

Section 7

SPECIMEN AUDIT LETTERS

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7.1 Client Acceptance Form – Audit Client (ISA220 / 300) (Cont'd)

Prepared by : _____
Date : _____

Enquiries of predecessor auditors / accountants

Date of enquiries: _____

Predecessor's reason(s) for change of auditors: _____

Any facts that may have a bearing on the integrity of management: _____

Have the predecessor's fees been paid in full? Yes _____ No _____

If not, indicate the reasons. _____

Were there any disparities between the prospective client's replies and the preceding auditor's replies? Yes _____ No _____

If yes, describe the differences in an attached memorandum.

Other significant considerations

(Explain answers with an asterisk in an attached memorandum)

	Yes	No
1. Are there possible conflicts of interest with concerns of existing clients (e.g. conflicts with litigation services engagements)?	_____ *	_____
2. Are there any independence issues, including family relationships that need to be considered before we could accept the prospective client?	_____ *	_____
3. Will the engagement require specialised (e.g. industry specific) knowledge and experience not now available in the team or office? If yes, describe in an attached memorandum the plan to obtain the necessary expertise from other offices and / or to develop it within the office and obtain the concurrence of the national / regional director of industry services. Will the addition of the client adversely affect the ability of the office to staff any of its other engagements requiring similar expertise?	_____ *	_____
4. Has any significant accounting or auditing issues been identified?	_____ *	_____
5. Does the prospective client expect the firm to accept an accounting policy the predecessor auditors did not accept?	_____ *	_____
6. Will we be auditing all entities under common control?	_____	_____
7. Are there significant related party transactions with consolidated or other entities that we will not be auditing?	_____ *	_____
8. Does management have a proven track record in this or other businesses?	_____	_____
9. Does the prospective client have a high likelihood of (continued) business success?	_____	_____
10. Are there any conditions or events that indicate there could be substantial doubt about the prospective client's ability to continue as a going concern?	_____ *	_____
11. For non-public entities, are there third parties (e.g. lenders or investors) whom we know would be receiving copies of our reports on the client's financial statements?	_____ *	_____
12. Will the firm be assuming more than a low level of risk if this prospective client is accepted?	_____ *	_____
13. Are there any other factors that should be considered in evaluating the prospective client?	_____ *	_____

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7.7 Standard Letter of Request for Information from Banks / Finance Companies for Audit Purposes (ATR2) (Cont'd)

<u>Account Name</u>	<u>Account Number</u>	<u>Type of Account</u>	<u>Account Balance</u>	<u>Remarks (see note)</u>
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Note: Please indicate in the "Remarks" column above:

- (i) The separate amounts accrued but not charged or credited at the above date, of:
 - (a) provisional charges (including commitment fees); and
 - (b) interest.
 - (ii) The amount of interest charged or credited during the period if not specified separately in the bank statement or other documents.
 - (iii) In the case of overdrafts and loan please note the amount of agreed facilities and repayment terms (e.g. monthly / quarterly / fixed date).
 - (iv) Where the account is subject to any restriction (e.g. a garnishee order or arrestment, this information should be stated.
 - (v) Where the authority upon which you are providing this information does not cover all of the accounts listed above, please indicate as appropriate.
- (2) Please give full titles and dates of closure of all accounts closed during the period.

Customer's other transactions

- (3) With regard to all other transactions with your customer, please give details of:
- (a) total of trade bills outstanding to your customer;
 - (b) date, name of beneficiary and amount of any outstanding guarantees, bonds of indemnities given by you, on your customer's behalf stating whether there are recourse arrangements;
 - (c) total of bankers' acceptances outstanding;
 - (d) equivalent of total outstanding forward foreign exchange contracts in Ringgit;
 - (e) total outstanding liabilities under documentary credits, letters of credit, trust receipts, and other instruments of similar nature;
 - (f) total negotiable certificates of deposits outstanding and other instruments of similar nature;
 - (g) obligations under repurchase agreements.

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7.9 Solicitor's Letter (ISA501)

[Under Company letterhead]

[Our Ref]

[Date]

[Name and address of solicitor]

Dear Sirs,

In connection with the preparation and audit of our financial statements for the year / period ended _____ [Date] the directors have made estimates of the amounts of ultimate liabilities (including costs) which might be incurred, and are regarded as material, in relation to the following matters on which you have been consulted. We would be obliged if you would confirm directly to our auditors _____ [Name, Address] that in your opinion these estimates are reasonable.

Matter

Estimated liability including costs

- 1.
- 2.
- 3.
- 4.
- 5.

Could you please identify any material omissions from the above list or else state that we have no material matters in hand which are not included in the list. Please specifically identify the nature of, and the reasons for, any limitations your response contains.

Please provide an estimate of costs incurred not yet billed to us as at _____ [Date].

It will be of assistance to us if you will give this request your early attention and reply directly to _____ [Name, Address] in the enclosed prepaid envelope.

Yours faithfully,

[Name of client]