



**CPA Sample
Audit Engagement Letter -
For audit engagements conducted in accordance with
the ISAs (Ireland)**

June 2018

Points to Note:

- 1. Care should be taken to ensure that the text is tailored according to the particular circumstances of the agreement with your client.**
- 2. The ISAs (Ireland) as adopted by the Irish Auditing and Accounting Supervisory Authority (IAASA), are mandatory for use in auditing statutory financial statements of Irish companies with periods beginning on or after 17th June 2016.**
- 3. Please refer to ISA 210 (Ireland) “Agreeing the terms of audit engagements” (Effective for audits of financial statements of periods beginning on or after 17 June 2016 for which audit opinions are signed after 1 February 2017).**
- 4. Members are reminded of the requirements under the Criminal Justice (Money Laundering and Terrorist Financing) Act 2010 and 2013 to identify clients and to maintain the CDD documentation. They are also reminded that for pre 2003 clients the required Customer Due Diligence for Anti-Money Laundering purposes should be completed at the start of the audit engagement.**

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Care should be taken to ensure that engagement letters are tailored to suit each assignment. Please ensure to select the appropriate accounting framework, for example IFRS, FRS 101, FRS 105 or FRS 102.

ABC & Co.,
Certified Public Accountants and Statutory Audit
Firm,
Thomas Street,
Dublin 2.

Electrical Contracting Ltd,
Unit 7,
Blue Street,
Dublin 11.

1st January 2018

Dear Sirs,

The purpose of this letter is to set out the basis on which we act as auditors of the company and the respective areas of responsibility of the company and of ourselves.

This letter and Appendices shall apply in respect of the statutory audit and services for the year/ period ended and to subsequent periods unless otherwise agreed in writing and to other work associated with or incidental to any of the services performed under this letter.

Audit

Responsibilities of Management:

Our audit will be conducted on the basis that [management and, where appropriate, those charged with governance] acknowledge and understand that they have responsibility:

- a) For ensuring that the company keeps or causes to be kept adequate accounting records which correctly explain and record the transactions of the company, and enable at any time the assets, liabilities, financial position and profit or loss of the company to be determined with reasonable accuracy, and enable the statutory financial statements to be audited.
- b) For the preparation of the financial statements in accordance with [*International Financial Reporting Standards*] or Irish Generally Accepted Accounting Practice (Irish GAAP) [FRS 101 *Reduced Disclosure Framework*] [FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*] and [FRS 105 *The Financial Reporting Standard applicable to micro-entities regime*] and for preparing them such that those financial statements give a true and fair view of the assets, liabilities and financial position of the company as at the financial year end date and of the profit and loss of the company at the financial year end date and of the profit or loss of the company for the financial year and otherwise comply with the Companies Act 2014.

In preparing such statutory financial statements, the directors are required to:

- 1.1. Select suitable accounting policies for the company financial statements and then apply them consistently;
 - 1.2. Make judgements and estimates that are reasonable and prudent;
 - 1.3. State whether the financial statements have been prepared in accordance with applicable accounting standards, identify those standards, and note the effect and the reasons for any material departure from those standards; and
 - 1.4. Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.
- c) For such internal control as [management] determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and
- d) To provide us with:
- (i) Access to company accounting records and all information of which [management] is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - (ii) Additional information that we may request from [management] for the purpose of the audit; and
 - (iii) Unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence.

As part of our audit process, we will request from [management and, where appropriate, those charged with governance], written confirmation concerning representations made to us in connection with the audit.

You are also required to inform us of any material event occurring between the date of our report and that of the AGM which may affect the financial statements.

We look forward to full cooperation from your staff during our audit.

The responsibilities of the auditor:

We have a statutory responsibility to report to the members/shareholders whether in our opinion the statutory financial statements give a true and fair view of the assets, liabilities, and financial position of the company at the year/period end and of the profit and loss for the year/period then ended and have been properly prepared in accordance with FRS 102, FRS105 (as applicable) and the requirements of the Companies Act 2014.

We will conduct our audit in accordance with International Standards on Auditing (Ireland) (ISAs) as adopted by the Irish Auditing and Accounting Supervisory Authority (IAASA), and applicable law. Those standards require that we comply with ethical requirements. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also;

- Identify and assess the risks of material misstatement of the financial statements, 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 will communicate to you in writing concerning any significant deficiencies in internal control relevant to the audit of the financial statements 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention to our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our 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 statements, including the disclosures, and whether the financial statements represent 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 ISAs.

