

# SAMPLE ENGAGEMENT LETTER

Dear

**RE: ENGAGEMENT LETTER – Sample Client - INDIVIDUAL(S) NAMES**

The New Zealand Institute of Chartered Accountants requires us to record and communicate the nature of the work that we do for you as well as our terms of business.

We've tended to be relatively relaxed about recording the precise nature of our service relationship in the past. This reflects the nature of our relationship and the high degree of trust that exists between us.

We have set out the basics below and put the detail in an appendix. Please check that what we have set down here agrees with your understanding and then sign the copy letter on **page three** in the space provided.

**Who Does What?** [Tick as applicable]

	<b><u>We Do</u></b> √	<b><u>You Do</u></b> √
<b><u>Financial and Tax</u></b>		
Wages		
PAYE (Pay as You Earn) Returns		
GST (Goods & Services Tax) Returns		
FBT (Fringe Benefit Tax) Returns		
RWT (Resident Withholding Tax) Returns		
DWT (Dividend Withholding Tax) Returns		
Monthly Accounts		
Annual Financial Statements	√	
Income Tax Returns	√	
Management of all Tax Assessments	√	
Provision of our Income Tax payment reminders	√	
Regular Income Tax Planning		
Budgets / Cash Flows / Profit Plans		
Other -		

## **Company**

Company Directors' And Shareholders' Resolutions	√	
Company Statutory Records	√	
Provision of our office as the Registered Office of your Company	√	
Filing of your annual Company Return with the Registrar of Companies	√	
Annual administration review of your Company records	√	

## **Trust**

Trustees' Resolutions	√	
Trust Administration	√	
Trustee Services		

## **Other Services**

Banklink Data Supply Service		
Xero Application Support		
ACC Administration and Advisory		
Payment of your Supplier Accounts		

Other -		
---------	--	--

## **General**

This contract will continue in effect from year to year. Coombe Smith (PN) Limited may amend this contract with new terms and conditions, which will be provided to you in writing before they take effect.

Either party may terminate this agreement by providing seven days notice in writing to the other. All outstanding fees to Coombe Smith (PN) Limited will be immediately due and payable on the date either party receives notice to terminate (termination date).

Interest will be charged at an interest rate of 18% per annum on any fees which remain unpaid 21 days after the termination date. Coombe Smith (PN) Limited may retain all client files and information until all the outstanding fees have been paid.

## **Basis of Fees**

Fees rendered by our firm will be generally agreed with an 'upfront pricing Agreement' based on the value of time spent on each assignment. If no upfront price agreement has been made, then the fees rendered will be on the value of time spent on each assignment.

## **Payment Terms**

Invoices for work done in a calendar month will be delivered by the seventh working day of the following month and are due for payment by the 20<sup>th</sup> of that month.

Any unpaid fees outside these terms will incur interest penalties. Interest will be charged at 1.5% per month and charging of such interest will at the discretion of Coombe Smith (PN) Limited. Any collection or legal costs incurred in recovering an outstanding debt will be added to the amount outstanding.

Please complete the Guarantee form on **page three**.

## **Authority to Act**

You, Coombe Smith (PN) Limited are hereby appointed to represent us as our Tax Agent. In addition, you are hereby authorised to sign any Taxation Return on behalf of us or any of our associated entities.

## **Guarantee**

You are the judge of our performance. If you think the fee is excessive for the work done or if you are dissatisfied with our work we invite you to contact any partner of the firm, who will investigate without cost to you and suggest a remedy. If you are still not happy you may also lay a complaint with the New Zealand Institute of Chartered Accountants.

Please indicate your acceptance of this proposal by checking that the services as listed above match your understanding and then signing the enclosed copy of this letter and returning it to us.

Yours sincerely  
Coombe Smith (PN) Limited

## **Brent Dickins**

For and behalf of:

**SAMPLE CLIENT**

The services and terms as outlined and referred to in the attached appendices are as agreed.

