TERMS OF ENGAGEMENT

# Review of financial report engagement services template

## CPA Australia has created this standard Terms of Engagement Template that you can use and tailor to suit your needs.

## The following version control information has been included to assist you monitor changes to the template to ensure you are using the latest version.

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| --- | --- | --- | --- | --- | --- |
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| **Version #** | **Change Description** | | | | **Introduced** |
| 1 | Original Document | | | | Sep 2020 |
| 2 | Additional terms for clause 7 for Outsourced Services and Cloud Computing, updating clause 11 | | | | Jan 2021 |
| 3 | Merged NOCLAR clause to clause 3, revised Privacy terms in clause 11, update to clause 12 Confidentiality | | | | Aug 2021 |
| 4 | Update clause 11.4 Privacy and clause 12.2 Confidentiality | | | | Sep 2021 |
| 5 | Additional terms on ‘Consumer Data Right’ in clause 2.4 and 3.6; update privacy clause 11.3 and confidentiality clause 12.2 | | | | Apr 2022 |

<insert date>

<insert client name>

<address line 1>

<address line 2>

Dear <insert name>,

**Terms of Engagement – Review of Financial Statement services**

Thank you for selecting us to conduct the review of <insert entity’s name>’s financial statements. We look forward to working with you.

We realise how important it is to understand your needs and we have prepared the attached Terms of Engagement (**TE**) to clarify the scope of work and other important terms. It is important that you read the TE before you indicate that you agree, which you can do by letting us know that you are happy to proceed.

The scope of work may fall within the CPA Australia Ltd Professional Standards (Accountants) Scheme (**Scheme**), which facilitates improvements to industry professional standards and protects consumers. Accordingly, we need to notify you of the following:

*“Liability limited by a scheme approved under Professional Standards Legislation.”*

If you want more information on the Scheme you can go to:

* [CPA Australia’s Professional Standards Scheme](https://www.cpaaustralia.com.au/public-practice/your-public-practice-firm/professional-standards-scheme), or visit
* [Professional Standards Councils’ website](https://www.psc.gov.au/consumer-information) for additional consumer information.

Alternatively, if you want to clarify anything in the TE please call us on <insert contact number>.

Yours sincerely,

<insert your name>

<insert firm name>

**PLEASE NOTE:** The following is an example of an engagement letter for a review of **a general purpose financial report** prepared in accordance with **Auditing Standards on Review Engagements ASRE 2410** *Review of a Financial Report Performed by the Independent Auditor of the Entity(\*)* and **the Corporations Act 2001.**

The following letter is not intended to be a standard letter. It is to be used as a guide only and will need to be adapted according to individual requirements and circumstances. This illustrative letter is written in the context of a half-year financial report under the Corporations Act 2001.

(\*) Refer to **Appendix 1**

Terms of Engagement for Review of Financial Report Engagement Services

Between <insert practices name> (**us** or **we** or **our**) and <insert client name> (**you** or **your**) for the Term specified.

1. **Purpose**

This Terms of Engagement for Review Engagement Services (**TE**) confirms our understanding of the engagement and the nature and limitations of services provided.

