

***ISA-ES 210 SAMPLE ENGAGEMENT LETTER (first year of engagement)***  
***Adapted to the REVISED ISA-ES (Resolution of 23 December 2016)***

Date ***(prior to starting the field work)***

Name of the audited entity  
Address

Addressed to the management's representative or those responsible for the governance of entity ABC:

**1- [Purpose and scope of audit]**

You have requested that we audit, for a period of three years (*initial appointment between 3 and 9 years if a statutory audit is required*), the annual accounts (*or, where appropriate, financial statements or accounting documents*) of entity ABC comprising the balance sheet, income statement, statement of change in equity and cash flow statement for the years ended the XXX of XXX of financial years X, X+1 and X+2, and the notes to the financial statements (*or, where appropriate, a summary of significant accounting policies and other explanatory information*).

We are pleased to confirm in this letter that we accept the audit engagement and understand its contents. We will perform our audit with the aim of expressing a technical opinion on the annual accounts (*or financial statements or accounting documents*).

At the end of each year's audit, we will issue an audit report containing our technical opinion on the audited annual accounts (*or, where applicable, financial statements or accounting documents*) and an opinion on the consistency between the accounting information contained in the management report and the annual accounts and whether the content and presentation meet the requirements of the applicable regulations (*the management report is omitted when the entity is not required to prepare one or, as the case may be, when financial statements or accounting documents are audited; it must also be adapted for cases where other information is presented in addition to the management report, i.e., Public Interest Entity; cases where entity is obligated to file a Statement of Non-Financial Information; or where the proposed allocation of profit(loss) is presented in a separate document*).

## 2- [Auditor's Responsibilities]

We will conduct our audit in accordance with the laws in force and with current Technical Auditing Standards published by the Spanish Accountancy and Auditing Institute. These standards require that we be independent and that we adhere to the ethical requirements that apply to audits.

The object of our audit is to plan and perform the audit in such a way as to obtain reasonable assurance that the annual accounts (*or, where appropriate, financial statements or accounting documents*) are free from material misstatements (reasonable assurance is a high level, but it does not guarantee that an audit carried out in accordance with the regulations governing the auditing profession in Spain will always detect a material misstatement when it exists). An audit requires that procedures be applied to obtain evidence of the amounts and the information disclosed in the annual accounts (*or, where appropriate, financial statements or accounting records*). The procedures are selected at the auditor's discretion, including the assessment of the risk of material misstatements in the annual accounts (*or, where appropriate, financial statements or accounting documents*) due to fraud or error. An audit also includes evaluating the appropriateness of the accounting policies applied and the reasonableness of the accounting estimates used by management, as well as evaluating the presentation of the annual accounts taken as a whole (*or, where appropriate, financial statements or accounting records*).

Because of the inherent limitations of an audit and the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected even if the audit is properly planned and conducted in accordance with the auditing standards.

Although an effective internal control structure reduces the likelihood that risks of fraud or error may go undetected, it does not eliminate the possibility altogether. Therefore, and because our examination is based primarily on selected audit procedures chosen at the auditor's discretion, including the assessment of the risk of material misstatement in the annual accounts (*or, where appropriate, financial statements or accounting records*), we cannot provide assurances that all fraud or error, if it exists, will be detected.

Furthermore, audits are not specifically aimed at detecting fraud of every kind and amount that may have been committed. Therefore, this cannot be one of its expected outcomes. However, auditors should plan the examination considering the possibility of errors or fraud that can have a material effect on the annual accounts (*or, where appropriate, financial statements or accounting records*).

In making our risk assessments, we consider internal controls relevant to the preparation of the entity's annual accounts (*or, where appropriate, financial statements or accounting records*) to design audit procedures that fit the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. However, we will report to you in writing any significant internal control weaknesses relevant to the audit of the annual accounts (*or financial statements or accounting records*) identified during the performance of the audit.

