



## LIMITED ASSURANCE ENGAGEMENT

*[The wording in this Appendix is mandatory except for the words in red italics, which are notes and examples, and should not appear in your letter of engagement.]*

A **Limited Assurance Engagement (LAE)** is 3-way agreement between the client, an appropriately licensed independent accountant, and a specified third party, for the independent accountant to provide an objective report which is intended to provide some insight as to the accuracy of the client's financial statements, based upon a limited examination of the information supporting the financial statements.

**Important:** A LAE is not an audit. Both an audit and LAE require an appropriately qualified independent accountant to provide an objective opinion as to the accuracy of financial statements. However, an LAE is distinguishable from an audit because it is based upon a less rigorous examination of accounts and is intended (if the evidence allows) to result in the professional opinion that "nothing has come to our attention to refute the principal's confirmation that the financial statements give a true and fair view." This is in contrast to the aim of an audit, which is to produce a professional opinion that the financial statements give a "true and fair view."

A LAE is suitable for those clients who are exempt from the obligation to conduct an audit but who want a degree of independent professional verification of their financial statements, either for their own internal use or for presenting a more credible financial statement to a third party, such as a bank or an investor.

We will undertake a LAE strictly in accordance with the terms and conditions contained in this appendix to our letter of engagement.

### **Our responsibilities**

We will:

1. warrant that we hold the necessary licence to carry out a LAE.
2. contact the identified third party if practicable (if a class of persons, such as shareholders, is to rely upon the LEA this may be impracticable) to verify that we understand the full purpose, nature and extent of their intended reliance upon the LAE in the Statement of Purpose below.
3. ensure that the identified third party receive a copy of the terms and conditions contained in this appendix of our letter of engagement.

4. subject to satisfactory agreement between all parties identified in this appendix, carry out an appropriate objective assessment of the client's financial statements and the supporting accounting evidence that we deem necessary to complete the LAE.
5. tell you what supporting evidence we require to enable us to complete the LAE.
6. produce a report based upon our objective assessment. Our report may be either as described above, qualified, or withheld, as our objective assessment requires.
7. provide our services subject to applicable accounting and ethical standards;
8. withdraw from the LAE if we form the view that we are being required to breach such standards.

### **The client's responsibilities**

You will:

1. remain responsible for the maintenance and accuracy of your accounting records and financial statements.
2. inform us of the accounting basis on which your financial statements have been prepared and of any departures from this.
3. make available to us, as and when required, all accounting records and related financial information that we deem necessary for completion of the LAE.
4. voluntarily inform us of all facts and matters that it would be reasonable for you to assume would be material to our professional conclusion as to the accuracy of the financial statements.
5. inform us of the full purpose for which you require the LAE (which will be set out fully in this letter).\*
6. identify all third parties who you intend should rely upon the LAE and their full reasons for such.\*
7. not, without our written agreement, disclose the LAE report to any person unless specifically identified under Authorised Third Parties, below, or use the LAE for any purpose other than that contained in the Statement of Purpose below.\*
8. by signing this appendix, signify your agreement that the Statement of Purpose, below, is a full and accurate description of the purpose, nature and extent of your and the third party's reliance upon the LAE, and your agreement with the terms of this appendix.
9. pay our fee for undertaking the LAE, even if the resultant report is unfavourable to your interests, or withheld. This is because we have agreed to undertake the LAE but cannot guarantee to produce a favourable report.

\*This is to protect you and us. The LAE must be undertaken, and our report produced, with a particular purpose and third party's in mind. The LAE will not, therefore, be applicable to other purposes or third parties, and might be misleading in another context, leading to unintended and unmanaged liability for any resultant loss caused to third parties.

### **Third party's responsibilities**

You will:

1. if you agree that the content of this appendix fully and accurately describes the purpose, nature and extent of your reliance upon the LAE, sign and return a copy of it to us to signify your agreement with the terms of this appendix.
2. if you do not so agree, provide a full and accurate written description of the purpose, nature and extent of such reliance. We will then reissue this appendix duly amended.
3. not disclose the LAE to any non-party hereto without our written agreement.

### **Our Liability**

1. We will not be liable to third parties not listed as Authorised Third Parties.
2. The Contracts (Rights of Third Parties) Act 1999 is excluded from this agreement.
3. We will not be liable for any loss caused by inaccuracies in the LAE due to our negligence or non-deliberate breach of agreement or duty.
4. We will not be liable for indirect loss arising from our negligence or breach of agreement or duty.
5. We will not be liable to any person if the purpose, nature and extent of their reliance on the LAE is not fully and accurately recorded under Statement of Purpose, below.
6. In so far as any liability cannot be excluded by law, our total aggregate liability whether in contract or tort (including negligence) or otherwise, shall not exceed *[to be discussed and negotiated between the parties]*. (Note: it may not be possible to limit liability in relation to a company registered with the US Securities and Exchange Commission).

### **The Client's Liability**

The client will indemnify us for any loss caused to us by the client's failure to inform us as to the full nature and extent of the purpose of the LAE, or by use or disclosure of the LAE outside the scope of this agreement.

### **The Third Party's Liability**

A third party will indemnify us for any loss caused to us by the third party's failure to ensure that the Statement of Purpose is a full and accurate representation of the purpose, nature and extent of the third party's reliance upon the LAE, or by use or disclosure of the LAE outside the scope of this agreement.

### **Authorised Third parties**

1. *The Midwest Bank.*

### **Statement of purpose**

The purpose of the LAE is to

*(example)*

*support an application to the Midwest Bank for a business loan in the sum of £50,000. The contact details for the Midwest are: John Sherman, Wimslow Branch, 142 High Street, Wimslow, Berks. W17 0FH.*

*support an application to the Priory Building Society for a personal mortgage in favour of Joseph Letchman in the sum of £150,000. The contact details for the Priory are: John Sherman, Wimslow Branch, 142 High Street, Wimslow, Berks. W17 0FH.*

Signed by.....

Client

Signed by.....

Third Party

Signed by.....

Accountant

