

CCH Audit Automation

Audit Policies Manual



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# PREFACE

## 1. INTRODUCTION

- 1.1. The Accounting Profession is subject to an ever-increasing amount of regulation and monitoring. Failure to comply with any of the regulations governing a firm can result in prosecutions or sanctions being taken by the relevant accountancy body against the firm or its partners. Firms need to comply with at least the following:
- Audit regulations
  - Accountancy practice regulations and guidance
  - Companies and taxation legislation
  - Clients' money regulations
  - Ethical guidance
  - Financial services and investment business regulations
  - Money laundering regulations
  - Data processing regulations
  - Health and safety regulations, employment law etc
- 1.2. Firms are also challenged by increasing fee pressure, the increasingly litigious environment and corresponding cost of Professional Indemnity Insurance, increasing responsibility (including fraud, law and regulation and going concern) and more proscriptive Auditing and Accounting Standards.
- 1.3. The use of Audit Automation assists firms in carrying out audit and audit exempt assignments cost effectively in accordance with audit regulations and statements of standards for reporting accountants. It also assists in the provision of proactive business advice to clients.
- 1.4. The continuing success of firms is dependent on providing high standards of service which are satisfied in a practical and profitable (and not just a technically correct) manner. This manual is designed to assist firms in achieving this from their audit and accountancy services.
- 1.5. This manual does not replace the firm's own policies and should instead be used as a resource for producing or revising the firm's policies. Where the manual is adopted in whole or in part, it is the responsibility of the firm to ensure that the manual is modified to meet the firm's specific circumstances and to ensure that any changes to legislation or regulations are applied between updates to this manual.

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## 2. CONTENT

- 2.1. The manual covers both ethical and technical matters and contains examples of many letters and forms which form part of the “whole firm” procedures necessary to comply with the regulations governing the conduct of firms, some of which are included in Audit Automation as Master Templates. It does not cover health and safety and employment law and regulations.
- 2.2. This Manual does not cover matters relating to taxation, investment business, corporate finance or insolvency assignments, although some of the contents may be applicable. The Manual also does not specifically cover the audit of specialised / regulated industries. The areas covered by the Manual are:  
Part
  1. Roles of Partners and Staff
  2. Principal policies
  3. Obtaining new work
  4. Acceptance and continuance of clients
  5. Conduct of an engagement
  6. Quality control procedures including technical queries and consultation
- 2.3. The Manual does not reproduce ethical or technical guidance / standards although it does refer to them where relevant. Being practical in nature, it gives guidance on their application.
- 2.4. Information in the Manual is private and confidential. Caution should be exercised before disclosing any part of the contents to anyone outside the firm. Where there is a doubt, a partner’s advice should be sought.

## 3. UPDATES TO MANUAL

- 3.1. Because of the frequency of changes to regulations, it is important that the Manual is kept up to date with the material issued in the periodic updates.

## 4. STATUS OF MANUALS

- 4.1. If the Manual or any section of it is adopted as the firm’s standard, it must be complied with. Failure to do so could prejudice the firm’s defence against allegations against it and could cause problems if non-compliance is found during a QAD / ACCA Monitoring Unit visit.

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## PART 1: ROLES OF PARTNERS AND STAFF

- 1.1 **Introduction**
- 1.2 **Assignment Partner**
- 1.3 **Assignment Manager**
- 1.4 **Assignment Senior**
- 1.5 **Assignment Assistant**

## 1.1. INTRODUCTION

1.1.1. This section summarises the responsibilities in relation to audit and accounting assignments by role.

The roles are:

- Assignment Partner
- Assignment Manager
- Assignment Senior
- Assignment Assistant

1.1.2. Grade and role may not always be the same. For example, a senior may assume an Assignment Manager role on some assignments but an Assignment Senior role on others.

1.1.3. On some assignments, one person may fulfil more than one role; for example a Partner may fulfil the Assignment Partner, Assignment Manager and Assignment Senior roles.

## 1.2. ASSIGNMENT PARTNER

1.2.1. The direct responsibility for each individual assignment lies with the Assignment Partner. On audits this partner will be the Senior Statutory Auditor.

1.2.2. The Assignment Partner is responsible for ensuring that:

- the assignment is carried out in accordance with the firm's policies and procedures and with approved professional standards, and
- services of the highest quality are provided to the client in accordance with the firm's terms of engagement.

1.2.3. In particular, the Assignment Partner is responsible for:

- maintaining good relations with the client and developing an appropriate understanding of the clients' affairs;
- ensuring that suitable personnel are allocated to the assignment;
- approving the scope of work;
- directing the performance of the work;
- resolving technical matters;
- ensuring compliance with the firm's quality control procedures;
- approving the form and content of any report issued, opinion expressed or advice given by the firm;
- informing his fellow partners of potential problems involving unusual risks for the firm;
- controlling costs and billing, and
- ensuring that all of the clients' assets are returned to the client.



1.2.4. Some part of the function of directing the performance of the work may be delegated to Managers. The minimum involvement of the Assignment Partner should be:

- agreeing the terms of engagement and issue of the engagement letter;
- briefing appropriate staff prior to the commencement of the planning process;
- involvement in all significant planning and engagement strategy decisions, including any consideration of risk;
- reviewing and approving the engagement planning documentation;
- ensuring that the engagement is controlled properly;
- reviewing major areas of the file;
- ensuring that the working papers contain a proper record of the conclusions reached and the decisions taken in support of any report issued, opinions expressed, substantial advice given, and returns, claims, elections and appeals made by the firm on the client's behalf;
- ensuring that important outstanding matters have been resolved and any review points have been cleared satisfactorily, and
- agreeing any terms of disengagement and issue of disengagement letter where appropriate.

1.2.5. The Assignment Partner should ensure that the costs of the assignment are minimised and that, wherever practicable, an appropriate fee is agreed with the client in advance. Working capital requirements should be kept at a minimum by arranging for payments on account, where appropriate, and ensuring prompt billing and collection of outstanding fees.

## 1.3. ASSIGNMENT MANAGER

1.3.1. Where relevant, an assignment should have an Assignment Manger, who is responsible to the Assignment Partner for ensuring that the work is planned, executed and reviewed in accordance with the firm's policies and procedures. The Assignment Manger should also assist the Assignment Partner with commercial management and business development as required, reviewing technical developments for their effect on the assignment and keeping the Assignment Partner informed of problems and opportunities.

1.3.2. In particular, the Assignment Manger is responsible for:

- preparing the terms of engagement for agreement with the client;
- preparing the assignment budget and the billing proposal and their submission to the Assignment Partner;
- determining the time necessary to complete the work and agreeing timetables with the client;
- planning and arranging the staffing necessary for the assignment;
- briefing the assignment team;
- carrying out a detailed review of the assignment working papers;
- ensuring that the completed work is documented properly and reflects the scope of the assignment;
- discussing their performance with the staff concerned;

- preparing the final billing for Assignment Partner review;
- examining the explanations of variance from budget; and
- preparing the disengagement letter if one is necessary.

## 1.4. ASSIGNMENT SENIOR

1.4.1. The member of the firm responsible to the Assignment Manager for the proper performance of the detailed work is the Assignment Senior. He or she is responsible for ensuring that the work is executed and completed:

- as planned, in accordance with the assignment timetable;
- in accordance with the firm's policies and procedures; and
- to budget.

1.4.2. The degree to which the Assignment Manager delegates functions to the Assignment Senior will depend on the size and complexity of the engagement and the experience of the Assignment Senior. It is the Assignment Manager's responsibility to set out clearly for each assignment the functions which are delegated to the Assignment Senior.

1.4.3. The usual duties of the Assignment Senior will include:

- assisting the Assignment Manager in the planning process;
- establishing with the Assignment Manager the responsibilities of individual assistants for specific areas of work;
- supervising, reviewing the work of, and providing on-the-job training for the Assignment Assistants;
- keeping the Assignment Manager and Assignment Partner informed of the progress of the work and in particular about:
  - any special circumstances requiring modifications to the assignment plan;
  - major errors and omissions found;
  - disagreements with the client or the clients' staff; and
  - significant matters affecting the progress and timely completion of the work.
- regularly checking actual against budget times, and informing the Assignment Senior of possible gains or overruns, or of staff in excess of requirements;
- ensuring the reviews arranged occur as planned and that any points raised are cleared promptly by the Assignment Manager;
- ensuring that all working papers are necessary, complete and consistent.

1.4.4. While the work is in progress the Assignment Senior should keep sufficiently close contact with the Assignment Assistants to ascertain whether the work is proceeding satisfactorily and being performed adequately. He or she should ensure that all Assignment Assistants understand what they have to do and why. Such close contact should enhance on-the-job training and improve the quality of the work.

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- 1.4.5. The Assignment Assistants' working papers should be reviewed by the Assignment Senior as promptly as possible. The review should determine whether the work done:
- has been carried out in accordance with the assignment plan; and
  - has been documented adequately.
- 1.4.6. The Assignment Senior should discuss with each Assignment Assistant the results of the review, indicating any deficiencies or errors noted and advising on how they may be avoided in the near future. He or she should then require the Assignment Assistant to correct any errors and complete any unfinished work.

## 1.5. ASSIGNMENT ASSISTANT

- 1.5.1. The Assignment Assistants are responsible for:
- carrying out the work allocated to them, having ensured that its purpose is understood;
  - keeping the Assignment Senior informed of their progress and of any problems or difficulties with their work;
  - ensuring that their work is documented and concluded in accordance with the firm's policies and procedures;
  - supervising the work performed by less experienced assistants, where appropriate; and
  - maintaining time records, informing the Assignment Senior of possible over-runs of budgeted time or where budgeted time proves excessive, and the reasons for such differences.

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## PART 2: PRINCIPAL POLICIES

- 2.1 **Principal Ethical considerations**
- 2.2 **Confidentiality, money laundering and other illegal acts**
  - 2.2.1 *Confidentiality*
  - 2.2.7 *Insider dealing*
  - 2.2.9 *Money laundering*
  - 2.2.18 *Other illegal acts*
    - 2.2.21 *Fraud*
- 2.3 **Integrity, objectivity and independence**
  - 2.3.1 *Introduction*
  - 2.3.4 *Interests in clients' affairs*
  - 2.3.5 *Secondment of staff to clients*
  - 2.3.6 *Staff joining a client*
  - 2.3.7 *Gifts from clients and buying goods or services from clients*
  - 2.3.8 *Social contact with clients*
  - 2.3.9 *Trustee investments in audit clients*
  - 2.3.10 *Commission and other inducements*
  - 2.3.12 *Partner joining a client firm*
  - 2.3.13 *Long Association with Audit Clients*
  - 2.3.14 *Agencies*
- 2.4 **Third party suppliers and sub-contractors**
- 2.5 **Skills and compliance**
- 2.6 **Compliance with Audit and Investment Business Regulations**

**Appendix 2.1 Money Laundering**

**Appendix 2.2 Partner and Staff Compliance Confirmation**

## 2.1 PRINCIPAL ETHICAL CONSIDERATIONS

The principal ethical considerations in relation to audit and accounting assignments are:

I Confidentiality, Money Laundering and Other Illegal Acts (see Section 2.2)

All aspects of the firm's affairs and its client's affairs should be dealt with honestly and treated with utmost confidentiality.

II Integrity, Objectivity and Independence (see Section 2.3)

Partners and staff at all levels within the firm should maintain objectivity and independence to the extent required by the firm's and the profession's independence rules.

III Obtaining New Work (see Part 3)

Partners and, where applicable, staff should only seek to obtain work in a professional manner.

IV Acceptance of and Continuance of Clients (see Part 3)

Before accepting any new engagement or deciding to continue the relationship with any existing client, the firm should be satisfied that:

- the integrity and reputation of the client are such that there is no danger to the firm's own reputation as a result of the association;
- the firm and its principals and staff are independent from the client and any threats to independence or objectivity can be managed;
- the firm has the competence to carry out the work required, and
- the client has the resources and the will to pay the firms' fees.

V Definition of Assignment Responsibilities (see Part 4)

On accepting an assignment and agreeing any subsequent variation in it, the terms of the firm's engagement (including the billing and payment arrangements) and the nature of the firm's relationship with the client should be defined in writing and the clients' agreement thereto should be obtained.

VI Skills and Competence (see section 2.5)

The firm's Partners and staff should have attained the skills and competence required properly to fulfil their responsibilities and maintain competence through Continuing Professional Development ("CPD").

VII Conduct of an Assignment (see Part 5)

An assignment should be conducted in accordance with the relevant procedures and the work undertaken should be properly planned, recorded and reviewed. The work done should be fully documented.

#### VIII Reporting (see Part 5)

Any expression of the firm's opinion or advice should be in written form. Where oral advice is given it should, wherever possible, be confirmed in writing to the user. If this is not possible an adequate file note of the advice must be made. Opinions or advice should only be issued by a Partner, sanctioned by a Partner in advance or, in the last resort, cleared with a Partner as soon as practicable after the advice has been given, and before it is acted upon by the client.

#### IX Supervision (see Part 5)

Work undertaken at all organisational levels should be supervised to ensure that it meets with the firm's standards of quality and that decisions are made at an appropriate level of responsibility.

#### X Professional Conduct (see Section 2.5)

Members of the firm should conduct themselves with courtesy and consideration towards all with whom they come into contact in the course of their professional work and in a manner consistent with the good reputation of the firm. In circumstances not provided for by the firm's Manuals or policies, they should follow any relevant ethical or other guidance issued by the relevant regulatory bodies, eg FRC / ICAEW / ICAS / ACCA

## 2.2 CONFIDENTIALITY, MONEY LAUNDERING AND OTHER ILLEGAL ACTS

### Confidentiality

- 2.2.1 The firm has access to a considerable amount of information and documents concerning clients and it is a most important condition of employment with the firm that these should be treated as strictly confidential. Failure to do so may render a member of staff liable to summary dismissal. Unless specifically authorised by a Partner to do otherwise, staff should not:-
- disclose information to any person other than to a member of the firm or to persons such as bankers where such disclosure is normal and necessary. Particular care must be taken not to make disclosure of any sort to clients' employees unless it is known that they have been authorised to discuss the particular matters;
  - disclose to anyone the names of clients for whom the firm acts except where such disclosure is normal and necessary;
  - disclose any information to anyone where such disclosure might be to the detriment of the client; and
  - discuss with relatives or friends any matters relating to the firm's clients or their affairs.
- 2.2.2 Partners should only disclose information about clients to third parties with the prior approval of the client. This approval should preferably be in writing although, based on the Partner's discretion, a file note of a conversation with the client will suffice in non-critical cases.
- 2.2.3 Confidentiality can be breached in the following cases where qualified privilege applies:
- reporting suspicions of money laundering by the Money Laundering Reporting Officer (MLRO) to the National Crime Agency (NCA);
  - reporting breaches of statutory or regulatory requirements to Regulatory Authorities where the matter giving rise to the requirement to report to the Regulator casts doubt on the integrity of the directors or their competence to conduct the business of the regulated entity. The reporting should be in accordance with Section B of ISA (UK&I) 250B – "The Auditors' right & duty to report to Regulators in the financial sector", and the relevant sections of Practice Note 11 "The Audit of Charities", Practice Note 15 "The Audit of Pension Schemes" and Practice Note 21 "The Audit of Investment Business in the UK". Such Regulatory Authorities include the FCA, PRC, Charity Commission and The Pensions Regulator (TPR).
  - reporting in the public interest. Where confidentiality is to be breached in these circumstances it should be approved by the Ethics Partner.
- 2.2.4 Confidentiality cannot be breached in respect of information received in privileged circumstances unless the crime/fraud exemption applies (see 2.2.10 to 2.2.15 below).

2.2.5 On a practical level staff should be reminded, inter alia, of the following matters which could occasion a breach of client confidentiality:

- Discussing work whilst working at client's offices within the hearing of the client's staff unless they are satisfied that these members of the client's staff are authorised to have knowledge of the client's affairs that are being discussed.
- Disclosing confidential information when speaking by telephone or over lunch etc, to or about a client in the presence of another person. If possible, arrangements should be made so that calls are not put through when Partners and staff are in a meeting with other people but, where necessary, arrangements should be made to call back in due course;
- Disclosure to third parties of the location where staff are working. If a client or other person urgently needs to speak to a member of the firm who is working out of the office, arrangements should be made for that member of staff to be contacted so that he or she may return the call;
- Leaving papers or books etc of any sort showing clients' names or other information should be left unattended where unauthorised people may obtain sight thereof. As well as reception and other public areas this includes offices in which a meeting with clients is held by staff members;
- Leaving your computer unattended in a state where you are logged into Audit Automation or have the client's information displayed on the screen.
- Providing incorrect books and papers etc to a client. This requires constant attention to detail when, for example, enclosures are being inserted in letters for despatch;
- Disposing of waste paper at clients' premises unless the papers have been ripped up to avoid their being read. Potentially sensitive documents should be shredded if possible;
- Performing work of any sort, particularly in relation to calling over work, in public areas of a clients' office in circumstances where details relating to a client may be seen or overheard.
- Having files or laptop computers stolen, for example from an unattended car. For this reason they should not be left in plain view in a car and should be locked in the boot when being transported. In no circumstances should they be left in the car overnight. Clients' books and papers should not be left in an unattended car even temporarily.
- Using or disclosing to any person who is not a member of the firm (including family or friends) any sensitive information relating to the firm, or to any client or their respective businesses or any other secrets of which they may become aware whilst in the firm's employ, even after they have left the firm.

2.2.6 Further guidance on confidentiality and disclosure is given in ICAEW Technical Help sheet "Disclosure of confidential information (for members in practice)"



### 2.2.7 Insider Dealing

It is illegal to engage in insider dealing. If Partners and staff, through dealing with any clients' affairs, come into possession of unpublished price sensitive information about companies listed on a recognised stock exchange, they must not:

- deal on the basis of the inside information;
- pass on the inside information to anyone else, or
- encourage someone else to deal on the basis of the inside information even if the knowledge of the inside information is not disclosed to the other person (counselling or procuring).

2.2.8 In addition, Partners and staff must not deal on the basis of inside information given by a non-client third party.

### **Money Laundering**

2.2.9 All suspicions of money laundering or proceeds of crime arising from any work carried out for a client, must be reported immediately to the Money Laundering Reporting Officer ("MLRO") on the Suspicion of Money Laundering Form without delay unless the suspicions arise from work done in privileged circumstances and the crime/fraud exemption does not apply. Completion of this form by a staff member protects them from any personal liability of not reporting suspicions, regardless of the subsequent action taken by MLRO.

