|  |  |  |
| --- | --- | --- |
| **Client:** | **$(client)** | |
| **Period end date:** | **$(start) - $(end)** | |
| **Ref. no.:** |  | |
| **Prepared by:** | $(user) | **Date:** |
| **Approved by Manager:** |  | **Date:** |
| **Approved by Partner:** |  | **Date:** |

# Guidance (click to expand):

This documentation template is designed to demonstrate that appropriate procedures regarding acceptance have been followed and that conclusions reached in this regard are documented.

The auditor shall obtain information considered necessary in the circumstances before acceptance including information regarding the integrity of the principal owners, key management and those charged with governance of the entity; whether the engagement team is competent to perform the audit engagement and has the necessary capabilities, including time and resources; whether the firm and the engagement team can comply with relevant ethical requirements; and significant matters that have arisen during the current or previous audit engagement, and their implications for continuing the relationship.

The auditor also needs to communicate with predecessor auditor.

If any issues have been identified, and the auditor decides to accept, the auditor shall document how the issues were resolved.

This document shall be completed and signed by the partner prior to any detailed work being commenced on the audit.

# Prospective Client Acceptance Memorandum

1. Prospective client identity, overview and source (consider following questions):

|  |  |
| --- | --- |
| 1. What is the prospective client classified as? | Checked those that apply:  Listed Company  Non-listed Company  Private Company  Public Interest Company  Large-sized Entity  Medium-sized Entity  Small-sized Entity  Other(s) (specify) |
| 1. Number and details of prospective client’s branches/offices. |  |
| 1. Names of major shareholders, directors and key management personnel of prospective client. |  |
| 1. What is known about the prospective client’s bankers and lawyers? |  |
| 1. What are the significant risks associated with accepting the prospective client? |  |
| 1. What has been auditor’s experience with the prospective client or member of the same group? |  |
| 1. Has the work been referred by a long-standing professional contact? | Checked those that apply:  Yes  No |

1. Background information on the business (consider following questions):

|  |  |
| --- | --- |
| 1. What is known about the business of the prospective client, including its organizational structure, ownership and governance? |  |
| 1. What is known about the industry and the legal and regulatory environment in which the prospective client operates and the risks it presents? |  |
| 1. What is the financial status of the prospective client (particularly liquidity and viability)? |  |
| 1. What is the applicable financial reporting framework? |  |
| 1. What is the business reputation of the prospective client, its owners/those charged with the governance, and its management? |  |
| 1. How capable and competent are/is those charged with the governance and the management? Review qualifications and business experience. |  |
| 1. What is known about the integrity of the principal owners/those charged with the governance and management? |  |
| 1. What is known about the integrity of those with significant influence over financial reporting (including fraudulent acts, non-bias in producing estimates, earnings management)? |  |
| 1. Whether the management has a significant personal financial interest in the financial result? | Checked those that apply:  Yes (specify)  No |
| 1. Is there a dominant Chief Executive? | Checked those that apply:  Yes  No |
| 1. Whether the auditor can meet with the Audit Committee freely and without the Executives present? | Checked those that apply:  Yes  No |
| 1. Has there been a change of auditors? | Checked those that apply:  Yes (specify the reason for change and our selection)  No |
| 1. Was there a modification to the opinion in the predecessor auditor’s report? | Checked those that apply:  Yes (explain)  No  Not applicable, not audited previously. |
| 1. Whether the audit firm is competent and capable of handling the audit of the prospective client? | Checked those that apply:  Yes  No |
| 1. Whether there would be need of an expert? | Checked those that apply:  Yes (specify reason)  No |
| 1. Are there any concerns over the resources available within the firm to meet any identified need for experts? | Checked those that apply:  Yes (specify)  No |
| 1. In case of group audit, is there any concern that the group engagement team will not be able to gain sufficient appropriate audit evidence in relation to the consolidation process and the financial information of the components on which to base the group audit opinion? | Checked those that apply:  Yes (specify)  No  Not Applicable (not a group audit) |
| 1. In case of group audit, whether the engagement team is competent and capable to act as group auditor? | Checked those that apply:  Yes  No  Not Applicable (not a group audit) |
| 1. Is an Engagement Quality Control Reviewer (EQCR) required? | Checked those that apply:  Yes  No |