In addition, there are certain other matters which according to the circumstances, may need to be dealt with in our report. For example, where the statutory financial statements do not give full details of directors' remuneration or of transactions with the company as specified S.305 to S.312 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 S.391 of the Companies Act 2014. Our audit work will be undertaken so that we might state to the company's members those matters 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 light of our audit findings.

Under S.390 a statutory auditor must conduct their duties with professional integrity.

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.

Additional Legal Responsibilities

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 of to the Director of Corporate Enforcement
- the Criminal Justice (Theft and Fraud Offences) Act 2001 requires that where we become 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.

We shall endeavour, where appropriate and permitted by law, to liaise with you prior to making any report under these Acts.

Criminal Justice (Money Laundering and Terrorist Financing) Act 2010 and 2013

As a consequence of the Criminal Justice (Money Laundering and Terrorist) Financing Act 2010 and 2013 we are required to identify and verify the identity of our clients. We are therefore likely to request from you, and retain, some information and documentation for these purposes and/or to make searches of appropriate databases. If satisfactory evidence of your identity is not provided within a reasonable time upon request, there may be circumstances in which we are not able to proceed with the audit appointment.

Objective and scope of our audit

We have been requested to audit the statutory financial statements of Electrical Contracting Limited for the year/period ended, which comprise the balance sheet as at 31 December 20XX, profit and loss account, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies. We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter.

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISAs) 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 these financial statements.

We shall obtain an understanding of the accounting and internal control system in order to assess its adequacy as a basis for the preparation of the financial statements and to establish whether proper accounting records have been maintained. We shall expect to obtain such relevant and reliable evidence as we consider sufficient to enable us to draw reasonable conclusions therefrom.

We appreciate that the present size of your business renders it uneconomic to create a system of internal control based on the segregation of duties for different functions within each area of the business. In the running of your company we understand that the directors are closely involved with the control of the company's transactions. In planning and performing our audit work we shall take account of the supervision.

Further, we may ask additionally for confirmation in writing that all the transaction undertaken by the company have been properly reflected and recorded in the accounting records, and our audit report on your company's statutory financial statements may refer to this confirmation.

The nature and extent of our tests will vary according to our assessment of the company's accounting system and, may cover any aspect of the business operations. We shall report to you any significant deficiency in our observations on, the company's systems which come to our notice and which we think should be brought to your attention.

As part of our normal audit procedures, we may request you to provide written confirmation of oral representations that we have received from you during the course of the audit for example those which are significantly dependent on judgement.

Under Section 387 an officer of the company shall be guilty of a category 2 offence if he/she fails to comply with providing the information or explanations within 2 days of the request from the auditor.

Under S.389 it is an offence to make a false statements to a statutory auditor.

In order to assist us with the examination of your financial statements, we shall request sight of all documents or statements, including the directors' report, which are due to be issued with the financial statements. We are also entitled to attend all General meetings of the company and to receive notice of all such meetings.

The responsibility for the safeguarding of assets and for the prevention and detection of irregularities and fraud rests with the directors of the company.

While, we shall endeavour to plan our audit so that we have a reasonable expectation of detecting material misstatements in the financial statements or accounting records resulting from irregularities and frauds which may exist, our examination cannot be relied upon to disclose all such material misstatements, frauds or irregularities as may exist.

In order to ensure that there is effective two-way communication between us we set out below the expected form and timing of communications.

- We shall contact you prior to each year-end for preliminary discussions concerning the audit.
- We will discuss any matters arising from the audit with you after completing our on-site work.

The formal communications set out above are the minimum required to comply with auditing standards. We shall of course contact you on a more frequent and regular basis regarding both audit and other matters. Communications will be via telephone, e-mail, letter or a meeting as appropriate.

Accounting [To be tailored based on accounting services provided to your client]

It is agreed that we should carry out the following additional services on the basis that you will make full disclosure to us of all relevant information.

We shall:

- 1) Prepare the financial statements based on accounting records maintained by yourselves;
- 2) Provide assistance to the company secretary by preparing and lodging returns with the Registrar of Companies.

To allow us to carry out these services all books, records and explanations requested by us must be submitted to us on a timely basis. To allow us to assist you in preparing returns for the Registrar of Companies it is necessary that the directors of the company have taken the steps to ensure that audited abridged accounts will be available to be annexed to the relevant statutory return within nine months of the financial year-end.