2.2.10 Information received during work done in privileged circumstances (eg provision of legal advice and acting in respect of litigation) that causes knowledge or suspicion of money laundering will no longer need to be reported to the NCA. This exemption is not optional and making a report to the NCA where we acquired the information in privileged circumstances is a breach of client confidentiality. The exemption does not apply where the services we provide will be used in the furtherance of a criminal purpose (including future tax evasion).

2.2.11 Whether information has been received in privileged circumstances or whether the crime/fraud exemption applies is complex and all circumstances where we believe that information was received in privileged circumstances should be fully documented and discussed with the MLRO.

2.2.12 Examples where privileged circumstances might arise in respect of legal advice are:

- Advice on taxation matters, where we are giving advice on the interpretation or application of any element of tax law and in the process is assisting a client to understand their tax position. Thus, for example, if a client consults us on residence and it becomes apparent that there are UK tax implications, it is likely that legal privilege will apply. Such privilege would not apply in circumstances where the client approaches us to complete a tax return that needs to be prepared as a result of their realising that they have become UK resident or where we became aware of residence issues as a result of our providing tax compliance services.
- Advice on legal aspects of a merger or acquisition, for example on points under the Companies Act legislation.
- Advice on duties of directors.
- Advice to directors on legal issues relating to the Insolvency Act 1986 (eg on the legal aspects of wrongful trading).

- 2.2.13 Examples where privileged circumstances might arise in respect of litigation include acting as an expert witness or assisting a client to prepare a witness statement in respect of litigation.
- 2.2.14 It should be noted that privileged circumstances are unlikely to arise where we become aware of reportable matters whilst performing compliance work including audits, accounts preparation or preparation of tax or VAT returns.
- 2.2.15 Even where privileged circumstances might exist we need to consider whether the reporting exemption is lost through the application of the crime/fraud exemption. In essence the exemption will not be lost (ie a report to the NCA will not be required) provided the client does not make us suspicious that he will continue to, for example, evade tax. The fact that he does not ask us to act or is unwilling to regularise past tax evasion does not require us to make a report to the NCA.
- 2.2.16 The Money Laundering Regulations 2020 include the offence of “tipping off”, (ie prejudicing an investigation by informing the person who is the subject of a suspicion, or any third party, that a disclosure has been made, or that the authorities are acting or proposing to act in connection with an investigation into money laundering), the maximum penalty for which is two years’ imprisonment or a fine or both. Because of these provisions, care needs to be taken to ensure that the firm is not negligent in allowing suspicions to become known to the client or the clients’ staff concerned. It is not the firm’s responsibility to investigate any suspicions and this should not be done because of the danger of tipping-off the client. However, these provisions do not prevent communication of money laundering suspicions to a clients’ senior management, internal auditors or other person responsible for monitoring or reporting money laundering, unless there is reason to believe that these people may be implicated in the money laundering or may pass on information irresponsibly. Neither do the provisions prevent direct communication with a clients’ regulator if this is considered appropriate.
- 2.2.17 Full guidance on Money Laundering is contained in the Money Laundering Procedures Manual.

### **Other Illegal Acts**

- 2.2.18 If a member of staff whilst engaged on the firm’s business becomes aware that a client, a clients’ officer or employee, or a member of the firm’s staff may have committed an illegal act, they should report the concern to the Assignment Partner without delay.
- 2.2.19 The Assignment Partner should consult with a suitable Partner before taking any action. Guidance is given in ISA (UK & I) 250A “Consideration of law and regulations in an audit of financial statements”, and within the support materials provided by the firm’s accountancy body, eg ICAEW “Professional conduct and disclosure in relation to defaults or unlawful acts” and ACCA Rulebook “Professional duty of confidence in relation to defaults and unlawful acts of clients and others” and Section 260 “Responding to non-compliance with laws and regulations”
- 2.2.20 When dealing with a clients’ tax affairs, under no circumstances should any material fact be concealed from HM Revenue & Customs (“HMRC”) in such a way that a misleading impression could be given in relation to a particular set of circumstances. However, staff should not normally give more information than is specifically required by the HMRC. Guidance is given in ICAEW Tech 11/16 Tax “Professional conduct in relation to taxation” and the CIOT guidelines on professional conduct in relation to taxation.

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## **Fraud**

- 2.2.21 If a member of staff whilst engaged on the firm's business becomes aware or suspects that a client or an officer or employee of a client may have committed a fraud they should report their concern to the Assignment Partner without delay using a secure phone.
- 2.2.22 The Assignment Partner should consider what action to take, which may include:
- a) carrying out further procedures to clarify the position
  - b) discussing the matter with the appropriate client management (unless it is suspected they are implicated in the fraud)
- 2.2.23 In any event the impact on the financial statements should be considered and, if likely to be material, modified or additional audit procedures should be planned. If Money Laundering or other illegal acts may be involved the Assignment Partner should consult with the Audit Compliance Partner or Money Laundering Reporting Officer before taking any action. Guidance is given in ISA (UK &I) 240 "The auditor's responsibilities in relation to fraud in an audit of financial statements".

## 2.3 INTEGRITY, OBJECTIVITY AND INDEPENDENCE

### Introduction

- 2.3.1 When providing any type of professional services to a client, Partners and staff must act with integrity and objectivity.
- 2.3.2 When providing audit, audit exemption or any other professional services requiring the firm to express an independent opinion, Partners and staff must ensure that they both are, and appear to third parties to be independent. Situations that may threaten a firm's independence include:
- carrying out non-audit services (including bookkeeping, valuation, internal audit, design and implementation of bespoke computer systems/programs for clients and assistance with recruitment of staff for a client)
  - undue financial dependence on an audit client/group
  - significant overdue fees from audit client
  - actual or threatened litigation in relation to an audit client
  - influences from outside the firm, including those from associated firms
  - personal or family relationships
  - beneficial or other interests in shares or other investments in an audit client
  - involvement as a trustee in an audit client
  - loans to or from audit clients
  - receipt of undue hospitality, or goods or services from an audit client for less than full value
  - provision of other services to audit clients such that a conflict of interest could arise
  - a partner or senior employee joining an audit client
  - mutual business interests with clients
  - participation in the business affairs of an audit client
  - voting on audit appointments
  - acting as auditor for a prolonged period of time; and
  - an officer or employee of an audit client being related to a Partner or staff member
- 2.3.3 Partners and staff must comply with the ethical standards applied by the firm's accountancy body. These standards will themselves comply with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by IESBA (International Ethics Standards Board for Accountants) and effective as of June 15, 2019. For audits, the FRC Ethical Standards will also apply. Any doubts about an individual's objectivity or independence should be referred to the Audit Compliance Partner. The following paragraphs stress certain of the matters dealt with in these Ethical Standards.

#### 2.3.4 Interests in clients' affairs

The Assignment Partner responsible should be informed where a member of staff has any financial interest or connection whatsoever with any client (whether beneficial or non-beneficial). This would include situations where relatives or friends are employed by the client and being a trustee of a trust or executor of an estate holding shares in an audit or assurance client. No employee should, without the prior written approval of a Partner, buy or sell shares in client companies or make or receive loans to or from clients, even if the interests are non-beneficial. Investments in Authorised Unit/Investment Trusts holding shares in client companies will not impair independence.

If a partner is a trustee of a trust which holds a financial interest in a client company and the financial interest is material to the trust, the Partner Trustee should not act as Audit Assignment Partner and the need for a Hot Review should be considered. If the Trust's holding is temporary then the Partner Trustee can be Audit Assignment Partner but a Hot Review is essential.

Where the firm begins to act for a new client and any member of staff has any interest in the clients' affairs, including those mentioned above, the member of staff should immediately upon becoming aware that the firm is acting, notify the Ethics Partner and Assignment Partner of any interest.

Where a member of the firm acquires an interest in a client company as a beneficiary under a will they should immediately notify the Ethics Partner and Assignment Partner of the interest.

#### 2.3.5 Secondment of staff to clients

Staff cannot be seconded to a client if they will hold a management position. Any staff seconded to a client in any other capacity should be excluded from the audit team for the first audit following the completion of the assignment. Under no circumstances can the staff member seconded to a client perform any audit work in an area they have had any involvement in during their secondment.

#### 2.3.6 Staff joining a client

If a member of staff is approached by a client to join them they must immediately notify the Audit Engagement Partner even if they are not actively considering the offer. Managers must immediately notify the Audit Engagement Partner if they are considering joining an audit client. On notification the staff member or manager must be removed immediately from the engagement team and their work on the current and, where appropriate, the most recent audit must be reviewed to ensure there is no evidence of their objectivity having been impaired. In addition, they should not be involved in any way in servicing the client; neither should they have access to any files dealing with the client's affairs without the express permission of the Ethics Partner. Any issues arising should immediately be discussed with the Ethics Partner.

#### 2.3.7 Gifts from clients and purchase of goods or services from a client

In general, gifts or benefits (including undue hospitality) should not be accepted from clients. Where a member of staff is likely to receive or receives a gift or benefit of any kind, buys goods (or uses services) from a client or from any other source connected with clients or with the firm, the Assignment Partner should be notified. Goods or services should not be bought from a client on terms more favourable than those offered to the clients' staff. See for instance ACCA Rulebook Section 250 "Inducements, including gifts and hospitality" and ICAEW helpsheet "Gifts and hospitality".

### 2.3.8 Social contact with clients

Any close social contact which members of staff have with clients or their staff should be disclosed to the Assignment Partner. Whilst such contact can be beneficial to the firm, the client and members of staff, it is necessary for the Partner to be notified so that, if considered necessary to safeguard the professional independence of the firm, the work on the client in the future can be dealt with by suitably independent staff.

### 2.3.9 Trustee investments in audit clients

Only Partners should be permitted to act as an executor or trustee for clients of the firm. When a Partner accepts appointment as an executor or trustee they must immediately notify the Audit and Investment Business Compliance Partners and preferably ensure that they are not the first named executor or trustee. The Partner's independence would be prejudiced if:

- more than 10% of the market value of the assets of the estate, trust or pension scheme were represented by shares in client companies, or
- the estate, trust or pension scheme holds more than 10% of the voting rights in client companies.

If the above limits are exceeded, the Partner must not:

- act as sole audit Partner for the client, or
- take part in any discussions or vote on the appointment, removal or remuneration of the firm as auditor to the client

Similar principles apply when a partner has power of attorney for a shareholder in an audit client or is a cheque signatory on an audit client's bank account.

### 2.3.10 Commission and other inducements

Partners, staff and persons closely connected to them should not enter in to any arrangement which could result in their receiving, for their personal benefit, commission or other inducements for:

- introducing business or staff to a client, or
- giving a favourable reference on a client or their employees to third parties.

All commission earned arising from transactions affecting clients should be notified to them. This includes commission earned from introducing clients to third parties and from acting in a fiduciary capacity on clients' behalf. Guidance is provided in ICAEW guidance note "Determining the basis of charging fees " and ACCA Rulebook 210 "Conflicts of Interest".

### 2.3.11 Partner joining a client firm

If a Partner is planning to leave the firm in order to join a client they should notify the Ethics Partner immediately. From that point, they should not be involved in any way servicing that client, nor should they have access to any files dealing with the clients' affairs without the express permission of the Ethics Partner. Partners cannot join a client firm (even as a non-executive director) if they were involved in the audit during the two years period to their joining the client unless the firm resigns as auditor. The firm cannot accept re-appointment until a two year period commencing when the former partner ceased to act for the client has elapsed or the former partner ceased employment with the former client sooner.

### 2.3.12 Long association with audit clients

The rules for this are set out in Section 3 of the Ethical Standards. Key elements are as follows.

#### **General requirements:**

The firm will assess the threats to integrity, objectivity and independence arising from long association or extensive and/or regular involvement with an entity.

The firm will apply safeguards as required.

The firm will disclose relevant information to the client.

Where threats cannot be reduced to a level where independence would not be compromised, the firm will decline to accept an engagement or resign from it, as appropriate.

#### **Non-listed clients:**

Where an Audit Engagement Partner has not rotated after 10 years, safeguards may need to be put in place and the reason why there has not been any rotation documented and the directors/Audit Committee of the client notified of the lack of rotation.

#### **Public interest entities and other listed entities:**

There has to be Partner rotation every 5 years, with some exceptions set out in the Ethical Standards.

No one shall act as the engagement quality control reviewer or a key partner involved in the engagement for a period longer than seven years, and where an engagement quality control reviewer or a key partner involved in the engagement becomes the engagement partner, the combined period of service in these positions shall not exceed seven years.

### 2.3.13 Fees

For audit clients, the rules for this are set out in Section 4 of the Ethical Standards. Similar requirements will apply to non-audit clients, and will be set out in the guidance of the firm's accountancy body.

#### **General requirements:**

The engagement partner shall be satisfied and able to demonstrate that the engagement has assigned to it sufficient partners and staff with appropriate time and skill to perform the engagement in accordance with all applicable Engagement and Ethical Standards, irrespective of the engagement fee to be charged.

Contingent fees related to audit engagements are not permitted. Generally, fees should not be charged on a percentage, contingency or similar basis for reporting assignments (including expert witness assignments), and should not be charged on other assignments without the approval of the Ethics Partner.

#### **Non-listed clients:**

For audits, where it is expected that the total fees for services receivable relevant to a recurring engagement by the firm will regularly exceed 15% of the annual fee income of the firm or, where profits are not shared on a firm-wide basis, of the part of the firm by reference to which the engagement partner's profit share is calculated, the firm shall not act as the provider of the engagement for that entity and shall either resign or not stand for reappointment, as appropriate.

For audits, where it is expected that the total fees for services receivable relevant to a recurring engagement will regularly exceed 10% of the annual fee income of the firm or the part of the firm by reference to which the engagement partner's profit share is calculated, but will not regularly exceed 15%, the engagement partner shall disclose that expectation to the Ethics Partner/Function and to those charged with governance of the entity and the firm shall arrange an external independent quality control review of the

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engagement to be undertaken, before the firm's report is finalised.

**Listed clients and public interest entities:**

Similar requirements for audits exist as for non-listed clients, except that the limit for resigning the engagement is set to 10%, and the limit for having an external independent quality control review is set at 5%.

2.3.14 Agencies

No member of staff should be allowed to have an agency with a building society, insurance company or any other organisation without the prior approval of the Staff Partner.

In cases where approval has been given, arrangements should not be made through these agencies on behalf of clients of the firm unless:

- a) the approval of the Investment Business Compliance Partner has been obtained
- b) the client is notified of the relationship.

## 2.4 THIRD PARTY SUPPLIERS AND SUB-CONTRACTORS

2.4.1 No services should be purchased from a self-employed consultant or temporary member of staff unless:

- a) the use of their services is cost effective; and
- b) if involved in professional work, they have signed a Compliance Confirmation Form (see 2.6.1 below); and
- c) their professional qualifications and CPD have been checked.



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## 2.5 SKILLS AND COMPETENCE

- 2.5.1 It is vital that Partners and staff have the skills and competence to discharge their responsibilities properly. These skills and competencies will be acquired from a mixture of work experience and training and it is vital that all Partners and staff keep themselves up- to-date in their areas of expertise. This will ensure that the firm is able to offer clients the highest level of client services and reduce the risk of bringing the firm into disrepute.
- 2.5.2 As well as technical competence, professional skills encompass communication skills (both with staff and clients), judgement, initiative, leadership, commercial sense and financial awareness, administrative ability, and independence of mind and objectivity.
- 2.5.3 Partners and qualified professional staff must satisfy the CPD requirements of their Institute. Unqualified staff fulfilling the roles of Assignment Manager or Senior should satisfy the firm's CPD requirements for qualified staff. Staff fulfilling the role of Assignment Assistant who is not studying for professional examinations should do sufficient CPD on matters technically relevant to their responsibilities.
- 2.5.4 The firm should maintain records to show that its CPD requirements have been met. This is particularly important in respect of Partners. Failure to comply with the CPD requirements will result in sanctions being imposed by professional bodies.
- 2.5.5 Conduct which could prejudice an individual's entitlement to continued membership of their professional body should also result in disciplinary action by the firm.

## 2.6 COMPLIANCE WITH AUDIT AND INVESTMENT BUSINESS REGULATIONS

- 2.6.1 Partners and staff including consultants, subcontractors and temporary professional staff must comply with the Audit and Investment Business Regulations issued by their accountancy body. Included in these Regulations are requirements relating to inter-alia independence, confidentiality and "fit and proper". These should be confirmed annually by completing a Compliance Confirmation Form, see Appendix 2.2.
- 2.6.2 Any changes in any of the confirmations made must be notified to the relevant Compliance Partner without delay. This is of particular importance as regards fitness and propriety.
- 2.6.3 Suitable quality control procedures are dealt with in Part 6 of this Manual.

## Appendix 2.1

**FOR FIRMS OF CHARTERED ACCOUNTANTS PARTNER  
AND STAFF COMPLIANCE CONFIRMATION 20\_\_**

Name:	
Department:	
Group:	
Personnel Number:	

Contents	Section
General Declaration	1
Confidentiality and Money Laundering	2
Insider dealing	3
Independence	4
Fit and Proper	5
Continuing Professional Education	6
Personal Appointments	7
Private Work	8
Reservations and Qualifications	9

**PLEASE COMPLETE AND RETURN TO \_\_\_\_\_ BY: \_\_\_\_\_**

**If you have any problems completing the confirmation, please discuss with them.**

## **PARTNERS AND STAFF COMPLIANCE CONFIRMATION**

### **1 General Declaration**

I have read the Firm's Staff Manual and in particular the section dealing with personal Conduct and confirm that I understand the implications of that section.

Except where I have indicated otherwise and provided details in section 9, I make the declarations in sections 2 to 8 without reservation or qualification.

I undertake to notify the Compliance Partner in writing within 5 working days of there being any changes in circumstances which would give rise to any reservation or qualification to the declarations below.

### **2 Confidentiality and Money Laundering**

I acknowledge that I must treat as confidential all information concerning client affairs. I confirm that I have not disclosed, nor will I disclose, any information concerning any client's affairs to anyone not employed by the Firm, unless specifically authorised to do so by a partner or with the express permission in writing of the client.