The potential effects of inherent limitations on the auditor's ability to detect material misstatements are greater with respect to future events or conditions that may cause an entity to cease operating. The auditors cannot predict such future events or conditions. Therefore, the fact that the audit report does not mention any uncertainty regarding the entity's continuity as a going concern cannot be considered a guarantee of the entity's ability to continue operating as a going concern in the future. However, the auditor will pay attention to those situations or circumstances that may raise significant doubts about the continuity of the entity's normal operation to decide whether they are sufficiently disclosed in the notes to the annual accounts so that the user of the annual accounts has information about the risks and uncertainties faced by the entity. To that end, if there is material uncertainty as to the entity's ability to continue as a going concern, even if the related information is appropriately disclosed in the report, our report will include a separate section titled "**Material uncertainty related to the going concern principle**" which will draw attention to the pertinent information in the report on the annual accounts.

According to auditing regulations, our report will include a description of the "**Key audit matters**", if the entity is a Public Interest Entity (PIE); or the "**Most relevant aspects of the audit**", if the entity is not a PIE, which will discuss the most significant risks of material misstatement and how they have been dealt with in the audit and in the course of the work; but we will not express a separate opinion on these issues.

According to auditing regulations applicable in Spain, our report will include a separate section on **other disclosures**, which will refer exclusively to the **Management report** if the entity is obliged to prepare it (*adjust for cases where other information besides the Management report is presented, i.e., Public Interest Entities; cases where the entity is obligated to formulate a non-financial disclosure statement; or where the proposed allocation of results is presented in a separate document*). Our report insofar as the management report is concerned will discuss the conclusions reached as to whether the information it contains is consistent with the information in the annual accounts and whether its content and presentation are in accordance with the applicable regulations (*adapt for cases where other information is presented that is only subject to ISA-ES 720 R procedures and other information that will be only be mentioned as having been prepared*).

Working papers prepared in connection with the audit are owned by the auditor. They constitute confidential information and will be retained by us as required by auditing standards. Likewise, in keeping with the duty of secrecy established in those regulations, we agree to keep all the entity's information obtained while conducting our audit strictly confidential as established in article 31 and 32 of the Accounting Audit Law (LAC 22/2015).

Moreover, in performing our work we will remain independent, objective and professionally sceptical throughout the audit, using our professional judgment in this regard as required by auditing regulations.

To provide the services covered by this engagement letter, we are authorised to disclose confidential information, including tax information, to experts within our organization on different topics as needed, with the obligation of professional secrecy extending to such experts.

(For PIE audits) Pursuant to the provisions of Article 36 Auditing Law, we will prepare and submit to the Audit Committee (or to the body within the entity that performs equivalent functions) a separate report in addition to the audit report in keeping with the provisions of Article 11 of European Regulation (EU) No. 537/2014 of 16 April.

### **Data Protection**<sup>1</sup>

Pursuant to the terms of current data protection laws, in particular Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 and Organic Law 3/2018 of 5 December on the Protection of Personal Data and digital rights guarantees, the contracting parties are responsible for complying with the obligations incumbent on them arising from the aforementioned legislation.

Regarding the personal data obtained by XXX (*insert name of auditor or auditing firm*) when this contract is signed, you are hereby informed by XXX that the data will be stored in a file which XXX is responsible for processing. The purpose of processing is to manage the services regulated in this agreement. No personal data will be disclosed to third parties unless there is a legal obligation to do so and will only be processed by each of the parties for managing the relationships arising out of this agreement. Given the purpose of the processing, the data of contact persons will be remaining on file until the data subject withdraws his/her consent and, in any case, for as long as required by law.

Regarding the personal data of the users of YYY (*audited entity*) that are disclosed to XXX for the provision of the services regulated in this agreement, XXX (the *auditor or auditing firm*) will be considered the data controller in respect of such data. XXX undertakes to process such data for the sole purpose of effectively rendering the contracted services and complying with its legal obligations as an auditor. The data will be kept on file for as long as required by applicable law and will not be disclosed to third parties unless required by law.

Data subjects may exercise their rights of access, rectification, opposition, deletion, restriction of processing and data portability by sending a written request to the addresses indicated in this agreement. We also confirm that we do not make automated individual decisions with your data.

Both XXX and YYY must comply with the obligations incumbent upon them under the data protection laws in force and must adopt the appropriate security measures and implement the appropriate procedures and measures to respond in a timely manner to the request of data subjects to exercise their rights.

