest or is likely to do so, then we will put the money in a designated interest-bearing client bank account and pay the interest to you

We will return monies held on your behalf promptly as soon as there is no longer any reason to retain those funds. If any funds remain in our client account that are unclaimed and the client to which they relate has remained untraced for five years or we as a firm cease to practise then we may pay those monies to a registered charity.

Fees paid by you in advance for professional work to be performed and clearly identifiable as such shall not be regarded as clients' monies.

### **Commissions or other benefits**

In some circumstances, commissions or other benefits may become payable to us in respect of transactions which we arrange for you. Where this happens we will notify you in writing of the amount and terms of payment. The same will apply where the payment is made to or transactions are arranged by a person or business connected with ours. We will/will not reduce the fees we would otherwise charge by the amount of the commissions or benefits.

**You agree that we can retain any commission or other benefits without being liable to you for any such amounts.**

### **Communication**

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

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

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

### **Confidentiality**

Communication between us is confidential and we shall take all reasonable steps to keep confidential your information except where we are required to disclose it by law, by regulatory bodies, by our insurers or as part of an external peer review. Unless we are authorised by you to disclose information on your behalf this undertaking will

apply during and after this engagement.

We may, on occasions, subcontract work on your affairs to other tax or accounting professionals. The subcontractors will be bound by our client confidentiality terms.

We reserve the right, for the purpose of promotional activity, training or for other business purpose, to mention that you are a client. As stated above we will not disclose any confidential information.

### **Conflicts of interest**

We will inform you if we become aware of any conflict of interest which could impact on our relationship with you. Where conflicts are identified which cannot be managed in a way that protects your interests then we regret that we may be unable to provide further services.

If there is a conflict of interest that is capable of being addressed successfully by the adoption of suitable safeguards to protect your interests then we will adopt those safeguards. Safeguards may include measures such as separate teams, physical separation of teams, and separate arrangements for storage of and access to information. Where possible this will be done on the basis of your informed consent.

We reserve the right to act for other clients whose interests are not the same as or are adverse to yours, subject of course to the obligations of confidentiality referred to above.

### **Data Protection (Amendment) Act 2003**

We confirm that we will comply with the provisions of the Data Protection Act 1998 when processing personal data about you and your family. In order to carry out the services of this engagement and for related purposes such as updating and enhancing our client records, analysis for management purposes and statutory returns, legal and regulatory compliance and crime prevention we may obtain, process, use and disclose personal data about you. You shall ensure that any disclosure of personal data to us complies with the DPA.

We shall use appropriate technical and organisational measures to protect against unauthorised or unlawful processing of personal data and against accidental loss or destruction of, or damage to, personal data. We shall not sub-contract any processing of personal data unless the sub-contractor has agreed that the personal data continues to be subject to an appropriate level of protection. To the extent we act as data processor for you, we shall only process personal data in accordance with your instructions.

We shall answer your reasonable enquiries to enable you to monitor compliance with this clause.

## **Disengagement**

Should we resign or be requested to resign a disengagement letter will normally be issued to ensure that our respective responsibilities are clear.

**Should we have no contact with you for a period of insert period or more we may issue a disengagement letter and hence cease to act.**

## **Fees**

Our fees may depend not only upon the time spent on your affairs but also on the level of skill and responsibility and the importance and value of the advice that we provide, as well as the level of risk.

If we provide you with an estimate of our fees for any specific work, then the estimate will not be contractually binding unless we explicitly state that that will be the case.

Where requested we may indicate a fixed fee for the provision of specific services or an indicative range of fees for a particular assignment. It is not our practice to identify fixed fees for more than a year ahead as such fee quotes need to be reviewed in the light of events. If it becomes apparent to us, due to unforeseen circumstances, that a fee quote is inadequate, we reserve the right to notify you of a revised figure or range and to seek your agreement thereto.

We will bill insert period e.g. annually and our invoices are due for payment insert terms e.g. on presentation. Our fees are exclusive of VAT which will be added where it is chargeable. Any disbursements we incur on your behalf and expenses incurred in the course of carrying out our work for you will be added to our invoices where appropriate.

If you do not accept that an invoiced fee is fair and reasonable you must notify us within 21 days of receipt, failing which you will be deemed to have accepted that payment is due.

You will be informed of any increase in our fees.

In the case of a dispute over the level of fees charged we reserve the right to require that the matter is dealt with through arbitration. We recommend that arbitration is undertaken by the fee arbitration service provided by ACCA for members. The fee arbitrator will be appointed by the ACCA president; the fee will be as negotiated with the ACCA arbitrator.

## **Implementation**

We will only assist with implementation of our advice if specifically instructed and agreed in writing.

## **Intellectual property rights**

We will retain all copyright in any document prepared by us during the course of carrying out the engagement save where the law specifically provides otherwise.

## **Interpretation**

If any provision of this engagement letter, schedules of services or standard terms and conditions is held to be void, then that provision will be deemed not to form part of this contract and the remainder of this agreement shall be interpreted as if such provision had never been inserted.

In the event of any conflict between these terms of business and the engagement letter or appendices, the relevant provision in the engagement letter or schedules will take precedence.

## **Internal disputes**

If we become aware of a dispute between the parties who own or are in some way involved in the ownership and management of the business, it should be noted that our client is the business and we would not provide information or services to one party without the express knowledge and permission of all parties. Unless otherwise agreed by all parties we will continue to supply information to the insert location for the attention of the insert individuals. If conflicting advice, information or instructions are received from different insert details e.g. directors in the business we will refer the matter back to the insert details e.g. board of directors and take no further action until the insert details e.g. board of directors has agreed the action to be taken.