I confirm that I am aware of the firm's procedures in relation to Money Laundering and have received training in money laundering and the firm's procedures. I confirm that I will report any suspicions of money laundering in accordance with those procedures.

### **3 Insider Dealing**

I confirm that I have not nor will I use or pass on to another person not employed by the Firm any information that could give me or them a benefit through share trading.

### **4 Independence**

I have reviewed the client code list and confirm that neither I nor persons closely connected with me (ie spouse, or parents, children or siblings and their spouses).

- (a) have beneficial interests in shares, debentures and other investments in;
- (b) hold directorships or act as officers or are employees in;
- (c) hold appointment as an executor or trustee in an estate or trust holding interests in shares and other investments in;
- (d) hold power of attorney for a person holding interests in shares and other investments in;
- (e) have made a loan to or guaranteed such a loan to;
- (f) have accepted a loan from or had such a loan guaranteed by;
- (g) entered into a transaction (including buying or selling goods) other than at arm's length terms and in the ordinary course of trade with;
- (h) accepted any gifts or undue hospitality from;
- (i) received any introductory or other commission (which has not been accounted for to the Firm) from audit clients and insolvency appointments of the Firm.

I also confirm that neither I nor anyone closely connected to me has voted at any general meeting of an audit client company or any matter relating to the auditors.

I confirm that neither I nor anyone closely connected to me has had significant influence over the management control of any entity authorised to conduct investment business under the Financial Services & Markets Act 2000 other than the Firm or its Associates.

I confirm that I am not aware of any actions taken by me which might give the impression that the Firm's independence or objectivity might be compromised or which might set the Firm's reputation at risk.

I confirm that I will comply with the fundamental Ethical Principles of integrity, objectivity, competence, performance and courtesy.

I confirm that I am not an authorised cheque signatory in respect of any audit client of the Firm.

## **5 Fit and Proper**

Except for offences committed before the age of 17 (unless committed within the past 10 years) or any road traffic offence that did not lead to a disqualification or prison sentence I have never, in the UK or elsewhere:

### **Financial Integrity and Reliability**

1. within the last ten years, failed to satisfy any debt adjudged due and payable by me as a judgement-debtor under an order of a court, or made any compromise arrangement with my creditors;
2. been subject to a bankruptcy order by a court or had a bankruptcy petition served on me;
3. made an assignment for the benefit of creditors or made any arrangement for the payment of a composition to creditors;

### **Convictions or Civil Liabilities**

#### *Convictions*

4. pleaded guilty to or been found guilty of any offence;

#### *Civil Actions re. Professional or Business Activities*

5. been, within the last 5 years, party to any civil action which has resulted in a finding against me by a court, or a settlement being agreed, in respect of any matter relating to my professional or business activities;

#### *Disqualification from Company Management*

6. been disqualified by a court from being a director, or from acting in the management or conduct of the affairs of any company or LLP;

### **Good Reputation and Character**

#### *Refusal of License*

7. been refused the right or been restricted in the right to carry on any trade, business or profession for which a specific licence, registration or other authority is required;

#### *Professional Activities and disciplinary action*

8. been the subject of an investigation into allegations of misconduct or malpractice in connection with my professional activities;

9. been the subject of disciplinary procedures resulting in an adverse finding against me;
10. been censured, admonished, reprimanded, excluded, otherwise disciplined or publicly criticised by any professional body to which I belong or have belonged to;
11. been refused entry to or excluded from membership of any profession or vocation;
12. been censured, disciplined or publicly criticised by, or made the subject of a court order at the instigation of any regulatory authority, or any officially appointed enquiry or any other body concerned with the regulation of a financial, professional or other business activity;

*Previous Offices, Employment's and Partnerships*

13. been dismissed or requested to resign from any office (other than as auditor) or employment or requested to resign from a partnership or LLP.

I confirm that I am not currently undergoing any:

- (a) investigation into allegations of misconduct in connection with my professional activities, or
- (b) disciplinary procedures by any professional body of which I am a member or have been a member, or
- (c) disciplinary procedures by any other body or employer, or
- (d) civil or criminal court action arising from any professional or financial activities.

## **6 Continuing Professional Development (CPD)**

I confirm that I have kept up to date the knowledge skills and professional competence I need to fulfil my responsibilities to clients and to the Firm.

If applicable, I confirm that I have and will continue to satisfy the Continuing Professional Development requirements of all professional bodies to which I belong or am affiliated.

## **7 Personal Appointments**

I hold no personal appointments, other than in respect of a client of the firm, as:

- (a) trustee of a trust;
- (b) a donee of any power of attorney or deputy under the Court of Protection;
- (c) a personal representative of a deceased person's estate;
- (d) executor named in the will of a living person;
- (e) nominee;
- (f) custodian of assets.

*Note: Personal appointments for which you do not use or intend to use any of the Firm's resources or stationery (such as being executor of a parent's will which will not be dealt with through the Firm) do not have to be disclosed*

## **8 Private Work**

I have obtained the written approval of a Partner in all cases where I engage in business, trade or professional employment outside the Firm, whether paid or unpaid.

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**9 Reservation and Qualifications**

(See General Declaration in Section 1)

Name: \_\_\_\_\_

Signature: \_\_\_\_\_

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

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## PART 3: OBTAINING NEW WORK

### INDEX

- 3.1 Introduction
- 3.2 Public relations activities, publicity and advertising
- 3.3 Unsolicited contacts with non-clients
- 3.4 Introductions
- 3.5 Responding to enquiries
- 3.6 New work from existing clients

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## 3.1 INTRODUCTION

- 3.1.1 The continuing success of firms depends on the quality of their services and their ability to attract high calibre new work from both new and existing clients. In order to attract new work, it is important that all Partners and staff:
- act in a professional matter, and
  - are aware of the services the firm can offer and communicate this effectively to clients, contacts and potential clients.
- 3.1.2 Care should be taken to ensure that any marketing or promotional activity does not oversell the firm's capabilities or amount to harassment.
- 3.1.3 This part of the Manual does not deal with seeking and obtaining Investment Business.

## 3.2 PUBLIC RELATIONS ACTIVITIES, PUBLICITY AND ADVERTISING

- 3.2.1 These marketing activities include:
- advertising
  - sponsorship
  - publications
  - participating in trade exhibitions
  - writing for trade journals
  - organising or participating in seminars and conferences.
- 3.2.2 All such activities should be approved by the Marketing Partner who should ensure that the correct message is being put across.
- 3.2.3 All marketing activities should comply with the guidance of the firm's registered accountancy body, such as the ICAEW Ethical helpsheet "Marketing" and the ACCA Rulebook section "Marketing professional services".

## 3.3 UNSOLICITED CONTACTS WITH NON-CLIENTS

- 3.3.1 We are able to cold call and follow-up direct mailing of promotional or technical material, but any follow-up must not amount to harassment and we must not make phone calls to or visit a prospective client who is clearly not interested. To be on the safe side it is advisable to offer recipients of mail shots the opportunity to request that no further promotional material is received and to remove their names from contact lists as soon as such a request is received.



3.3.2 Promotional material can contain information on fees and comparisons with competitors. However, any such information must not be misleading or be disparaging of others. Any claims of size or superiority must be capable of being substantiated and should only be included with utmost caution.

3.3.3 There are EC regulations concerning unsolicited e-mail that must be complied with.

## 3.4 INTRODUCTIONS

3.4.1 Partners and staff should not give or offer any commission or fee to a third party in return for the introduction of a client.

## 3.5 RESPONDING TO ENQUIRIES

3.5.1 Any enquiry which may lead to the firm obtaining work from new clients should be referred to a Partner.

3.5.2 The Marketing Partner should maintain a library of all proposals submitted by the firm, annotated with the reasons for their success or failure. Reference should be made to this library whenever a proposal is being prepared to ensure that:

- a) they are prepared in a consistent format;
- b) previous good practice is applied efficiently, without duplication effort; and
- c) previous experiences are built on.

3.5.3 Before submitting a proposal to a prospective client, the Partner should:

- a) identify the prospective clients' precise requirements, and
- b) establish, as far as is practicable in the circumstances, that the firm would be able to accept the prospective engagement (see Part 4).

3.5.4 Any proposal must be signed by the prospective Assignment Partner. It should contain:

- a) our understanding of the nature and scope of the services required;
- b) an indication of any limitations in the scope of the prospective engagement that would be acceptable to the firm if any;
- c) a description of the reports and opinion we would provide, and
- d) the basis on which fees would be calculated, rendered and paid. Fees cannot be charged on a percentage, contingency or similar basis for reporting assignments (including expert witness assignments), and cannot be charged on other assignments without the approval of the Ethics Partner.

3.5.5 Care should be taken to avoid making proposals to potential clients based on incomplete information.

3.5.6 Cost estimates should be based on objective, documented assessments of the expected time costs and other expenses.

3.5.7 If the proposal is not successful, the Partner should endeavour to find out why and attach a note of the reason to the library copy of the proposal. Similarly, if we are successful, the reason why should be noted.

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## 3.6 NEW WORK FROM EXISTING CLIENTS

- 3.6.1 A major source of new work is existing clients. To ensure that existing clients are aware of the services the firm can offer which could be of benefit to them, at the end of each assignment the person in charge of the fieldwork should consider completing the Client Service Checklist.

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## PART 4: ACCEPTANCE AND CONTINUANCE OF CLIENTS

### INDEX

- 4.1 **Pre-appointment procedures**
- 4.2 **Acceptance of appointment**
- 4.3 **On appointment**
- 4.4 **Continuing clients**
  - 4.4.1 *Client retention*
  - 4.4.2 *Annual review of terms of engagement*

## 4.1 PRE-APPOINTMENT PROCEDURES

- 4.1.1 Before considering whether the firm should accept appointment, it is crucial that there is a full understanding of the prospective client's needs and how the required services can be provided.
- 4.1.2 In preparing for the meeting with the prospective client, the prospective Assignment Partner should:
- ascertain the main trading and registered office addresses;
  - where applicable, obtain a company search;
  - obtain, where possible, copies of the financial statements, tax computations and returns for the last year;
  - ascertain whether there are any particular accounting, auditing, taxation or regulatory issues, and
  - gather any available information about;
    - I) the business activities and locations of the prospective client and, where applicable, other group entities;
    - II) the state of the industry in which the prospective client operates;
    - III) who controls and manages the prospective client;
    - IV) the standing of the prospective client in the industry and its principal competitors;
    - V) the reputation of the prospective client and, in the case of corporate clients, its directors/Partners, and
    - VI) whether there are likely to be any imposed limitations of audit scope on our work.
- 4.1.3 When the Partner meets with the prospective client, he or she should confirm the information gathered above is up to date and should discuss, inter alia:
- who the beneficial owners of the prospective client are;
  - what is its business model and its key sources of income and capital;
  - the nature and timing of the reports the firm will be required to provide;
  - services other than audit/tax compliance the firm will be expected to provide;
  - the nature and extent of the entity's activities and any problems they are encountering;
  - possible developments in the business;
  - the financial position of the entity;
  - the company's accounting and management information systems including their reliability;
  - the reasons for the proposed change of auditors, reporting accountants and advisers;
  - the basis upon which fees will be charged and the fact that the firm will only act on the basis of full disclosure by the prospective client of all information relevant to the work being done, and
  - in the case of audit or other assurance engagements, any matters that may affect independence.

- 4.1.4 In assessing whether to accept appointment, the Partner needs to:
- ensure that the firm is eligible to act, both on ethical and technical grounds (eg on a Regulator's approved list);
  - in the case of audit or other assurance engagements, ensure that the firm can continue to be independent of the prospective client;
  - where practicable, satisfy himself that the prospective client and, its senior management are reputable since the firm does not wish to be associated with entities which lack integrity;
  - ensure that the firm has the resources and expertise to carry out the engagement, and
  - ensure as far as practicable that the client both can and is likely to pay the fees charged.
  - ensure there will be no imposed limitations on the scope of our audit work. Where there could be any limitation, the appointment must be approved by the Audit Compliance Partner. Where any imposed limitations are such that the audit report will need to be disclaimed, the appointment should not be accepted.
- 4.1.5 The Money Laundering Regulations 2020 require verification of the prospective clients' identity and retention of evidence of verification procedures for five years after the end of the business relationship. Guidance is given in the Money Laundering Procedures Manual.
- 4.1.6 The New Client Acceptance Form and supporting documentation outlining satisfaction of the above matters should be prepared and filed on the permanent file. A template is provided in Audit Automation to allow this process to be automated.

## 4.2 ACCEPTANCE OF APPOINTMENT

- 4.2.1 Proof of identity should have been obtained before the Partner can decide that it is appropriate to accept appointment. Having done so, the Partner should enquire of the previous auditors/reporting accountant/adviser if they know of any reason why the firm should not accept the engagement. A suitable standard letter is included at the end of this manual and as a template in Audit Automation. The Partner should explain our need to communicate with the previous auditors/reporting accountants/adviser to the prospective client and request that they are authorised to respond to our enquiries.
- 4.2.2 The previous auditors/reporting accountants/advisers must reply to these enquiries (provided they have been given authorisation to reply by the client) even if there are outstanding fees.
- 4.2.3 Once a reply from the previous auditors/reporting accountants/advisers has been received, the firm can formally accept the appointment.
- 4.2.4 If a reply from the previous auditors/reporting accountant/adviser is not received within a reasonable time, the Partner should:
- confirm that the prospective client has given the previous auditors/reporting accountant/advisers authority to reply to our letter. If the prospective client will not give their authority, the firm must not accept appointment without making personal contact;
  - attempt to contact the previous auditor/reporting accountant/adviser by some other means, and

- if a reply is still not forthcoming, a further letter should be sent, preferably by recorded delivery or by fax, stating that, unless a reply is received within a specified time, we will assume that there are no matters of which we should be aware before deciding whether to accept the appointment.

4.2.5 Matters which should cause us to question whether we should act include:

- fraud,
- accounting irregularities,
- Tax/VAT evasion where there is no intention to rectify matters,
- The potential client has demonstrably misled their current accountant/auditor or has a track record of being 'economical with the truth' in the past, and
- The potential client fails or refuses to permit their current accountant/auditor to discuss their affairs with us.
- There are likely to be imposed limitations on the scope of our audit. If the limitation is likely to result in our disclaiming our opinion on the financial statements, we should not accept appointment unless required by law or regulation to do so (ISA (UK&I) 210.7).

4.2.6 Matters which should not affect our decision to act but which might be useful information include:

- Fee disputes, and
- Current accountant/auditor is the subject of a complaint by the proposed client.

4.2.7 A "Sensitive" client (see paragraph 6.4.5 below) should only be accepted after suitable consultation with other Partners.

## 4.3 ON APPOINTMENT

4.3.1 On appointment, the terms of engagement should be confirmed in an engagement letter before any work is started. Specimen letters of engagement are included at the end of this manual and as templates in Audit Automation. Fees should not be charged on a percentage, contingency or similar basis for an assurance assignment (which includes an expert witness assignment). For other assignments where a contingency or similar fee basis is proposed, the Ethics Partner should be consulted. If the client refuses to acknowledge its responsibilities in accordance with ISA (UK&I) 210.6(b) we should not accept appointment unless required to do so by law or regulation.

4.3.2 In addition, audit work should not commence until we have seen:

- (a) a valid notice of the previous auditor's resignation or removal,
- (b) the previous auditor's resignation/removal statement under Section 519 Companies Act 2006 concerning circumstances connected with ceasing to hold office,
- (c) where relevant, a notice to regulators (such as FCA), and
- (d) we have completed our anti-money laundering identification procedures.

- 4.3.3 Generally, in the case of audit engagements, it is advantageous for us to review the previous auditor's working papers or discuss their approach with them to enable us to understand the business of the new client and assist us with auditing the opening balances and comparatives. We have a right to look at the working papers of our immediate predecessor where there was a change of auditor in respect of accounting periods beginning on or after 6 April 2008. This right relates to our immediate predecessor and if they did not do an audit, there is no right to go back and request information from their predecessors, although we can ask them to grant us access. Our predecessor has to grant us access but does not have to provide us with photocopies of our extracts from their working papers. Guidance is given in ICEAW Audit & Assurance Faculty Technical Release AAF 01/08 "Access to Information by Successor Auditors".
- 4.3.4 In the case of tax compliance assignments, we should obtain copies of the last agreed assessments, tax computations and returns and details of all open assessments and items in dispute.
- 4.3.5 A permanent file should be opened, the required information obtained and where appropriate entered in Audit Automation. It may be desirable to maintain separate permanent information for audit, tax and investment business work for a client.

## 4.4 CONTINUING CLIENTS

### **Client Retention**

- 4.4.1 As it is important to vet potential clients before acceptance, it is equally important to regularly re-evaluate whether the firm should continue to service them since the firm should not act for clients.
- of questionable integrity,
  - where there has been a breakdown in mutual trust or communication including a refusal to give us unlimited access to all the information we require to complete the audit or to employees from whom we required audit evidence; or
  - where there are unacceptable limitations on the scope of our audit work such that we will have to disclaim our opinion on the financial statements. We can act in such circumstances if we are required to do so by law or regulation (ISA (UK&I)210.7)

### **Annual Review of Terms of Engagement**

- 4.4.2 The following conditions will usually indicate that careful consideration of whether the firm should continue to act is needed:
- significant changes in senior management;
  - frequent differences of opinion and/or disagreements with the client;
  - the discovery that the client has not been open or truthful with us;
  - the conviction or pending prosecution of the client or its senior management for an illegal act;
  - any litigation of or threat of litigation between us and the client, and
  - any impairment in our ability to be and be seen to be objective and independent.

Suspicions of Money Laundering in relation to tax matters or which gave rise to a Limited Intelligence Value Report to the NCA would not normally constitute grounds for ceasing to act. In addition, where a resignation could give rise to “tipping-off” a client that has been reported to the NCA, great care needs to be taken and the MLRO should be consulted.

4.4.3 The adequacy of the Client Due Diligence information held should be considered based on:

- whether there are any changes in the risk of money laundering or terrorist funding. Where there is an increase in risk, or the risk is high, we should check that the information held is still current (eg Passport details held relate to a current passport) and any out-of-date information should be replaced. In the case of long- standing clients where it was not previously necessary to identify them, the due diligence procedures should be carried out.
- whether there are any changes in directors/trustees, etc and if so, due diligence should be carried out on the new directors/trustees.
- whether there are any changes in beneficial owners and if so due diligence should be carried out on the new beneficial owners.