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<sup>1</sup> This guidance was prepared considering the AEPD's response to the query submitted by CGEE following the entry into force of the EU General Data Protection Regulation 2016/679 (GDPR). This proposal is not intended to replace specific advice on this matter for the preparation of the engagement letter, the auditor being responsible for how it is used.

If either party receives a request from a data subject to exercise his or her legal rights, it will inform the other party immediately.

The data referred to herein are confidential pursuant to the professional secrecy obligation regulated, inter alia, in Law 22/2015 of 20 July on Account Auditing, without prejudice to any other legal requirements to comply with the orders or resolutions of governmental or regulatory authorities or the decisions of courts or control bodies.

We will only keep the data that are strictly necessary, in accordance with the provisions of Law 22/2015 of July 20 on Auditing of Accounts, to justify the provision of our professional services until the statute of limitations expires.

Each party will indemnify and hold the other harmless from possible breaches in connection with the protection of personal data.

For more information on how XXX treats personal data, please refer to our Privacy Policy (*include link to privacy policy*).

**3- [Management's responsibilities and identification of the applicable financial reporting framework]** (*for this model, it is assumed that the auditor has determined that the legal or regulatory provisions do not adequately describe the responsibilities; therefore, the descriptions in paragraph 6(b) of ISA-ES 210 are used*).

We will conduct our audit on the premise that [management and, where appropriate, those responsible for corporate governance] recognise and understand that they are responsible for:

(a) The preparation and fair presentation of the annual accounts (*or, where appropriate, financial statements or accounting documents*) in accordance with the applicable financial reporting framework.

Insofar as the preparation of the annual accounts is concerned, the directors are responsible for assessing the entity's ability to continue operating as a going concern. To that end, they will disclose any uncertainties that may exist in this regard, as appropriate, and will apply the principle of a going concern unless the directors intend to liquidate the entity or cease operations, or there is no other more realistic alternative.

(b) The preparation of the management report (*and, where applicable, the statement of non-financial information*) in accordance with the regulations that apply to the entity, which based on the information you have provided is that established in article 49 of the Commerce Code, article 262 of the Consolidated Text of the Capital Companies Act (*as well as article 540 of the aforementioned Consolidated Text of the Corporations Act for listed companies*) and other commercial legislation.

(c) Such internal controls as management deems necessary to prepare annual accounts (*or, where appropriate, financial statements or accounting records*) that are free from material misstatements due to fraud or error; and

(d) Providing us with:

- (1) access to all information known to [management] that is relevant to the preparation of the annual accounts (*or, where appropriate, financial statements or accounting documents*), such as records, documentation and other materials;
- (2) additional information we may request from [management] for audit purposes; and
- (3) unlimited access to persons within the entity from whom we deem it necessary to obtain audit evidence.

We look forward to the full cooperation from your employees during our audit.

The financial reporting framework applicable to the preparation of annual accounts (*or, where appropriate, financial statements or accounting documents*) is XXX (*identification of the applicable financial reporting framework*).

When the entity has a supervisory body that oversees the preparation of financial information that is different from the body that prepares the accounts or other financial statements, such the audit committee of a public interest entity, both corporate bodies should be identified.

The auditing standards require that we obtain a representation letter on the annual accounts (*or where appropriate, financial statements or accounting documents*). Therefore, as part of our audit process we will request from [management and, where appropriate, those responsible for corporate governance] written confirmation, addressed to us, with the representations made in connection with the audit, as laid out in the auditing standards in general and in ISA-EN 580, Written Representations, in particular. The results of our evidence-gathering, the responses to our inquiries and the management representations letter are the basis for expressing an opinion on the annual accounts (*or financial statements or accounting documents*).

If you intend to publish the annual accounts (*or where appropriate, financial statements or accounting documents*) together with our audit report in a document containing other information, you undertake to: (a) provide us with a draft of the document for review, and (b) obtain our consent to include our audit report in the document before the document is published and distributed.

Management (or directors) will make a draft of the annual accounts (*or where appropriate, financial statements or accounting documents*) and any other information available to the auditor in a timely manner and well enough in advance of the date of the audit report for the auditor to complete the audit according to the proposed timetable.

