

2.2.4 Documentation of Engagement Terms

Introduction

This section provides policies and guidance on documenting engagement terms.

Engagement Controllers must issue an engagement letter for each assurance or related service conducted by the Audit Office (the Office). Engagement letters should be tailored and include matters unique to the engagement. Where an engagement is the recurring audit of general purpose financial statements, the engagement letter is issued as an Annual Engagement Plan.

The Audit Office maintains its [Terms of Engagement](#) for all audits, reviews and related services on the Audit Office website. The document includes terms common to all Audit Office engagements.

Policies and guidance

Financial audits and all other related services (excluding performance audits)

- The Engagement Controller (EC) must ensure the Office has the mandate to perform the engagement before issuing an engagement letter for any assurance or related service work.**
- Prior to accepting an entity as an auditee of the Office, the EC must follow the steps outlined in Policy 2.2.2 [New Engagements and Risk Classification](#).**
- The EC must confirm the engagement terms with the auditee and reference to the Office's generic [Terms of Engagement](#) by way of:**
 - an Annual Engagement Plan (AEP), for general purpose financial statements**
 - an engagement letter, for all other audit or related services.**
- ECs should review, sign and issue the AEP for general purpose financial statements no later than the dates specified in the relevant AEP template. An acknowledgement of terms is only required by the auditee when:
 - the engagement is new
 - the scope of the engagement has changed, for example:
 - the inclusion/exclusion of other engagements or related entities
 - the auditee's functions or structure has significantly changed e.g. there has been a change to the auditee's enabling legislation or they have received functions from or transferred functions to another entity.
 - there is a change in the key personnel of the engagement, such as the auditee head, an ARC member or the EC.
- For group audits, if the parent and controlled entities approve, the EC may issue one AEP for the group. Where the Office has been requested to perform an additional audit for an entity, the engagement content for the additional audit(s) may be included in the AEP.**
- All AEPs need to be signed and issued in electronic format by the EC, not the Audit Service Provider (ASP) partner or staff.**
- The EC must use the Office's AEP and engagement letter templates, if available.** AEP and engagement letter templates must be tailored to suit the circumstance, size, nature and risk of the engagement. Templates contain the Office's instructions and guidance for the review and approval of AEP and engagement letters.

8. **Where no template is available, ECs must draft a customised engagement letter and send it to the Professional Services Branch (PSB) for review before it is issued, if:**
 - **the engagement is new**
 - **the terms of the engagement have changed significantly, including where there has been a change to the relevant auditing standards.**
9. Refer to Policy [2.2.7 Comfort Letters](#) for instruction on issuing comfort letters.
10. **File the signed AEP or engagement letter and the auditee's Acknowledgement of Terms (where applicable) in the relevant HPCM container and audit file.**

Performance audits

11. **The EC must communicate the terms of a performance audit engagement in separate engagement letters to each entity subject to audit.**
12. **The EC must use the Office's template performance audit engagement letter and tailor the letter to suit the circumstances of the engagement.** The Office's instructions and guidance for engagement letters and communications to key stakeholders are on Alfie.
13. **The engagement letter must be issued to the head of the entity and be signed by the Assistant Auditor-General, Performance Audit.** A copy of the engagement letter should be sent to the Chair of the relevant entity's Audit and Risk Committee.
14. **File the engagement letter in the relevant HPCM container and audit file.**
15. **The EC must communicate to the auditee(s) any changes in audit objectives or scope after the engagement letter has been issued, following approval of any changes by the Auditor-General.**

Effective date

Issued July 2022 and effective July 2022.