

EXAMPLE ENGAGEMENT LETTERS

Example 1: Engagement Letter for an Attestation Engagement for Limited Assurance on ABC's Statement of compliance with the [compliance requirements] as evaluated against the [suitable criteria]

Example 2: Engagement Letter for an Attestation Engagement for Reasonable Assurance on ABC's Statement of compliance with the [compliance requirements] as evaluated against the [suitable criteria]

Example 3: Engagement Letter for a Direct Engagement for Reasonable Assurance on ABC's compliance with the [compliance requirements] as evaluated against the [suitable criteria]

The following examples of assurance practitioner's engagement letters are for guidance only and are not intended to be exhaustive or applicable to all situations.

Example 1: Engagement Letter for an Attestation Engagement for Limited Assurance on ABC's Statement of compliance with the [compliance requirements] as evaluated against the [suitable criteria]

To [the appropriate representative of management or those charged with governance of ABC or the engaging party]:

[Objective and scope of the engagement]

You have requested that we undertake a limited assurance engagement on ABC's Statement [which will accompany our report] of compliance with the [compliance requirements], in all material respects, as evaluated against the [suitable criteria], which you will provide and which will accompany our report, [throughout the specified period or as at a specified date] for the purpose of reporting to [identify intended users: the Board of Directors/Regulator/Customers of ABC].

We are pleased to confirm our acceptance and our understanding of this limited assurance engagement by means of this letter. Our assurance engagement will be conducted with the objective of reaching a conclusion on whether [ABC's Statement⁴⁰] of compliance with the [compliance requirements] is, in all material respects, fairly presented as evaluated against the [suitable criteria] [throughout the specified period or as at a specified date].

[Our Independence and Quality Management]

We will comply with the independence and other relevant ethical requirements relating to assurance engagements, and apply Professional and Ethical Standard 3, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* in undertaking this assurance engagement.

⁴⁰ This attestation example engagement letter is expressed in terms of the responsible party's or evaluator's Statement of compliance. If a Statement is not provided the assurance practitioner's conclusion would be expressed in terms of whether the compliance requirements have been met.

[Responsibilities of the assurance practitioner]

We will conduct our assurance engagement in accordance with Standard on Assurance Engagements (SAE) 3100 (Revised) *Compliance Engagements*. That standard requires that we comply with ethical requirements applicable to assurance engagements and plan and perform procedures to obtain limited assurance about whether anything has come to our attention that causes us to believe that [ABC's Statement] is not fairly presented in that compliance with the [compliance requirements] as evaluated against the [suitable criteria] have not been met, in all material respects.

An assurance engagement on compliance involves performing procedures to obtain evidence about the compliance with the [compliance requirements] as evaluated against the [suitable criteria]. The procedures selected depend on the assurance practitioner's professional judgement, including identifying areas where the risk of material deficiencies in the compliance framework or misstatements in ABC's Statement are likely to arise. We will perform procedures primarily consisting of discussion and enquiries of management and others within the entity, as appropriate, observation and walkthroughs of compliance activities and evaluation of the evidence obtained about compliance with the [compliance requirements] as evaluated against the [suitable criteria] as provided in ABC's Statement. We will also perform additional procedures if we become aware of matters that cause us to believe there are deficiencies in the compliance framework or misstatements in ABC's Statement. The procedures selected depend on what we consider necessary applying our professional judgement, including the assessment of risks of material deficiencies in the compliance framework or misstatements in ABC's Statement.

Because of the inherent limitations of an assurance engagement, together with the inherent limitations of any system of internal control there is an unavoidable risk that some deficiencies in the compliance framework or misstatements in ABC's Statement may not be detected, even though the engagement is properly planned and performed in accordance with Standards on Assurance Engagements.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement and consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Therefore there is a higher risk than there would be in a reasonable assurance engagement, that any material deficiencies in the compliance framework and relevant controls that exist may not be revealed by the engagement, even though the engagement is properly performed in accordance with SAE 3100 (Revised). In expressing our conclusion, our report on ABC's Statement of compliance with the [compliance requirements] as evaluated against the suitable criteria will expressly disclaim any reasonable assurance conclusion on the compliance framework and relevant controls.