Management (or the directors) will inform the auditor of any events which could affect the annual accounts (*or, where appropriate, financial statements or accounting documents*) and

which come to their attention during the time between the date of the audit report and the publication date of the annual accounts (or, where appropriate, financial statements or accounting documents).

You are responsible for the information you provide us to perform our work. Consequently, you expressly release us from any liability for damages arising from false or inaccurate information provided to us by the entity's management or directors.

#### **Regulated entities (if applicable)**

Because this is an entity subject to special supervision as described in the regulations governing the accounting profession in Spain, you are aware that in certain cases we must issue an additional report besides the audit report, addressed to the supervisory and control body.

In addition, the entity is aware that the auditors *are obligated to promptly notify public bodies or institutions in writing of any information relating to the audited entity or institution which comes to their knowledge while conducting the audit in those cases referred to in Article 12.1 of Regulation (EU) No 537/2014 of 16 April.*

Likewise, pursuant to the Seventh Additional Provision of Law 22/2015 of 20 July on Auditing of Accounts, if within one week of delivering our report on the audit of the annual accounts we do not have evidence that the report has been forwarded by you to the supervisory body, we must send it directly to the supervisory body ourselves.

#### **4- [Reports]**

Upon completion of the audit, we will issue our report with our technical opinion on the audited annual accounts (*or, as the case may be, financial statements or accounting documents*), on the consistency between the accounting information in the Management report and whether the content and presentation of the report complies with the applicable regulations (*adapt for cases where other information is presented in addition to the Management report, i.e. Public Interest Entity; cases where the entity is obligated to file a Statement of Non-Financial Information; or where the proposed allocation of profit(loss) is presented in a separate document*).

In addition, we will inform the management of any significant weaknesses identified in the evaluation of internal controls. We will also comply with the communication requirements contained in the ISA-ES.

The minimum structure and content of the audit report established in the regulations governing the auditing profession (ISA -ES 700 (R) and ISA-ES 701) is as follows:

- a) Identification of the audited entity, the annual accounts (*or financial statements or accounting documents*) being audited, the regulatory framework for financing reporting that was applied to the preparation, the natural persons or legal entities who commissioned the work and, where applicable, the persons for whom it is intended.

b) A general description of the scope of the audit, with reference to the auditing standards according to which the audit was carried out and, where applicable, the procedures provided for therein which it was not possible to apply because of limitations arising during the audit.

c) An opinion in which the auditors clearly and precisely express a technical opinion as to whether the annual accounts of the financial year offer a true and fair view of the assets and financial position of the audited entity at the end of the financial year, as well as the results of its operations and, where applicable, the cash flows for the financial year ended on that date, in accordance with the applicable financial reporting framework. The opinion may be favourable, reserved, unfavourable or denied.

d) A section titled "Basis for Opinion" will be included, stating that the audit was carried out in accordance with International Auditing Standards Adapted for Spain (IAS-ES), including a statement on the auditor's independence in relation to the entity and confirmation that the evidence obtained provides enough and adequate basis for its opinion.

e) A description of the *Key Audit Matters*, if the entity is a PIE; or *Most Relevant Aspects of the Audit*, if it is not a PIE, disclosing the most significant risks of material misstatements and the auditor's response to those risks.

f) An opinion as to whether the Management report (Other Information) is consistent with the accounts for the same financial year and whether the content and presentation meets the requirements of the applicable regulations, if the Management report is enclosed with the annual accounts. *We will also (where applicable) indicate whether the statement of non-financial information as well as certain information included in the Annual Corporate Governance Report, as defined in article 35.2. b) of the Account Auditing Act 22/2015, are provided in the Management report or whether there is a reference in the ACGR to a separate report on non-financial information in the manner provided for in the regulations.*

g) Information will be provided on the responsibilities of the auditor or audit firm, including the purpose of the work which is, inter alia, to issue an audit report with an opinion on the accounts as a whole.

(h) A description of the responsibilities of the audited entity's Management in relation to the preparation of the annual accounts will be included.

i) For PIEs, the audit report will include an additional section titled "Report on other legal and regulatory requirements", which will contain three different sections on the additional report for the audit committee, the contractual period and services rendered, in accordance with ISA-ES 700 (R).

j) Date and signature of the auditor(s) who performed the audit.