The directors are requested to note that the company will incur additional late filing penalties if the relevant financial statements are not made available for submission to the Companies Registration Office on time.

It is agreed that the directors of the company are primarily responsible to ensure that the company complies with the provisions of the Companies Acts 2014 and will if necessary seek proper legal advice and record all decisions of the directors and members in minute books maintained for that purpose.

Taxation services [To be tailored based on taxation services provided to your client]

It is agreed that we shall act as taxation agents. In respect of each accounting period we shall prepare a computation of profits, adjusted in accordance with the provisions of the Taxes Acts, for the purpose of assessment to corporation tax. Subject to your approval, this will then be submitted to the Inspector of Taxes as being the company's formal return.

We shall lodge formal notice of appeal against excessive or incorrect assessments to corporation tax where notice of such assessment is received by us. Where appropriate, we shall also make formal application for postponement of tax in dispute and shall advise as to appropriate payments on account.

You will be responsible, unless otherwise agreed, for all other returns, more particularly: Income Tax deducted at source, returns relating to employee taxes under PAYE and returns of employees expenses and benefits on Forms P11D. Your staff will deal with all returns and other requirements in relation to Value Added Tax.

We shall be pleased to advise you on matters relating to the company's Corporation Tax liability, the implications of particular business transactions and on other taxation matters which you refer to us, such as Social Insurance, Income Tax deducted at source, employee benefits, Capital Gains Tax, Value Added Tax and Capital Acquisitions Tax.

Legal Responsibilities Regarding Taxation

We must report material relevant offences (as defined in Section 1079 of the Taxes Consolidation Act 1997) to the director of the company in writing, requesting them to rectify the matter, or notify an appropriate officer of the Revenue Commissioners of the offence, within 6 months. In the event that our request is not complied with, we must cease to act as auditor to the company or to assist the company in any taxation matter. We must also send a copy of our notice of resignation to an appropriate office of the Revenue Commissioners within 14 days.

Fees

Our fees are computed on the basis of the time spent on your affairs by the partners and our staff, and on the levels of skill and responsibility involved together with any expenses properly incurred and VAT. Unless otherwise agreed, our fees will be billed at appropriate intervals during the course of the year and will be due on presentation.

Confidential Information

We shall not disclose, to third parties, confidential information acquired in the course of our professional work without your consent unless there is a legal right or duty to disclose. We are obliged under the regulations of our Institute to make all files available for inspection in the course of a routine practice review.

GDPR

We may obtain, use, process and disclose personal data about [you / your business / company / partnership / its shareholders / members / officers and employees] (amend as appropriate for the engagement) in order that we may discharge the services agreed under this engagement letter, and for other related purposes [including updating and enhancing client records, analysis for management purposes and statutory returns, crime prevention and legal and regulatory compliance] (amend as appropriate for the engagement) . We confirm when processing data on your behalf that we will comply with the relevant provisions of the Data Protection Acts 1998 to 2018 and the General Data Protection Regulation (GDPR) referred to as "Relevant

Data Protection Legislation". You also confirm that any personal data you provide to us complies with the Relevant Data Protection Legislation.

Where you give us confidential information, we confirm that we shall at all times keep it confidential, other than as required by law, by our insurers, or as provided for in regulatory (including external peer reviews), ethical or other professional statements relevant to our engagement. This will apply during and after this engagement.

Termination of the engagement

Under S. 394 and S.395 a company may by ordinary resolution at a general meeting, remove a statutory auditor where there are good and substantial grounds or the removal is in the best interests of the company. Diverging opinions on accounting treatments or audit procedures cannot constitute the basis for passing any such resolution.

As statutory auditors we may by written notice resign from the office. A copy of the notice must be sent to the Registrar.

S.403 requires the resigning auditor to notify the Irish Auditing and Accounting Supervisory Authority within 30 days after cessation in the manner outlined in S.403.

S.404 requires the company to notify the Irish Auditing and Accounting Supervisory Authority within 30 days after cessation in the manner outlined.

Agreement of Terms

Once it has been agreed, this letter will remain effective, from one audit appointment to another, until it is replaced. We shall be grateful if you could confirm in writing your agreement to the terms of this letter, by signing and returning the enclosed copy of this letter, or let us know if they are not in accordance with your understanding of our terms of appointment.

Yours faithfully,

ABC and Company

We agree to the terms of this letter.

Signed for and on behalf of [Client Name]

Date: