

Appendix 1 – Client Acceptance and Engagement Continuance Form

Entity Name: _____ Year of Incorporation: _____

Registered Address:

Registration Number: _____ Accounting Year End: _____

Acceptance Procedures Continuance Procedures

General Information:

1. Details of Directors

Name of Directors	Number of Interest Holding	Percentage Holding

2. Subsidiaries/Parent Information

Name of Parent/Subsidiaries	Address

3. Other Information

4. Financial Statements Questions

S/N	Question	Response	Remarks / WP Ref
1	Entity Financial Information : In this section, document the financial summary for the past financial statement: Total Asset		

	Non – Current Asset Total Liabilities Non – Current Liabilities Equity Capital		
2	What accounting standards are to be applied to the engagement (international, domestic, other)?		
3	What auditing standards are to be applied to the engagement (international, domestic, other)?		

Identity and Business Reputation of the Client’s Principal Owners, Key Management, and Those Charged with its Governance	Yes/No	Other relevant information. A “Yes” response in particular should be further explained—where applicable supported by how the risk is to be mitigated to an acceptable level
Do we have any concerns identifying ownership, key management or those charged with governance?		
Is there domination of key management by one/few individuals?		
Do we have concerns regarding management’s competence? Matters to consider include: <ul style="list-style-type: none"> • Experience • Skill (e.g.: effective budget preparation and monitoring) • Depth • Background (e.g.: criminal convictions) 		
Does management / board of directors have an unhealthy tolerance for business risk?		
Are there any personality profiles within the management / board of directors which cast doubt on integrity/pose an audit risk?		
Does management’s / board of directors’ attitude towards financial performance and business management raise a concern?		

Are there any expected changes in ownership, key management or those charged with governance that give doubt to integrity?		
Are there any overall concerns with the integrity or business reputation of the management or those charged with governance?		
Do we have concerns that the board does not foster and are not supportive of an ethical business culture?		

Financial and Going Concern Considerations		
<p>Do we have any concerns with the financial condition of the entity – consideration includes:</p> <ul style="list-style-type: none"> • Financial statement analysis • Profitability margins and their consistency • Debt covenants / credit ratings • Dependence upon an important project, contract, or new business model or concept • Products (current and planned) and services of the entity/industry – market presence and growth – stability of industry – nature of industry (litigious) – extent of any regulatory oversight • Regulators – status of regulatory filings – relationship with regulatory authorities 		
<ul style="list-style-type: none"> • Supplier/customer concentration • Planning for any significant mergers/acquisitions/ disposals/financing • Entity’s intentions e.g. offering debt or equity securities • Amount of publicly traded debt outstanding – trading value compared to face value • Listed share price of the entity • Sensitivity of entity assets to market conditions • Expiration or violations of licences or permits • Presence of off balance sheet financing structures or similar 		

• Others		
Nature of Client's Operations		
Does the complexity of the entity's structure provide us with any cause for concern (e.g. is the structure seemingly unnecessarily complex, off-shore banking arrangements which seem unnecessary)?		
Do the entity operations involve tax complexities?		
Is the entity the subsidiary of a public company or a significant subsidiary?		
Is the entity an SEC Registrant or about to become one?		
Does the entity operate in a specialised legal or regulatory environment?		
Does the media portrayal of the entity/management cause concern with respect to the client's integrity?		
Was/is the entity involved in any past, current or impending significant litigation?		

Attitude Towards Aggressive Interpretation of Accounting Standards and the Internal Control Environment		
Is there an attitude towards aggressive interpretation of accounting standards (e.g. revenue recognition)?		
Is there a concerning attitude towards the internal control environment (or its improvement)?		
Is there a history of unreliable accounting estimates by management (possibly resulting in disputes with past auditors)?		
Does management propose accounting policies or treatments of specific transactions which cast doubt on their integrity?		

Do we have any concerns about attitudes within the entity that controls are unimportant or should be circumvented?		
Do we have any concerns that management turnover has had a negative impact on the internal control environment?		
Are there indications that the Chief Financial Officer has been ineffective in enforcing controls or are there evidence of ineffectiveness of the internal control environment generally?		
Payment of Fees		
Have there been any concerns over management's ability and willingness to pay for professional services rendered in the previous years?		
Scope Limitation		
Is there any indication of an inappropriate limitation in the scope of work/access to records?		
Money Laundering or Other Criminal Activities		
Is the entity operating in an industry or sector which has an exposure to fraud or illegal acts?		

Money Laundering or Other Criminal Activities		
Does the mode of the client's operations or business practices cast doubt on its integrity?		
Reason for Proposed Appointment/ Non-Reappointment of the Previous Firm		
Have our dealings with the predecessor auditor raised any concerns?		
Has the quality of any of our dealings with the predecessor auditor raised any concerns?		

Is there any concerning reason(s) why the previous auditors have not been re-appointed?		
Are there matters for concern in prior year(s) audit report?		
Has there been a high frequency of changing auditors?		
Was the manner in which we were introduced to the entity a matter of concern?		
Have other Firms refused to provide services to this entity?		
Do we have any history of disputes dealing with the entity?		
Identity and Business Reputation of Related Parties		
Do we have any concerns with related party transactions outside the ordinary course of business?		
Does the complexity of related party transactions give concern with respect to integrity?		

Overall Assessment

Does the integrity of the entity, its principal owners, key management, or those charged with its governance create an unacceptable risk?	
Please rate the client risk?	
(Where applicable) Does the Firm's Risk Specialist agree with plans to reduce risks to an acceptable level? (document in the working file)	

Having access to sufficient sources of information or most appropriate persons within the entity to enable a thorough assessment

Competence to Perform the Engagement		Response
Indicate the number of years of experience the engagement partner has in the entity's industry.		
Is this engagement subject to partner rotation requirements?		
Indicate the number of years of experience the engagement manager has in the entity's industry.		
	Yes/No	Other relevant information. A "Yes" response in particular should be further explained – where applicable supported by how the risk is to be mitigated to an acceptable level
<p>Does the entity have operations in any of the following high risk industries or portfolios?</p> <ul style="list-style-type: none"> <input type="checkbox"/> Banks, financial institutions <input type="checkbox"/> Insurance providers <input type="checkbox"/> Mutual funds <input type="checkbox"/> Gambling/gaming <input type="checkbox"/> Brokers/dealers <input type="checkbox"/> Real estate/construction <input type="checkbox"/> Leasing <input type="checkbox"/> Public sector not-for-profit <input type="checkbox"/> High litigation industries <input type="checkbox"/> Software development <input type="checkbox"/> Sport franchises <input type="checkbox"/> Businesses with going concern issues 		
Does the entity recognize revenue by applying complex or evolving accounting conventions?		
<p>Does the entity have significant activities related to any of the following areas:</p> <ul style="list-style-type: none"> • Acquisition accounting • Reorganization • Restructuring charges • Self-insurance • Use of derivatives • Debt covenants • Other 		

Competence to Perform the Engagement		Response
Will the engagement require the use of work of experts?		
Are there any concerns regarding the availability of professional staff to enable completion of the engagement in accordance with quality standards and in a timely manner?		
Are there any concerns regarding the partner and staff having sufficient knowledge and experience for the engagement?		
Are there any matters related to staffing the engagement which would indicate that the engagement should not be accepted or why such acceptance needs to be considered by a second partner or head of specialization?		
Are any special licenses or permits or approvals required for our staff to carry-out the engagement in the jurisdiction where the work will be performed?		