## **Investment services**

Investment business is regulated under the Investment Intermediaries Act 1995.

The firm will abide by the provisions of the Chartered Certified Accounts Irish Investment Business Regulations 2013.

The firm is registered with the ACCA for carrying out investment business activities and may therefore provide a range of investment business services that arise out of the provision of our main professional services. If we are required to provide advice, we will issue a separate letter of engagement.

If you wish to obtain advice on investment services you must do so from an Authorised Advisor (AA). We can provide you with a list of local AAs or we can advise you ourselves.

## **Lien**

In so far as permitted to do so by law or professional guidelines, we reserve the right to exercise a lien over all funds, documents and records in our possession relating to all engagements for you until all outstanding fees and disbursements are paid in full.

## **Limitation of Third Party Rights**

The advice and information we provide to you as part of our service is for your sole use and not for any third party to whom you may communicate it unless we have expressly agreed in the engagement letter that a specified third party may rely on our work. We accept no responsibility to third parties, including any group company to whom the engagement letter is not addressed, for any advice, information or material produced as part of our work for you which you make available to them. It may not be used or relied upon for any other purpose or by any other person other than you without our prior written consent. A party to this agreement is the only person who has the right to enforce any of its terms.

If our advice is disclosed to any third party (with or without our consent), then we accept no responsibility or liability to that third party for any consequences that may arise to them, should they rely on the advice.

If it is proposed that any documents or statement which refer to our name are to be circulated to third parties, please consult us before they are issued.

## **Money Laundering Regulations**

In accordance with the Criminal Justice (Money Laundering & Terrorist Financing Act 2010 ("2010 Act") you agree to waive your right to confidentiality to the extent of any report made, document provided or information disclosed to the Garda Siochana or Revenue Commissioners.

You also acknowledge that we are required to report directly to the Garda Siochana or Revenue Commissioners without prior reference to you or your representatives if during the course of undertaking any assignment the person undertaking the role of Money Laundering Reporting Officer becomes suspicious of money laundering.

As with other professional services firms, we are required to identify our clients for the purposes of the Republic of Ireland anti-money laundering legislation. We may request from you, and retain, such information and documentation as we require for these purposes and/or make searches of appropriate databases. If we are not able to obtain satisfactory evidence of your identity, we will not be able to proceed with the engagement.

Copies of such records will be maintained by us for a period of at least five years after we cease to act for the business.

## **Period of engagement and termination**

Unless otherwise agreed in the engagement covering letter our work will begin when we receive your implicit or explicit acceptance of that letter. Except as stated in that

letter we will not be responsible for periods before that date.

Each of us may terminate this agreement by giving not less than 21 days notice in writing to the other party except where you fail to cooperate with us or we have reason to believe that you have provided us or the Revenue Commissioners with misleading information, in which case we may terminate this agreement immediately. Termination will be without prejudice to any rights that may have accrued to either of us prior to termination.

In the event of termination of this contract, we will endeavour to agree with you the arrangements for the completion of work in progress at that time, unless we are required for legal or regulatory reasons to cease work immediately. In that event, we shall not be required to carry out further work and shall not be responsible or liable for any consequences arising from termination.

### **Professional rules and statutory obligations**

We will observe and act in accordance with the by-laws, regulations and ethical guidelines of the Association of Chartered Certified Accountants (ACCA) and will accept instructions to act for you on this basis. In particular, you give us the authority to correct errors made by the Revenue Commissioners where we become aware of them. We will not be liable for any loss, damage or cost arising from our compliance with statutory or regulatory obligations. You can see copies of these requirements at our offices. The requirements are also available online at [www.accaglobal.com/en.html](http://www.accaglobal.com/en.html) .

### **Professional indemnity insurance**

In accordance with our professional body rules we are required to hold professional indemnity insurance. Details about the insurer and coverage can be found at our website or at our offices.

### **Quality control**

As part of our ongoing commitment to providing a quality service, our files are periodically reviewed by an independent regulatory or quality control body. These reviewers are highly experienced and professional people and, of course, are bound by the same rules for confidentiality as our principal[s] [and staff].

### **Quality of service**

We aim to provide a high quality of service at all times. If you would like to discuss with us how our service could be improved or if you are dissatisfied with the service that you are receiving please let us know by contacting Insert name of relevant partner.

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

This should be done promptly and in any event no later than 6 months after exhausting our procedures.

### **Reliance on advice**

We will endeavour to record all advice on important matters in writing. Advice given orally is not intended to be relied upon unless confirmed in writing. Therefore, if we provide oral advice (for example during the course of a meeting or a telephone conversation) and you wish to be able to rely on that advice, you must ask for the advice to be confirmed by us in writing.

### **Retention of papers and records**

You have a legal responsibility to retain documents and records relevant to your tax affairs. During the course of our work we may collect information from you and others relevant to your affairs.

Whilst certain documents may legally belong to you we may destroy correspondence and other papers that we store, electronically or otherwise, which are more than 7 years old. You must tell us if you require the return or retention of any specific documents for a longer period.

You should retain documents and records for six years from the end of the relevant accounting period. This period may be extended if the Revenue Commissioners enquire into the tax returns of the business.

### **Timetable**

The services we undertake to perform for you will be carried out on a timescale to be determined between us on an ongoing basis.

The timing of our work will in any event be dependent on the prompt supply of all information and documentation as and when required by us.

### **Kudos International Network**

Insert name of relevant partner. is a member of Kudos International Network, a national and international network of independent accounting firms. The association comprises of separate legal entities. No Kudos International Network member is our agent or partner. If we introduce you to another Kudos International Network entity you must make your own arrangements with them and we do not accept liability for work that they carry out for you.