[Responsibilities of the responsible party/ management/ those charged with governance]

Our assurance engagement will be conducted on the basis that [the responsible party/ management/ those charged with governance] acknowledge and understand that they have responsibility:

- (a) for the preparation of a written Statement [which will be attached to our report] that ABC has complied [throughout the specified period or at a specified date], in all material respects, with the [compliance requirements] as evaluated against the [suitable criteria];

- (b) for identification of the [compliance requirements] if not identified by law or regulation;
- (c) for the identification of risks that threaten the [compliance requirements] identified above not being met and for controls which will mitigate those risks and monitor ongoing compliance; and
- (d) to provide us with:
 - (i) access to all information of which those charged with governance and management are aware that is relevant to ABC's Statement of compliance with the [compliance requirements] as evaluated against the [suitable criteria];
 - (ii) additional information that we may request from those charged with governance and management for the purposes of this assurance engagement; and
 - (iii) unrestricted access to persons within the entity from whom we determine it necessary to obtain evidence.

As part of our engagement, we will request from [the responsible party/ management/ those charged with governance] written confirmation concerning representations made to us in connection with the engagement.

[Assurance Report]

The format of the report will be in accordance with SAE 3100 (Revised) with respect to limited assurance engagements [and will be in long form, including assurance procedures, findings and recommendations]. An example of the proposed report is contained in the appendix to this letter.

[Our report will be issued [frequency] and will cover [the specified period or will be at a specified date].⁴¹

[ABC's Statement] will be attached to the limited assurance report and our conclusion will be phrased in terms of whether anything has come to our attention that causes us to believe that [ABC's Statement] is not fairly presented and compliance with the [compliance requirements] as evaluated against the [suitable criteria] have not been met, in all material respects [throughout the specified period or as at a specified date].

*[Use of the Assurance Report]*⁴²

[Our report will be prepared for the use of ABC and [intended users] for [purpose] and may not be suitable for any other purpose.

The assurance report will be prepared for this purpose only and we disclaim any assumption of responsibility for any reliance on our report to any person other than ABC and [intended users], or for any purpose other than that for which it was prepared.]

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

⁴¹ Insert this sentence for recurring engagements.

⁴² Insert this section if the report is to be for restricted use only.

[Other relevant information]

[Insert other information, such as fee arrangements, billings and other specific terms, as appropriate.]

Please sign and return the attached copy of this letter to indicate your acknowledgement of, and agreement with, the arrangements for our assurance engagement to report on ABC's Statement of compliance with the [compliance requirements] as evaluated against the [suitable criteria], including our respective responsibilities.

Yours faithfully,

(signed)

.....

Name and Title

Date

Acknowledged on behalf of [engaging party]

(signed)

.....

Name and Title

Date

Example 2: Engagement Letter for an Attestation Engagement for Reasonable Assurance on ABC's Statement of compliance with the [compliance requirements] as evaluated against the [suitable criteria]

To [the appropriate representative of management or those charged with governance of ABC or the engaging party]:

[Objective and scope of the engagement]

You have requested that we undertake a reasonable assurance engagement on ABC's Statement [which will accompany our report] of compliance with the [compliance requirements] as evaluated against the [suitable criteria], in all material respects, which you will provide and which will accompany our report, [throughout the specified period or as at a specified date] for the purpose of reporting to [identify intended users: the Board of Directors/Regulator/Customers of ABC].

We are pleased to confirm our acceptance and our understanding of this reasonable assurance engagement by means of this letter. Our assurance engagement will be conducted with the objective of expressing an opinion on whether [ABC's Statement]⁴³ that the entity has complied with the [compliance requirements] is, in all material respects, fairly presented as evaluated against the [suitable criteria] [throughout the specified period or as at a specified date].

[Our Independence and Quality Management]

We will comply with the independence and other relevant ethical requirements relating to assurance engagements, and apply Professional and Ethical Standard 3, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* in undertaking this assurance engagement.