This structure will be reflected in the independent auditor's report on the annual accounts (*or where appropriate, financial statements or accounting documents*) as follows:

✓ Report on the annual accounts

- Opinion [ may be unqualified or modified (qualified adverse or disclaimer opinion)].
- Basis for opinion [unqualified or modified (qualified, adverse or disclaimer of opinion)].
- Material uncertainty related to the going concern principle (if any).
- Emphasis of matter paragraph (*if applicable*).
- Most relevant aspects of the audit (Key audit issues, *in the case of EIPs*).
- Other information: Management report (*Other information, if there is additional information besides the Management report, i.e., Public Interest Entities; cases where the entity is obligated to draft a Statement of Non-Financial Information; or where the proposed allocation of results is presented in a separate document*).
- Paragraphs on other matters (*if any*).
- The directors' responsibilities in relation to the annual accounts (responsibilities of the directors and the audit committee for the annual accounts, *in the case of EIPs*).
- The auditor's responsibility in relation to the audit of the annual accounts.

✓ Report on other legal and regulatory requirements (*in the case of PIEs*):

- Additional report for the audit committee.
- Engagement period
- Services rendered

Therefore, the structure and content of our report may need to be modified based on our audit findings.

XXX

The audit report will be issued in accordance with the audit regulations and this audit engagement letter signed by the parties. The failure to issue an audit report or the refusal to continue with the audit engagement may only occur if there is just cause and under any of the circumstances contained in the auditing regulations (articles 5.2, 22 and 40 LAC and implementing regulations).

***(Applicable to mandatory audits subject to the Law of Companies only)***

Our audit report will be delivered to you before the date of the announcement of the General Shareholders' Meeting where the approval of the annual accounts is to be included on the agenda, provided that we have obtained evidence that the accounts and, where applicable, the Management report have been prepared (*adapt for cases where other information besides the Management report is presented, i.e., Public Interest Entities; cases where the entity is obligated to issue a non-financial disclosure statement; or where the proposed allocation of results is presented in a separate document*) by the members of the governing by the deadline laid down in article 270.1 of the Corporations Act (LSC), and we have been able to complete our work prior to that date.

To that end, ABC, S.A. will notify us well enough in advance of the scheduled date of the General Shareholders' Meeting at which the annual accounts are to be approved. We will also inform you of any significant incidents during the work that could result in our report being delayed.

As you know, the Entity must file its annual accounts and Management report at the Commercial Registry within one month of being approved at the General Shareholders' Meeting (*adapt for cases where other information besides the Management report is presented, i.e., Public Interest Entities; cases where the entity is obliged to issue a non-financial information statement; or where the proposed allocation of results is presented in a separate document*). The General Meeting must be held within six months of the close of the financial year.

If it is not possible for us to complete our audit for reasons not attributable to the auditors by the legal deadline for holding the General Shareholders' Meeting, unless you inform us that there will be a delay in holding the General Shareholders' Meeting and ask us to delay issuing our report, under current legislation we must issue our audit report on the annual accounts with limitations to the scope.

***[Applicable to voluntary audits]***

According to the information provided to us, the entity is not obligated by law to have its annual accounts audited. Consequently, based on this information, it is our understanding that the goal of ABC, S.A. in engaging our services as auditors is to have an audit report on their accounts for internal use by management and to instill a greater degree of confidence in third parties insofar as the annual accounts are concerned.

Consequently, we have been asked to deliver our audit report no later than the XX of XXXX 20XX. This commitment is contingent upon obtaining evidence of the formulation of the annual accounts by the members of the governing body by the deadline established in article 270.1 LSC and being able to complete our work prior to that date.

In this regard, ABC, S.A. undertakes to notify us sufficiently in advance (not less than one month) of any change in the delivery date of the report. We will notify you in writing of any significant incidents during our work that may result in our report being delayed or the manifest impossibility of issuing a report.