1. **Objectives and Scope of work**
   1. You have requested that we review the half year financial report of <insert entity name> which comprises the statement of financial position as at 30 June 20X1 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half year period ended on that date, and notes to the financial statements including a summary of significant accounting policies, and the directors’ declaration.
   2. We are pleased to confirm our acceptance and our understanding of the terms and objectives of our engagement by means of this letter.
   3. The objective of our review is to provide us with a basis for reporting whether we have become aware of any matter that makes us believe that the half-year financial report does not comply with the Corporations Act 2001, including giving a true and fair view of the financial position and its performance, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulation 2001.
   4. We acknowledge that you may authorise an Accredited Data Recipient under the Consumer Data Right (‘CDR’) to provide CDR data to us via a Trusted Adviser Insight. We confirm that for this purpose you may nominate <insert name> as your Trusted Adviser and that <insert name> complies with the definition of a Trusted Adviser under the Competition and Consumer (Consumer Data Right) Amendments Rules (No. 1) 2021
2. **Our responsibilities (or Auditor’s responsibilities)**
   1. Our review will be conducted in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* and the Accounting Professional and Ethical Standards APES 210 *Conformity with Australian Auditing Standards*. Those standards require that we comply with ethical requirements under APES 110 *Code of Ethics for Professional Accountants (including Independence Standards) (the Code).*
   2. Such a review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures and does not, ordinarily, require corroboration of the information obtained. The scope of a review of a financial report is substantially less than the scope of an audit conducted in accordance with Auditing Standards whose objective is the expression of an opinion regarding the financial report and accordingly, we shall express no such opinion. ASRE 2410 requires us to also comply with the ethical requirements relevant to the audit of the annual financial report of the entity.
   3. A review of the half-year financial report does not provide assurance that we shall become aware of all significant matters that might be identified in an audit. Further, our engagement cannot be relied upon to disclose whether fraud or errors, or illegal acts exist. However, we shall inform you of any material matters that come to our attention.
   4. During the course of our engagement, if we identify or suspect that Non-Compliance with Laws or Regulations (NOCLAR) has occurred or may occur, which may have a direct effect on material amounts or disclosures in the financial statements or compliance and may be fundamental to <*insert client’s name*>’s ability to continue its business or to avoid material penalty, we may:
      1. discuss the matter with the appropriate level of management, those charged with governance or the internal auditor, as appropriate
      2. communicate the non-compliance or suspected non-compliance with <*insert client’s name*>’s external auditor, unless prohibited by law or regulation
      3. disclose the matter to an appropriate authority even when there is no legal or regulatory requirement to do so; and/or
      4. withdraw from the engagement and the professional relationship where permitted by law or regulation
   5. Where appropriate we will inform you of our intention to disclose the matter to an appropriate authority before disclosing the matter. However, if we have reason to believe that the actual or intended conduct would constitute an imminent breach of a law or regulation that would cause substantial harm to the general public, we may immediately disclose the matter to an appropriate authority in order to prevent or mitigate the consequences of such imminent breach of law or regulation.
   6. Any information pertaining to your affairs, whether it be provided by you, or through a Trusted Adviser Insight via the CDR, will be utilised and stored in an appropriate manner to maintain our professional standards and obligations. Further information on privacy is noted at section 11 of this letter.
3. **Your responsibilities (or Management’s responsibilities)**
   1. The directors [those charged with governance] of the [company/registered scheme/disclosing entity] are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors [those charged with governance] determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.
   2. As part of our review, we shall request written representations from management concerning assertions made in connection with the review. We shall also request that where any document containing the half-year financial report indicates that the half-year financial report has been reviewed, our review report will also be included in the document.
   3. The directors [those charged with governance] of the [company/registered scheme/disclosing entity] acknowledge and understand they have responsibility to provide us with:
   * access to information relevant to the preparation of the half-year financial report;
   * additional information that we may request for the purposes of the review engagement; and
   * unrestricted access to persons from whom we determine it is necessary to obtain evidence.
4. **Reporting**

We will issue a written report upon completion of our review of the half year financial report of <insert entity name>. Our report will be addressed to the board of directors of <insert entity name>.

1. **Other matters under the Corporations Act 2001**
   1. **Independence**

We confirm that, to the best of our knowledge and belief, we currently meet the independence requirements of the Corporations Act 2001 and The Code in relation to the review of the half-year financial report.

In conducting our review of the half-year financial report, should we become aware that we have contravened the independence requirements of the Corporations Act 2001, we shall notify you on a timely basis.

As part of our review process, we 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 reviewed entity and its auditors.

To assist us 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:

* The provision of services offered to you by [insert firm name] prior to engaging or accepting the service; and
* The prospective employment opportunities of any current or former partner or professional employee of [insert firm name] prior to the commencement of formal employment discussions with the current or former partner or professional employee.

