**Example of Engagement Letter**

**in the context of the statutory auditor’s engagement (annual accounts) (ISA 210)[[1]](#footnote-1)**

*Article 21 of the Law of 7 December 2016 provides for the statutory requirement to prepare an Engagement Letter for each mandate. This example letter is not binding but it is merely intended to be used in accordance with the considerations of ISA 210, taking into account the professional standards applicable on the statutory auditor’s report, as well as the new requirements under Regulation (EU ) N° 648/2012 of 4 July 2012 on OTC derivatives, central counterparties and trade repositories (‘the EMIR Regulation”). This example is intended merely to the annual accounts that have been prepared in accordance with a financial reporting framework applicable in Belgium, and should be adapted according to the requirements. It may be useful to obtain a legal advice to confirm the appropriate character of any Engagement Letter.*

*This example of engagement letter is based on the new and revised ISAs as applicable in Belgium (see norm (revised in 2018) on the application of ISA’s in Belgium – coordinated version).*

*The General Contractual Framework for Services is an integral part of the Engagement Letter. An Example of a General Contractual Framework for Services is available on the ICCI website, under ‘Publicaties’ / ‘Publications’, ‘Modeldocumenten” / ‘Modèles de documents’.*

*In the content of this letter, the terms ‘you’, ‘we’, ‘our’, ‘us’, ‘Board of directors’ and ‘statutory auditor’ are used or adapted depending on the circumstances. The text parts highlighted in grey need to be adjusted to the circumstances.*

Dear Madam, Dear Sir,

The general meeting of shareholders of [Company’s name] (‘the Company’ or ‘you’) has appointed us on \_\_\_ as statutory auditor of the company for three consecutive years ended on \_\_\_\_\_\_, \_\_\_\_\_\_ and \_\_\_\_\_\_\_.

Objectives and scope of the mandate

You have asked us to perform the audit of the annual accounts of the Company, consisting of the balance sheet, the profit and loss account and the notes. We are pleased to confirm our acceptance of this engagement and to clarify its content and terms and conditions. Our audit is performed for the purpose of expressing an opinion on the true and fair view of the Company’s equity, financial position and results.

Our audit objective is to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the International Standards on Auditing (ISAs) as applicable in Belgium, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

The Terms of Business are defined in the General Contractual Framework for Services, listed in Annex/published on our website at the following address [website], which gives a detailed description of the contractual relationship in the context of our current mandate. This Engagement Letter and the Terms of Business form the entire agreement between us and the Company regarding this mandate. By signing this Engagement Letter, these Terms of Business are expressly accepted by the Company. In the event of any conflict between this engagement letter and the Terms of Business, the latter shall prevail except where amended in the engagement letter by specific reference to the relevant clause of the Terms of Business.

Statutory auditor’s responsibilities

Our responsibility is to express an opinion on these annual accounts based on our audit. We will conduct our audit in accordance with International Standards on Auditing (ISAs) as applicable in Belgium[[2]](#footnote-2). Those standards require that we comply with the ethical requirements.

We conduct our audit in compliance with the legal, regulatory and normative framework applicable to the audit of the annual accounts in Belgium, we exercise professional judgment and maintain professional scepticism throughout the audit.

[*In determining our audit plan we will assess whether it is necessary to contact your internal auditors to ensure that mutual procedures are coordinated and to determine, in accordance with the ISAs, to what extent we can rely on the work of the internal auditors in the context of our audit.*]

Responsibilities of the board of directors

The Company’s board of directors is responsible for the preparation of annual accounts that give a true and fair view of the Company’s equity, financial position and results, in accordance with the financial reporting framework applicable in Belgium.

Our report states that the Company’s board of directors is responsible for the preparation of annual accounts that give a true and fair view in accordance with the financial reporting framework applicable in Belgium. This responsibility implies in particular:

1. designing, implementing and maintaining appropriate controls relevant to the preparation of annual accounts to ensure that they are free from material misstatement, whether due to fraud or error;
2. selecting and applying appropriate accounting policies;
3. making accounting estimates that are appropriate in the circumstances;
4. assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so;
5. the fact that you provide us with all information of which the board of directors is aware that is relevant to the preparation of the annual accounts such as the accounts, the related documentation, including the minutes of the board of directors and general meetings of shareholders, as well as all information and elements deemed necessary for the performance of our statutory auditor’s mandate;
6. the fact that you provide us with all additional information that we might request from the board of directors for the purpose of the audit; and
7. the fact that you give us unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence.

