

**[Client Name]****[Entity Name]**

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 want to establish a close, professional relationship with you, and don't want to send you a boring, legal letter. So 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 2 in the space provided.

**Who Does What?**

[Tick as applicable. Delete whichever does not apply]

	<b>We do</b> ✓	<b>You do</b> ✓
<b>Financial and Tax</b>		
Wages		
PAYE returns		
GST returns		
FBT returns		
RWT returns		
Monthly accounts		
Annual accounts		
Income tax returns for the entities named above plus company shareholders, partners and trust beneficiaries		
Management of all tax assessments		
Provision of our income tax payment reminder and collection service		
Regular income tax planning		

**Company and Trust**

Trustees' resolutions		
Trust administration		
Initial trust administration risk review and annual review thereafter		
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		
Initial administration review of your company records and annual review thereafter		

**Other Services**

BankLink data supply service		
Xero application support		
ACC administration and advisory		
Payment of your supplier accounts		

**Basis of fees**

[Delete whichever is not applicable]

Our fees are based on the time it takes us to do the work and the experience and qualifications of the people involved. Our more experienced people will deal with more complex and high value work – naturally at a higher hourly rate.

[Or]

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.

**Authority to Act**

You authorise us to act as tax agent for the tax types associated with your business entity indicated above in the 'We do' column. Please sign the enclosed authorities to act. Make sure that authorities are signed by a director/trustee/partner as appropriate or the individual concerned. For minors, a parent should sign.

**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

[Partner]

The services and terms set out above and referred to in the attached appendix are as agreed.

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

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

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

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

For and behalf of:

[Entity Name]

# 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 No.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, let us know and we will deduct \$5 from our next fee.
- 3.7 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 20<sup>th</sup> of that month.
- 3.8 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

### Sample Compilation Report And Disclaimer

The following sample is typical of the Compilation Report and Disclaimer which will appear on the financial information 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 [year/period] 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 financial reporting framework/basis of accounting] 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].

##### **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 responsible for the information contained in the financial statements and have determined that the [the financial reporting framework/basis of accounting] adopted is appropriate for your intended uses of the financial statements. The intended users are you and the Inland Revenue Department.

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 of liability statement (when appropriate)**

As mentioned earlier in our report, we have compiled the financial information based on information provided to us which has not been subject to an audit or review engagement. Accordingly, neither we nor any of our employees accept any responsibility for the reliability, accuracy or completeness of the compiled financial information nor do we accept any liability of any kind whatsoever, including liability by reason of negligence, to any person for losses incurred as a result of placing reliance on the compiled financial information.

[Signature of firm or individual partner]

[Firm Name]

[Address]

[Date]

**1     The following is a SUMMARY of Authorisations and Terms of Engagement**

**Privacy Act - Release of Information**

I authorise Count on Us Limited to obtain from any party (including Banks, IRD and any government agencies, creditors or any person) all information as required to complete my Income Tax Returns and Financial Statements (where applicable). I/We intend that this authorisation satisfies the requirements of Principles 2(b) & 11(d) of the Privacy Act 1993 and section 81(4)(1) of the Tax Administration Act 1994.

**TERMS OF ENGAGEMENT**

I hereby instruct Count on Us Limited to prepare my/our Financial Statements and/or Taxation Returns for the 2014 year. I accept responsibility for the accuracy and completeness of the information supplied which is to be used in the preparation of my Financial Statements and/or Income Tax Returns. You are not to complete an audit, nor do I wish you to undertake a detailed review of my affairs in order to substantiate the accuracy of the information provided, and therefore you are unable to provide any assurance on my Financial Statements and/or Income Tax Returns. I understand your work cannot be relied upon to detect error and fraud and that you accept no liability for the accuracy and completeness of the information supplied by me. I further understand that the Financial Statements and/or Income Tax Returns will be prepared at my request and for my purposes only and that you will not be liable for any losses, claims, or demands by any third person for which I will stand you indemnified.

**DEBT COLLECTION**

**I accept that I have personally requested you to undertake work for me and acknowledge the debt in my own name. I personally guarantee to pay your fees and charges where there is default by my company or Trust or any organisation I requested you to do work for. I also understand that any costs associated with the collection of any debt billed to me or my company or trust will be borne by me personally. Accounts are payable within 07 days of invoice. In default of such prompt payment, I undertake (at the discretion of Count on Us Limited) to pay late payment fees of 2% per month on any amount outstanding and pay all costs and expenses of a solicitor if legal action is necessary, and/or our debt collection agency's fees or court costs, which may be incurred in recovering any overdue amount. In terms of the Privacy Act 1993, authority is given to Count on Us Limited to issue any relevant information (if necessary) to their Credit Control agency for the purpose of debt collection and/or obtaining credit reports. It is agreed that nothing in this agreement affects the right of Count on Us Limited to claim a general lien over my books and records and other documents.**

**TERMINATION OF SERVICES**

Count on Us Limited has established electronic formats for the preparation of financial statements and other reports including but not limited to the general ledger and spreadsheets and I/we recognise these are your copyright and intellectual property. In addition BankLink electronic data, while a copy of our bank statements, is and remains the property of Count on Us Limited who will store it for the statutory period of seven years from the date of filing the last tax return

**Where your services are to be terminated I will give you thirty days prior notice in writing, agree to pay monthly fees falling due up to and including the month in which the 30<sup>th</sup> day of notification falls, all outstanding debt, all unbilled work in progress even if this exceeds a fixed monthly fee agreement and a file transfer fee of not less than \$150 + GST per IRD number for each organisation you perform work for me.**

If additional or recurring services are provided to any related organisation owned in full or part by me after the date of this document, they will also be subject to the terms (suitability modified where applicable) set out in this document.

I accept the above Summary as setting the basis of the contract agreed between us and the information to be compiled and that it is a summary of the full terms and conditions held at the Kilbirnie premises of Count on Us Limited and their web site which I have read and understood.

You have advised me that it may be beneficial to obtain independent legal advice prior to signing this document and I have considered and waved that right.

Your name (please print) \_\_\_\_\_

*Signature*.....*Date*.....