Signed: \_\_\_\_\_

Date: \_\_\_\_\_

Signed: \_\_\_\_\_

Date: \_\_\_\_\_

**GUARANTEE**

*I / We guarantee to pay to Coombe Smith (PN) Limited all charges arising out of this contract jointly and severally with **Sample Client** as if I / we was / were the Client as principal debtor. I / We acknowledge that I / we have received independent legal advice as to the nature and effect of this guarantee.*

.....  
Signed by the Guarantor 1

.....  
Signed by Guarantor 2

.....  
Printed Name of Guarantor 1

.....  
Printed Name of Guarantor 2

.....  
Date

.....  
Date

**IN THE PRESENCE OF:**

.....  
Witness

.....  
Witness

.....  
Occupation

.....  
Occupation

.....  
Address

.....  
Address

## **APPENDIX 1**

### **1. What We Will Do**

- 1.1 We will use our professional skills to do the work you have requested based on information supplied by you. This work will be performed in accordance with Service Engagement Standard Number 2 Compilation of Financial Information issued by the New Zealand Institute of Chartered Accountants.
- 1.2 Annual accounts for companies will be prepared in accordance with the Financial Reporting Act 1993. Other than for exempt companies, these are general purpose reports and must be prepared in accordance with generally accepted accounting practice in New Zealand. If necessary, additional explanations will be added to ensure that a true and fair view is given.
- 1.3 Annual accounts for exempt companies may be prepared either in accordance with generally accepted accounting practice in New Zealand as described above or in accordance with the simpler format of the Financial Reporting Order 1994.
- 1.4 Other accounts will be prepared in accordance with any applicable legislation. For partnerships, Trusts, sole traders and other entities where the format of accounts is not dictated by legislation, we will prepare special purpose annual Financial Statements according to the principles contained in the Income Tax Act 2007. Periodic accounts for management are not governed by legislation and will be prepared on the basis requested by management.
- 1.5 The general basis of accounting used to compile the accounts will be described in the notes to the Financial Statements together with any significant departures from that basis. Significant departures will also be referred to in our compilation report (see 1.7 below).
- 1.6 We will inform you of any suspicions of omissions or irregularities that come to our notice.
- 1.7 We will provide a compilation report on all annual accounts that include a balance sheet. An example of a typical report, not specific to your circumstances, is attached.
- 1.8 We retain legal ownership of working papers prepared by us.
- 1.9 We set a limit on our liability to you for negligence or any other reason at ten times the annual accounting fee.
- 1.10 We will explain or redraft any element of these terms to ensure that you understand them and think they are reasonable.

### **2. What We Will NOT Do**

- 2.1 We will not conduct an audit or any other independent verification work.
- 2.2 Consequently we will not express any kind of opinion on the accuracy of the material we compile or its suitability for any purpose.
- 2.3 We will not necessarily establish or maintain independence. It is not a professional requirement to be independent before carrying out compilation work of this nature. However, any other relationship will be described in our compilation report.
- 2.4 We will not take active steps to identify weaknesses in your internal accounting system, errors, illegal acts or other irregularities, for example, fraud or non-compliance with laws and regulations. However, should we become suspicious of any irregularities we will report it to you (see 1.6 above).
- 2.5 We will not accept liability in negligence or for any other reason to anyone but you and your enterprises listed at the head of the main letter. A disclaimer to this effect will be included in our compilation report.

