

PROFESSIONAL RISK MANAGEMENT BULLETIN

Technical Bulletin
Managing the professional liability of accountants (N1)
(Issued July 1999)

Appendix IV - Specimen Client Authorisation Letter To Allow Access To Client Confidential Information

Director(s)
Client Limited
(Address)

Dear Sir(s)

We refer to the proposed [describe transaction: e.g. "sale of the ordinary shares of your subsidiary, Subsidiary Limited, to Purchaser Limited"]. We have been requested to allow Purchaser Limited and/or Investigating Accountants & Co access to our working papers relating to our audit(s) [currently in progress] of the accounts of Subsidiary Limited for the year(s) ended [31 December 19XX] ("the Audit Papers") and the taxation computations as submitted to and/or agreed with the Inland Revenue Department for each of the last [___] years and copies of the correspondence and related documents between us and the Inland Revenue Department in respect of the computations ("the Taxation Papers-), in connection with the proposed [transaction]. We have also been requested to give at our discretion information and explanations in response to requests from Purchaser Limited and/or Investigating Accountants & Co in relation to the Audit Papers and the Taxation Papers where we consider it appropriate to do so. [See Note 1].

As our firm's general policy, we do not normally allow third parties access to our working papers. In exceptional circumstances we would agree to this providing certain conditions are met. The purpose of this letter is to confirm the terms on which we will allow access to be given in this instance and to confirm your authorisation for us to allow such access and to provide information and explanations.

Prior to making the working papers available to Purchaser Limited and/or Investigating Accountants & Co, we need Subsidiary Limited's consent. In addition, we require from Purchaser Limited and/or Investigating Accountants & Co an agreement that they recognise the basis on which access is provided in the form of the attached draft [Appendix III].

For the avoidance of doubt we confirm that our audit of the financial statements of [Subsidiary Limited] for the year(s) ended [31 December 19XX], was prepared solely for the benefit of Subsidiary Limited and for the purpose of our forming an opinion, in accordance with the statutory requirements for an audit, of whether the financial statements, which are the responsibility of the directors of [Subsidiary Limited], give a true and fair view of the state of affairs of Subsidiary Limited as at the end of the financial year and of the profit and loss and cash flow for the period then ended.

Therefore, our audits, Audit Papers or any information or explanations provided by us in connection therewith should not be relied upon by any other person or for any other purpose. In particular, our audit was not planned or conducted in contemplation of or for the purpose of the [proposed transaction]. Should you choose to rely on any of these for the purposes of the proposed transaction then you do so at entirely your own risk.

Client Limited shall indemnify and hold harmless Auditor & Co, its partners and staff against all actions, proceedings and claims brought or threatened against Auditor & Co or any of them, and all loss, damage and expense (including legal costs) relating thereto, in any way arising out of or in connection with the grant of access to the Audit Papers to Investigating Accountants & Co and/or Purchaser Limited and the provision of information or explanations in relation thereto.

We would be grateful if you would confirm receipt of this letter and authorise us to release the working papers and provide explanations and information in relation thereto to Purchaser Limited and/or Investigating Accountants & Co by signing, dating and returning the attached copy of this letter.

Yours faithfully,

Auditor & Co

We hereby confirm receipt of this letter and consent to disclosure of the Audit Papers and any information or explanations in relation thereto to Purchaser Limited and/or Investigating Accountants & Co.

Signature
Director

Position

Date

For and on behalf of [Subsidiary] Limited

Notes:

- 1) If access is to be granted to audit papers on an incomplete audit, the following paragraph should be added:

"However, we have not yet completed this year's statutory audit of Subsidiary Limited's financial statements, and therefore, our audit papers are incomplete. Consequently, I am not able to give any opinion on those financial statements. Nevertheless, Purchaser Limited and/or Investigating Accountants & Co believe it would be helpful if they were to review our audit papers prepared to date. We agreed that it would be time consuming, and not without cost, if I have to inform them of any changes that may be made to our audit papers during the course of completing our audit. Accordingly, you concurred that I should refuse to accept any responsibility to them to keep them informed as the audit progresses."

- 2) The client (that is the company) may not always be the only party to whom the letter is addressed as, in certain circumstances such as a management buy-out, this may not be appropriate. In such cases, probably the owner of the company or, perhaps a non-executive director, would be relevant parties.

N1: **This statement is based on similar guidance issued by The Institute of Chartered Accountants in England and Wales (ICAEW) appropriately adapted to the local context. The Society gratefully acknowledges the permission given by the ICAEW in this respect.**