Where there are PEPs involved in the business, special care needs to be taken. This area is dealt with in detail in the Money Laundering Manual.

4.4.4 The re-evaluation of whether the firm should continue to act for clients should take place:

(a) in the case of audit clients;

- at the end of each audit assignment before the Partner signs off when he should consider whether the firm wishes to be re-appointed. This evaluation is documented on the Partner Review Checklist and
- before the planning of an audit assignment is started. This evaluation is documented on the Reappointment Acceptance Checklist.

(b) in the case of tax clients, before work is commenced on the next year’s computation and Return at the tax year end review.

4.4.5 Any doubts about whether or not to continue acting for a client should be discussed with the Ethics Partner, including where any threats to independence or objectivity have been identified or discussed with the MLRO if there are any issues arising from the ongoing monitoring.

4.4.6 As part of the planning of each assignment we need to review the firm’s terms of engagement and, if there are any changes, consider whether a new Engagement Letter is required.

4.4.7 Where any threat to independence or objectivity is identified the course of an audit:

- a) the Ethics Partner should be notified and adequate safeguards (including, where necessary, a Hot Review) should be put in place.
- b) the client should be informed of the threat and the safeguards put in place



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## PART 5: CONDUCT OF AN ENGAGEMENT

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## 5.1 INTRODUCTION

- 5.1.1 All clients are entitled to receive the same high standard of service and all Partners and staff must ensure this is the case.
- 5.1.2 All work must be carried out in accordance with the detailed procedures in the firm's Procedure Manual.
- 5.1.3 All assignments (including one-off assignments) should be covered by a signed Letter of Engagement.

## 5.2 PLANNING

- 5.2.1 All assignments carried out for clients should be adequately planned to ensure that
  - they are carried out as efficiently as possible;
  - the firm's performance meets the clients' requirements and expectations;
  - time pressures are minimised, and
  - appropriate staff are assigned to the engagement and their developmental needs are satisfied as far as is practicable.
- 5.2.2 In order to plan the assignment in an appropriate manner, it is necessary to have a detailed knowledge and understanding of the client and the environment in which they operate. This knowledge should be recorded in the text documents in the Permanent File section of Audit Automation, and must be kept up-to-date.
- 5.2.3 Where appropriate, before the detailed planning commences, a pre-planning Briefing Meeting should be held between the Assignment Partner, Manager and Senior and Tax Specialist (if appropriate) to ensure that knowledge about the client and their requirements can be properly taken into account during the detailed planning work. In many cases this meeting will be informal. The detailed planning must ensure that the work done satisfies the statutory, regulatory and professional requirements; for example, in the case of audits it must be in accordance with applicable auditing and accounting standards.
- 5.2.4 The overall plan for the assignment should be in writing and, where appropriate, be approved by the Partner before the detailed work begins. The plan should include a budget. Audit Automation contains all the necessary routines to plan the assignment and document the process.
- 5.2.5 Before staff begin the detailed work, they should be properly briefed by the person supervising their work.
- 5.2.6 If, during the course of an assignment, it becomes apparent that the planned procedures are not appropriate, any necessary changes should be approved by the Assignment Manager or Partner.

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## 5.3 RECORDING OF WORK DONE

### 5.3.1 Introduction

All work done must be recorded. If a procedure is not recorded, it becomes harder to counter the assumption by a Court or (eg) the ICAEW QAD/ACCA Monitoring Unit that the procedure was not carried out.

### 5.3.2 Review of Work Done

All work done by a subordinate must be reviewed by the person supervising them. Review of work is recorded by initialling the 'reviewed by' box on working papers. This will be generated by Audit Automation for Windows once an audit area has been signed off on screen, but manuscript signatures are required on the Partner, Manager and Audit Senior Review Checklists, and the Reappointment Acceptance Checklist. A missing signature implies the work has not been reviewed. In the case of Audit Exemption Report assignments, the signatures are required on the Completion Checklist. Where evidence of review is not provided by signing off the audit areas on screen, It is not necessary for the Assignment Partner to initial other schedules and he should not do so, unless he is also acting as Assignment Manager on the engagement.

### 5.3.3 Contents of Working Papers

It is essential that, whatever the nature of the work being undertaken, working papers are produced legibly and neatly and should be properly headed. Staff must ensure that their working papers are clear and filed in the appropriate place when complete. Poor working papers, or a failure to file information correctly, costs money and constitutes insufficient evidence of work done.

### 5.3.4 The following information should be recorded on all audit working papers:

- objectives
- plan to achieve the objectives;
- sufficient information as to how the plan has been carried out;
- sources of evidence;
- findings;
- conclusions;
- cross-referencing and
- negative return information, ie where work has been done in an area and nothing has been found, eg understatement of income, accruals, contingent liabilities, provisions for doubtful debts.

Non-audit working papers should evidence the work done, support the conclusions reached and be properly cross-referenced

5.3.5 All schedules should be properly headed as follows:

- clients' name;
- accounting or other relevant date
- subject of the schedule;
- date on which the work was carried out and reviewed;
- initials of the person carrying out the work; and
- initials of the person reviewing it.

Many schedules can be set up as Word Processing or Spread sheet files and updated annually. This process is automated by Audit Automation allowing you to create working papers based on templates and to link them to audit tests and checklist questions where appropriate. It is also possible to scan documents using Audit Automation.

5.3.6 Working Paper Files

All files should be neat, clearly labelled with the clients' name, type of file and accounting or tax period. The working papers should be indexed in accordance with the standard index for that type of file and arranged in an orderly manner. Where you create working papers with Audit Automation, they are automatically included in the index for the audit area, however, where you create manual working papers you must add them to the index for the relevant audit area.

5.3.7 Files should use the standard colour for their type.

5.3.8 Audit and Accountancy files.

- The Audit Automation procedures should be tailored to suit the specific circumstances of the client as part of the detailed planning of the assignment.
- It is the responsibility of the Assignment Senior to ensure that files are completed (including drafts of the report, accounts, letter of representation, management letter (where appropriate) and tax computation (for accounts accrual purposes) with all outstanding matters recorded in the notes for partner within Audit Automation. Failure to do so may be reflected in the Performance Review and salary reviews. In addition, all journals must be included on the lead schedules (which should be cross-referenced to the final accounts). Provided the journals have been entered in Audit Automation and marked as agreed with the client they will appear on the lead schedules. It is therefore important that the schedules included in the final version of the audit file are printed after all journals have been entered and marked as agreed.
- A disclosure checklist should be completed annually for all financial statements of sensitive clients (see below) issued with a report by the firm. For other clients provided there have been no significant changes in the clients' circumstances or accounting policies and the accounts have been produced using the accounts preparation software, a full disclosure checklist need only be completed every 3 years with the checklist being carried forward. The Assignment Controller should ensure that:
  - the correct version of the accounts preparation software was used to produce the accounts and the triggers were correctly set.
  - new accounting standards have been considered and the consideration documented.
  - the accounts have been read for consistency.

## 5.4 SUPERVISION

- 5.4.1 A Partner in the firm (the Assignment Partner) is responsible to each client. It is the Assignment Partner's responsibility to determine priorities and authorise staff as to the work they should be carrying out. Staff should only accept instructions for carrying out work from Partners or senior staff. On no account should they accept instructions from clients; the client should always be referred to the Partner. Staff engaged on an assignment should complete it before undertaking another. Where sufficient information is not available to complete on assignment, the next one should be started. However, unless authorised by the Assignment Partner of the client being worked on, this work should not be interrupted to commence work on another client.
- 5.4.2 The firm's policy is to encourage staff to take responsibility for their work as part of their training. Senior staff are encouraged to undertake supervision of junior staff at an appropriate stage.
- 5.4.3 All work and working papers will be subject to review by someone more senior in the firm to ensure that the work has been adequately performed and that the correct conclusions have been reached. This does not remove responsibility from the staff for carrying out work efficiently and communicating problems or areas of doubt to the person supervising them or to the Partner.
- 5.4.4 Review points raised should be explained to the person clearing them to ensure that they understand:
- a) what is required to clear the point?
  - b) why the review point was raised.
- This will provide on-the-job training and improve the efficiency with which future assignments are performed.
- 5.4.5 As far as possible, staff will be allocated work for which they have the appropriate theoretical knowledge and training. The firm's attitude is to encourage staff to obtain experience and become proficient in a wide variety of work. However, staff at all levels must understand clearly their responsibilities and, if in any doubt on technical matters, working papers, professional ethics, etc, should draw these to the attention of the person supervising them or the Assignment Controller or Partner.

## 5.5 CONTROL OF TIME

- 5.5.1 Clients pay for a service and they are more inclined to pay if they feel they have received value for money. Our charges are based on time necessarily spent on clients' affairs and it is, therefore, essential that time is properly used and also accurately recorded using the client and work type codes provided. It is also vital to record all the time actually spent on client work - the determination of what was necessary is to be made when the bills are presented and not at the point of recording.
- 5.5.2 Before the start of any assignment, a plan should be drawn up of the procedures to be undertaken and, wherever possible, estimates made of the likely time and staff required. This is catered for in Audit Automation by completing the Risk Assessment, customising the audit programme and completing the staff records and budget details. This should enable us to identify areas where work is likely to take longer or require a higher grade of staff than is anticipated and to discuss this with a client before proceeding further. The client

will have to take a decision to regularise the position themselves or bear the cost of this firm doing so.

- 5.5.3 All members of staff should be aware of the importance of controlling their time. Before tackling any task, an individual should be aware of the objectives of the task, plan work accordingly, plan how to record the work and ultimately record the findings and conclusions. Before creating any schedule or undertaking any work its relevance, objective and cost-efficiency must be carefully considered. When each member of staff signed off an audit test as completed, they must record details of the time taken on the test. This allows Audit Automation to produce a detailed budget comparison showing variances between actual and budget on an area by area and staff by staff basis.

## 5.6 REVIEW OF EFFICIENCY

- 5.6.1 It is important that at the end of each significant on-going assignment, the efficiency with which it is carried out is reviewed and any matters raised are considered when planning the assignment next year.
- 5.6.2 Such a review should consider:
- reasons for variances from budget, which can be used when negotiating fees with clients as well as a measure of performance of staff;
  - mix of staff including those who should be used on the assignment next year to assist continuity;
  - strategy for completing the assignment and alternative strategies which could be more efficient;
  - changes in the clients' organisation systems and performance since the year end. Opportunities for improved client service should be recorded on the Client Services Checklist, and
  - client performance, including
    - I) whether the client produced what they agreed to at the planning stage, and
    - II) whether the client could produce more for us next year.
- 5.6.3 A similar review should be carried out on significant one-off assignments, but with a view to improving efficiency on future assignments of a similar nature.
- 5.6.4 These reviews will ensure that lessons learned are not lost and will improve the profitability of the firm.
- 5.6.5 Professional staff should complete the Assignment Appraisal Form and discuss it with the relevant supervisor or Partner as part of this review to ensure improved efficiency in future. An Appraisal Form template is provided within Audit Automation, however, it may not be considered appropriate for these to be retained on the electronic audit file and they may therefore be prepared manually.

## 5.7 REPORTING

- 5.7.1 Any written expression of the firm's opinion or the firm's advice should only be issued by a Partner.
- 5.7.2 All outgoing letters and reports must be signed by a Partner or someone authorised by him or her. No one other than a Partner may sign a letter or document which:
- a) contains a professional opinion;
  - b) is of a contentious nature;
  - c) agrees terms of a contract;
  - d) is a proposal for new work;
  - e) is an Engagement letter, or
  - f) is a reference (see Section 5.11 below)

### **Letters including faxes**

- 5.7.3 Only a Partner may sign in the firm's name. Managers should sign their own name with "For and of behalf of....." typed below their signature where it is appropriate that the correspondence should be in the firm's name, for example when submitting tax returns on behalf of a client.
- 5.7.4 Where a Partner has authorised a Manager/PA to sign a letter, they should state their position below their signature. If the Partner has authorised any other person to sign a letter he should review the letter on his return and initial the file copy of the letter.
- 5.7.5 Staff entrusted with the task of processing outward mail should ensure that:
- a) all letters are signed;
  - b) the letters and the correct enclosures are put in the correct envelope. Any doubts should be discussed with letter signatory, and
  - c) envelopes and parcels are properly sealed and where appropriate marked "Private and Confidential"
- 5.7.6 Audit Reports must be in accordance with the applicable standards issued by the FRC the firm's registered accountancy body. The Audit Report will have to be signed by the Senior Statutory Auditor.
- 5.7.7 Other reports or opinions should be unambiguous and make clear:
- the agreed terms of the engagement under which it is issued;
  - the scope of the work which has been undertaken;
  - any limitation on the responsibility accepted by the firm - eg that no responsibility is accepted to third parties using the opinion, advice or report for other purposes, and
  - any restrictions on the distribution of the documents contained in the firm's opinion, advice or report - eg the report can only be supplied to third parties with the firm's express permission.

Generally, the first two items can be covered by referring to the Letter of Engagement.

Further guidance on limiting our responsibility and thus our liabilities is provided the firm's registered accountancy body.

## 5.8 DISPUTES WITH CLIENTS

### Introduction

- 5.8.1 Disputes can arise from:
- fees,
  - difference of opinion over technical points, or
  - alleged unsatisfactory work.
- 5.8.2 Disputes can be indicative of a deteriorating client relationship and should be taken into account when considering whether to retain the client (see Section 4.4 above).
- 5.8.3 All disputes between a client and the firm's staff must be reported immediately to the Assignment Partner, who should consider whether a report is required to the PII Partner.

### Disputes over Fees

- 5.8.4 Many of these disputes can be avoided by:
- explaining clearly the basis of fees in the Engagement Letter and agreeing an estimate of the fees before work commences;
  - keeping the client informed of progress on an assignment and any difficulties encountered, and
  - recording sufficient detail in diaries and time sheets to identify time spent.
- 5.8.5 Clients may ask for detailed breakdown of fees and, if requested, they should be sent to the client promptly. There should be no need for this if the work has been performed against a pre-agreed budget or quotation and has not exceeded the figure indicated. If the firm is in the wrong there should be prompt rectification of the fee note and an apology offered to the client.

### Withholding signature

- 5.8.6 The ICAEW obtained a Counsel's opinion that we should not withhold signature purely to improve our bargaining position in relation to fees. Whilst we would not be in breach of the Companies Act to withhold signature in the case of audit reports, we could nonetheless be liable to be sued in the civil courts. Also we need to be aware that where withholding signature could result in the client incurring substantial penalties and fines in relation to the fees outstanding, doing so could be attacked in court. Also, if we continue to service a client after they have informed us they cannot or will not pay for the work being done then we probably cannot withhold signature. If we are considering withholding signature the matter should first be discussed with the Ethics Partner. Further guidance is available in the support materials provided by the firm's registered accountancy body.



## **Lien**

- 5.8.7 Whilst we have a right of lien over the clients' assets, books and records in the firm's possession, the Partner should:
- follow the guidance in the support materials provided by the firm's registered accountancy body, such as ICAEW Practice Management "Documents and Records: Ownership, Lien and Rights of Access" and ACCA Rulebook section "Legal ownership of, and rights of access to, books, files, working papers and other documents"
  - consult with another Partner before exercising the right. In addition, it might be advisable to seek legal advice before doing so. It is unlikely that a lien can be established over (eg) sales and purchase invoices, cheque books, paying in books or bank statements.
- 5.8.8 Legal action to recover fees should only be authorised by a Partner.

## **Difference of Opinion over Technical Points**

- 5.8.9 Any difference of opinion over technical points should be dealt with by consultation with another Partner (see also Section 6.3 below).

## **Alleged unsatisfactory work**

- 5.8.10 This is the most serious category of dispute as it often leads to a claim against the firm.
- 5.8.11 All potential claims and complaints should immediately be notified by the Assignment Partner to the "Complaints" Partner who should:
- consider convening a Partner's meeting to decide what course of action to take. If such a meeting is not convened a report should be made at the next Partners Meeting;
  - consider whether the PI Insurers need to be notified, and
  - log the potential claim/complaint in the Claims/Complaints Book
- 5.8.12 The Assignment Partner must establish the facts of the matter complained of from the firm's files and staff. If the findings are inconsistent with the complaint, subject to instructions from the PI insurers or solicitors appointed by them further clarifications should be obtained from the client. The Assignment Partner must prepare a written report of his/her findings and give a copy to the Complaints Partner.
- 5.8.13 Following consultation with the Complaints Partner and only in accordance with instructions from the PI insurers or solicitors appointed by them, the client should be contacted promptly with a full explanation and where appropriate, offered an apology and suitable recompense.
- 5.8.14 If the client remains dissatisfied, they must be advised of their right to refer the complaint to the Professional Conduct Department of the firm's registered accountancy body .

- 5.8.15 When dealing with the complaint, bear in mind that it is best to agree a solution rather than try to impose one. Also, nothing should be written or spoken which could be prejudicial to the firm's position (including any admission of liability, or offer or attempt to settle or make a payment without the PI Insurer's approval).
- 5.8.16 Any instructions from the PI Insurers or the solicitors appointed by them must be complied with. Once the PI Insurers have been notified, all correspondence with the client should be agreed with the Insurers before being sent to clients.

Further guidance is available in the support materials provided by the firm's registered accountancy body, eg ICAEW helpsheet Tech 09/15 BL "Professional Liability of Accountants and Auditors" and AAF 04/06: Assurance engagements: management of risk and liability", and ACCA Rulebook section " Professional liability of accountants and auditors".

## 5.9 OWNERSHIP OF AND ACCESS TO WORKING PAPERS

- 5.9.1 Working papers produced during an audit, tax planning, and advisory assignments are the property of the firm. However, accountancy working papers such as trial balances prepared during an accountancy assignment which do not contain "audit ticks" are strictly the property of the client. Similarly, tax computations produced during tax compliance work belong to the client.
- 5.9.2 Access to audit working papers should generally not be made available to the client or third parties (including investigating accountants). The exceptions are:
- joint auditors and primary auditors (in a group context);
  - immediate succeeding auditors;
  - when working papers are subpoenaed by a government agency or in connection with litigation;
  - to lawyers, expert witnesses etc to defend the firm against litigation and
  - in certain instances, reporting accountants for prospectus or due diligence purposes.