The primary responsibility for preventing and detecting fraud and errors lies with the Company’s management. We are neither responsible nor liable for fraud prevention. Consequently, our audit procedures are not specifically designed to detect fraud or error.

When we identify a misstatement due to fraud or suspected fraud or due to error, we will communicate our information to management or to the board of directors and/or those charged with governance and, where appropriate, to the administrative authorities and supervisors in accordance with legal and regulatory provisions.

The management [and those charged with governance] has [have] the responsibility to confirm that according to him [them] uncorrected errors, both individually and in the aggregate, have no material impact on the financial statements as a whole. A list of uncorrected errors will be attached to the representation letter.

The annual accounts, including the notes, should be prepared by the Company and sent to us within the statutory deadlines. If the board of directors fails to submit the annual accounts to the statutory auditor one month before the General Meeting (Art. 143, section 1 of the Belgian Companies Code), the statutory auditor will consider whether he will be able to meet the deadlines for providing its report.

The board of directors is also responsible for compliance with legal and regulatory provisions, including those that provide for the submission, at least every six months, of the financial reporting presented through a balance sheet and a profit and loss account and for the written notification of and the invitation to the general meeting of shareholders, at least fifteen days before the meeting.

According to the ISAs, we will obtain information from the board of directors or any other responsible person, about the true and fair view and the completeness of the annual accounts content, as well as about the effectiveness of the internal control system.

Statements with a significant impact on the annual accounts must be confirmed to us in writing (‘representation letter’). Together with the results of our audit and the answers to our questions, the representation letter includes audit evidence on which we will rely in assessing annual accounts.

 [*If applicable*: Furthermore, the board of directors is responsible for the preparation and the content of the management report [and the other information included in the annual report], [of the documents to be deposited in accordance with the legal and regulatory requirements,] as well as for compliance with the legal and regulatory requirements regarding bookkeeping, with the Belgian Companies Code and with the Company’s by-laws.]

[With regard to the other information included in the annual report, which we will define later by mutual agreement, the board of directors undertakes to make it available to us on a timely basis, to the extent possible, prior to the date of the statutory auditor’s report.]

Statutory auditor’s report

In the context of our mandate, in addition to the expression of an opinion on the annual accounts based on our audit and in accordance with the Belgian standard which is complementary to the International Standards on Auditing (ISAs) as applicable in Belgium, it is our responsibility to verify, in all material aspects, the management report [and the other information included in the annual report], [certain documents to be deposited in accordance with the legal and regulatory requirements,] and compliance with certain provisions of the Belgian Companies Code and of the Company’s by-laws, as well as to report on these elements.

We will report in accordance with Article 144 of the Belgian Companies Code and in accordance with the Belgian standard which is complementary to the International Standards on Auditing (ISAs) as applicable in Belgium. The form and content of our report may need to be adapted in the light of our audit findings.

In accordance with the legal provisions we will prepare a report containing the required statutory statements. We are obliged to consider in particular the following aspects: the Company’s administrative and accounting organisation, the internal control, the management report, the social balance sheet, the documents to be deposited at the National Bank of Belgium in accordance with Article 100, § 1, 5°, 6°/1 and § 2 of the Belgian Companies Code, the accounts, the appropriation of results, the independence and the incompatible engagements.

We expect that you keep us informed of any significant event that could affect the annual accounts and that occur in the period between the date of our report and the general meeting of shareholders.

Processing of personal data

In our capacity as statutory auditor, we act as a Controller within the meaning of Article 4, item 7) of the European Regulation 2016/679 of the European Parliament and of the Council of 27 April 2016 (‘GDPR’).

In order to fulfil our engagement, we process your Personal data and that of your clients, suppliers, employees, staff, directors, or other persons concerned, solely for the purposes and means of the processing of personal data in the context of our duty to observe strict professional secrecy, regardless of whether we received the personal information from yourself or otherwise.