1. **Presentation of Financial Report on the Internet** 
   1. It is our understanding that [the entity] intends to publish a hard copy of the reviewed half-year financial report and the auditor’s review report for members, and to electronically present the reviewed half-year financial report and the auditor’s review report on its internet web site. When information is presented electronically on a web site, the security and controls over information on the web site should be addressed by [the entity] to maintain the integrity of the data presented. The examination of the controls over the electronic presentation of reviewed financial information on the entity’s web site is beyond the scope of the review of the half-year financial report. Responsibility for the electronic presentation of the half-year financial report on the entity’s web site is that of the [governing body of the entity].
2. **Third Party Involvement**
   1. We may from time to time engage third party specialist professionals and other public practitioners, where warranted to obtain the advice you need or to assist us to provide our service to you. These may include cloud service providers and outsourced service providers.
   2. We will seek your consent if third party involvement is likely to exceed the fixed price (if applicable).

* 1. We have outsourcing arrangements with <insert the third party> in <insert location> whom we engage from time to time to assist us. The nature and extent of the services that we utilise are as follows:<insert the relevant activities>
  2. Acceptance of our services in conjunction with this engagement document indicates your acceptance of the use of outsourced services as described above.

1. **Administration, Fees and Billings**
   1. Our professional fees will be calculated on a <delete as appropriate <fixed fee> <time-cost basis>>, which will be specified in <insert document>. If no method is specified, our fees will be calculated on a time-cost basis at a rate of <insert rate including GST> per hour.
   2. Our invoices may also include disbursements paid by us. These may include photocopying charges, telephone and facsimile transmission charges, travel fares and expenses, stamp duty and fees paid to third parties such as couriers, registration fees or fees for other professionals. These may be in addition to the fixed price (if applicable).
   3. Unless other payment terms are agreed, each invoice is payable within 30 days of receipt.
   4. If the engagement involves the use of trust monies, we will manage those funds in accordance with APES 310 *Client Monies* and as authorised by you in the Trust Account Authority Letter (if applicable) or as otherwise instructed by you.
2. **Ownership of materials**
   1. You own all original materials given to us.
   2. We own all materials produced by us that resulted from our skill and attention to the extent that the materials produced by us incorporate any original materials you give to us.
   3. We may exercise a lien of your documents in our possession in the event of a dispute, which will be handled in accordance with our firm’s dispute resolution process.
   4. Subject to the payment of all outstanding professional fees and disbursements owing to us, we will provide you with materials produced by us for you in the event you engage the services of another practitioner and the materials are required by your new practitioner.
3. **Privacy**

[***PLEASE NOTE:***

***Not all businesses are bound by the*** [***Privacy Act 1988***](https://www.legislation.gov.au/Series/C2004A03712) ***(Cth), the clauses 11.1 to 11.4 inclusive are applicable for those who are bound by the Privacy Act 1988 (Cth). If your business is not bound by the Privacy Act, please insert your own privacy policy. Please refer to Appendix 2 for more information on how to determine whether your business is bound by the Privacy Act 1988 (Cth).***

***Information that may be included in this Terms of Engagement:***

* *A link to your privacy policy*
* *Outline broadly the privacy practices of your firm*
* *Outline how an individual can make a request to access their personal information and appropriate contact details if the personal information will be disclosed to another party (e.g. outsourced service provider) – who and under what circumstances and what actions they take to ensure the outsourced service provider handles the personal information appropriately*
* *Any appropriate security measures which have been implemented to protect the personal information from loss, inappropriate access, misuse, etc.*
* *If they engage cloud computing services and where the information is likely to be stored especially if outside of Australia (i.e. country)*
* *To insert (refer to clause 11.5):*

*If your personal information is disclosed to CPA Australia for the purpose of conducting a CPA Australia Best Practice Program assessment on the services provided, your personal information will be handled as outlined in* *the* [*CPA Australia Privacy Policy*](https://www.cpaaustralia.com.au/privacy-policy-and-statement)*.*]

