**Audit Engagement Letter**

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**<Your name or your firm’s name/logo>**

**<Address and contact details>**

<date>

<client name>
<client address>

<client email>

Dear <client name>

**Terms of Engagement – Audit Engagement Service for <name of entity>**

Further to our discussions on <date>, <we are/I am> pleased to accept your appointment as the auditor of <name of entity>. This document sets out our terms of engagement. Any changes must be mutually agreed and confirmed in writing.

**Objective and Scope of Audit Engagement**

**[The following paragraphs provide an example objective and scope for an audit of a general purpose financial report prepared in accordance with Australian Accounting Standards and the *Corporations Act 2001*. These paragraphs require adaption for recurring audits and for other types of audits. Members should carefully review and modify the example paragraphs to suit the audit engagement to be performed and to ensure the terms of engagement meet the requirements of Auditing Standard ASA 210 *Agreeing the Terms of Audit Engagements*]**

You have requested that <we/I> audit the financial report of <name of entity> which comprises the statement of financial position as at <30 June 20XX> and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended <30 June 20XX>, and notes to the financial statements including material accounting policy information, and the directors’ declaration.

The objectives of <our/my> audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes <our/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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

**<Our/My> Responsibilities**

<We/I> will conduct an audit in accordance with Australian Auditing Standards and APES 210 *Conformity with Australian Auditing and Assurance Standards*. Those standards require that <we/I> comply with ethical requirements under APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

Pursuant to the Responding to Non-Compliance with Laws and Regulations (NOCLAR) requirements of APES 110, <we are/I am> required to report any non-compliance with laws and regulations or acts of omission or commission, intentional or unintentional by a client or by those charged with governance, by management or by other individuals working for or under the direction of a client which are contrary to the prevailing laws or regulations.

As part of an audit in accordance with Australian Auditing Standards, <we/I> will exercise professional judgment and maintain professional scepticism throughout the audit. <We/I will> 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.
* 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, <we/I> will communicate to you in writing concerning any significant deficiencies in internal control relevant to the audit of the financial report that <we/I> 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 Company’s ability to continue as a going concern. If <we/I> conclude that a material uncertainty exists, <we are/I am> required to draw attention in <our/my> auditor’s report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify <our/my> opinion. <Our/my> conclusions are based on audit evidence obtained up to the date of <our/my> auditor’s report. However, future events or conditions may cause the Company 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.

Based on 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.

As part of the audit process <we/I> will request from management and, where appropriate, those charged with governance written confirmation concerning representations made to <us/me> in connection with the audit.

**Use of Consumer Data Right Data** (optional)

<We/I> acknowledge that you may consent for an Accredited Data Recipient under the Consumer Data Right (CDR) to disclose your CDR data to <us/me>. <We/I> confirm that for this purpose you may nominate <Firm’s name/me> as your Trusted Adviser and that as your trusted adviser, <we/I> will only access the data necessary to provide the services in this engagement letter.

**Your Responsibilities**

<Our/My> audit will be conducted on the basis that management and, where appropriate, those charged with governanceacknowledge and understand that they have responsibility:

* 1. for the preparation of the financial report that gives a true and fair view in accordance with the *Corporations Act 2001* and Australian Accounting Standards;
	2. 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
	3. to provide <us/me> with:
		1. access to all information of which the directors and management are aware that is relevant to the preparation of the financial report such as records, documentation and other matters;
		2. additional information that <we/I> may request from the directors and management for the purpose of the audit; and
		3. unrestricted access to persons within the entity from whom <we/I> determine it necessary to obtain audit evidence.
	4. <where applicable, in respect of other information:
		1. you will inform <us/me> of all the documents that you expect to issue that may comprise other information.

