

# **TEMPLATE FOR ENGAGEMENT LETTER FOR COMPILING FINANCIAL STATEMENTS**

To: the [Board of Directors/Members/Name of client]

This letter is to confirm our understanding of the terms of our engagement and the nature and limitations of the services we will provide. You have requested that we provide the following services:

## **1. Our proposed services**

### **1.1 Compilation of annual financial statements**

#### **The objective and scope of the compilation engagement**

Based on the information that you will provide; we will assist you in the preparation and presentation of the following financial statements for [Name of the entity]:

- The statement of financial position of [Name of client] as of [Date of financial year end] and the statement of financial performance for the year then ended, in line with the requirements set out in [Accounting framework i.e. IFRS or IFRS for SMEs]
- The purpose for which the financial statements will be used is to provide full-year financial information showing the entity's financial position at the financial reporting date of [Date of financial year end] and financial performance for the year then ended. The financial statements will be solely for your use and will not be distributed to other parties.

#### **Our responsibilities**

A compilation engagement involves applying expertise in accounting and financial reporting to assist you in the preparation and presentation of financial information. Since a compilation engagement is not an assurance engagement, we are not required to verify the accuracy or completeness of the information you provide to us for the compilation engagement, or otherwise to gather evidence to express an audit opinion or a review conclusion. Accordingly, we will not express an audit opinion or a review conclusion on whether the financial statements

are prepared in accordance with the basis of accounting you have specified, as described above.

We will perform the compilation engagement in accordance with the International Standard on Related Services (ISRS) 4410 (Revised), Compilation Engagements. ISRS 4410 (Revised) requires that, in undertaking this engagement, we comply with relevant ethical requirements, including principles of integrity, objectivity, professional competence and due care. For that purpose, we are required to comply with the International Ethics Standards Board for Professional Accountants' Code of Ethics for Professional Accountants (IESBA Code).

### **Your responsibilities**

The compilation engagement to be performed is conducted on the basis that you acknowledge and understand that our role is to assist you in the preparation and presentation of the financial statements in accordance with the financial reporting framework you have adopted for the financial statements. Accordingly, you have the following overall responsibilities that are fundamental to our undertaking the compilation engagement in accordance with ISRS 4410 (Revised):

- Responsibility for the financial statements and the preparation and presentation thereof in accordance with a financial reporting framework that is acceptable in view of the intended use of the financial statements and the intended users.
- Responsibility for the accuracy and completeness of the records, documents, explanations and other information you provide to us for the purpose of compiling the financial statements.
- Responsibility for the judgments needed in the preparation and presentation of the financial statements, including those for which we may provide assistance in the course of the compilation engagement.

### **Our Compilation Report**

As part of our engagement, we will issue our report attached to the financial statements compiled by us, which will describe the financial statements and the work we performed for this compilation engagement [see attached]. The report will also note that the use of the

financial statements is restricted to the purpose set out in this engagement letter, and that the use and distribution of our report provided for the compilation engagement is restricted to you, as the management of ABC Company.

Please sign and return the attached copy of this letter to indicate your acknowledgement of, and agreement with, the arrangements for our engagement to compile the financial statements described herein, and our respective responsibilities.

## **1.2 [insert additional services to be performed where applicable]**

**[Use headings: The objective and scope, Our responsibilities, Your responsibilities, Our report and Other relevant information for each type of service]**

## **2. Fees**

Our fees are based on the time required by the resources assigned to the engagement. The fees billed are based on the degree of responsibility involved, as well as the level of experience, knowledge and skill required.

Our fees, together with disbursements, will be billed as work progresses, and settlement is due on the presentation of our invoices.

## **3. Agreement of terms**

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

We are available to discuss this letter with you at any time. Once it has been agreed to, this letter will remain effective for future years unless it is terminated, amended, or superseded.

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

Yours faithfully

[Name of practitioner/firm]

[Designation]

Date

Acknowledged and agreed on behalf of

[Name of Client and designation]

Date: