

## Client engagement letter for audits

«CreatedDate»

«ClientName»

«PostalAddress»

«PostalCity»«PostalPostCode»

Dear «ContactName»

Australian Auditing Standards require that there must be a clear understanding in writing between the auditor and the client as to the extent of the audit duties to be performed. Accordingly, I am pleased to confirm my acceptance and my understanding of the audit engagement by means of this letter.

### The objective and scope of the audit

You have requested that I audit the financial reports of ..... for the year ended 30 June 20XX, which comprises the balance sheet as at the end of the financial year, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year, and notes comprising a summary of significant accounting policies and other explanatory information, and the directors declaration.

The objectives of my audit are to obtain reasonable assurance about whether the financial reports as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

### The responsibilities of the auditor

I will conduct my audit in accordance with Australian Auditing Standards. Those standards require that I comply with ethical requirements. As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. However, I will communicate to you in writing concerning any significant deficiencies in internal control relevant to the audit of the financial report that we have identified during the audit.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with Australian Auditing Standards

### Reporting

Throughout the engagement I will report to you both formally and informally in accordance with auditing standards. Initially my audit approach will be communicated to you in an audit plan, and as the circumstances dictate throughout the engagement, I may amend my scope, alter my audit approach and/or propose matters of special emphasis.

In addition to the audit plan I will also provide an audit report which will need to be amended in light of my audit findings. In circumstances where a modified auditor's report is considered I will advise the details to you in a timely manner and prior to the issue of my report.

Finally, at the completion of the engagement I will issue a closing report describing any matters arising from the audit, as a result of the audit procedures performed, as well as communicating any relevant issues required to be reported to those charged with governance including any significant deficiencies in internal controls.

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### **The responsibilities of management and identification of the applicable financial reporting framework**

My audit will be conducted on the basis that management acknowledge and understand that they have responsibility:

- a) For the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001;
- b) For such internal control as management determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error; and
- c) To provide me with:
  - Access to all information of which management is aware that is relevant to the preparation of the financial report such as records, documentation and other matters;
  - Additional information that I may request from the directors and management for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom I determine it necessary to obtain audit evidence.

As part of my audit process, I will request from management written confirmation concerning representations made to me in connection with the audit.

### **Fees**

My fees, which will be billed as work progresses, are based on the time required by the individuals assigned to the engagement plus out-of-pocket expenses. Individual hourly rates vary according to the degree of responsibility involved and the experience and skill required. My fee to assist with the preparation of the financial reports and audit the financial reports will be \$XX (GST inc) for the year ended 30 June 20XX.

### **Independence/conflicts of interest**

I have established policies and procedures designed to ensure my independence, including policies on holding financial interests in the entity and other related parties, rotation of audit partners, business relationships, employment relationships, and the provision of non-audit services in accordance with APES 110 Code of Ethics for Professional Accountants.

I confirm that, to the best of my knowledge and belief, I currently meet the independence requirements of the Corporations Act 2001 in relation to the audit of the financial reports. In conducting my audit of the financial reports, should I become aware that I have contravened

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the independence requirements of the Corporations Act 2001, I shall notify you on a timely basis. As part of my audit process, I shall also provide you with a written independence declaration as required by the Corporations Act 2001.

The *Corporations Act 2001* includes specific restrictions on the employment relationships that can exist between the audited entity and its auditors. To assist me in meeting the independence requirements of *Corporations Act 2001*, and to the extent permitted by law and regulation, I request you discuss with us:

- The provision of services offered to you by Aitken O'Grady prior to engaging or accepting the service; and
- The prospective employment opportunities of the principal or any professional employee of Aitken O'Grady prior to the commencement of formal employment discussions with the principal or professional employee.

This letter will be effective for future years unless it is terminated, amended or suspended. I look forward to full co-operation with your staff and I trust that they will make available to me any records, documentation and other information requested in connection with my audit.

If the contents of this letter are not in accordance with your understanding, I shall be pleased to receive your observations and to give you any further information that you may require. Otherwise would you kindly indicate, by signing a copy of this letter or by separate advice that this letter is in accordance with your understanding of the arrangements to apply to our auditing of the financial report.

Yours sincerely,

AITKEN O'GRADY

### **Acknowledgment of terms of engagement**

We, the parties named in the Schedule, confirm that we understand and agree to your terms of engagement, and acknowledge our responsibilities as set out in the terms of engagement.

Dated the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_.

#### **Individuals:**

Name	Signed
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<i>[insert name]</i>	..... (Individual signs)
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**Companies:**

Name	Signed
<i>[insert company name and ACN or ABN]</i>	..... (Director signs)

**Partnerships/Joint Ventures:**

Names	Partnership/JV	Signed
<i>[insert name of each partner or joint venturer]</i>	<i>[insert name of partnership or joint venture and ABN]</i>	..... (Individual partner/venturer or director of corporate partner/venturer signs)

**Individuals who act as trustees or nominees:**

Name	Trust or superannuation fund	Signed
<i>[insert name]</i>	<i>[insert name of trust or superannuation fund and ABN]</i>	..... (Individual signs)

*(duplicate as required)*

**Companies which act as trustees or nominees:**

Name	Trust or superannuation fund	Signed
<i>[insert company name and ACN or ABN]</i>	<i>[insert name of trust or superannuation fund and ABN]</i>	..... (Director signs)