**Engagement contract template for audits of (simplified) annual financial statements of business entities**

**AUDIT CONTRACT**

concluded by and between

**NAME OF ENTITY**

**ADDRESS**

as the client (hereinafter referred to as: “Company” or “Client”)

and

**NAME OF AUDITOR (AUDIT FIRM)**

**ADDRESS**

as the service provider (hereinafter referred to as: “Auditor” or “Service Provider”)

under the following terms and conditions:

**1. Subject of contract**

1.1 Statutory audit of the Company’s (simplified) annual financial statements prepared in accordance with the Hungarian Accounting Law for the financial year (or financial years) ending XX XX 20XX, the issuance of an auditor’s report thereon, and the performance of statutory tasks to be carried out by the company’s statutory auditor.

1.2 The Auditor works on the basis of information provided by the Company and conducts the audit in accordance with Hungarian National Standards on Auditing.

1.3 The Service Provider is an [individual auditor/audit firm] included in the register of the Chamber of Hungarian Auditors and authorised to carry out the audit of the Company. Designated auditor (chamber member) responsible in person for the audit at the audit firm: …………..…………… (chamber registration number: ………)[[1]](#footnote-1)

1.4 Auditor (chamber member) designated to deputise for the designated auditor responsible in person in the event of a long-term absence: ……………… (chamber registration number: ……….)[[2]](#footnote-2)

**2. Rights and obligations**

2.1 The Company is responsible for the accounting records being accurate and complete, for the reliability of the internal control system, and for the preparation of the (simplified) annual financial statements (balance sheet, income statement, supplementary notes) and the business report in accordance with Hungarian standards. This responsibility includes:

* designing, implementing and updating internal controls relevant to the preparation of financial statements free from misstatement, whether due to fraud or error
* selecting and applying appropriate accounting policies, and
* making accounting estimates that are reasonable in the circumstances.

2.2 The Company shall provide or make available to the Auditor all the necessary information relating to the annual financial statements, financial position and financial performance. The Client may not instruct the Auditor in connection with its role in this capacity.

2.3 If so requested by the Auditor, the Company’s management and employees shall confirm in a representation letter that all the written and verbal information disclosed for the engagement is complete.

2.4 The parties will cooperate with each other during the course of the audit. Both parties shall treat all information obtained during the engagement in strict confidence, even after the termination of the contract.

2.5 The statutory Auditor is responsible for duly conducting the audit, and expressing an opinion in an independent auditor's report about whether the Company’s (simplified) annual financial statements comply with legal regulations and provide a true and fair view of the Company’s financial position and financial performance and the results of operations.

To achieve the objectives of this contract, the Auditor shall primarily examine and review the following:

* internal policies of the Company
* consistency between Company's annual financial statements and the accounting records
* compliance of annual financial statements with basic accounting principles and relevant regulations
* consistency with the annual financial statements of the information and explanations received and collected by the Auditor for the audit
* post-balance sheet events

2.6 The Company is responsible for preventing and identifying any irregularities. The Auditor shall plan the audit in a manner that is likely to identify any material errors in the annual financial statements resulting from irregularities, but the main objective of the audit is not to identify irregularities and errors, but instead to provide an appropriate basis for the opinion of the financial statements; it does not include the identification of any fraud, irregularities or errors that do not result in material misstatements in the annual financial statements.

2.7. The opinion issued by the Auditor does not qualify as an auditor’s statement that the annual financial statements are free from any error.

2.8. This contract does not cover the fulfilment of tax liabilities, these fall under the responsibilities of the Client. As part of the audit of the annual financial statements, the Auditor does not conduct a detailed review of tax calculations and tax returns. Both parties acknowledge that the Hungarian tax authority is entitled to carry out official inspections of all tax returns, and that the auditor’s opinion on the annual financial statements prepared in accordance with the Hungarian Accounting Law provides no guarantee that the tax authority will accept the annual financial statements and the tax returns filed by the Company.

2.9. The Company acknowledges that the auditor's report may not be separated from the (simplified) annual financial statements. If the Company wishes to use the auditor's report in a manner or scope that deviates from the statutory disclosure – e.g. independently of the annual financial statements –, this is subject to the prior written consent of the Auditor.

2.10. Act LIII of 2017 on the Prevention and Combating of Money Laundering and Terrorist Financing (hereinafter referred to as: Anti-Money Laundering Act) prescribes a client identification duty for auditors. On this basis, the Company and its representative (contract signatories and contact persons) as well as the beneficial owner are identified when concluding this contract, during which the Auditor is obliged to record the data determined in the Anti-Money Laundering Act and request the presentation of the documents defined therein; furthermore, the Auditor must obtain assurance about the representation right, and in the event of a power of attorney being used, about the validity of such authorisation. Moreover, based on the provisions of the Anti-Money Laundering Act the Auditor may make copies of the documents presented during the client identification measures for the purposes of preventing and combating money laundering and terrorism financing, duly discharging any statutory obligations, fully executing client identification duties, and effectively carrying out its supervision activity.