### **Succeeding Auditors/Accountants**

- 5.9.3 Under Section 19(4) of SI 2007/3494 "The Statutory Auditors and Third Country Auditors regulations 2007", for changes in auditor relating to accounting periods beginning on or after 6 April 2008, the immediate successor auditor has a right (but not an obligation) to look at our working papers. We have to grant access to our working papers but we do not have to provide photocopies or extracts from them to our successor. This right only relates to a request from the immediate successor. If the immediate successor did not do an audit, their successors have no right to request information from us. The guidance in ICAEW Audit & Assurance Faculty Technical Release AAF 01/08 "Access to Information by Successor Auditors" should be followed.

- 5.9.4 Working papers should not be made available to succeeding accountants or to investigating accountants. However, following authorisation from the client and consultation with another Partner, the Assignment Partner can answer questions on the firm's audit approach except where they relate to:
- the scope of the work (eg sample sizes);
  - materiality and discussions thereof, and
  - items included in the Completion and Planning sections of the file
- 5.9.5 Similar rules apply to tax working papers and access should not be granted except with the express approval of the Tax Compliance Partner.

#### **Joint auditors and primary auditors**

- 5.9.6 In the case of group auditors, the inspection should only be made with the prior approval of the Assignment Partner and should be on the firm's premises. Time and budget records should be removed from the files before the inspecting person is given access. The inspecting person should be accompanied by a member of the firm's staff at all times and should not be permitted to take away or photocopy any of the working papers on the file.

#### **Subpoenaed Papers**

- 5.9.7 The duty of confidentiality must always be borne in mind and access should not be granted without the client's authority in writing. If, in specific circumstances, the client does not give authority we should explain our position to the person requiring access and await a subpoena.
- 5.9.8 When a subpoena is served and working papers have to leave the firm's premises they should be photocopied beforehand. In any event, the action to be taken must be agreed with the Ethics Partner.
- 5.9.9 Confidentiality can be breached in the circumstances set out in Section 2.2.3 above.

#### **Dawn Raids**

- 5.9.10 The procedures to be followed in a "Dawn raid" by HMRC officers are detailed in Appendix 5.1 below.

#### **Defending the firm**

- 5.9.11 Client confidentiality can be breached to defend the firm against litigation and full access can be granted to our working papers following approval by the Ethics Partner. If the lawyer or expert witness working on our behalf wish to remove the working papers from our offices they should be photocopied before being released.

## Reporting / Investigating Accountants

- 5.9.12 In the case of reporting accountants for prospectus purpose and investigating accountants performing due diligence work on a client on behalf of a potential purchase access may be granted where it would be helpful to the client. However, such access should not be granted unless the firm has:
- authorisation from the client to grant such access, and
  - obtained a “release” letter from the reporting accountants/prospective purchaser and investigating accountants that the firm does not assume any duties, liabilities or obligations as a result of permitting access and providing an indemnity against any claims from third parties arising out of permitting access. Guidance and example authorisation and release letters are given in ICAEW Audit and Assurance Faculty Technical Release 4/03 “Access to Working Papers by Investigating Accountants”.
- 5.9.13 If access is granted the procedures set out above should be followed and access should generally not be granted to the Planning and Completion sections of the file other than Letter of Representation, Management Letter and Schedule of unadjusted errors.
- 5.9.14 Instead of requesting access, the reporting / investigating accountants may request the completion of a questionnaire covering the scope of work. Provided the firm has authorisation from the client to do so the Questionnaire can be completed. It is important that due care is taken when completing the Questionnaire. In addition, the following should be inserted above the Partner’s signature:
- “Completion of this questionnaire does not constitute a relationship with you. We accept no responsibility whatsoever for any action you may or may not take on the basis of the above replies in relation to your due diligence work”

## 5.10 DISENGAGEMENT FROM CLIENTS

- 5.10.1 Parting company with clients, whether at the clients’ instigation or the firm’s, is a situation of greatly increased risk.
- 5.10.2 Guidance is given in the support materials provided by the firm's registered accountancy body (eg ICAEW Practice Helpsheets "Change of professional appointment - outgoing accountant" and ACCA Rulebook section "Professional Appointments").
- 5.10.3 If the parting is at the clients’ instigation, we should ascertain the reason why. In any event, if we are aware that the firm is to be replaced as auditor or tax planning advisor, all outstanding work for the client which is to be completed by the firm should be subject to a second Partner review.
- 5.10.4 The dissatisfied ex-client and his new advisers may often seek to criticise our work with the benefit of hindsight. It is particularly important, therefore, that neither the Partner nor the staff take the attitude “we are losing the client, so it does not matter”.
- 5.10.5 Access to our working papers should only be given to our immediate successor auditors, but not to their successors or to successor accountants. However, unless there is a dispute over fees, the papers and books belonging to the client should be returned to them unless a lien is being exercised over them (see above).
- 5.10.6 When the firm is replaced on tax compliance work, it is important that the client is given full details of all outstanding assessments and deadlines for elections which must be met to reduce the risk of subsequent complaints.

5.10.7 The need for a formal Disengagement Letter should be considered to minimise the potential for misunderstanding, particularly where we have been engaged with on-going and business critical assignments such as payroll processing or preparation of VAT returns. Such letters provide a valuable record of the final stages of an engagement and help to avoid disagreements with clients over what has and has not been covered, the timetable for disengagement (particularly where we have agreed to complete certain work) and outstanding fees. Further guidance is given in the support materials provided by the firm's registered accountancy body (eg ICAEW Practice Helpsheets "Disengagement Letters").

5.10.8 Guidance on matters we may wish to include in our answer to the professional enquiry letter from our replacement is given in the support materials provided by the firm's registered accountancy body. It is important that such letters are answered promptly and accurately. Where any of the following matters apply, the reply should be reviewed by another Partner:

- a) reasons given for the change (of which we are aware) differ from the facts;
- b) the proposal to displace us arises in our opinion because we have carried out our duties in the face of opposition or evasion(s) in which important differences of principle or practice had arisen with the client;
- c) the client, its directors, or employees may have been guilty of some unlawful act or default, or that any aspect of their conduct which is relevant to the carrying out of an audit or assignment ought, in our opinion, to be investigated further by the appropriate authority.
- d) we have unconfirmed suspicions that the client or its directors or employees have defrauded the HMRC or others.
- e) We have serious doubts regarding the integrity of the directors and/or senior managers of the client company;
- f) the client, its directors, or employees have deliberately withheld information required by us for the performance of our duties or have limited or attempted to limit the scope of our work;
- g) we propose to bring to the attention of members or creditors circumstances surrounding the proposed change of auditor.

5.10.9 Further guidance is provided in the Money Laundering Procedure Manual where suspicions of money laundering have been reported to the NCA. In particular we must not:

- a) reply any questions related to our client identification procedures. It is our successor's responsibility to carry out their own procedures and not place reliance on ours.
- b) "tip-off" our client or inform our successor of any reports made.

5.10.10 Sections 519 to 525 of the Companies Act 2006 apply where an auditor ceases to hold office on or after 6 April 2008. The term of office runs from AGM to AGM, with deemed reappointment in respect of private companies (under Section 487). The procedures that apply depend on whether the appointment was in respect of:

- an Unquoted non-major audit
- an Unquoted major audit
- a Quoted Audit

5.10.11 A quoted company is one that is listed on London Stock Exchange Main Market, or is officially listed in a state within the EEA, or is admitted to dealing on the New York Stock Exchange or NASDAQ. An AIM company is not quoted.

5.10.12 A major audit is any audit where there is a major public interest in the financial condition of the company. The Professional Oversight Board have defined a major audit as being one of:

- a UK incorporated AIM or PLUS-quoted company.
- an Unquoted company or group which has either
  - group turnover in excess of £500 million, or
  - group long term debt in excess of £250 million and turnover in excess of £100 million.
- an Unquoted company or group which is a subsidiary of a foreign parent company where the turnover of the UK Group or company is in excess of £1,000 million.
- charitable companies with income exceeding £100 million.
- subsidiary companies of the above.

5.10.13 The Rules that apply are shown in the following tables.

Type of Audit	When auditor ceases to hold office	Circumstances	Procedures
Unquoted non major audit	At end of term of office	N/A	A statement of any circumstances connected with the auditor ceasing to hold office must be filed at the company's registered office by the auditor within 14 days. If there are no circumstances connected with leaving office then a statement to this effect must be filed (S519).
	Before end of term of office	No circumstances (ie there are no matters that the auditors consider they have to tell the share- holders and creditors about)	<ol style="list-style-type: none"> <li>1 A statement that there are no circumstances connected with the auditor ceasing to hold office must be filed at the company's registered office by the auditor within 14 days (S519)</li> <li>2 A notice must be sent to the audit authority by the auditors, informing them that they have ceased to hold office. This must be accompanied by a copy of the statement of circumstances. As this states there are no circumstances, there must be a statement of the reasons for ceasing to hold office (eg the company has been taken over and the new parent is installing its auditor to replace us). We need to be careful here as there could be a risk if the reason given is something that should have been reported to the members or creditors in a statement of circumstances.</li> </ol>

Type of Audit	When auditor ceases to hold office	Circumstances	Procedures
			3 The company must also notify the audit authority that the auditors have ceased to hold office and give a statement of the reasons for this.
		Circumstances	<p>1 A statement of the circumstances connected with the auditors ceasing to hold office must be filed at the company's registered office by the auditors within 14 days (S519)</p> <p>2 A notice must be sent to the audit authority by the auditors informing them that they have ceased to hold office. This must be accompanied by a copy of the statement of circumstances.</p> <p>3 The company must also notify the audit authority that the auditors have ceased to hold office. The notice must be accompanied by a statement of the reasons for the auditors ceasing to hold office and a copy of the auditors' statement of circumstances</p>
Unquoted Major Audit	At end of term of Office	No circumstances	<p>1 A statement that there are no circumstances connected with the auditor ceasing to hold office must be filed at the company's registered office by the auditor within 14 days (S519).</p> <p>2 A notice must be sent to the audit authority by the auditors informing them that they have ceased to hold office. This must be accompanied by a copy of the statement of circumstances. As this states there are no circumstances, there must be an additional statement of the reasons for ceasing to hold office. We need to be careful that the reasons given are not circumstances that should have been reported to members or creditors.</p>
		Circumstances	<p>1 A statement of any circumstances connected with the auditors ceasing to hold office must be filed at the company's registered office by the auditor within 14 days (S519).</p> <p>2 A notice must be sent to the audit authority by the auditors</p>

Type of Audit	When auditor ceases to hold office	Circumstances	Procedures
			informing them that they have ceased to hold office. This must be accompanied by a copy of the statement of circumstances.
	Before the end of term of office	No circumstances	As for unquoted non-major audit.
		Circumstances	As for unquoted non-major audit.
Quoted Audit	At end of term of Office	N/A	As Unquoted major audit with circumstances, since there is no facility for there to be a statement of no circumstances.
	Before the end of term of office	N/A	As Unquoted major audit with circumstances, since there is no facility for there to be a statement of no circumstances.

Note:

The deadlines and procedures for reporting to the company, shareholders (where there are circumstances), the Registrar of Companies and the appropriate audit authority are given in Sections 519 to 525 of the companies Act 2006.

In addition to the above reporting, the relevant audit bodies must refer notices sent to them to the accounting authorities.

For groups of companies, where the auditor audits the group and resigns from all appointments at the same time, the auditors and the company can meet their obligations by a single statement accompanied by a list of companies to which it applies. This letter should also, if appropriate, set out different reasons for the cessation in respect of different companies in the group.

## 5.11 GIVING REFERENCES

5.11.1 The two most usual situations in which the firm is asked to provide references are:

- (a) former employees requiring a reference for a new job, and
- (b) clients requiring a reference for trade purposes or regarding their suitability as a tenant.

5.11.2 When giving references, Partners should be conscious of the need for care in the expression of any opinion. If the request is made by telephone, no immediate response should be given and the caller rung back to ensure that the enquiry is genuine. Any reference should be made in writing.

5.11.3 All written references should be marked private and confidential. This is to ensure that the reference is covered by "qualified privilege" whereby, in the absence of malice, we will not be liable in defamation for any inaccuracies.

### Staff References

5.11.4 An employer is not under any legal obligation to provide a reference. If he does give a reference, he must take reasonable care to ensure that what is said is correct and that it does not give a false or misleading impression through what is omitted. This duty of care



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is owned both to the enquirer and the subject of the enquiry, ie the ex-employee.

### **Client References**

- 5.11.5 The following form of wording is recommended for client references, although in all cases it will be necessary to consider the extent to which the wording should be tailored. Guidance is given in ICAEW Audit & Assurance Faculty Technical Release Audit 2/01 AAF “Requests for references on clients’ financial status and their ability to service loans.”

#### **“Without responsibility”**

Dear Sirs

#### **REFERENCE IN CONNECTION WITH THE LENDING APPLICATION MADE BY [Name of client and application reference, as appropriate]**

Our above named client has approached us for a reference in connection with the proposed loan by you of £... [repayable by monthly instalments of £... over ... years].

We have acted in connection with our client’s [personal / business / corporate tax] affairs since .... However, it should be noted that our knowledge of our client’s affairs may not be fully up to date. In addition, we have not carried out any specific work with regard to this statement.

Our client’s net income declared by our client to the HMRC as at 5 April 20 .. amounted to £... [To be adapted as appropriate for borrowers who are not individuals].

[Income / profits for previous years and identification of those agreed with the HMRC may be added].

Whilst we have no reason to believe that our client would enter into a commitment such as that proposed which our client did not expect to be able to fulfil, we can make no assessment of our client’s continuing income or future outgoings.

Whilst the information provided above is believed to be true, it is provided without acceptance by [name of firm / signatory] of any responsibility whatsoever, and any use you wish to make of the information is, therefore, entirely at your own risk.

Yours faithfully

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## 5.12 SUBMITTING ACCOUNTS ON BEHALF OF CLIENTS TO BANKS

- 5.12.1 We should not submit accounts to banks on behalf of clients if it can possibly be avoided. Ideally a copy should be sent to the client for them to submit to the bank.
- 5.12.2 In rare circumstances where this is not possible and we have to submit copies of client's accounts to a bank on their behalf, to avoid any likelihood of the bank claiming they are owed a duty of skill and care, the covering letter should be drafted making the points set out in ICAEW Technical Release Audit 04/00 AAF TECH 29/00 "Firm's reports and duties to lenders in connection with loans and other facilities to clients and related covenants"

## Appendix 5.1 Dawn raids procedures

### Reception

- Treat Officers with courtesy and ask them to wait whilst you contact one of the Partners without delay.
- As well as contacting one of the above, contact another Partner and any person the Officers ask to see.
- If you cannot contact any one of the above, put out a general call for any Partner to come to Reception without delay.
- Ask the Officers if they would wait in a meeting room – ask anyone in there to vacate it
- If the Officers refuse to wait, ask to see their Search Warrant and check what it says. A Checklist detailing what to look for is attached.
- If they do not have a valid Search Warrant they have no right to enter the offices. If the Search Warrant appears valid, ask them again if they will wait. If they still refuse to wait, accompany the Officers even if this means leaving Reception unmanned until a Partner arrives. Continue trying to contact one of the Partners referred to above.
- Do not under any circumstances physically obstruct the Officers
- Immediately afterwards, write notes of what happened (including times and anything said by the Officers) and give to the Partner who dealt with the Officers

### Persons dealing with the Officers

- Contact the firm's Lawyers and request their immediate presence at our Offices explaining that there is a Dawn Raid in progress.
- Ensure one of the Partners takes notes of all conversations with the Officers
- Check identity of Officers and anyone accompanying them and validity of Search Warrant. We need to ascertain:
  - Who the Officers are
  - Under what authority they are visiting us
  - What it is they claim they are entitled to do
- Note details of ID Cards of all Officers and full contact details and qualifications of any advisors with them
- Ascertain what their objectives are
- Inform Officers that we will be taking legal advice on the legality of the warrant and its scope. Also, if relevant, inform them that there may be material containing external legal advice which may be subject to legal privilege and that we have a right to ensure the integrity of these materials is preserved.
- Request that search is delayed until our solicitor arrives. If they agree, wait for solicitor to arrive and offer refreshments.

## If Officers will not wait for Solicitors to arrive

- Use Search Warrant Checklist to check in detail the validity of the Search Warrant and if it appears defective in any way or that the scope of the warrant is excessive for the purpose, point this out and politely request they consult with their superiors. **Do not obstruct the search since you can be arrested for doing so.** Inform our solicitor of our concerns etc as soon as they arrive.
- Negotiate how the search is conducted. Suggest that you will arrange for all documents within the scope of the Search Warrant be brought to the room for inspection and logging. Alternatively, you may suggest to the Team Leader that he accompanies you to where the documents are located so that he can satisfy himself that all such documents are being presented to him. Try to delay inspection of the files until our solicitor arrives
- The Search Warrant may entitle the Officers to seize computer data. If this is the case they should have technology with them to download information direct from hard disks, storage media and databases. It should not be necessary for them to remove computer equipment. Suggest that a member of the Computer Department will access the computer for them with their computer expert present. If this is refused we should refuse access to the Officers until our Solicitor arrives on the basis they could damage our network and that this is outside the scope of their Search Warrant
- If the search has already begun and the Team Leader will not halt the search, no assistance should be provided until our solicitor arrives. Try to ascertain if any documents subject to legal privilege have been seized or are intending to be seized.
- Officers sometimes state that in order to determine whether or not a document is privileged they are entitled to review it. This is not the case and we must not show them such documents because the privilege is lost if once they are given the document
- Ensure all Officers are accompanied by our staff at all times and ensure notes are kept of the Officer's actions
- Do not answer any questions that go beyond the scope of the Search Warrant. Similarly, do not hand over any documents that go beyond its scope, since to do so would breach client confidentiality. If the Officers disregard that refusal, inform the Officers that their position has been noted and may be drawn to the attention of a Court
- As far as possible, monitor what is being taken by scrutinising the log sheets and bags in which the documents are placed either at the time they are bagged or before they leave the office. Also obtain copies of their log sheets
- Request a copy of everything being removed, although this is likely to be refused at this time
- Write a report as soon as the Raid is over. Prepare lists of documents seized that we consider could be subject to legal privilege or are outside the scope of the Search Warrant.
- Inform staff that if the media approaches them they must make no comment and refer any questions to one of the Senior Partners.