**5- [Other relevant information]**

*[This section is for other information such as agreements on fees, invoicing and other special conditions, if any].*

**Fees and invoicing**

Our fees for auditing annual accounts depend on the amount of time needed to do the work and the hourly rates charged by our auditors or our firm.

The fee for auditing the accounts for the financial year ended XXX XXX XXX XXX, is XXX euros. This amount does not include expenses incurred by us on your behalf or VAT (*optional*: "and the audit fee").

The following assumptions were used to prepare this estimate:

- The entity will provide us with its annual accounts (*or, where appropriate, financial statements or accounting documents*) duly prepared by the Directors (*or, where appropriate, management, and where appropriate, those responsible for corporate governance*) by the deadline established for this purpose under current commercial law.
- The entity will collaborate in the performance of certain tasks such as accounts analysis, reconciliation of balances, verification and record searches, etc. This work, as well as the confirmation request letters that we select, will be provided by the deadline set by mutual agreement.

If during the performance of our work we observe changes in the underlying circumstances forming the basis of this agreement, such as mergers, takeovers, changes in corporate purpose, changes in turnover or net worth, changes in accounting criteria, errors in details that we have requested, changes in the accounting system and similar changes, we will notify you explaining the reasons why we must adjust the estimated fees based on the number of hours that will be required due to the changes.

This estimate will be valid if the underlying current circumstances forming the basis of this agreement remain unchanged. If at a later date we obtain additional evidence, or the accounts are modified, then according to the provisions of Article 270.2 of the Corporations Act we must amend our report accordingly and issue an invoice for the additional fees.

*(For multi-year contracts)* For each successive financial year, our hourly audit fees, based on the total amount indicated for financial year X, will be adjusted by a percentage equivalent to the change in the consumer prices index for the service sector (excluding rentals).

The fee payment schedule is as follows:

- ... % of total when starting the work.
- ... % at the end of the fieldwork.
- ... % upon delivery of the reports.

**Possible limitations on first audit** (*if it is the first audit*)

According to Auditing Standards ISA -ES 510 (R) Initial Audit Engagements - Opening Balances and ISA-ES 710 Comparative Information - Corresponding Figures and Comparative Financial Statements, the auditor must obtain sufficient and adequate evidence that the opening balances do not contain fraud or errors that could materially affect the annual accounts for the current



period. Therefore, notwithstanding any limitations on the scope of the audit that may arise in the course of our examination of the annual accounts (or, if applicable, financial statements or accounting documents) of the entity at XXX XXX XXX XXX, considering that financial year XXX-1 (prior year) was not audited by us or by other auditors (if this is the case), our audit of ABC's annual accounts (or, where appropriate, financial statements or accounting records) for the financial year may involve a number of technical limitations which could have an effect on our audit report if it is not possible to obtain audit evidence by applying alternative procedures.

*Example (Opening inventories)*

*The attendance or observation by the auditor when the physical inventory of opening stocks is taken by the entity's employees is a mandatory audit procedure (according to generally accepted auditing standards) if the amount of the inventory represents a significant percentage of the total amount of the entity's assets, equity and results obtained, which is the case here. Since we were engaged as auditors after the close of financial year XXX-1, we were not present when the physical inventory of your opening stocks was taken on XXX XXX XXX-1, and this could result in significant limitations on the scope of our examination.*

**Work schedule and delivery deadlines**

We will now inform you of our plans regarding the scheduling and performance of the audit.

The proposed timetable for the performance of the work is as follows:

<u>Months</u>	<u>Brief description of the work</u>
XXX	XXX

*Example*

*December/January - Work begins, planning the audit and evaluating internal control systems.  
 February/March - Circularization, compliance testing, etc.  
 April/May - Balance testing and discussion of reports.*

The report will be issued and delivered to the entity in such a way as to ensure that it fulfils the purpose for having the accounts audited. The deadline is the date of the announcement of the General Shareholders Meeting where the annual accounts will be approved, as established in the Capital Companies Act (or other regulations affecting the audited entity).

However, if during the work we detect the existence of circumstances not attributable to us (the auditors) which could affect the issue date of the report, this will be detailed in a letter that we will send to you indicating the circumstances and the possible effects on the issue date of the audit report.