Under the Anti-Money Laundering Act, the Auditor is obliged to ensure that the data and documents provided based on the foregoing with regard to the Company and its business relationship (this contract) are up-to-date. To meet this obligation, the Auditor must check the information available on its clients. If the Auditor has any doubts during said examination about whether the data and declarations are up-to-date, the client identification measures are performed again. Throughout the period of the contract the Company must inform the Auditor within five working days of any change in the data recorded during the client identification (in relation to the Company, the identified representative, or the beneficial owner).

The Auditor shall use and manage any personal data obtained during the foregoing solely for the purposes of its tasks carried out in the interests of preventing and combating money laundering and terrorism financing, and to the extent required in these contexts. Under the Anti-Money Laundering Act, the Auditor is obliged and entitled to manage the personal data obtained in connection with fulfilling the client identification obligation above for a period of eight years from the termination of the business relationship (this contract); thereafter the data is destroyed or deleted.

**3. Engagement fee:**

3.1. The fee for the audit activity set forth in clause 1.1 is ........... HUF), which does not include the prevailing amount of value added tax. (or .............HUF/financial year)

3.2. The parties mutually agree that the Company will pay the fee referred to in clause 3.1 in the following instalments: (as agreed, including specific dates in the event of part-payments)

3.3. All payments shall be made to the bank account indicated on the invoice.

3.4. The fee (instalment) shall fall due on the last day of the month when the invoice was issued. (for services provided on a continuous basis)

3.5. If the Auditor is compelled to carry out extra work owing to a delay or any other reason attributable to the Company, or if the audit tasks cannot be completed by the deadlines for reasons beyond the control of the Auditor, the Auditor shall inform the Company’s management. In this case the Auditor is entitled to further remuneration for the extra work required to fulfil the contract.

**4.** **Termination, legal disputes**

4.1 The Auditor and the Company are liable under the provisions defined in Book VI of *Act V of 2013 on the Civil Code* (hereinafter referred to as: **Civil Code**) for any contract breaches or damages in connection with executing this contract; the Auditor’s liability is capped at a service fee relating to one year.

4.2 The contract may only be terminated for due cause, and this must always be justified. Differences in opinion regarding the annual financial statements or the auditor's report may not constitute due cause. If the contract cannot be continued by law, or if the Auditor terminates the contract, the Auditor shall be due a pro-rata fee.

4.3 If the contract is terminated by the Client, provided this was not on account of a breach of contract by the Service Provider, the Auditor is entitled to a fee of .................

**5. Language of the reports**

5.1. The annual financial statements shall be prepared in Hungarian. The auditor’s report shall be issued in Hungarian, attaching a translation in ....................

**6.**  **Provisions on data protection and confidentiality**

1. The Auditor shall only process personal data made available by the Client in connection with performing the activity[[3]](#footnote-3) specified in this contract and based on the legitimate interest[[4]](#footnote-4) of the Client. The Client guarantees the legality of making the personal data of the data subjects available.
2. Processing by the Auditor shall be carried out to the extent necessary to achieve the goal set forth in professional provisions[[5]](#footnote-5). The Auditor shall process data in compliance with laws and regulations on data protection, in particular
   1. ***Regulation (EU) 2016/679 of the European Parliament and of the Council*** *of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation, hereinafter referred to as:* ***GDPR****), and*
   2. ***Act CXII of 2011*** *on Informational Self-Determination and the Freedom of Information* (hereinafter referred to as: **Information Act**), and

***internal data processing policies*** based on these.

1. During its activity the Auditor is bound to confidentiality in accordance with Section 66 of *Act LXXV of 2007 on the Chamber of Hungarian Auditors, Auditing Activity and the Public Oversight of Auditors* (hereinafter referred to as: **Auditing Act**), under which only authorised persons may access the data.

**7. Other provisions**

7.1. Both parties freely agree to and accept the terms set out above. The Client declares that for the period and for the annual financial statements defined in this contract it has no valid contract with any other auditor.

7.2. The provisions of the Civil Code, the Act C of 2000 on Accounting, the Anti-Money Laundering Act, the GDPR, the Information Act and the Auditing Act shall apply for any issues not governed in this contract.

7.3. This engagement contract shall enter into force on the day it is signed and shall apply for a fixed period in accordance with the Auditor appointment, until the day the (simplified) annual financial statements of the Company for the financial year ending XX XX 20XX is accepted, but no later than XX XX 20XX. In the event the contract or report is (also) prepared in a foreign language, the Hungarian version shall prevail.

Date:

On behalf of Company: On behalf of Auditor (audit firm):

1. If a certain qualification is required to carry out the audit engagement, then it is justified to include this in the contract as well so that both the audit firm and the designated auditor (chamber member) responsible in person have the given qualification). [↑](#footnote-ref-1)
2. Refer to footnote 1! [↑](#footnote-ref-2)
3. Clause 1.1 [↑](#footnote-ref-3)
4. GDPR Article 6 (1) f) [↑](#footnote-ref-4)
5. Clause 1.2 [↑](#footnote-ref-5)