### **3. What You Will Do**

- 3.1 You will deliver accurate, complete information needed to compile the accounts and returns promptly at the times agreed. We will provide a checklist to assist in identifying the information we require.
- 3.2 You remain responsible for the reliability, accuracy and completeness of the financial information compiled, including tax returns. You have delegated certain tasks to us, as tabled in the main letter, and we are responsible for carrying out those tasks in a professional manner. You cannot abrogate the ultimate responsibility for ensuring that the financial information is compiled properly.
- 3.3 You will inform us if the information we compile is intended to be disclosed to any person or body and how they are expected to use it. This does not apply to:
  - 3.3.1. The Directors, Shareholders, Partners, Trustees or equivalent office holders of your enterprises as listed at the head of the main letter, and
  - 3.3.2. The Inland Revenue Department.
- 3.4 You confirm that we have authority to communicate with and obtain information from any third party if the information sought is relevant to our work.
- 3.5 You agree that the New Zealand Institute of Chartered Accountants may have access to the records and information we hold that support our working papers. This is an essential part of the Institute's quality assurance function. The likelihood that any particular engagement is selected is very small. All Institute employees and contractors are required to maintain the strictest confidentiality.
- 3.6 If you read through this document and notice this paragraph and mention it to us, and provided the signed Engagement letter is returned to us within ten working days, we will give you \$5.00!! You will pay our fees on time. Invoices for work done in a calendar month will be delivered by the 7<sup>th</sup> working day of the following month and are due for payment by the 2<sup>0th</sup> of that month.
- 3.7 You will let us know if any of these terms are unclear or not what you think is reasonable and we will explain or redraft to make sure you are happy. See 1.10 above.

## **APPENDIX 2**

The following is a sample of a typical Compilation Report and Disclaimer which will appear on the Financial Statements that we prepare:

### **COMPILATION REPORT to the Directors / Partners / Trustees / Proprietor of [Entity Name]**

#### **Scope**

We have compiled these Financial Statements of [Entity Name] for the [Number of Months] months ended [Date Month Year] as set out on pages [first page number] to [last page number] from the information you provided. Our work was carried out to the professional standards promulgated by the New Zealand Institute of Chartered Accountants, in particular Service Engagement Standard No. 2: *Compilation of Financial Information*. The Financial Statements have been prepared, as you instructed, in accordance with [the accounting policies agreed with you/generally accepted accounting practice in New Zealand/ the principles of the Income Tax Act 2007/ the principles contained in the Financial Reporting Order 1994] as described in Note 1 to the Financial Statements (the statement of accounting policies).

#### **Departure From Reporting Framework (if required)**

We draw attention to Note [Note Number] of the Financial Statements. There is a departure from the identified financial reporting framework in that [Describe departure, eg. not all the note disclosures required by generally accepted accounting practice have been made, depreciation of fixed assets has not been accounted for, etc.].

#### **No Assurance Expressed**

You directed us to use accounting expertise to compile the Financial Statements from information you provided. Your instructions did not include verification or validation of that information. No audit or review engagement has been performed and accordingly we express no assurance on the financial information.

#### **Responsibilities**

You are solely responsible for the information contained in the Financial Statements and have determined that [the accounting policies specified by management/generally accepted accounting practice in New Zealand/ the principles of the Income Tax Act 2007/ the principles contained in the Financial Reporting Order 1994] are appropriate for your intended uses of the Financial Statements. You are the only intended users of these Financial Statements.

The Financial Statements were prepared exclusively for your benefit. We do not accept responsibility to any other person for the contents of the Financial Statements.

#### **Independence (if required)**

We are not independent of [Entity Name] because [reason why not independent, for example, the accountant is a formal or de facto shareholder / director / partner / trustee / lender].

#### **Disclaimer**

A compilation engagement requires us to apply compilation procedures, in accordance with SES-2 *Compilation of Financial Information*, to compile the Financial Statements from information you provide to us. Those compilation procedures do not include the performance of an audit or review in respect of either the information you provide or the financial information compiled from it. Accordingly, neither I, nor any of my employees, accept any responsibility for the reliability, accuracy or completeness of the information from which the financial information has been compiled.

The financial information is prepared at your request and exclusively for your benefit. Neither I, nor any of my employees, accept any liability of any kind whatsoever, including liability by reason of negligence, to either yourself or any other person for losses incurred as a result of placing reliance on the compiled financial information.

[Signature of firm or individual partner]

Coombe Smith (PN) Limited

[Date]