* 1. Our collection use and disclosure of your personal information (**PI**) may be subject to the *Privacy Act 1988* (Cth) and accordingly we will only collect PI about you that relates to the TE. We may disclose PI about you for the primary purpose of this TE or to third parties by express consent or as required by law. This PI may be stored overseas in <insert the overseas server location> (if applicable). If you would like to access any PI we might hold about you contact us on <insert number>.
  2. We may collect PI about you, your representatives, your clients and others when we provide services to you. If we do, you agree to work with us to ensure that we both meet our respective obligations under the *Privacy Act 1988* (Cth). Your obligations may include ensuring your privacy policy and contracts include a reference to your collection practices, how you will use the PI and that you may disclose the PI to an agent for public accounting services.
  3. Where an outsourced service requires the disclosure of PI to an overseas recipient, we take care to ensure that other third parties outside Australia to whom we disclose PI are subject to contractual obligations relating to privacy and the handling of your personal information and can only use the information for the purposes stipulated by us.
  4. In providing our services to you, we utilise <insert relevance system> using Cloud Computing provided by <insert the provider> which is based in <insert location> and we rely on their security measures. We also store client information in a data server managed in <insert location, e.g. Australia>, which may subject to <insert country, e.g. Australian> privacy law.
  5. If your PI is disclosed to CPA Australia for the purpose of conducting a CPA Australia Best Practice Program assessment on the services provided, your personal information will be handled as outlined in the [CPA Australia Privacy Policy](https://www.cpaaustralia.com.au/privacy-policy-and-statement).

1. **Confidentiality**
   1. We have an ethical duty of confidentiality, which means we must not share or disclose your details of this TE to anyone, except as otherwise specified in this clause, without your consent unless required to by law.
   2. We may disclose your personal and confidential information details, as part of our working papers of the services provided to you, to CPA Australia Ltd, (if requested) for the purposes of conducting a CPA Australia Best Practice Program assessment aimed at maintaining high industry professional standards.  Any such disclosure of confidential information does not change any of our commitments to safeguard your information, and the information remains subject to any existing confidentiality obligations. We advise you by signing this letter you acknowledge, our engagement files relating to this assessment will be made available under this program.
2. **Professional Indemnity Insurance (PII)**
   1. We hold professional indemnity insurance of at least the minimum amount prescribed in the CPA Australia Ltd By-Laws or as required by law. Our PII cover at the time of this TE is <insert cover>.
3. **Professional Standards Scheme & Limitation of Liability**
   1. We participate in the CPA Australia Ltd Professional Standards Scheme (Scheme), which facilitates the improvement of professional standards to protect consumers and may limit our liability to you in a cause of action.
   2. The Scheme applies to professional accounting services including accounting, bookkeeping, taxation, auditing and assurance, insolvency and corporate reconstruction, management accounting, management consulting, forensic accounting, valuation services.
4. **Other** 
   1. This letter will be effective for future years unless we advise you of its amendment or replacement, or the engagement is terminated.

Please sign and return the attached copy of this letter to indicate your acknowledgement of, and agreement with, the arrangements for our audit of the financial report including our respective responsibilities.

Yours faithfully

|  |
| --- |
|  |

Partner

<insert practices name>

Acknowledged and agreed on behalf of <insert entity name> by:

|  |  |
| --- | --- |
| **Signed:** |  |
| **Name and title:** |  |
| **Date:** |  |

# Appendix 1

There are different kind of Auditing Standard on Review Engagements, therefore members are advised to ensure the type of review engagement they are conducting prior to accepting / continuing the engagement.

**They are:**

**ASRE 2400 Review of a Financial Report Performed by an Assurance Practitioner Who is Not the Auditor of the Entity**

This Standard on Review Engagements applies to a review of a financial report, or a complete set of financial statements, comprising historical financial information, performed by an assurance practitioner who is not the auditor of the entity.

**ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity**

This Auditing Standard on Review Engagements applies to:

* 1. a review by the auditor of the entity, of a financial report for a half-year, in accordance with the Corporations Act 2001; and
  2. a review, by the auditor of the entity, of a financial report, or a complete set of financial statements, comprising historical financial information, for any other purpose.