*If the other information is to be provided prior to the auditor’s report date:*

[The financial report and any other information you may obtain prior to the date of your auditor’s report will be consistent with one another, and the other information will not contain any material misstatements.] *or*

*If the other information will not be provided prior to the auditor’s report date:*

[With regard to any other information that you may not obtain prior to the date of the auditor’s report, that <we/I> intend to prepare and issue will be provided to you by [insert date] to enable you to complete the required procedures.]>

**Reporting**

<We/I> will issue a written report upon completion of <our/my> audit of <name of entity>’s financial statements. <Our/my> report will be addressed to the board of directors of <name of entity>. <We/I> cannot provide assurance that an unmodified opinion will be expressed. The form and content of <our/my> report may need to be amended in light of our audit findings. Circumstances may arise in which it is necessary for <us/me> to modify <our/my> audit opinion, add an emphasis-of-matter or other-matter paragraph(s), or withdraw from the engagement.

<We/I> will issue a written report on <insert appropriate reference to other auditor’s reports expected to be issued> upon completion of <our/my> audit.

<We/I> look forward to full cooperation from your staff during the audit.

**Other matters under the *Corporations Act 2001***

**Independence**

<We/I> confirm that, to the best of <our/my> knowledge and belief, we currently meet the independence requirements of the *Corporations Act 2001* in relation to the audit of the financial report. In conducting <our/my> audit of the financial report, should <we/I> become aware that <we/I> have contravened the independence requirements of the *Corporations Act 2001*, <we/I> shall notify you on a timely basis. As part of <our/my> audit process, <we/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 <us/me> in meeting the independence requirements of the *Corporations Act 2001*, and to the extent permitted by law and regulation, we request you discuss with <us/me>:

* the provision of services offered to you by <firm name/me> prior to engaging or accepting the audit service; and
* [for Firms only:] the prospective employment opportunities of any current or former partner or professional employee of [firm name] prior to the commencement of formal employment discussions with the current or former partner or professional employee.

**Annual General Meetings** (applicable only to listed entities)

The *Corporations Act 2001* provides that shareholders can submit written questions to the auditor before an Annual General Meeting provided that they relate to the auditor’s report or the conduct of the audit. To assist <us/me> in meeting this requirement in the *Corporations Act 2001* relating to Annual General Meetings, <we/I> request you provide to <us/me> written questions submitted to you by shareholders as soon as practicable after the questions are received and no later than five business days before the Annual General Meeting, regardless of whether you believe them to be irrelevant.

**Presentation of Audited Financial Report on the Internet**

It is <our/my> understanding that <name of entity> intends to publish a hard copy of the audited financial report and auditor’s report for members, and to electronically present the audited financial report and auditor’s report on its Internet website. When information is presented electronically on a website, the security and controls over information on the website should be addressed by the entity to maintain the integrity of the data presented. The examination of the controls over the electronic presentation of audited financial information on the entity’s website is beyond the scope of the audit of the financial report. Responsibility for the electronic presentation of the financial report on the entity’s website is that of the governing body of the entity.

**Professional Fees and Payments**

All professional fees for the services provided will be based on the time and skill required to complete the tasks, including out of pocket expenses and statutory charges, unless otherwise agreed.

<Our/my> professional fees are (subject to written notification of changes):

Principal $ <amount> per hour

Accountant $ <amount> per hour

Secretarial $ <amount> per hour

For work undertaken for a period of less than an hour, the rate shall be charged in 6-minute blocks, or part thereof. All professional fees are GST inclusive.

**Estimated Fee**

Fees are based on reasonable estimates and the actual cost may vary. It is not always possible to provide an accurate estimate of the total cost, which may change due to unforeseen problems and delays, the cooperation of third parties and deficiencies in documentation. If costs are likely to be significantly higher than originally estimated, <we/I> will provide an additional letter of engagement setting out the reasons for any likely increase.

The estimated fee for the services agreed is $<XXX>, GST inclusive.

**Terms of Payment**

Unless other terms have been agreed to, <our/my> terms are strictly 14 days from the date of invoice. <We/I> will provide an itemised account of professional fees, costs and disbursements upon request. If you do not pay your account by that date, <we/I> reserve the right to use a debt collection agency or any other legal means to recover outstanding fees.

**Quality Review**

As a member of the Institute of Public Accountants (IPA), <we are/I am> subject to the IPA’s Quality Review Program (QRP) mandated by the International Federation of Accountants (IFAC). QRP reviews assess member compliance with professional and ethical standards and by accepting our engagement you acknowledge that, if requested by IPA, our files relating to this engagement may be made available for QRP review. Unless otherwise advised, you are consenting to your files being part of a QRP review.