### SEARCH WARRANT CHECKLIST

- **Check the name and address.** If either is wrong, point this out to the Team Leader. Note that if the warrant refers to one firm's name, it does not cover the firm's connected companies or partnerships. **A mistake may require the Officers to withdraw to obtain a new warrant.**
- **Check the statutory authority quoted in the document. A document which does not give a valid authority is not a Search Warrant and we are entitled to refuse entry.**
- **Check the Warrant has been signed.** It should be signed by a judge in Taxes Management Act 1970 and Police and Criminal Evidence Act 1984 cases, or a Magistrate in VAT cases. **An unsigned Warrant is invalid.**
- **Check that the Warrant is being executed before its expiry.** This is usually 14 days from the date of issue for HMRC Warrants and 1 month for VAT and Police and Criminal Evidence Act 1984 Warrants.
- **Check any restrictions on the Warrant and ensure they are strictly observed.** The most common include the following:
  - Restrictions on the time during which the Warrant may be executed, eg *between the hours of 8am and 5pm.*
  - Restrictions on the material that may be taken eg documents relating only to named persons or a specified tax
  - Restrictions on the number of officers and others permitted to enter

**NB**      **Customs can enter premises without a Warrant. However, they cannot search the premises and seize documents without a Magistrate's Warrant.**

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## PART 6: QUALITY CONTROL PROCEDURES

### INDEX

- 6.1 Introduction
- 6.2 Consultation Procedures
- 6.3 Resolution of technical queries
- 6.4 Audit quality control procedures
  - 6.4.2 *Qualified audit reports*
  - 6.4.5 *Hot reviews of sensitive clients' files*
  - 6.4.14 *Cold reviews of audit and examination files*
- 6.5 Tax quality control procedures
- 6.6 Whole firm procedures

## 6.1 INTRODUCTION

- 6.1.1 All work must be carried out in accordance with the firm's Policies and Procedures. This includes using the current versions of appropriate standard documentation.
- 6.1.2 Inherent in the firm's quality control procedures is compliance with the firm's requirements on training and CPD detailed in Part 2 above.
- 6.1.3 This part of the manual deals with:
- consultation procedures;
  - audit quality control procedures, and
  - tax quality control procedures

## 6.2 CONSULTATION PROCEDURES

6.2.1 Consultation is advisable in the following areas:

**a) all disciplines:**

- I) before accepting appointment to a sensitive client (see 4.2.7 above)
- II) immediately if aware of a potential claim or on receipt of any complaint from a client (see 5.8.10 above);
- III) where relevant matters are included in a professional enquiry letter reply (see 5.10 above).

**b) audit and audit exemption:**

- I) where there is a difference of opinion over a technical point (see 5.8.9 above)
- II) when a qualified audit or Audit Exemption report is considered (including fundamental uncertainties and explanatory paragraphs) (see Section 6.4 below);
- III) when a Partner wishes to concur with a departure from an applicable accounting standard;
- IV) when a client is sensitive (including when a Partner is aware of the likely sale of all or part of a clients' business) (see 6.4.5);
- V) when a Partner is aware of an intention to replace the firm as auditor/reporting accountant (see 5.10 above);
- VI) requests for access to the firm's working papers other than from joint or primary auditors (see 5.9 above), and

**c) tax:**

a second Partner review of compliance and advisory work for "tax complex" clients should be considered, particularly where the client is "sensitive".

## 6.3 RESOLUTION OF TECHNICAL QUERIES

- 6.3.1 Many technical queries can be resolved by reference to the books in the firm's library or by consultation with colleagues.
- 6.3.2 Where a query cannot be quickly resolved by the above, the Partner can authorise contact with the ICAEW / ACCA technical departments, or other approved consultants. When doing this, the client's identity should not be revealed.

## 6.4 AUDIT QUALITY CONTROL PROCEDURES

- 6.4.1 The quality control procedures cover:
  - a) qualified audit reports;
  - b) hot reviews of sensitive clients' audit files and financial statements, and
  - c) cold reviews of audit files
- 6.4.2 An opinion summary should be completed for all clients for which a qualified audit/audit exemption report, fundamental uncertainty or explanatory paragraph is considered necessary by any member of the team, whether or not a qualification etc is actually to be given. The risk to the firm is not so much where a qualification etc is given, but where one should have been given but was not. The objectives of the procedures are to ensure that:
  - a) the correct opinion is given, and
  - b) the wording of a qualified audit report is acceptable
- 6.4.3 The form which should be completed by the Assignment Manager or Partner and signed by the Partner and should set out:
  - a) the grounds for possible qualification, fundamental uncertainty or explanatory paragraph
  - b) either:
    - the reasons why a qualification etc was not, in the end thought necessary; or
    - the proposed wording of the qualification etc
- 6.4.4 The form should be countersigned by another Partner before the audit report is issued and be filed on the audit file.
- 6.4.5 Hot reviews of sensitive clients' audit files

Whilst it is not possible to define all the circumstances in which a client is to be considered sensitive, a client would be considered sensitive, except in exceptional circumstances if either:

- 1 it is:
  - a) publicly owned or a member of a group containing a publicly owned entity, or
  - b) likely to be publicly owned or a member of a group likely to contain a publicly owned entity in the foreseeable future.



*(Note: a publicly owned entity includes large charities and large pension schemes, and companies with EIS or CVS investment in them, as well as listed companies, and AIM or Plus Market companies.*

OR

- 2 It has two or more of the following characteristics (although in some cases one of them may be so significant as to require the client to be classified as sensitive):
- there are pending financing agreements, tender offers or acquisition offers;
  - there are going concern doubts about the entity or there are likely to be such doubts in the foreseeable future due to the entity being highly geared;
  - there is a significantly larger number of shareholders than would be the case in a closely-held business, or there is reason to believe that financial statements are likely to be the subject of special scrutiny by parties other than controlling shareholders, current bankers or the HMRC;
  - the entity is regulated or is (or operates in an industry which is) otherwise highly visible to the public and/or has received significant media coverage;
  - the entity is prone to lawsuits or controversies, or
  - the entity is a significant new client

OR

- 3 Either the Senior Partner considers, because of the clients' importance to the practice, that a Hot Review is required, or the Partner undertakes substantially all the detailed audit work on a file or the client accounts for more than 15% of a partner's fee income.

OR

- 4 Where the Assignment Partner considers there are any objectivity or independence threats.

OR

- 5 Where the Audit Engagement Partner has not rotated after 10 years and the fees from the client account for more than 10% of that partner's portfolio.

They are basically high business risk clients. "Business risk" is the risk of the firm being sued or its name being brought into disrepute.

- 6.4.6 For clients subject to Hot Review, the Hot Reviewer should review the planning before the field work commences to ensure that the planned scope of the work, particularly in respect of the critical audit areas, areas of high risk and areas covered by special reports to Regulators is adequate.
- 6.4.7 The Assignment Partner should ensure the Hot Reviewer is involved early enough in the completion process to ensure that neither the client relationship nor our objectivity can be prejudiced as a result of matters being raised and there being time pressure to clear them satisfactorily.
- 6.4.8 The objectives of the procedure are to ensure that:
- a) the key judgments made, particularly in high risk areas, are appropriate and the audit files fully support the proposed audit opinion;
  - b) all ethical matters have been properly considered and there are no threats to our independence or objectivity against which adequate safeguards are not in place;

- c) a qualification is not required in respect of unadjusted errors that we are aware of;
- d) the financial statements fully comply with Companies Act disclosure requirements, applicable accounting standards and other generally accepted accounting practices (including SORPs);
- e) management letter points have been adequately dealt with and do not conflict with our audit opinion;
- f) an appropriate letter of representation is to be obtained;
- g) the draft audit report is appropriate; and
- h) assess the quality of service being given to the client and ensure that the high quality of service expected is maintained.

before the financial statements are approved the audit report signed. The review of the file and the financial statements is to be carried out by a suitable Partner for clients identified as sensitive.

- 6.4.9 Where the Hot Reviewer was for any reason not involved at the planning stage they should also consider the rigour of the planning process.
- 6.4.10 A Hot Review does not involve a detailed review of all working papers.
- 6.4.11 It is desirable that a register of Sensitive Clients is to be maintained by the Audit Compliance Partner. Client Sensitivity is to be assessed annually before the detailed planning work commences, using the Client Sensitivity Checklist. If the sensitivity status has changed, the Audit Compliance Partner should be notified.
- 6.4.12 The second reviewer is to sign off the audit file with the Assignment Partner once his review points have been cleared satisfactorily. The audit report cannot be signed until the second reviewer has signed off the audit file.
- 6.4.13 The Ethics Partner should arbitrate if there is a difference of opinion between the Assignment Partner and the Hot Reviewer.

#### **Cold Reviews of Audit and Examination Files**

- 6.4.14 A system of cold reviews needs to be carried out by the Audit Compliance Partner or a person/external consultant nominated by him on an annual basis as part of the firm's Annual Compliance Review.
- 6.4.15 The number of reviews should be set by the firm. As a minimum, reviews should cover two jobs per Partner plus at least one regulated client, pension scheme and Solicitors Accounts Rules client. Whilst the QAD remit does not cover Solicitors Accounts Rules reports or Pension Scheme audits, they are very high risk and it is advisable to include them in the scope of the cold reviews.
- 6.4.16 The objectives of the cold reviews are to:
  - a) assess the quality of the audit work carried out by the firm to ensure that the standards of the firm and the profession are complied with;
  - b) identify procedures or activities which may require an additional, more specialised, review;
  - c) identify areas for improvement in the firm's procedures and documentation, and
  - d) assess the effectiveness of the firm's organisation and staffing.

## 6.5 TAX QUALITY CONTROL PROCEDURES

6.5.1 The quality control procedures cover:

- a) hot review of tax work not done by the tax department,
- b) cold review of tax work done by non-tax department Partners and staff,
- c) cold reviews of tax department files.

### **Hot review of tax work not done by the tax department**

6.5.2 Where a client is sensitive or "tax-complex", any tax computation not prepared by the tax department should be reviewed by a tax specialist before the accounts are finalised.

6.5.3 A client is "tax-sensitive" if any of the following criteria are present:

- the company is a member of a financial reporting group which differs from the tax group;
- the company's tax accounting period differs from accounting reference period (for example, because an accounting period is for less or more than 12 months, or there is the commencement or cessation of a trade);
- the company has, or is part of a group containing tax losses;
- the company is part of a group containing unrelieved ACT;
- the company is the parent company of a group containing overseas subsidiaries;
- the company is the UK subsidiary of an overseas parent company, and
- tax is otherwise contentious (for example because of an open enquiry into an earlier period or the company carried on a mixture of trading and non-trading activities or the company is involved in extensive R&D or the company has an EMI or EIS scheme).

### **Cold Review of Non-Tax Department Tax Work**

6.5.4 A system of cold reviews is to be carried out by the Tax Compliance Partner or a person nominated by them on an annual basis. The review will cover at least 2 corporate tax cases per Partner and at least one other tax case per Partner. Where possible one of the cases should be of a non "tax-complex" sensitive client.

6.5.5 The objectives of these reviews are to:

- a) assess the quality of the tax work not carried out by the tax department to ensure that the standards of the firm and the profession are complied with,
- b) identify areas where further tax department involvement may be required.

### **Cold Review of Tax Department Work**

6.5.6 A system of cold reviews is to be carried out by the Tax Compliance Partner or a person nominated by them on an annual basis. No person can review their own work.

6.5.7 The objectives of the cold reviews are to:

- a) assess the quality of the tax work carried out by the firm to ensure that the standards of the firm and the profession are complied with;

- 
- b) identify procedures or activities which may require an additional, more specialised, review;
  - c) identify areas for improvement in the firm's procedures and documentation, and
  - d) assess the effectiveness of the firm's organisation and staffing.

## 6.6 WHOLE FIRM PROCEDURES

- 6.6.1 There is no requirement under the Practice Assurance Regulations or Standards to carry out a compliance review, but firms often find it useful to do so.
- 6.6.2 Guidance for reviews is available in the support materials provided by the firm's registered accountancy body. For example, there are ICAEW Practice Help sheets relating to Quality Control, including:
  - a) Practice Assurance Compliance Review
  - b) Whole firm Audit Compliance Review
  - c) DPB Annual Compliance Review

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## PART 7: NON-AUDIT WORK FOR AUDIT/ASSURANCE CLIENTS

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- 7.1 **Introduction**
- 7.2 **Accounting and Payroll Services**
- 7.3 **Tax Services**
- 7.4 **Recruitment and Remuneration Services**
- 7.5 **Valuation Services**
- 7.6 **IT Services**
- 7.7 **Due Diligence Services**
- 7.8 **Litigation Support Services**
- 7.9 **Corporate Finance Services**

## 7.1 Introduction

7.1.1 The FRC Ethical Standards apply to all audit assignments. The firm's registered accountancy body sets standards also for assurance engagements.

7.1.2 An inadvertent violation of these Standards does not necessarily mean that we cannot continue as auditors or reporting accountants provided:

- The breach is reported promptly to the Ethics Partner
- Appropriate safeguards are introduced
- The actions taken and the rationale for them are documented

7.1.3 Where the fees from non-audit services are significantly greater on an ongoing basis than recurring audit fees the Ethics Partner should be consulted to ensure adequate safeguards are in place. Also, the Ethics Partner should be consulted before we agree to carry out any work on a contingency fee basis to ensure, firstly, that we can carry out the work on such a basis and, secondly, that adequate safeguards are in place.

7.1.4 This part considers the following services offered to non-listed audit clients:

- Accounting and Payroll Services
- Tax Services
- Recruitment Services
- Valuation Services
- IT Services
- Due diligence services
- Litigation Support Services
- Corporate Finance Services
- Audit Related Services
- Restructuring Services

The Ethical Standards also cover internal audit services, actuarial services and legal services and reference should be made to them in respect of these services and also in respect the above services offered to listed clients

7.1.5 In general, we should not undertake work where it involves our assuming a management role, or where the advice is dependent on the client adopting an accounting treatment where there is doubt about the appropriateness of that accounting treatment.

7.1.6 We would be taking a management role where, for example, we set accounting policies, authorise or approve transactions, set the assumptions underlying a Cash flow Forecast or a valuation, choose an employee for the client or decide how much a director or employee should be paid.

7.1.7 Non-audit services that do not breach 7.1.5 above can generally be offered where there is "Informed" Management. There will be Informed Management in relation to the non-audit service if:

- There is a director or member of senior management designated by the client to receive the results of that service and make any judgements and decisions that are needed; and
  - That designated person has the capability to make independent judgements and decisions on the basis of the information provided.
- 7.1.8 This designated member of management does not have to be an expert in the subject matter of the services being offered. However, it is important that they are capable of understanding what is being provided to them, if necessary following suitable explanation by us, and are capable of making independent judgments and decisions on the basis of the information and explanations provided.
- 7.1.9 We will need to document who the designated member of management is and the reasons why we consider them to be “Informed”. This documentation would take the form of a file note detailing our reasoning for our judgments. We should be also document any safeguards required.
- 7.1.10 Contingency fees can be charged for non-audit services provided the contingent fee is not material to the firm or the outcome of the service (and consequently the fee amount) is not dependent on an audit judgement on a matter that is material to the financial statements of the entity.
- 7.1.11 Non-audit services to connected parties of an audit client are included in the definition of non-audit services and if such services are offered an assessment of the threats and available safeguards in respect of services to connected parties are required.
- 7.1.12 A similar assessment is also required in respect of non-audit services provided to third parties in respect of the audited entity, where the outcome of such services has a material impact on the financial statements of the audit client. This could be the case when, for instance, the audit firm provides actuarial services to the pension scheme of the audited entity.

## 7.2 Accounting and Payroll Services

- 7.2.1 The Ethical Standards are concerned with our involvement in the maintenance of accounting records or the preparation of financial statements that are then subject to audit. However, it does not cover advice on matters coming to the attention of the audit team during the audit such as:
- Comments on weaknesses in accounting records and suggestions for addressing them
  - Suggestions for correcting errors identified during the audit
  - Advice on accounting policies and on the application of new or proposed accounting standards.
- 7.2.2 For audit clients we cannot:
- Authorise or approve transactions. This will include deciding which creditors should be paid or drawing cheques for clients without reference to management or approving VAT or Regulatory Returns without specific prior written authorisation from management (see below). Approving a Return means taking responsibility for it. Therefore, if a client reviews it and accepts it, they have approved it.
  - Prepare originating data such as assumptions underlying a valuation, or setting revenue recognition or capitalisation policies without reference to management. When setting

Assumptions, we can discuss them with the client and agree them in writing. Practically, this will probably best be done by means of a file note before the work begins, with file notes agreeing any changes as we do the work, with a formal approval of a list of assumptions by the client when the exercise is complete. Similarly, when accounting policies are being set, we should write to the client with the alternatives and get a reply from them setting out the final policy.

- Determining or changing journal entries, or the classifications for accounts or transactions, or other accounting records without management approval. If we are preparing the accounts all journals need to be approved in writing by the client, probably by annotating our list of proposed adjustments. We will need to ensure that the journal narrative is sufficiently detailed to enable a client to understand it, and also to ensure that, where applicable, other possible treatments are included to ensure the client can make an informed decision.

#### 7.2.3 We can offer the following accounting services to all audit clients:

- Compilation of statutory financial statements from management accounts or a trial balance prepared by the client (ie not by us), provided management makes all decisions on issues requiring the exercise of judgment and we obtain a letter of representation confirming all such matters of judgment. Where we have provided bookkeeping services, see paragraph 7.2.6 below.
- The mechanical calculation of tax and deferred tax provided we do not take management decisions on how any contentious matters are to be treated. We need a letter of representation covering any contentious matters and a review by an independent partner or the Tax Partner should be considered.
- Payroll processing from information supplied by management (ie acting as a Bureau).

