

# NINJA NOTES

Auditing & Attestation 2026



**Engagement Acceptance**

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# Engagement Acceptance

## Audit Stages

- **Pre-Engagement Acceptance Activities** → **Engagement Letter** → Audit Strategy & Planning → Internal Control Evaluation → Substantive Procedures → Audit Completion → Report Preparation and Communication → Post-Audit Responsibilities & Audit Quality Management

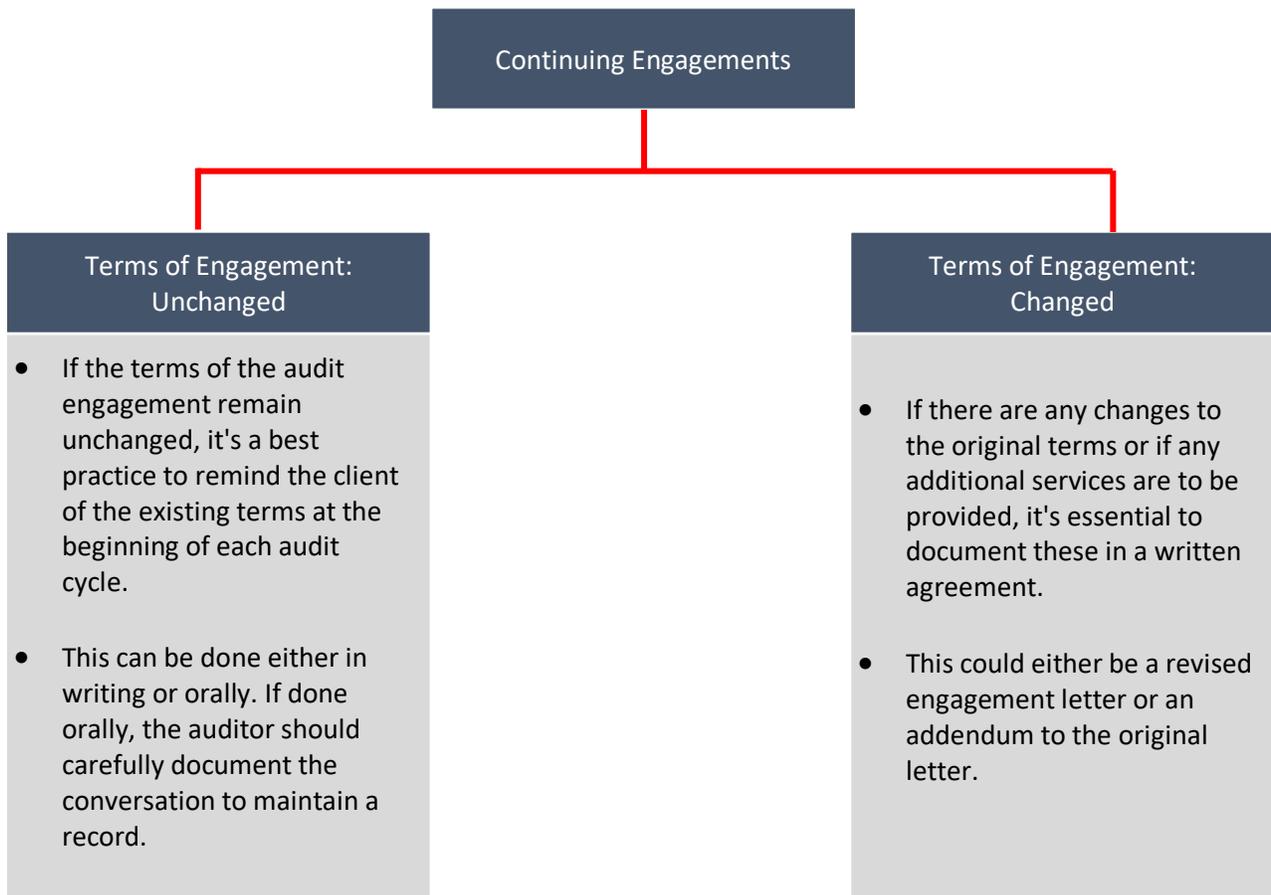
## Pre-Engagement Acceptance Activities & Engagement Letter

- Pre-Engagement Acceptance Activities
  - Receive an Appointment
  - Assessment of Auditor's Capability
    - Auditor must ensure they are independent and adhere to all relevant ethical rules of conduct.
    - Auditor should ascertain they have the necessary time and resources to finish the audit
    - Auditor should ensure that the audit team possesses the skills and personnel required to complete the engagement effectively.
  - Assessment of the Client's Auditability
    - The auditor should evaluate the integrity and credibility of the management team.
    - Determine whether the Financial Reporting Framework utilized by the client is acceptable and aligned with standards.
    - The client must acknowledge responsibility for Financial Statements and Internal Control.
    - The client should guarantee that the auditor will have access to financial statement information, any additional information required, and unrestricted access to relevant personnel.
  - Communicate with the Predecessor Auditor
    - Communication with the predecessor auditor before accepting the engagement is a mandatory activity
    - Communication with Predecessor Auditor would be as follows:
    - The auditor should seek management authorization to communicate with the Predecessor Auditor.

- Topics of Discussion
  - Reasons for Change
  - Integrity of Management
  - Past Audit Disagreements or Disputes
  - Communications with the Audit Committee
  - Related Party and Unusual Transactions
- Engagement Letter
  - It's mandatory to have a written understanding in form of the Engagement Letter with the client.
  - Components of the Engagement Letter
    - Parties to Agreement
      - Auditor
      - Management
      - Those Charged with Governance
    - Objectives and Scope of Audit
    - Management's Responsibilities
      - Financial Statements and Internal Controls
      - Access
      - Written Representations
    - The Auditor's Responsibilities
      - Opinion on Financial Statements
      - Communication of any significant deficiencies or material weaknesses in the company's internal controls.
    - Limitations of Audit
    - Form of the Audit Report

- Fees and Other Arrangements
  - Fees Structure
  - Additional Services
  - Involvement of Specialists and Internal Auditors
  - Confidentiality

## Continuing Engagements



## Client Request for a Change in the Terms of Engagement

- Reasonable Request
  - The subsequent report issued on the altered service should not make any reference to:
    - The original audit engagement.
    - Any audit procedures or tasks conducted during the original audit engagement.
- Unreasonable Request
  - Decline any change in the engagement terms. In the instance of an Unreasonable Request, the auditor should do the following:
    - Withdraw from the Engagement
    - Communicate the reasons for withdrawal and their concerns to those charged with governance.
    - Obligation to Inform other stakeholders or regulatory bodies about their withdrawal and the reasons for it.