Overall Assessment

<p>Does the engagement team, including appropriate industry and specialty experts who will be part of the team, have the relevant experience and competence and sufficient available time to:</p> <ul style="list-style-type: none"> • Address the primary and other industries noted above? • Address any risks or issues noted in the above? • Reduce any competency risks associated with the engagement to an acceptable level? 		
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Compliance with Ethical Requirements	Yes/No	Other relevant information. A “Yes” response in particular should be further explained– where applicable supported by how the risk is to be mitigated to an acceptable level
Are we aware of the independence rules to be applied in this engagement?		
Has our research (including enquiry, common sense knowledge) into the ownership and broader structure within which the entity operates highlighted other entities within the ownership and affiliation structure which might be affected by the proposed engagement?		
Have we identified any potential independence-impairments with the entity and the Network that would preclude the Firm from performing the engagement?		
Have we identified any potential conflict of interest with the entity and our Network that would preclude the Firm from performing the engagement?		
<p>Is the Firm or the Network in any way connected with the entity equivalent to an employee or management? Consider:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Committing the entity to transactions <input type="checkbox"/> Having authority or custody over entity assets <input type="checkbox"/> Authority to make decisions for the entity <input type="checkbox"/> Preparing source documents for entity transactions 		
Does the Network have any business relationships, financial interests or loans with this entity?		
Are we aware of any member of the Firm’s engagement team having any potential employment with the entity, or been employed by the entity in the last 2 years?		

Compliance with Ethical Requirements	Yes/No	Other relevant information. A “Yes” response in particular should be further explained— where applicable supported by how the risk is to be mitigated to an acceptable level
Does any partner of the Firm have family or personal relationships with the entity or any direct financial or indirect financial interest in the entity?		
Does any of the Firm’s staff that will be part of the engagement have family or personal relationships with the entity or any financial interest in the entity?		
Does the Firm have any former Partner or practice staff members who are in a director/executive role or employee of the entity?		
Does the Firm have a commission contingent fee arrangement with the entity on any attest or non-attest service?		
Does the Firm have deferred credit terms with the entity or unpaid fees which extend beyond one year?		
Does the Firm deliver non-audit services to the entity in a manner that non-audit fees may exceed audit fees or be seen to impair auditor independence?		
Will acceptance of the audit engagement potentially preclude under-taking a significant assignment for another part of the Network?		
<p>Does the Firm perform ANY of the following services for the entity—for example, though not limited to:</p> <ul style="list-style-type: none"> • Bookkeeping • Internal audit • Actuarial services • Financial advisory of valuation services • Legal services • Financial information systems design and implementation • Executive recruiting • Contingent fee arrangements • Limitation of liability arrangements 		

Does the entity's audit committee have any issue regarding this engagement?		
Does the Firm have any issues with respect to meeting the independence rules of other regulatory bodies?		
Is the Firm aware of any other possible issues which require the need for further research about our independence or the need for further consultation with an Independence Specialist?		
Is the entity subject to SEC or regulatory rules?		
Is there actual or threatened significant disputes/litigation involving the entity and the Firm?		
Does this engagement involve a limitation of liability?		
Is the Firm providing litigation support or dispute analysis services to another client that might be considered to be in conflict with the interests of this entity?		

Overall Assessment

Will acceptance/continuance of this engagement create an independence violation?		
Will acceptance of this engagement create a conflict of interest?		
Please rate the independence risk?		

Please rate the potential conflict of interest risk?		
(Where applicable) Does the Independence Specialist agree with plans to reduce identified risks to an acceptable level (document in the working file)		

Additional Client Continuance Considerations	Yes/No	Other relevant information. A “Yes” response in particular should be further explained— where applicable supported by how the risk is to be mitigated to an acceptable level
Compared to the previous year, and based on your enquiries, are there any new circumstances that might impair our independence as auditors of this entity under the Firm’s policies or the applicable professional or regulatory independence requirements? Consider in particular any changes in the client’s structure, circumstances, ownership or management.		
Has the entity recently had significant and numerous acquisitions?		
Is there any indication that in the past three years, the entity requested a change in Engagement Leader or Team Manager?		
Have we had any disagreement with the entity or communicated a significant matter to the entity’s regulator?		
Has the chief executive officer or controller (or the equivalent) been replaced within the last year?		
Are there any issues related to payment of audit fees?		
Is there any issue on any imposed scope limitation?		
Are there any issues in relation to being able to adequately staff the audit?		