#### 7.2.4 Other accounting services can only be offered provided:

- There is Informed Management and we have documented why we consider this to be the case. If we cannot document this, accounting services cannot be offered; and
- The accounting services do not involve initiating transactions or taking management decisions; and
- The services are of a technical, mechanical or an informative nature; and
- Adequate safeguards are in place. These will need to include separate teams for bookkeeping and audit and will probably need to include a second partner taking responsibility for the bookkeeping. Also, staff involved in the bookkeeping cannot be involved in the audit

If we cannot justify why we consider there to be Informed Management we cannot provide accounting services

#### 7.2.5 For clients with Informed Management we can:

- Post transactions that have been approved and coded by management. There is an issue if clients do not code the transactions - in practice most of the invoices, payments and receipts are self-explanatory, but we cannot make judgments about where to post items that are not obvious. For example, we cannot make decisions about whether an item is capital or revenue in nature, or whether it is a business or personal expense. Where we are faced with such items, we will need to document how we have treated them, discuss them with the client, document those discussions and get management to approve any correcting journals. We also need management to approve all journal



entries made, including those relating to depreciation, accruals and prepayments, provisions and payroll.

- Compile management accounts for consideration and approval by management; provided we have posted transactions in accordance with the above and any judgment areas have been agreed with management and this agreement documented.
- Compile VAT Returns based on the books and records approved by management. We need documentary evidence of all management judgments in respect of contentious issues. We should not sign any returns on behalf of clients. In exceptional circumstances the Ethics Partner should be consulted.
- Compile Regulatory Returns (such as FCA Returns) from approved management accounts provided management make all judgments regarding components of Financial Resources and Financial Resources Requirement (including choice of methods).
- Compile group accounts from the audited accounts of the group companies. Any judgments concerning goodwill and other judgmental areas must be made by management and documented. All consolidation journals will need to be approved by management and their approval documented.

7.2.6 Where accounting services are supplied to the client, we need the following safeguards:

- Separate bookkeeping and audit files will be required, although the audit team would have access to the bookkeeping file (but cannot place audit reliance on it)
- The staff providing the accounting services other than in relation to FCA Returns and consolidations should have no involvement whatsoever with the audit. This will also mean that a second partner will have to review the accounting work.
- No audit reliance can be placed on the accounting work carried out by the firm.
- The Cold Reviews need to be extended to cover an independence review of a sample of audit clients for whom we provide accounting services.
- A separate Letter of Representation dealing with the accounting services is obtained.

7.2.7 When carrying out audit work we need to be careful that we do not accidentally take on a management role in respect of adjustments. We can, as stated in paragraph 7.2.1 above, make suggestions for correcting errors identified during the audit and advise on accounting policies and on the application of new or proposed accounting policies. In doing this we need to ensure that we follow the procedures set out above.

## 7.3 Tax Services

7.3.1 We cannot provide the following tax services for audit clients:

- Promotion of tax products and structures based on specific accounting treatments and/or presentations where there is doubt about the appropriateness of those treatments or presentations
- Acting as an advocate for the client before an appeals tribunal (including General or Special Commissioners) or court in the resolution of a matter that is either material to the financial statements or where the outcome depends on an audit judgment relating to a contentious accounting treatment. Where this is the case we cannot act from when the matter is formally listed for a hearing, but we can still gather information for the advocate. It is likely that we will be able to do such work for SME clients.

- Services wholly or partly on a contingency fee basis.
- 7.3.2 We can calculate tax and deferred tax, provided we do not make management decisions in relation to this work.
- 7.3.3 All other tax services can be offered provided therein informed management (see above)
- 7.3.4 Where we undertake a substantial proportion of the tax planning work for an audit client, that work should either be carried out by the Tax Partner, or be reviewed by the Tax Partner to ensure there is no threat to audit independence. Any reviews must be documented. Similar safeguards need to be considered when the client requests us to advice on one or more matters that are material to the financial statements.
- 7.3.5 It is the firm's policy that we do not sign corporation tax returns on behalf of any client. Where we are requested to do so, the Ethics Partner must be consulted.

## 7.4 Recruitment and Remuneration Services

- 7.4.1 We cannot provide recruitment services that would involve us taking responsibility for the appointment of any director or employee of an audit client.
- 7.4.2 However, we can assist clients in less formal ways such as:
- Assisting clients to produce a job specification for a particular role
  - Providing advice on what experience a client should look for in CVs of candidates
  - Passing on salary surveys from recruitment agencies
  - Attending job interviews with the client and commenting on the candidates. However, we cannot make the choice for a client of who to employ.
- 7.4.3 We cannot provide advice on the quantum of a remuneration package for a director or key management position of an audit client. We can provide such advice in relation to other employees provided there is Informed Management. Also, where there is Informed Management we can advise on methods of calculating bonuses and other incentives, provided management take responsibility for supplying all relevant data.
- 7.4.4 We can provide advice on tax, pensions and interpretation of accounting standards relating to remuneration packages for directors and key management (provided such advice is not prohibited elsewhere).

## 7.5 Valuation Services

- 7.5.1 Under the Ethical Guidance we cannot provide valuation services for unlisted audit clients that lead to the valuation of amounts that have a material effect on the financial statements being audited and where the valuation involves a significant degree of subjectivity. Thus, we can offer valuation services where the valuation is highly subjective, but is not material and vice-versa; although in such circumstances a second partner should be involved to review the work done. For listed clients, the subjectivity is irrelevant and valuations cannot be provided where the valuation would have a material effect on the listed entity's financial statements.

- 7.5.2 We are not prevented us from offering valuation services in the following circumstances provided we have sufficient safeguards (such as second partner review) in place. This list is not exhaustive and if other circumstances arise the Ethics Partner should be consulted:
- Valuations required under the Companies Act and under the Articles of a company whose shares are not publicly traded in order to determine the price at which one shareholder should buy shares held by another shareholder. This is notwithstanding the fact that the valuations would otherwise be prohibited because of materiality and subjectivity.
  - HMRC valuations
  - Valuations required under legal agreements where either the amounts are not material to the accounts or the valuation does not involve a significant degree of subjectivity. Thus valuations under a share option scheme may be possible, but the Ethics Partner should be consulted prior to doing the work.
  - Valuations for fund-raising purposes
  - Valuations of acquisition targets where we are not the auditor of the target
  - Valuations to assist a client value the business where 75% or more of the business is to be sold.
- 7.5.3 Where we perform a valuation that is to be reflected in the financial statements, we need to ensure there is Informed Management, and that management agree in writing the assumptions underlying the valuation. The valuation should also be on the basis of the client's existing accounting policies.
- 7.5.4 Where it is not possible for us to provide a valuation, we can collect and verify the accuracy of data to be used by the person doing the valuation.
- 7.5.5 Where we have not performed the valuation, we can comment on matters relating to it that come to our attention during the course of our audit work (including suggestions for correcting any errors). Such matters might include:
- Comments on the assumptions and their appropriateness
  - Errors identified in a valuation calculation
  - Advice on accounting policies and any valuation methodologies used in their application.

## 7.6 IT Services

- 7.7.1 We are not able to design, provide or implement bespoke IT systems that are important to a significant part of an audit client's accounting system or to the production of the financial statements on which we would place significant reliance in the audit or would undertake part of the role of management.
- 7.7.2 We can provide and install off-the-shelf accounting packages, set up the chart of accounts and input standing data like client's product names and prices and, wherever possible, the people carrying out this work should be independent of the audit function (eg from the Bookkeeping Department).
- 7.7.3 We can also:
- Provide advice on internal control systems and risk management systems

- Comment on matters affecting a client's IT systems that come to our attention during the course of our audit work.

7.7.4 Where we are not prohibited from providing clients with bespoke software (such as tailored excel spread sheets or databases), we can carry out the work provided:

- We are working with Informed Management
- The client's management acknowledge in writing that they take responsibility for the overall systems of internal control and for the testing of the systems
- The client sets the specification of the system
- The people carrying out the work are independent of the audit team.

## 7.7 Due Diligence Services

7.7.1 We can generally provide due diligence services provided we are working with Informed Management, we do not take management decisions for the client and adequate safeguards are in place. In all cases, the Ethics Partner should be consulted.

## 7.8 Litigation Support Services

7.8.1 We cannot provide these services where it would involve us estimating the likely outcome of a pending legal matter that could be material to amounts or disclosures in the financial statements and the matter is highly subjective.

7.8.2 A partner independent of the audit team can carry out litigation support services that do not involve such subjective estimations.

## 7.9 Corporate Finance Services

7.9.1 Generally, we can offer Corporate Finance Services provided:

- We are working with Informed Management
- The advice does not depend on accounting treatments and/or presentations where there is doubt about the appropriateness of those treatments or presentations
- The services do not involve initiating transactions or taking management decisions
- The people carrying out the work are independent of the audit team

## 7.10 Audit Related Services

7.10.1 The services specifically included in this category are normally carried out by audit team members, with the work involved being closely related to the actual audit work. Such services are therefore considered to pose only insignificant threats to auditor independence and, as a consequence, no safeguards need to be applied. The list of 'audit related services' is:

- Reporting required by law or regulation to be provided by the auditor
- Reviews of interim financial information

- Reporting on regulatory returns
  - Reporting to a regulator on client assets
  - Reporting on government grants
  - Reporting on internal financial controls when required by law or regulation
  - Extended audit work performed on financial information and/or financial controls that is authorised by those charged with governance. This work must be integrated with the main audit work and be performed on the same principal terms and conditions
- 7.10.2 The last category of ‘extended audit work’ is now clearly distinguished from internal audit services and when work of such nature is performed by the auditor, it would be outside the scope of internal audit services and no safeguards would need to be applied.
- 7.10.3 There is also a distinction about the nature of internal audit services between ‘assurance activities’ designed to assess the design and operating effectiveness of existing or proposed systems or controls and ‘advisory activities’ where the auditor gives advice to the entity on the design and implementation of its risk management, control and governance processes.
- 7.10.4 Generally, threats to auditor independence are lower for activities that are designed to provide assurance to those charged with governance, for example that internal controls are operating effectively, than for advisory activities that assist the entity in improving its risk management, control and governance processes.
- 7.10.5 ES 5 confirms that internal audit services can be provided if the auditor is satisfied that they are dealing with informed management and appropriate safeguards are applied. However, there are prohibitions for the provision of internal audit when, for the purpose of the audit of the financial statements, the auditor would place significant reliance on the internal audit work it performed or when, for the purpose of the internal audit, the audit firm would undertake part of the role of management.
- 7.10.6 The outsourcing of substantially all of the internal audit function to the audit firm is unacceptable where the work undertaken is significant to the audited entity (which would not typically be the case for a small business whose internal audit activity is often not significant). It would also be unacceptable for a firm, in view of the management threat, to undertake internal audit engagements that involve designing controls, implementing changes to control, taking responsibility for risk management decisions or evaluating the cost effectiveness of activities, systems and controls.

## 7.11 Restructuring Services

- 7.11.1 Performing restructuring services is prohibited where the engagement would involve the firm undertaking a management role in or on behalf of the audited entity and where the engagement would require the firm to act as an advocate for the audited entity on matters that are material to the financial statements.
- 7.11.2 Typically, an audit firm would undertake a management role when the client does not have informed management capable of taking responsibility for the restructuring decisions to be made. A firm would instead act as an advocate if it assumed responsibility for the entity’s proposals or is seen as negotiating on behalf of the entity or advocating the appropriateness of the proposals, especially when attending meetings with the entity’s bank or other interested parties, such that its independence is compromised.

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- 7.11.3 A self-review threat is seen to arise when the auditor participates in the development of or implementation of a restructuring plan and then reviews it as part of the consideration of the going concern assumption. Such threats are particularly relevant in the case of an audited 'entity in distress' ie an entity with actual or anticipated financial or operational difficulties that threaten its survival as a going concern.
- 7.11.4 The self-review threat in respect of unlisted entities is dealt with by introducing a threat and safeguards approach that requires the audit firm not to undertake restructuring services, unless appropriate safeguards have been put in place to make the threat acceptable.
- 7.11.5 In respect of listed entities in distress, a stricter approach to the provision of restructuring services is required so that only a limited number of services can be provided. The services allowed would be generally not material and peripheral to a restructuring plan, such as general preliminary advice, assistance with the implementation of immaterial elements of a plan or challenging, but not developing, projections and assumptions in a financial model, unless the services are specifically permitted by a regulatory body with the oversight of the audited entity

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# STANDARD FORMS AND LETTERS

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The templates include merge codes that will be replaced with client data when the template is used. These appear in the following format in the printouts:

[#Field\_name#]

In the following pages, any wording that should be considered by the user in the light of the client's particular circumstances is shown in square brackets [...] to draw your attention to it.

You may either change this wording each time that you use a template, or, where appropriate, edit the template itself so that you do not have to consider it on each occasion. To edit a template, log in as the System Manager, select Master Packs | Edit existing pack from the menu, enter the pack code and select the [Templates] button. From this dialog you may load and edit the templates stored with the master pack, see the Reference Manual for information on how to proceed.

## Letter of engagement – Audit

[#Date#]

The Directors

[#Name/Add#]

Dear Sirs

### **LETTER OF ENGAGEMENT**

Thank you for engaging us as your auditors and advisors. This letter and the attached schedules of service together with our terms of business dated..... set out the basis on which we are to provide services as auditors and advisers and your and our respective responsibilities.

..... will be the principal responsible for this engagement.

#### **1 SCOPE OF SERVICES**

1.1 We have listed below the work which you have instructed us to carry out, the detail of which is contained in the attached schedules. These state your and our responsibilities in relation to the work to be carried out. If we agree to carry out additional services for you we will provide you with a new or amended engagement letter and schedules. Only the services which are listed in the attached schedules are included within the scope of our instructions. If there is additional work that you wish us to carry out which is not listed in the schedules, please let us know and we will discuss with you whether they can be included in the scope of our work.

1.2 The following schedules of services and our terms of business are attached to this engagement letter and should be read in conjunction with it.

Schedule 1 Acting as auditors under the Companies Act

2006 Schedule 2 Corporation Tax Services

Schedule 3 Corporate

Services Schedule 4 VAT

Returns Schedule 5 Payroll

Services

Schedule 6 Benefits-in-kind Returns

Our services as set out in Schedules 2 to 6 below are subject to the limitations on our liability set out in section 2 of the engagement letter below. These are important provisions which you should read and consider carefully.



- 1.3 In the event that any part of this Letter of Engagement is held to be invalid, the remainder of it will continue in force and effect. Nothing in the terms shall exclude, restrict or prevent action in respect of any liability arising from fraud or dishonesty or other liabilities which cannot lawfully be limited or excluded. Nothing in this Letter of Engagement seeks to limit or exclude our liability for death or personal injury caused by negligence, or for fraud or fraudulent misrepresentation.
- 1.4 This letter only covers services to the Company and does not cover services to the Shareholders, Directors or employees of the Company. Should the Shareholders, Directors or employees require any of our services, or require advice on the implications to them personally of advice given to the Company, these services or advice should be specifically requested and will be the subject of a separate, unrelated letter of engagement.
- 1.5 Changes to the terms of this Letter of Engagement can only be made by a partner in writing.

## **2 LIMITATION OF LIABILITY FOR NON-AUDIT WORK**

- 2.1 We have discussed with you the extent of our liability to you in respect of the professional services excluding acting as auditor under the Companies Act 2006 described within this engagement letter (the professional services). Having considered both your circumstances and our own, we have reached a mutual agreement that our liability to you in respect of any claims for tort (including negligence), breach of judiciary duty or breach of contract on the part of the firm, its partners or employees or otherwise arising out of any other work carried out on your behalf or for any advice provided will be limited to:
- a) the value of the claim, or if this is in excess of [.....] pounds,
  - b) then either [.....] pounds or [...] times the fee for that work or advice, whichever amount is greater.
- 2.2 We confirm that the limit in respect of our total aggregate liability will not apply to any acts, omissions or representations that are in any way criminal, dishonest or fraudulent on the part of the firm, its partners or employees. You have also agreed that you will not bring any claim of a kind that is included within the subject of the limit against any of our partners or employees on a personal basis.
- 2.3 The sums in paragraph 2.1 above include any damages costs and interest that may be awarded against us. If we are jointly and severally liable to you with any other party we shall only be liable to pay you the portion which is found to be fair and reasonable due to our fault. We shall not be liable to pay you the portion which is due to the fault of another party.
- 2.4 These limits on our liability shall apply to done under this contract and any future work unless we agree different terms with you.
- 2.5 In any event, under no circumstances will we be liable to you under statute, contract, or tort for any indirect or inconsequential loss.
- 2.6 We undertake that we will exercise due care in the performance of our work in accordance with applicable professional standards. In respect of all work except in relation to any audit work carried out in accordance with a statutory audit requirement, you agree to hold harmless and indemnify us, our partners and employees against any misrepresentation (intentional or unintentional) supplied orally or in writing in connection with this agreement.
- 2.7 We will provide services as outlined in this letter with reasonable care and skill. Our liability to you is limited to losses, damages, costs and expenses caused by our negligence or wilful default. However, to the fullest extent permitted by law, we will not be responsible for any losses, [penalties, surcharges, interest or additional taxliabilities]

where you or others supply incorrect or incomplete information, or fail to supply any appropriate information or where you fail to act on our advice or respond promptly to communications from us or HM Revenue & Customs.

- 2.8 You will not hold us, our partners and staff, responsible, to the fullest extent permitted by law, for any loss suffered by you arising from any misrepresentation (intentional or unintentional) supplied to us orally or in writing in connection with this agreement. You have agreed that you will not bring any claim in connection with services we provide to you against any of our partners or employees personally.
- 2.9 Our work is not, unless there is a legal or regulatory requirement, to be made available to third parties without our written permission and we will accept no responsibility to third parties for any aspect of our professional services or work that is made available to them.

### **3 COMMUNICATING WITH YOU**

- 3.1 We will communicate with ... in relation to the company's auditing, accounting and other affairs having agreed with you that he will represent the company.

### **4 AGREEMENT OF TERMS**

#### **4.1 Period of engagement**

- 4.1.1 This engagement will start with the company's accounting period ending on ..... If respect of other services being offered, this will commence with.....
- 4.1.2 We will not be responsible for earlier years. The company's previous advisers....insert name of advisers, will deal with outstanding matters relating to earlier periods.
- 4.1.3 This letter supersedes any previous engagement letter for the period covered. Once agreed, this letter will remain effective from the date of signature until it is replaced. You or we may agree to vary or terminate our authority to act on your behalf at any time without penalty. Notice of variation or termination must be given in writing.

#### **4.2 Confirmation of your agreement**

- 4.2.1 Please confirm your agreement to the terms of this letter and the attached terms of business by signing and returning the enclosed copies.
- 4.2.2 If this letter and the attached terms of business are not in accordance with your understanding of our terms of appointment, please let us know.

