FOURMI
& PARTNERS

Building #12, Street 348, Phum 4, Sangkat Toul Svay Prey Ti Mouy, Khan Boeng Keng Kang, Phnom Penh
+855 (0) 23 926 999 · hello@fourmiandpartners.com

INSIGHTS

AUDIT & ASSURANCE

ISA 210 audit engagement terms in Cambodia

How a Cambodian auditor agrees the terms of an audit under ISA 210: preconditions, the engagement letter, management responsibilities, scope, fees and changes in terms.



By Liv Bonito
Co-founder & Managing Director · FCCA, CPA (KICPAA)

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WHAT MUST A CAMBODIAN AUDIT ENGAGEMENT LETTER INCLUDE UNDER ISA 210?

ISA 210 requires the auditor to establish whether the preconditions for an audit are present and to agree the terms of the engagement with management or those charged with governance. The engagement letter records the objective and scope, the auditor's responsibilities, management's responsibilities for the financial statements and internal control, the applicable framework, the expected form of the report, the fees and the access to information. In Cambodia, the letter should also address the Khmer/Riel filing, the ACAR requirements, the bilingual records and the tax work boundary.

IN SHORT

- Before accepting an audit, the auditor assesses the preconditions: an acceptable framework, management's responsibilities and no scope limitation.
- The engagement letter records the objective, scope, responsibilities, framework, report, fees and access.
- Management is responsible for the financial statements, internal control, fraud prevention and compliance with laws.
- A change in the engagement terms needs a valid reason; a change to a lower-assurance engagement is not automatic.
- In Cambodia, the letter should cover the Khmer/Riel filing, ACAR, bilingual records and the boundary with tax work.

Preconditions for an audit

ISA 210 requires the auditor to establish whether the preconditions for an audit are present. The auditor considers whether the financial reporting framework is acceptable, whether management acknowledges and understands its responsibility for the financial statements and for the internal control necessary to prepare them, and whether management will provide the auditor with access to information, records and people.

If the preconditions are not present, the auditor should discuss the matter with management and, unless required by law, should not accept the engagement. A scope limitation agreed at the outset is not an audit; it may be a different engagement, such as an agreed-upon procedures engagement.

The auditor also considers the ethical requirements, independence, competence and the predecessor auditor. A professional clearance with the predecessor is good practice and may be required by the ethics rules.

The engagement letter

The engagement letter is the written agreement of the terms. It should include the objective and scope of the audit, the auditor's responsibilities, management's responsibilities, the applicable financial reporting framework, the expected form and content of the auditor's report, the fees and the access to information.

The letter should explain that the audit is designed to obtain reasonable assurance, not absolute assurance, and that it includes a consideration of internal control but not an opinion on its effectiveness. It should also explain the auditor's responsibility for fraud and laws and regulations, and the expectation that management will provide written representations.

For a recurring audit, the auditor may not need a new letter every year, but should update it when the circumstances change, such as a change in ownership, framework, scope, law or the auditor's report.

CORE CONTENT OF AN ENGAGEMENT LETTER

Section	Content
Objective	Audit of the financial statements and the opinion
Scope	Framework, period, entities, components
Auditor responsibilities	Reasonable assurance, standards, independence
Management responsibilities	Financial statements, internal control, records, fraud, laws
Report	Form, addressee, expected modifications
Fees and access	Basis, timing, records, people, sites

Management's responsibilities

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the framework, for the design, implementation and maintenance of internal control, and for the prevention and detection of fraud. Management is also responsible for identifying laws and regulations that apply to the entity and for compliance.

The auditor does not relieve management of these responsibilities. The engagement letter should make clear that the audit is not a substitute for management's controls or for a fraud investigation.

In Cambodia, management is also responsible for the Khmer/Riel filing, the ACAR submission, the tax returns, the labour and NSSF filings and the corporate records. The engagement letter should define which of these are part of the audit and which are separate services.

Changes in the engagement terms

A change in the terms of the engagement requires a valid reason. The auditor should consider the reason, the stage of the engagement and the effect on the report. A change to a lower-assurance engagement, such as a review or an agreed-upon procedures engagement, is not a substitute for an audit when the audit is required by law or the terms.

If the change is accepted, the auditor should document the new terms and the reason. If the change is not accepted, the auditor may withdraw where the law permits and communicate the reason to those charged with governance.

A change in the framework, the reporting entity, the group structure or the regulatory requirement is a common trigger. The auditor should update the letter and the audit plan.

> **A signed letter is not a substitute for a precondition**
>
> The auditor cannot accept an engagement just because management signs a letter. The framework, the responsibilities and the access must be appropriate before the audit starts.

Cambodian practice

The engagement letter should be in Khmer, English or both, depending on the signatories. It should identify the legal entity, the ACAR filing, the financial reporting framework, the period and the group components. A group audit may need a separate component instruction.

The letter should distinguish the audit from tax compliance, bookkeeping, payroll, corporate secretarial and other services. The independence rules and the fee arrangements for those services should be considered separately.

The auditor should confirm the signatory's authority under the company's constitution and board resolution. A letter signed by an employee without authority is not a valid agreement.

- Legal entity, period and framework.
- ACAR, Khmer/Riel and group components.

- Audit vs tax/accounting/secretarial services.
- Management responsibilities and written representations.
- Fees, timing and access.

Key facts

How this article is checked

Figures were verified against the sources listed below in November 2026 and are re-checked each January or when the rule changes. Written by Liv Bonito, Co-founder & Managing Director. General information, not advice on your situation: for that, talk to a partner.

QUESTIONS

Questions people ask

Can an audit start without a signed engagement letter?

ISA 210 requires the auditor to agree the terms of the engagement. A signed letter is the usual evidence. If the letter is delayed, the auditor should document the agreement and obtain the signed letter before the report is issued.

What if management limits the scope of the audit?

A scope limitation agreed at the outset is a precondition issue. The auditor should not accept an audit with a scope limitation that is so significant that it prevents an opinion. A different engagement, such as agreed-upon procedures, may be appropriate.

Can the engagement terms be changed to a review?

Only with a valid reason and the agreement of both parties. A change to a lower-assurance engagement is not a substitute for an audit required by law or by the terms. The auditor should document the reason and the new terms.

Does the engagement letter cover tax services?

Only if the tax services are included in the scope. Tax compliance, bookkeeping, payroll and corporate secretarial work are usually separate engagements with separate terms, fees and independence considerations.

SOURCES

Where the rules come from

01 ISA 210 Agreeing the Terms of Audit Engagements — IAASB / KICPAA

02 ISA 220 Quality Management for an Audit of Financial Statements and ISQM 1 — IAASB / KICPAA

03 ISA 230 Audit Documentation and ISA 580 Written Representations — IAASB / KICPAA

04 Law on Accounting and Auditing (Royal Kram NS/RKM/0416/006, 11 April 2016) and ACAR filing requirements (https://www.acar.gov.kh) — Kingdom of Cambodia / Accounting and Auditing Regulator