



RELEVANCE OF COMMITMENT LETTER FOR RELATED SERVICES AND AUDITING OF FINANCIAL STATEMENTS

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Abstract *The document called "letter of engagement" is addressed by representatives of the company audited financial auditor, in our case SC QACADEMICA LLC The purpose of this letter of commitment made by the auditor, is to confirm the mission of the audit on 31 December 2016 for the financial year ending on that date, in conjunction with: the acceptance of his appointment as financial auditor, defining the objective, browsing and applying specific tests and procedures that are required by the International standards on Auditing (ISA), applying the general principles of audit, essential procedures together with related guidance on the nature of explanatory notes and other annexes, clarifying the extent of commitment of the financial auditor, namely the delimitation of accountability of the financial auditor to the company and reasonable certification of the audited financial statements.*

Key words:
*financial audit,
auditor, financial
auditor commitment,
the commitment
letter, the general
financial reporting,
quality control.*

JEL Codes:
M41

I. INTRODUCTION

According to International Standard on Auditing ISA 200, "The phrase "scope of an audit engagement refers to the audit procedures deemed necessary in the circumstances to achieve the objective of the audit"¹.

The engagement letter is a document which is prepared both for statutory financial audit and also for related services for early financial audit mission. On the content of the letter of commitment, it will include references to: the objective of financial audit, basic general principles, tests, specific procedures and essential procedures, explanatory annexes and other material that govern an audit engagement of financial statements.

The recommendations made by the International Standard on Auditing (ISA) 200 requires that: "The auditor should conduct an audit engagement in accordance with International Standards on Auditing (ISA)".

Audit procedures will take into account the requirements of International Standards on Auditing, the reporting, the national legislation in force, requirements of professional bodies and the

requirements of the terms of the audit engagement for a reasonable assurance of audited financial statements.

It is important that: "The auditor and the client should agree on the terms of engagement. The terms agreed by both parties must be registered into an engagement letter or in another appropriate form of agreement"².

"Where relevant, the following observations can be made:

- Arrangements concerning the involvement of other auditors and experts in some aspects of the audit.
- Arrangements concerning the involvement of internal auditors and other client staff.
- Arrangements to be made with the predecessor auditor, if any, in the case of an initial audit.
- Any restriction of the auditor's liability when such possibility exists.
- A reference to any further agreements between the auditor and the client"³.

¹International Auditing Standard 200 - Objectives and general principle governing an audit engagement of financial statements, pg. 35

²Audit international standard 210- terms of the audit engagement, pg. 51-52

³Audit international standard 210- terms of the audit engagement, pg. 47

II. FINANCIAL AUDITOR IN PRACTICE. CASE STUDY: THE ENGAGEMENT LETTER.

The engagement letter is addressed to representatives of the SC QACADEMICA LLC, the attention of the person who is a director of the company, ie the beneficiary of financial audit.

The administrator for SC QACADEMICA LLC, requested that our society auditing SC AT & TA LLC to audit the financial statements of SC QACADEMICA LLC, on 31 December 2016 for the financial year ending on that date. We confirm the acceptance of the undertaking audit financial statements of SC QACADEMICA Ltd, on 31 December 2016, by this letter of commitment, during which we inform you that the financial audit that we will perform on the financial statements of SC QACADEMICA LLC, on 31 December 2016 for the financial year ending on that date, aims at the expression by the auditor of a professional opinion on the financial statements on our part.

The objective of the audit of financial statements of SC QACADEMICA LLC, on 31 December 2016, is to enable the financial auditor to express an opinion either qualified or unqualified audit opinion on the financial statements based on the applicable financial reporting framework, and conditioned by the fact that they are prepared, in all material respects.

The financial audit activity that is to be conducted will be reported and be held strictly in accordance with International Standards on Auditing (ISA), under which we will proceed with planning the financial audit and we will conduct the financial audit based on records, documentation and other information at our disposal in such a manner as to obtain reasonable assurance on the financial statements in that they do not contain material misstatements.

Our audit mission includes examining, on a test basis the evidence supporting the disclosures in the financial statements.

We will start evaluating the overall presentation of the financial statements in assessing the accounting principles used by the audited company and where appropriate to significant estimates made by management.

