

Beginning the audit process business letter

[Finance](#)



Dear Mr. Lancaster,

This letter is to confirm the understanding of the arrangements for the objectives and terms of the upcoming auditing procedure for Apollo Shoes, Inc.

Our firm is pleased to continue to work with your company and perform the audit of the year ending on December 31, 2011. Our PCA staff members would like to confirm the audit objectives, terms, limitations, and nature of the services provided for this engagement. The highlight of our services will cover auditing financial statements that include the income statement, balance sheets, statement of retained earnings, and the statement of cash flows. The financial audits will make sure that financial statements are presented according to General Accepted Accounting Principles (GAAP).

Since investors, creditors, managers, and government agencies use these statements, it is very important for the auditor to ensure all financial statements conform to GAAP (Arens, Elder, & Beasley, 2006). The audit team will also examine and measure the operational performance by studying specific parts of the organization and evaluate the effectiveness and efficiency of operation activities on the financial statements. Our firm will gladly provide reasonable, but not absolute, assurance services that are performed by professional auditors to enhance the credibility of internal controls, IT systems, financial statements, compliance with regulation and human resource practices. Our auditors will express conclusion reports that will enhance the confidence of users, creditors, bankers, and management. One of the assurance services provided by our firm is attestation services. “

An attestation service is a type of assurance service in which the CPA firm issues a report about the reliability of an assertion that is made by another party.

Attestation services fall in to four categories: audit of historical financial statements, effectiveness of internal control over financial reporting, review of historical financial statements, and other attestation services that may be applied to a broad range of subject matter” (Arens, Elder, & Beasley, 2006, p. 9). Our team will help to define material weaknesses in the internal controls that can occasionally create material misstatements in the financial statements. With the experience of our team, it is possible to determine whether deficiencies in the reports are significant enough to be considered material weaknesses.

The team will first work with the high-risk areas that require additional attention. These areas are sales and sales allowances, accounts receivable, inventory, expenses, property and equipment purchases. We will report our opinion after we are done with all the tests. We will discuss our opinion with you if the result is qualified opinion or if we have any concerns with continuing this engagement. Auditors will obtain documentary evidence to support their testing for the internal control and the examination of all transactions to verify the sufficiency of the information.

Our team will need to gain an understanding of your control structure and perform assessments to determine any control risks. However, auditors are not responsible for providing assurance on internal control or identifying significant deficiencies. In addition, auditors are not responsible for detecting

errors or frauds that are immaterial to the financial statements. Auditors can provide a detailed examination of all transactions that are performed under a high risk of material errors and can notify the audit committee if any significant deficiencies are deducted.

Apollo's management is responsible to maintain effective internal control over financial reports and make sure the company complies with the laws and regulations. Our team demands that the management provide us with all financial records and related information. We will require that your management team provide us with a letter to confirm management responsibility for the preparation of a financial statement in conformity with GAAP and provide all information necessary in a timely basis for our audit process.

The timing of the auditing process and the schedules are listed below for your review. The timely completion of this work will be at the end of our audit work. Our firm's fees of the auditing process are to be estimated on a base of hourly rates. Our initial estimate of total fees, \$250, 000. 00, will be billed as work progresses. In the case of unusual circumstances, the fees may be adjusted to the new expansion of the engagement. Unless terminated, amended or otherwise superseded, this letter remains effective for the future years.

If your company agrees to the terms and conditions of this engagement, we would like to ask you to sign this letter and return it to us and keep a copy for your references. We appreciate providing you with our services.