### **Modification of the terms of the order**

According to the provisions of the auditing regulations, the terms of the audit engagement can only be modified if there is reasonable justification for doing so.

If we are asked before completing our audit to convert the audit assignment into one that offers a lower degree of security, we must consider the requirements of articles 5.2, 22 and 40 LAC and implementing regulations, specifically the provisions of the corresponding articles of the Developing Regulations of the Law.

If the terms of this engagement are modified, we will include the new terms in a new engagement letter.

### **Appointment of auditors**

*(For voluntary audits)* Under current law, the entity is not required to be audited. Consequently, the appointment and hiring of auditors is voluntary, at the directors' discretion. Therefore, it is not necessary for the General Meeting to appoint auditors or to register the appointment in the Commercial Registry.

*(For mandatory audits)* You are reminded that according to the Revised Text of the Capital Companies Act, the entity's General Shareholders' Meeting (or, as the case may be, assembly or equivalent body) must appoint an auditor during the year, before the end of the financial year to be audited, that is, before the XXX of XXX of XXX, for a certain period of time not less than three years or more than nine years from the start date of the first financial year to be audited. The auditors may be re-elected by the General Shareholders' Meeting for maximum periods of three years once the initial period has expired (*see possibility of tacit renewal, article 22 and implementing regulations*).

### **Previous Auditor (if applicable)**

According to the Auditing Standard on the relationship between auditors published by ICAC, when a change of auditors occurs, the new auditor may base part of its work on the work of the previous auditor. This is the case of asset balances from previous years, opening inventories, non-current liabilities, treasury stock, valuation criteria and uniformity of application, etc.

If such a procedure were deemed necessary, we would contact the previous auditors to consult and review their working papers for the annual accounts for the period ended XXX of XXX of X-1.

### **Engagements for consolidated annual accounts (when the engagement comes from CCAACC)**

You have requested that we audit, for a period of XXX years, the consolidated annual accounts (*or, where appropriate, financial statements or accounting documents*) of ABC comprising the consolidated balance sheet, consolidated income statement, consolidated statement of change in



equity and consolidated cash flow statement for the years ended the XXX of XXX for financial years X, X+1 and X+2 (or, where appropriate, a summary of significant accounting policies and other explanatory information). We are pleased to confirm in this letter that we accept the audit engagement and understand its contents. We will conduct our audit to express a technical opinion on the consolidated annual accounts (or, where appropriate, consolidated financial statements).

*(Explanatory note: Add the word consolidated, when annual accounts appear in the engagement letter.)*

Please sign and return the attached copy of this letter to indicate that you are aware of and accept the agreements regarding our audit of the annual accounts (or where applicable, financial statements or accounting documents), including our respective responsibilities.

We would like to thank you for considering us for the provision of the professional services described above.

Sincerely,

*Name of Auditor/Audit Entity*

*Name and partner auditors*

Received and accepted by

*On behalf of entity ABC*

*(Signed)*

*Name and title*

*Date*

#### **Other aspects to consider**

- *The issues indicated in paragraph A24 of ISA-ES 210 may also be included in the engagement letter.*
- *When a contract in force from an earlier date does not make provisions for the data protection clause in this model, **Annex 1** can be added as an "addendum" or "update" to the contract.*
- ***Annex 2 can be enclosed** with the sample letter updating the audit fees for recurring audits.*

**CNyP y Departamento Técnico**

**REA Auditores del CGEE**

## Annex 1

### SAMPLE LETTER UPDATING THE DATA PROTECTION CLAUSE FOR EXISTING AUDIT CONTRACTS

Date (prior to commencement of work)  
Name of the audited entity  
Address

Addressed to the management's representative or those responsible for the governance of entity ABC:

Dear sirs:

We are writing to you regarding the agreement reached in the engagement letter dated \_\_\_\_\_ to perform the audit of the annual accounts of ABC for the financial years ending on the XXX of XXX of the years X, X+1 and X+2.

Under current data protection laws, we are obligated to modify the section on Data Protection contained in our engagement letter dated \_\_\_\_\_.

The enclosed document includes the new section that replaces the previous one, which we trust will meet your approval, in which case we ask you to sign and return a copy of this letter to us.