Our Privacy policy can be consulted [on our website [add the link to the firm’s privacy policy]/in attachment].

Fees

Our fees for the audit of the annual accounts are determined as a fixed amount approved by the general meeting of shareholders of [date]. This amount, excluding expenses and VAT, will amount to EUR ..... for each year of our current mandate, and can be indexed annually.

All direct costs specifically incurred with third parties as a result of carrying out this engagement are not part of the fees and will be invoiced in addition to our fees, including the variable contributions based on the turnover and the fixed contributions by mandate which we are required to pay to the Belgian Institute of Registered Auditors (in 2018, the variable contribution consisted of 1.30% of the fees and the fixed contribution amounted to € 40).

Moreover, we have agreed that in case of significant changes to the nature or scope of the Company’s operations or in the level of assistance provided by your staff, we will discuss an appropriate modification of the above amount and will submit it for approval to the general meeting of shareholders.

Our invoices will be [...] and the balance will be charged after the issuance of the statutory auditor's report to the shareholders.

All fees, including those approved by the shareholders in the context of our mandate with respect to the annual and/or consolidated accounts, which may have been paid by your Company to our audit firm or to a company with which the statutory auditor has a professional partnership, shall, in accordance with Article 134 of the Belgian Companies Code, be disclosed in the notes to the annual accounts, indicating the nature of the paid services.

[*Other relevant information*]

[Contract awarded on the basis of a public tender

The Parties agree that in case of conflict between the provisions of this engagement letter and those of the tender documents (special specifications), the latter shall prevail.]

Money laundering prevention

Pursuant to the Belgian and European legislations, we need to identify our customers and verify their identity.

We therefore ask you directly, as well as other persons within the company, for official and valid identity documents and invite you to send us without undue delay a duly completed and signed identification confirmation (see model attached) containing the identification of the relevant persons within your Company.

Moreover, you should inform us of any subsequent changes to the information above, and provide us as quickly as possible with the documents reflecting those changes.

If the identity of the relevant persons is not adequately confirmed within a reasonable period of time, it is possible that we are forced to stop pursuing our engagement.

In order to observe, in accordance with the Belgian and European legislations, the due diligence requirements regarding business activities and business relations, we can consult appropriate databases to obtain information about you, or consult you directly, or any other person, on this matter.

Under these legislations, we are obliged to report any fact or suspicion (that we have identified in the context of our engagement) that is (potentially) related to money laundering or to terrorist financing, to our compliance officer who should, where appropriate, notify the Belgian Financial Intelligence Processing Unit (CTIF-CFI). In that case we will not inform you of that declaration since it is forbidden for us under the anti-money laundering legislation.

Representation and acceptance

We would be grateful if you could confirm your agreement with the terms of our mandate to audit the annual accounts, including our respective responsibilities, by returning a signed copy of the attached letter.

Yours faithfully,

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, Registered auditors

Represented by: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Partner: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

For approval, \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Company \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Represented by: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Date: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Appendixes: General Contractual Framework for Services

 Identification confirmation containing the identification of the relevant persons within your Company

1. This example of Engagement Letter can be used in case of mandate (audit of annual accounts) exercised in an entity other than a public interest entity (PIE), a listed entity, a non-profit association, an international non-profit association or a foundation. Where applicable, the Engagement Letter should be adapted in case of a mandate carried out in particular in a public interest entity (PIE), a non-profit association, an international non-profit association or a foundation.

The user should be aware that in certain entities, particularly in the public sector, the responsible bodies can be other than those mentioned in this Engagement Letter.

It is also possible that the term “annual accounts” is not the proper term to which reference should be made.

The Engagement Letter should therefore be adapted on a case by case basis, taking into account the specificities of the entity for which this Engagement Letter is prepared. [↑](#footnote-ref-1)
2. Where applicable, the words ‘in accordance with International Standards on Auditing (ISAs) as applicable in Belgium’ can be completed as follows: ‘Moreover, we have applied the International Standards on Auditing as stated by the IAASB to apply on the fiscal years beginning [ended] on or after [DATE] and not yet approved on national level.’. [↑](#footnote-ref-2)