1. Auditor’s association with the prospective client (consider following questions):

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| --- | --- |
| 1. Are there any relationships that may impair auditor’s objectivity or ability to meet any relevant independence requirements?   Consider all factors that could impair the firm's or network's independence for this engagement including IESBA independence standards and other applicable independence rules. | Checked those that apply:  Yes (see independence factors below)  No  Determined if any of the following challenges exist and checked those that apply:  Proposed or prospective services.  Firm financial or business relationships with the client.  Ex-firm staff working for the client in a position of influence.  Firm professionals who were formerly employed by the client with involvement in the audit engagement.  Audit team's and other covered persons' family members employed by the client.  Long association of a senior team member with the client.  Other(s) (specify). |
| 1. Are there any potential conflicts of interest affecting auditor’s ability to accept the engagement? For example providing audit and accountancy services to the same prospective client. If there is a conflict of interest, whether there are safeguards available that remove or reduce the risk to an acceptable level?   Consider whether any conflicts of interest arise in respect of services being provided as a result of accepting audit of a listed company in view of listing regulations and ICAP Code of Ethics. | Are there any potential conflicts of interest? Checked those that apply:  Yes (specify details and see below)  No  Whether there are any safeguards available that remove the threat or reduce it to an acceptable level? Checked those that apply:  Yes (specify)  No |
| 1. Have any relevant statutory or other regulatory provisions been identified, including any implications on the auditor’s ability to act for the prospective client? | Checked those that apply:  Yes (specify)  No |
| 1. Whether the preconditions for an audit are present, that is, the use by management of an acceptable financial reporting framework in the preparation of the financial statements and the agreement of management or those charged with governance to the premise on which an audit is conducted. | Checked those that apply:  Yes  No |
| 1. Whether any limitation of scope is likely that would result in a disclaimer of opinion? | Checked those that apply:  Yes (specify)  No |
| 1. What is the need to accept the audit even where the limitation on scope is or likely to be imposed by the management? |  |
| 1. Estimated fees. |  |
| 1. Estimated costs to be incurred and whether an acceptable recovery of costs is expected. |  |
| 1. Potential for providing other services to the prospective client and actions for taking advantage of these. |  |

1. Results of inquiries with third parties (enter details of discussions with third parties):

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|  |

1. Result of enquiries with predecessor auditor (enter details of communication with predecessor auditor and comment on the same):

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1. Initial assessment of risk associated with the prospective client (specify the areas of concern that the prospective client presents and explain how the risks will be managed):

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1. Other (enter details of any other areas of concern or issues for consideration, for example, whether the firm has previously declined to perform audit services for this prospective client and if so give reasons and state mitigating factors for acceptance):

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1. Conclusion:

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| On the basis of the above, we conclude that there is no reason to believe that the overall level of risk associated with [client name] is sufficient to prevent the client from being accepted and there are no other circumstances of which we are aware associated with [client name] that suggest that the client should not be accepted and thus the acceptance process has been followed, completed and remains appropriate. However, the above matters shall be closely examined during the audit to identify any new or previously unknown circumstances which may arise in the course of the audit.  OR  The circumstances identified from the above assessment have been disposed of as follows:      Based on the assessment following significant risks are identified, which need to be addressed while planning and performing the audit:       OR  On the basis of above and due to [specify reason] the offer is declined. |

1. Signed:

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| --- | --- | --- |
|  |  |  |
| Proposed Engagement Partner |  | Date |
|  |  |  |
| Senior Partner |  | Date |