The other terms and conditions of our engagement letter dated \_\_\_\_\_ remain unchanged<sup>2</sup>, except for our fees which are contained in a separate "updated fee letter".

Sincerely,

*Name of Auditor/Audit Entity  
Name and partner auditors*

Received and accepted by

*On behalf of the entity ABC  
(Signed)  
Name and title  
Date*

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<sup>2</sup> Consider whether to mention the Statement of Non-Financial Information or any other aspect mentioned in the model Engagement Letter that does not appear in the original Engagement Letter.

## DATA PROTECTION SECTION OF THE ENGAGEMENT LETTER

### Data Protection

Pursuant to the terms of current data protection laws, in particular Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 and Organic Law 3/2018 of 5 December on the Protection of Personal Data and digital rights guarantees, the contracting parties are responsible for complying with the obligations incumbent on them arising from the aforementioned legislation.

Regarding the personal data obtained by XXX (*insert name of auditor or auditing firm*) when this contract is signed, you are hereby informed by XXX that the data will be stored in a file which XXX is responsible for processing. The purpose of processing is to manage the services regulated in this agreement. No personal data will be disclosed to third parties unless there is a legal obligation to do so and will only be processed by each of the parties for the purpose of managing the relationships arising out of this agreement. Given the purpose of the processing, the data of contact persons will be remaining on file until the data subject withdraws his/her consent and, in any case, for as long as required by law.

Regarding the personal data of the users of YYY (*audited entity*) that are disclosed to XXX for the provision of the services regulated in this agreement, XXX (the *auditor or auditing firm*) will be considered the data controller in respect of such data. XXX undertakes to process such data for the sole purpose of effectively rendering the contracted services and complying with its legal obligations as an auditor. The data will be kept on file for as long as required by applicable law and will not be disclosed to third parties unless it is required to do so by law.

Data subjects may exercise their rights of access, rectification, opposition, erasure, restriction of processing and data portability by sending a written request to the addresses indicated in this agreement. We also confirm that we do not make automated individual decisions with your data.

Both XXX and YYY must comply with the obligations incumbent upon them under the data protection laws in force and must adopt the appropriate security measures and implement the appropriate procedures and measures to respond in a timely manner to the request of data subjects to exercise their rights.

If either party receives a request from a data subject to exercise his or her legal rights, it will inform the other party immediately.

The data referred to herein are confidential pursuant to the professional secrecy obligation regulated, inter alia, in Law 22/2015 of 20 July on Account Auditing, without prejudice to any other legal requirements to comply with the orders or resolutions of governmental or regulatory authorities or the decisions of courts or control authorities.

We will only keep the data that are strictly necessary, in accordance with the provisions of Law 22/2015 of 20 July on Account Auditing, to justify the provision of our professional services until the statute of limitations expires.

Each party will indemnify and hold the other harmless from possible breaches in connection with the protection of personal data.

For more information on how XXX treats personal data, please refer to our Privacy Policy (*include link to privacy policy*).

**SAMPLE AUDIT FEE UPDATE LETTER**  
**(Recurring audits)**

Date (prior to commencement of work)

Name of the audited entity

Address

Addressed to the management's representative or those responsible for the governance of entity ABC:

Dear sirs:

We are writing to you regarding the agreement reached in the engagement letter dated \_\_\_\_\_ to perform the audit of the annual accounts of ABC for the financial years ending on the XXX of XXX of the years X, X+1 and X+2.

According to the terms of the "Other relevant information" section of the engagement letter, we estimate that our fees for the performance of the audit of the annual accounts for the \_\_\_\_ financial year will be \_\_\_\_\_ euros. This estimate is based on (explain the reason for the increase: change of circumstance and/or rate adjustment).

The other terms and conditions of our engagement letter dated \_\_\_\_\_ remain unchanged.

We trust that the estimate of our fees for the performance of the audit of the annual accounts for the \_\_\_\_ financial year will meet your approval, in which case we ask you to sign and return a copy of this letter to us.

Sincerely,

*Name of Auditor/Audit Entity*

*Name of partner-auditor*

Received and accepted by

*On behalf of entity ABC*

*(Signed)*

*Name and title*

*Date*