**Professional Standards Scheme**

As a member of the IPA, <we are/I am> part of the IPA Professional Standards Scheme and <our/my> liability is limited by a Scheme approved under Professional Standards Legislation. For more information on the IPA Professional Standards Scheme or Professional Standards Schemes generally, please refer to: [www.psc.gov.au](http://www.psc.gov.au).

**Privacy**

<We/I> understand the importance of protecting the privacy of your personal information. In handling personal information, <we/I*>* comply with the *Privacy Act 1988* (Cth) (Privacy Act), as amended from time to time, and with the 13 Australian Privacy Principles in the Privacy Act and other applicable privacy-related legislation.

<We/I> collect, use, disclose and store your personal information in accordance with <our/my> privacy policy, a copy of which can be found on <our/my> website or otherwise made available to you upon request.

<We/I> may collect your personal information directly from you or your authorised representatives, from third parties where you have provided your consent, or where the collection of your personal information is permitted by law.

The types of personal information <we/I> collect includes <amend list to accurately reflect the personal information that is collected> general identification information such as names, occupation, and date of birth, contact details such as address, email address, and mobile phone number, government-issued identification numbers such as tax file numbers, financial information, and information regarding your superannuation and/or insurance arrangements.

Generally, <we/I> collect, use and disclose your personal information for the purposes of providing you with <description of services> services.

If you do not provide your personal information to <us/me>, this may affect <our/my> ability to assist you.

<We/I> may also use your personal information for the purpose of providing marketing information to you. Please let <us/me>know if you do not want this information to be sent to you.

To provide <our/my> <description of services> services, <we/I> may disclose your information to third parties engaged to perform administrative or other business management services. <insert if the optional Third Party Involvement clause below is being used, otherwise delete:> We may also disclose your personal information to third parties engaged to undertake specific processes, functions or activities and/or provide services for <us/me>.

Any disclosure is always on a confidential basis. <We/I> may also disclose your personal information if required or authorised by law.

<insert if personal information may be disclosed overseas, otherwise delete:> <We/I> may disclose personal information to overseas recipients in order to provide necessary <description of services> and for administrative or other business management purposes. Before disclosing any personal information to an overseas recipient, <we/I> take steps reasonable in the circumstances to ensure the overseas recipient complies with the Australian Privacy Principles or is bound by a substantially similar privacy scheme unless you consent to the overseas disclosure or it is otherwise required or permitted by law.

If you would like to access, or seek correction of, the personal information <we/I> collect and hold about you, or otherwise enquire or complain about our approach to privacy, please contact <our/my> privacy compliance officer on <telephone number> or at <email address>. <Our/my> privacy policy contains further information about these processes.

**Third Party Involvement (optional)**

[Include the following paragraph only if you use cloud computing services relevant to the client]

In providing our services to you, <we/I> utilise cloud computing systems provided by <insert name of provider> which is based in <insert location of provider>. <Insert details of how confidential information of clients is stored – this could be by way of reference to a separate document or information on your website.>

This terms of engagement is a contract between you and <firm name/me>, and you agree that none of the third parties <we/I> use will have any liability to you and you will not bring any claim or proceedings of any nature in connection with this engagement against any third party that <we/I> may use to provide the services. This exclusion will not apply to any liability, claim or proceeding founded on an allegation of fraud or other liability that cannot be excluded under law.

Please contact <us/me> if you have any queries about this engagement. Please sign and return the confirmation of acceptance of this engagement.

<We/I> thank you for the opportunity to provide audit services to both yourself and <name of entity>.

Yours faithfully

<Signature and detail panel with name and address of auditor*>*

**Client Acknowledgement and Confirmation**

<I/We> <Mr/Ms> <name>, as <Managing Director/Manager/Trustee/Partner> of <name and address of entity>, hereby acknowledge and accept the terms of this engagement*.* <I/We> also undertake that <I/we> have the capacity to make this engagement (if on behalf of an entity).

<We/I> also agree that <we/I> shall be personally liable for all fees for services performed in accordance with these terms of engagement.

Signed

Print Name

Date

Signed

Print Name

Date