**ASRE 2405 Review of Historical Financial Information Other than a Financial Report**

This Standard on Review Engagements (ASRE) applies to a review of historical financial information, other than a financial report.

**ASRE 2415 Review of a Financial Report: Company Limited by Guarantee or an Entity Reporting under the ACNC Act or Other Applicable Legislation or Regulation (Compiled)**

This Auditing Standard on Review Engagements applies to a review of a financial report for a financial year for:

1. a company limited by guarantee in accordance with the Corporations Act 2001 (the Act); or
2. an entity required to report under the Australian Charities and Not-for-Profit Commission Act 2012 (Cth) (the ACNC Act); or
3. an entity required to report under other applicable legislation or regulation

# Appendix 2

The application of the [*Privacy Act 1988*](https://www.legislation.gov.au/Series/C2004A03712) (**Privacy Act**) is a determination that each public accounting service provider should determine for their own business and then provide advice to their own clients based on this determination.

The considerations and determinations you should make and the type of information you may wish to include in your terms of engagement:

Determine your own privacy obligations – these will depend on the size of the organisation (small business exemption) and a number of other factors. Noting the small business exemption does not extend to consumer credit information, credit reports and TFNs.

The Office of the Australian Information Commissioner (OAIC) has a checklist for businesses to determine if bound by the Privacy Act - [Small business — OAIC](https://www.oaic.gov.au/privacy/privacy-for-organisations/small-business/)

Most small businesses are not covered by the Privacy Act, but [some are](https://www.oaic.gov.au/privacy/the-privacy-act/rights-and-responsibilities/#WhoHasResponsibilitiesUnderPrivacyAct). A small business is one with an annual turnover of $3 million or less. Annual turnover for the purposes of the Privacy Act includes all income from all sources. It does not include assets held, capital gains or proceeds of capital sales

The second issue is the list of businesses the Privacy Act applies to regardless of turnover – this includes a business that has opted in to be covered by the Privacy Act – OAIC information [here](https://www.oaic.gov.au/privacy/privacy-registers/privacy-opt-in-register/)

If not covered by the Privacy Act determine if you wish to adopt the Australian Privacy Principles (APPs) in the handling of your client personal information. Again the OAIC has some tips for good privacy practices - [here](https://www.oaic.gov.au/privacy/privacy-for-organisations/tips-for-good-privacy-practice/). The OAIC also provides advice for organisations who may wish to opt-in to the Privacy Act - [here](https://www.oaic.gov.au/privacy/privacy-registers/privacy-opt-in-register/opting-in-to-the-privacy-act/).

The type of information you may wish to include in the terms of engagement will be determined by 1 and 2 above. These should all reflect your actual practices. You may then include in the terms of engagement the following types of information relating to privacy (this reflects obligations under the Privacy Act and APPs):

a link to your privacy policy

outline broadly your privacy practices – e.g. how you handle personal information such as for the purpose it was collected or as provided for or required by law

how an individual can make a request to access their personal information and appropriate contact details

if the personal information will be disclosed to another party (e.g. outsourced service provider) – who and under what circumstances and what actions you take to ensure the outsourced service provider handles the personal information appropriately

any appropriate security measures which have been implemented to protect the personal information from loss, inappropriate access, misuse, etc.

if you engage cloud computing services and where the information is likely to be stored especially if outside of Australia (i.e. country)

Include the following clause re any disclosures to CPA Australia (ensure links are active):

* 1. If your personal information is disclosed to CPA Australia for the purpose of conducting a CPA Australia Best Practice Program assessment on the services provided, your personal information will be handled as outlined in the [CPA Australia Privacy Policy](https://www.cpaaustralia.com.au/privacy-policy-and-statement) and the [member collection notice](https://www.cpaaustralia.com.au/privacy-policy-and-statement/members-collection-notice).

Any other relevant privacy information required to be included in accordance with advice from the Accounting Professional & Ethical Standards Board (**APESB**).

Please note the above is general advice only. You, as a public accounting service provider, should consider whether the advice is suitable for you and your circumstances, and seek your own independent privacy advice.