[Responsibilities of the assurance practitioner]

We will conduct our assurance engagement in accordance with Standard on Assurance Engagements (SAE) 3100 (Revised) *Compliance Engagements*. That standard requires that we comply with ethical requirements applicable to assurance engagements and plan and perform procedures to obtain reasonable assurance about whether, [ABC's Statement] is fairly stated, in all material respects.

An assurance engagement on compliance involves performing procedures to obtain evidence about ABC's Statement of compliance with the [compliance requirements] as evaluated against the [suitable criteria]. We will perform procedures to obtain evidence about compliance activities and controls implemented to meet the [compliance requirements]. The procedures selected depend on the assurance practitioner's professional judgement, including the identification and assessment of risks of material deficiencies in the compliance framework or misstatements in ABC's Statement.

Because of the inherent limitations of an assurance engagement, together with the inherent limitations of any system of internal control there is an unavoidable risk that some deficiencies in

⁴³ This attestation example engagement letter is expressed in terms of the responsible party's or evaluator's Statement of compliance. If a Statement is not provided the assurance practitioner's conclusion would be expressed in terms of whether the compliance requirements have been met.

the compliance framework or misstatements in ABC's Statement may not be detected, even though the engagement is properly planned and performed in accordance with Standards on Assurance Engagements.

[Responsibilities of the responsible party/ management/ those charged with governance]

Our assurance engagement will be conducted on the basis that [the responsible party/management/those charged with governance] acknowledge and understand that they have responsibility:

- (a) for the preparation of a written Statement [which will be attached to our report] that ABC has complied [throughout the specified period or as at a specified date], in all material respects, with the [compliance requirements] as evaluated against the [suitable criteria];
- (b) identification of the [compliance requirements] if not identified by law or regulation;
- (c) for the identification of risks that threaten the [compliance requirements] identified above being met and controls which will mitigate those risks and monitor ongoing compliance; and
- (d) to provide us with:
 - (i) access to all information of which those charged with governance and management are aware that is relevant to ABC's Statement of compliance with the [compliance requirements] as evaluated against the suitable criteria;
 - (ii) additional information that we may request from those charged with governance and management for the purposes of this assurance engagement; and
 - (iii) unrestricted access to persons within the entity from whom we determine it necessary to obtain evidence.

As part of our engagement, we will request from [the responsible party/ management/ those charged with governance] written confirmation concerning representations made to us in connection with the engagement.

[Assurance Report]

The format of the report will be in accordance with SAE 3100 (Revised) with respect to reasonable assurance engagements [and will be in long form, including assurance procedures, findings and recommendations]. An example of the proposed report is contained in the appendix to this letter.

[Our report will be issued [frequency] and will cover [the specified period or will be at a specified date].⁴⁴

[ABC's Statement] will be attached to the reasonable assurance report and our opinion will be phrased in terms of whether [ABC's Statement] that the entity has complied with the [compliance requirements] is, in all material respects, fairly presented as evaluated against the [suitable criteria], [throughout the specified period or as at a specified date].

⁴⁴ Insert this sentence for recurring engagements.

[Use of the Assurance Report]⁴⁵

[Our report will be prepared for the use of ABC and [intended users] for [purpose] and may not be suitable for any other purpose.

The assurance report will be prepared for this purpose only and we disclaim any assumption of responsibility for any reliance on our report to any person other than ABC and [intended users], or for any purpose other than that for which it was prepared.]

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

[Other relevant information]

[Insert other information, such as fee arrangements, billings and other specific terms, as appropriate.]

Please sign and return the attached copy of this letter to indicate your acknowledgement of, and agreement with, the arrangements for our assurance engagement to report on ABC's Statement of compliance with the [compliance requirements] as evaluated against the [suitable criteria], including our respective responsibilities.

Yours faithfully,

(signed)

.....

Name and Title

Date

Acknowledged on behalf of [ABC/engaging party]

(signed)

.....

