

Sample Engagement Letter for a Specified Procedures Audit
For Use with 1100.17 – Audits

This is a sample provided by CU PolicyPro as a tool to assist the Credit Union in creating their own Engagement Letter for an audit. These types of letters should be created and reviewed with legal counsel as applicable to ensure a comprehensive engagement/audit.

This sample letter is intended for use with a specified procedures audit (including an "agreed upon procedures engagement"). It can be adapted for use with an opinion audit.

Instructions:

1. Blanks to be completed are in italics surrounded by curly brackets. Example: *{Date of Letter}*
 2. Instructions are in all capitals and bolded. Example: **IF THE ENGAGEMENT IS INTENDED TO FULFILL ...**
 3. Alternative language is in regular text surrounded by curly brackets, separated by OR. Example: {specified procedures} **OR** {agreed-upon procedures}
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{Date of Letter}

Supervisory Committee
ABC Credit Union

This letter will confirm our understanding of the terms, conditions, and objectives of our engagement to provide auditing services for ABC Credit Union for the year ending {audit year}.

We will apply {specified procedures} **OR** {agreed-upon procedures} to certain elements, accounts, or items of the financial statements of the credit union. The procedures to be performed are set forth on an appendix to this letter.

{We certify that the procedures to be performed by us fulfill the scope of a complete Supervisory Committee audit, as that term is defined in NCUA Rules and Regulations § 701.12(c)(3) & (c)(4).} **OR** {The following elements, accounts, and/or items and attributes are excluded from this engagement:

{List excluded elements, accounts, and/or items and attributes}

Because of the foregoing exclusions, this engagement will not, by itself, fulfill the scope of a complete Supervisory Committee audit, as that term is defined in NCUA Rules and Regulations § 701.12(c)(3) & (c)(4). We caution you that the Supervisory Committee will remain responsible for fulfilling the scope of a Supervisory Committee audit with respect to the excluded elements, accounts, and/or items and attributes.}

The procedures to be performed will not constitute an audit made in compliance with generally accepted auditing standards (GAAS). Consequently, we will not express an opinion as to the

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items set forth on the appendix or as to the financial statements of the credit union taken as a whole. In addition, we will not express an opinion as to the effectiveness of the credit union's internal controls in assuring reliable financial reporting or safeguarding credit union assets. **IF THE ENGAGEMENT IS INTENDED TO FULFILL THE SCOPE OF A COMPLETE SUPERVISORY COMMITTEE AUDIT, INSERT THE FOLLOWING:** Notwithstanding the foregoing, insofar as the items to be audited include internal controls, cash, loans and interest thereon, investments and interest thereon, shares and dividends and interest thereon, or related party transactions, the audit will satisfy GAAS with respect to audit scope (but not with respect to reporting) for expressing an opinion on the financial statements of the credit union taken as a whole.}

The basis of the accounting to be used is {generally accepted accounting principles (GAAP)} **OR** {regulatory accounting practices (RAP)} **OR** {the standards established by the American Institute of Certified Public Accountants} **OR** {other type of accounting standard}.

Management should note that it is responsible to properly record transactions in the credit union's accounting records and to prepare financial statements in compliance with generally accepted accounting principles.

Upon completion of the engagement, we will deliver to you a written report of the audit. The target date for that report is {*target date*}. Because we are performing only specified procedures, our report is only to be used by the credit union's Supervisory Committee, credit union management, the NCUA, and other government agencies, which regulate the credit union {*or other specified parties*}. The report is not to be used by any other parties.

Our report will include a summary of the elements, accounts, and/or items subject to our audit and the procedures performed. It will also contain a paragraph indicating that had we performed additional procedures, we may have become aware of other matters that we would have reported to you.

This engagement will not entail a detailed examination of all transactions and cannot be relied upon to identify internal control reportable conditions, irregularities, or illegal acts. If any such matters, however, come to our attention during the normal course of the audit, we will notify you in writing of such matters either as part of the audit report or separately. If no such matters come to our attention, then no additional duty is imposed on us nor are any additional written communications required of us beyond the written audit report.

{Our total charge to you for providing the foregoing services will be \$_____.} **OR** {Our fee to you for providing the foregoing services is based on the number of hours spent by the individuals assigned to the engagement in rendering the services. The hourly rate for those individuals is \$_____ per hour. We estimate _____ hours to complete the foregoing services. In addition to our fee for services, we charge for direct expenses. We will submit interim billings as services are rendered and expenses are incurred.}

We agree to retain the working papers of this engagement for at least three years from the date of

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our report. Our working papers belong to us and are confidential. We certify, however, that the staff of the National Credit Union Administration (NCUA) or its designated representative will be provided unconditional access, for purposes of inspection, to the complete set of our working papers either at the credit union or at a mutually agreeable location. Upon request, we may provide photocopies of all or a portion of our working papers to the NCUA, which may decide to distribute such papers to other governmental agencies.

Respectfully,

{Auditor's Signature}

Acknowledged:

{Name of Credit Union}

{Signature of Credit Union Director}