Because of the test nature and other inherent limitations of any accounting system and internal control, interpretation of laws, etc., there is an unavoidable risk that some material misstatements may remain undiscovered.

In addition to the audit report on the financial statements, we can offer a confidential letter on certain aspects that we detect.

We will proceed with financial planning and audit mission, we will conduct an audit with an attitude of professional skepticism on the assumption that there may be situations and circumstances in which the audited financial statements to be materially misstated.

„The audit procedures required to conduct an audit in accordance with ISAs that should be determined by the auditor, taking into account the requirements of ISAs, relevant professional bodies, legislation, regulation and, where appropriate, the requirements of the terms of engagement auditing and reporting requirements“⁴.

Our professional responsibilities as a financial auditor, shall be governed by the following principles:

1. Independence;
2. Integrity;
3. Objectivity;
4. Professional competence and due care;
5. Confidentiality;
6. Professional conduct;
7. Technical standards (ISA).

With regard to financial statements, note that the responsibility for adequate disclosure in relation to the applicable financial reporting framework in place, is the responsibility of the management of the audited company. As such, it includes proper accounting records, internal control, and application of accounting policies. The sequence of stages of the audit engagement will request from management written confirmation concerning representations in relation to financial statements.

Our fee accepted by you, will be charged and reported to contract for the provision of audit services ended with SC QACADEMICA LLC, as work progresses on the offer price accepted by you. Hourly rates were set according to the degree of responsibility, experience and skills.

And we assure you full cooperation and transparency. We want solicitude, timeliness and availability from your representatives with whom we collaborate throughout this mission in the sense of showing us accounting records, accounts, documents and information that we need for audit.

This letter of commitment is valid for the financial year audited and is accompanied by detailed request for documents and information needed by our financial audit society in order to audit the financial statements on 31 December 2016 and the questionnaire inventory of Heritage Company audited SC QACADEMICA LLC at the end of the year 2016.

This letter of commitment is made in two copies, one copy for the company audited and one for external financial auditor.

⁴International Auditing Standard 200 - Objectives and general principle governing an audit of financial statements, pg. 35

The request is that you sign and return our second copy which is attached to this letter of commitment for us to confirm that the letter of commitment is consistent with your understanding in the organization of the audit mission that we will perform on the financial statements, respectively on the financial statements of SC QACADEMICA LLC, on 31 December 2016 for the financial year ending on that date.

Financial Officer,

Has been taken on behalf of society,
Administrator,

Date, 04.02.2017

III. CONCLUSIONS:

The document called "letter of commitment" does not have some form in which should be sent at the companies audited. It is a track in the case both mandatory and related services for statutory audit and it is formulated customized for each client.

Recommendation other international standards on the letter of commitment is that it should be submitted before the start of the audit engagement. Financial the terms to be understood and clarified from the beginning of the financial audit mission by the customer.

The signing by the audited company of the engagement letter and sending the letter dated, signed and stamped at the auditing company confirms its agreement on the content and terms contained in the commitment letter. In practice, engagement letters are sent before the start of the audit engagement with the request for information for audits of financial statements 31 December 2016 and inventory questionnaire regarding company assets audited.

The engagement letter may contain certain limitations on the liability of the calculations on amounts due or amounts recoverable from social security, or amounts calculated or recovered from the state budget. There may be limitations due to the existence of assertions embodied in the existence of related parties.

Our report whether it will limit the scope of the Company's management will be addressed also to the financial administration.

With regard to Standard Terms and Conditions for Audit Financial Services Agreement Financial Audit and any amendments thereto, our company auditing attaches document "Terms Standard Conditions for Auditing, which together form the" contract provision services financial audit, "whose validity takes effect after signing,

dating, and stamping by both parties in duplicate. So we fully understand the constitution the agreement or contract between the beneficiary and the provider, the services described in the audit contract.

BIBLIOGRAPHY:

1. Tax Code
2. Fiscal Procedure Code
3. Accounting Law no. 82/1991, with subsequent amendments
4. Order no. 1802/2014 for the approval of accounting regulations on the annual individual also consolidated financial statements
5. Auditing Standard 200, pg. 35-38
6. Auditing Standard 210
7. Țîrlea, M. R., „Letter of commitment”, Statutory financial audit mission, 2016