Name and Title

Date

⁴⁵ Insert this section if the report is to be for restricted use only.

Example 3: Engagement Letter for a Direct Engagement for Reasonable Assurance on ABC's compliance with the [compliance requirements] as evaluated against the [suitable criteria]

To [the appropriate representative of management or those charged with governance of ABC or the engaging party]:

[Objective and scope of the engagement]

You have requested that we undertake a reasonable assurance engagement to report on ABC's compliance with the [compliance requirements] as evaluated against the [suitable criteria], in all material respects, [throughout the specified period or as at a specified date] for the purpose of reporting to [identify intended users: the Board of Directors/Regulator/Customers of ABC].

We are pleased to confirm our acceptance and our understanding of this reasonable assurance engagement by means of this letter. Our assurance engagement will be conducted with the objective of expressing an opinion on ABC's compliance with the [compliance requirements], in all material respects, as evaluated against the [suitable criteria] [throughout the specified period or as at a specified date].

[Our Independence and Quality Management]

We will comply with the independence and other relevant ethical requirements relating to assurance engagements, and apply Professional and Ethical Standard 3, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* in undertaking this assurance engagement.

[Responsibilities of the assurance practitioner]

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An assurance engagement on compliance involves performing procedures to obtain evidence about ABC's compliance with the [compliance requirements] as evaluated against the [suitable criteria]. We will perform procedures to obtain evidence about compliance activities and controls implemented to meet the [compliance requirements]. The procedures selected depend on the assurance practitioner's professional judgement, including the identification and assessment of risks of material deficiencies in the compliance framework or material non-compliance with the [compliance requirements] as evaluated against the [suitable criteria]. Because of the inherent limitations of an assurance engagement, together with the inherent limitations of any system of internal control there is an unavoidable risk that some deficiencies in the compliance framework or non-compliance by ABC with the [compliance requirements] may not be detected, even though the engagement is properly planned and performed in accordance with Standards on Assurance Engagements.

[Responsibilities of the responsible party/ management/ those charged with governance]

Our assurance engagement will be conducted on the basis that [the responsible party/management/those charged with governance] acknowledge and understand that they have responsibility:

- (a) for compliance with the [compliance requirements] as evaluated against the [suitable criteria] [throughout the specified period or as at a specified date];
- (b) for the identification of risks that threaten the [compliance requirements] identified above being met and for controls which will mitigate those risks and monitor ongoing compliance; and
- (c) to provide us with:
 - (i) access to all information of which those charged with governance and management are aware that is relevant to ABC's compliance with the [compliance requirements] as evaluated against the [suitable criteria];
 - (ii) additional information that we may request from those charged with governance and management for the purposes of this assurance engagement; and
 - (iii) unrestricted access to persons within the entity from whom we determine it necessary to obtain evidence.

As part of our engagement, we will request from [the responsible party/ management/ those charged with governance] written confirmation concerning representations made to us in connection with the engagement.

[Assurance Report]

The format of the report will be in accordance with SAE 3100 (Revised) with respect to reasonable assurance engagements [and will be in long form, including assurance procedures, findings and recommendations]. An example of the proposed report is contained in the appendix to this letter.

[Use of the Assurance Report]⁴⁶

[Our report will be prepared for the use of ABC and [intended users] for [purpose], and may not be suitable for any other purpose.

The assurance report will be prepared for this purpose only and we disclaim any assumption of responsibility for any reliance on our report to any person other than ABC and [intended users], or for any purpose other than that for which it was prepared.]

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

[Other relevant information]

[Insert other information, such as fee arrangements, billings and other specific terms, as appropriate.]

Please sign and return the attached copy of this letter to indicate your acknowledgement of, and agreement with, the arrangements for our assurance engagement to report on ABC's compliance

⁴⁶ Insert this section if the report is to be for restricted use only.

with the [compliance requirements] as evaluated against the [suitable criteria], including our respective responsibilities.

Yours faithfully,

(signed)

.....

Name and Title

Date

Acknowledged on behalf of [engaging party]

(signed).....

Name and Title

Date