Yours sincerely

[#Firm#]

We acknowledge receipt of this letter, and we agree to this letter and the attached schedules of services, which together with the terms of business fully records the agreement between us concerning your appointment to carry out the work described in the schedules. We agree to you contacting us in accordance with our terms and conditions

Approved on behalf of the board by:

Signed.....Director

Dated .....

## **1. SCHEDULE 1: ACTING AS AUDITORS UNDER THE COMPANIES ACT 2006**

### **1.1 Your responsibilities as Directors**

- 1.1.1 As Directors of the Company, you are responsible for preparing financial statements which give a true and fair view and have been prepared in accordance with the Companies Act 2006 (the "Act"). As directors you must not approve the financial statements unless you are satisfied that they give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company.
- 1.1.2 In preparing the financial statements, you are required to:
- a) select suitable accounting policies and then apply them consistently;
  - b) make judgments and estimates that are reasonable and prudent;
  - c) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business; and
  - d) ensure that all directors have provided us with any audit-related information of which they are aware.
- 1.1.3 You are responsible for keeping adequate accounting records that set out with reasonable accuracy at any time the Company's financial position and for ensuring that the financial statements comply with United Kingdom Generally Accepted Accounting Practice ("UK GAAP") / International Financial Reporting Standards as implemented by the EU ("IFRS") and with the Act and give a true and fair view.
- 1.1.4 You are also responsible for:
- a) such internal control as you determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error
  - b) safeguarding the assets of the Company and hence for taking reasonable steps to ensure the Company's activities are conducted honestly and to prevent and detect fraud and other irregularities;
  - c) in addition to the general duties of directors specified in sections 170 – 177 of the Act, ensuring that the Company complies with laws and regulations that apply to its activities, and preventing non-compliance and detecting any that occurs;
  - d) ensuring the Company does not continue to trade if there is no reasonable prospect of avoiding insolvent liquidation.
  - e) Ensuring the financial statements are filed at Companies House within the requisite time limits.
- 1.1.5 You have undertaken to make available to us, as and when required, all the Company's accounting records and related financial information, including Minutes of all Management, Directors and Shareholders' Meetings that we need to do our work. You have also undertaken to provide us with any such additional information we may request from you for the purposes of the audit and with unrestricted access to any persons from whom we determine it necessary to obtain audit evidence. Each director is required to take all steps that he ought to take as a director in order to make himself aware of any relevant audit information and to establish that we are aware of that information.
- 1.1.6 If audited financial information is published, which includes a report by us or is otherwise connected to us, on the Company's website or by other electronic means, you must inform

us of the electronic publication and get our consent before it occurs and ensure that it presents the financial information and auditor's report properly. We have the right to withhold consent to the electronic publication of our report or the financial statements if they are to be published in an inappropriate manner.

- 1.1.7 You must set up controls to prevent or detect quickly any changes to electronically published information. We are not responsible for reviewing these controls nor for keeping the information under review after it is first published. You are responsible for the maintenance and integrity of electronically published information, and we accept no responsibility for changes made to any audited information after it is first posted.

## 1.2 Our responsibilities as Statutory Auditors

1.2.1 We have a statutory duty to report to the Members as a body, whether in our opinion, the financial statements have been properly prepared in accordance with UK GAAP/IFRS, whether they have been properly prepared in accordance with the Act; and whether they give a true and fair view. We are also required to confirm that the information given in the Directors' Report is consistent with the financial statements. In arriving at our opinion, we are required to consider the following matters, and report on any that we are not satisfied with:

- a) Whether the Company has kept adequate accounting records, and whether branches we have not visited have sent in returns adequate for our audit;
- b) Whether the Company's individual accounts are in agreement with the accounting records and returns;
- c) Whether we have obtained all the information and explanations which we consider necessary for the purposes of our audit;
- d) Whether the requirements concerning the disclosure of Directors' benefits, remuneration, pensions and compensation for loss of office, as well as those relating to Directors' transactions with the Company (including loans, quasi-loans and credit transactions) and other related party transactions have been complied with;
- e) Where the Company has prepared accounts in accordance with the small company regime; whether it is entitled to do so; and
- f) Where the Company is a holding company, whether the Company is entitled to any exemption claimed from preparing group financial statements (for example, because the group qualifies as small).

1.2.2 We may need to deal with certain other matters in our report. For example, if the financial statements do not give certain details of Directors' remuneration specified by law, the Act requires us to disclose such matters in our report. If the Company prepares accounts in accordance with the small companies regime when, in our opinion, it is not entitled to do so, we are required to state that fact in our report.

1.2.3 We have a professional responsibility to report if the financial statements do not comply in any material respect with applicable financial reporting standards (including relevant SORPs), unless we believe there is good reason for the non-compliance. In deciding whether or not this is the case, we consider:

- a) whether the non-compliance is necessary for the financial statements to give a true and fair view; and
- b) whether the non-compliance has been clearly disclosed.

- 1.2.4 Our professional responsibilities also include:
- a) incorporating in our report a description of the Directors' responsibilities for the financial statements if the financial statements or accompanying information do not include this information; and
  - b) considering whether other information in documents containing the audited financial information is consistent with those financial statements; and
  - c) giving auditors reports on certain matters when required to do so by the Act, such as in respect of abbreviated accounts prepared for filing purposes, we will prepare a special auditors' report in accordance with s449 of the Act.
- 1.2.5 As noted above, our report will be made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 of the Companies Act 2006. Our audit work will be undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we will not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for the audit report, or the opinions we will form. The audit of the financial statements does not relieve you of your responsibilities.
- 1.2.6 The Senior Statutory Auditor under s504 Companies Act 2006 is [insert name]
- 1.2.7 In the event that we cease to act as statutory auditors for the company we are required by paragraph 9(3) of schedule 10 to the Act, to make available, if requested, all relevant information concerning the audit of the Company to our successors as statutory auditors. You agree to cover any reasonable costs of making such information available that we may incur in fulfilling our statutory duty.

### 1.3 **Scope of audit**

- 1.3.1 We will carry out our audit in accordance with the International Standards of Auditing (UK and Ireland) issued by the Financial Reporting Council ("ISA (UK&I)"). Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall financial statement presentation. Because of the test nature and other inherent limitations of an audit, together with the inherent limitations of any accounting and internal control system, there is an unavoidable risk that some material misstatements may remain undiscovered.
- 1.3.2 We shall obtain an understanding of the accounting and internal control systems in order to assess their adequacy as a basis for the preparation of the financial statements and to establish whether adequate accounting records have been maintained by the [company] [limited liability partnership]. We shall expect to obtain such appropriate evidence as we consider sufficient to enable us to draw reasonable conclusions there from. In addition to our report on the financial statements, we will provide you with a separate letter concerning any significant deficiencies in accounting and internal control systems which come to our notice.

- 1.3.3 The nature and extent of our audit will vary according to our assessment of the Company's accounting system and, where we wish to rely on it the internal control system, and may cover any aspect of the business's operations that we consider appropriate. Our audit is not designed to identify all significant deficiencies in the Company's systems and internal controls but if we detect significant deficiencies, we will report them to you in writing. You may not show this report to third parties without our prior written consent. We will grant consent on the basis that the report is only prepared in the sole interests of the Company and that we accept no duty or responsibility to any other party as concerns the report.
- 1.3.4 As part of our normal audit procedures, we may ask you to confirm in writing representations you have made to us during the audit. In particular, where misstatements in the financial statements that we bring to your attention are not adjusted, you must state your reasons. In connection with representations and the supply of information to us generally, we draw your attention to section 501 of the Companies Act 2006 under which it is an offence for anyone to recklessly or knowingly supply information to the auditors that is false or misleading and to fail to promptly provide information requested.
- 1.3.5 To help us examine your financial statements, we will ask to see all documents or statements that are due to be issued with the financial statements. We are also entitled to receive details of all written resolutions that are to be circulated to members, to attend all the company's general meetings and to receive notice of them all.
- 1.3.6 You are responsible for safeguarding the Company's assets and for preventing and detecting fraud, error and non-compliance with law or regulations. We will plan our audit so that we can reasonably expect to detect significant misstatements in the financial statements or accounting records (including those resulting from fraud, error or non-compliance with law or regulations), but you cannot rely on us finding all such errors.
- 1.3.7 We shall not be treated as having notice, for the purposes of our audit responsibilities, of information provided to members of our firm (principals and staff) other than those engaged on the audit (for example information provided in connection with accounting, taxation and other services).
- 1.3.8 In respect of the expected form and content of our report, we refer you to the most recent bulletin on auditors' reports published by the Financial Reporting Council at <https://www.frc.org.uk/auditors/audit-assurance/standards-and-guidance>. The form and content of our report may need to be amended in the light of our findings.
- 1.3.9 Once we have issued our report, we have no further responsibility in relation to the financial statements for that financial year. However, we expect that you will inform us of any material event occurring between the date of our report and the date the financial statements are sent out in accordance with section 423 Companies Act 2006 which may affect the financial statements.
- 1.3.10 To ensure that there is effective two-way communication between us and to comply with the requirements of International Standards on Auditing (UK and Ireland) we will:
- contact you prior to the audit to discuss any relevant matters, the planned scope and timing of the audit and to agree any required action; and
  - contact you after the audit to discuss any matters arising from the audit and to confirm any agreed action.

We will of course contact you more frequently and regularly about audit and other matters during the course of the audit.

- 1.3.11 We appreciate that the present size of your business makes it uneconomic to create a system of internal control based on the segregation of duties for different functions within each area of the business. In the running of your Company, we understand that the directors are closely involved with the control of the company's transactions. In planning and performing our audit work we shall take account of this supervision.
- 1.3.12 Our engagement with the Company as Auditors for the purpose of preparing the report is a statutory responsibility and is distinct, and entirely separate, from any obligations or responsibilities arising out of the contractual arrangements agreed between us under which we are to provide the other professional services described below.

## **2. SCHEDULE 2: CORPORATION TAX SERVICES – PRE-TAGGED ACCOUNTS**

### **2.1 Recurring compliance work**

- 2.1.1 We will prepare the company's corporate tax self-assessment (CTSA) return as your agent. After obtaining the approval and signature of an authorised Nominated Director, we will submit it to HM Revenue & Customs (HMRC). We will not accept liability for any financial penalty or loss or other damage arising from any rejection of the iXBRL accounts by HMRC or otherwise as a result of incorrect or inappropriate tagging.
- 2.1.2 We will prepare the corporation tax computation and supporting schedules required for preparation of the company tax return from accounts, information and explanations provided to us on your behalf.
- 2.1.3 We will tell you how much tax the company should pay and when. If appropriate, we will initiate repayment claims when tax has been overpaid. We will advise on the interest and penalty implications if corporation tax is paid late.
- 2.1.4 We will inform you if instalment payments of corporation tax are due for an accounting period and the dates they are payable. We will calculate the quarterly instalments which should be made on the basis of information supplied by you by the date agreed.
- 2.1.5 We will advise you as to possible tax return related claims and elections arising from information supplied by you. Where instructed by you, we will make such claims and elections in the form and manner required by HMRC.

#### **Groups and consortia**

- 2.1.6 In relation to groups and consortia of which your company is a member, and in respect of which you have instructed us to act; we will provide the following additional services:
- 2.1.7 Where instructed, we will advise on the tax treatment of intra-group payments of dividends, charges and interest.
- 2.1.8 We will advise on the eligibility of companies to make elections in relation to such payments.
- 2.1.9 We will prepare and submit to HMRC elections relating to intra-group payments of dividends, charges and interest.
- 2.1.10 We will deal with all communications relating to elections addressed to us by HMRC.

2.1.11 Where instructed, in respect of claims for group and consortium relief:

- a) We will advise as required on claims for group and consortium relief and the interaction with other reliefs;
- b) We will prepare and submit to HMRC appropriate claims;
- c) We will adjust corporation tax computations and returns to reflect the surrender and receipt of group and consortium reliefs; and
- d) We will advise on arrangements for payment of tax and the surrender and set-off of tax refunds within the group.

## 2.2 **Ad hoc and advisory work**

2.2.1 Where you have instructed us to do so, we will also provide such other taxation advisory and ad hoc services as may be agreed between from time to time. These may be the subject of a separate engagement letter, at our option. Where appropriate we will discuss and agree an additional fee for such work when it is commissioned by you. Examples of such work include:

- Advising you when corporation tax is due on loans by the company to directors or shareholders or their associates, and calculating the payments due or the amount repayable when the loans are repaid; and
- Dealing with any enquiry opened into the company's tax return by HMRC;
- Preparing any amended returns which may be required and corresponding with HMRC as necessary.

2.2.2 Where specialist advice is required on occasions we may need to seek this from or refer you to appropriate specialists.

### **Changes in the law**

2.2.3 We will not accept responsibility if you act on advice given by us on an earlier occasion without first confirming with us that the advice is still valid in the light of any change in the law or your circumstances.

2.2.4 We will accept no liability for losses arising from changes in the law or the interpretation thereof that are first published after the date on which the advice is given.

## 2.3 **Your responsibilities**

2.3.1 The Directors, on behalf of the company, are legally responsible for:

- a) Ensuring that the CTSA return (including tagging) is correct and complete;
- b) Filing any returns by the due date; and
- c) Making payment of tax on time.

Failure to do this may lead to automatic penalties, surcharges and/or interest.

The signatory to the return cannot delegate this legal responsibility to others. The signatory agrees to check that returns we have prepared for the company are complete before he/she approves and signs them.



- 2.3.2 To enable us to carry out our work the Directors agree:
- a) To provide us with accounts prepared by you or by others in an iXBRL format. You accept full responsibility for the existence, accuracy, consistency and completeness of iXBRL tagging within the accounts. We will not carry out any procedures to check the existence, accuracy, consistency and completeness of iXBRL tagging.
  - b) That all returns are to be made on the basis of full disclosure of all sources of income, charges, allowances and capital transactions;
  - c) To provide full information necessary for dealing with the company's affairs: we will rely on the information and documents being true, correct and complete and will not audit the information or those documents;
  - d) To authorise us to approach such third parties as may be appropriate for information that we consider necessary to deal with the company's affairs;
  - e) To provide us with information in sufficient time for the company's CTSA return to be completed and submitted by the due date following the end of the tax year. In order that we can do this we need to receive all relevant information within six months of the year-end and all subsequent queries are promptly and satisfactorily answered.;
  - f) To provide information on matters affecting the company's tax liability for the accounting period in respect of which instalments are due at least four weeks before the due date of each instalment. This information should include details of trading profits and other taxable activities up to the date the information is provided, together with estimates to the end of the accounting period; and
  - g) To provide us with information on advances or loans made to directors, shareholders or their associates during an accounting period and any repayments made or write offs authorised at the latest within three months of the end of the relevant accounting period.
- 2.3.3 The Directors will keep us informed of material changes in circumstances that could affect the tax liabilities of the company. If the Directors are unsure whether the change is material or not please let us know so that we can assess its significance.
- 2.3.4 You will forward to us HMRC statements of account, copies of notices of assessment, letters and other communications received from HMRC in time to enable us to deal with them as may be necessary within the statutory time limits. Although HMRC have the authority to communicate with us when form 64-8 has been signed and submitted it is essential that you let us have copies of any correspondence received because HMRC are not obliged to send us copies of all communications issued to you.
- 2.3.5 The work carried out within this engagement will be in respect of the company's tax affairs. Any work to be carried out for the directors on a personal basis will be set out in a separate letter of engagement.
- 2.3.6 In accepting the terms of this Schedule to the letter of engagement you recognise that we shall comply with our [Institute's/Association's] ethical and practice guidelines to correct any HMRC errors.

### **3. SCHEDULE 3: CORPORATE SERVICES**

#### **3.1 Accounting services**

- 3.1.1 Where professional ethics allow, we shall, where requested by you, assist you in the maintenance of the accounting records and in the compilation of financial statements based on them which show a true and fair view in accordance with the requirements of the Companies Act 2006 and applicable Accounting Standards. You will provide us with all the accounting records and related financial information together with all relevant information and explanations necessary to allow us to compile such financial statements. You will make full disclosure to us of all relevant information.
- 3.1.2 We shall, where requested by you, assist you in the compilation of financial statements that comply with UK GAAP / IFRS.
- 3.1.3 A private company is required to file its financial statements at Companies House within 9 months of the year end: 6 months in the case of a public company. The Company will be liable to a fine if it fails to do so. We accept no responsibility for fines or regulatory action taken against the directors where the statutory financial statements are not available for filing or are filed late.

#### **3.2 Company secretarial**

- 3.2.1 You have agreed to complete all the returns which are required by law to be filed at Companies House, for example, the annual return and the notification of changes in directors. We shall, of course, be pleased to advise you on these and any other company secretarial matters if requested.

#### **3.3 Other services**

- 3.3.1 There are many other areas where, subject to professional ethics, we can be of assistance, and we will be pleased to discuss any matters with you. These other services include:
- a) reports in support of returns or claims, eg insurance company certificates, government grants, etc;
  - b) advice on financial matters;
  - c) management accounting, including such matters as cash flow statements, costing systems, etc, and advice on management;
  - d) advice on the selection and implementation of computer systems;
  - e) investigations for special purposes, eg acquisitions of other businesses or examination of specific aspects of your business; and
  - f) advice on the selection and recruitment of staff.
- 3.3.2 Please contact your client Engagement Partner if you want further details or you wish to discuss these services more fully or refer to our website.

## **4. SCHEDULE 4: VAT RETURNS**

### **4.1 Recurring compliance work**

- 4.1.1 We will, where requested by you, assist you to prepare your VAT returns, and Intrastat returns/EC Sales lists on the basis of the information and explanations supplied by you.
- 4.1.2 Based on the information that you provide to us we will tell you how much you should pay and when. If appropriate we will initiate repayment claims where tax has been overpaid. We will advise on the interest and penalty implications if VAT is paid late.
- 4.1.3 Where appropriate we will calculate the partial exemption annual adjustment.
- 4.1.4 Where appropriate we will calculate the annual Capital Goods Scheme adjustment.
- 4.1.5 We will forward to you the completed return calculations for you to review, before you approve the VAT return for onward transmission by you to HMRC.

### **Ad hoc and advisory services**

- 4.1.6 Where you have instructed us to do so, we will also provide such other taxation ad hoc and advisory services as may be agreed between us from time to time. These may be the subject of a separate engagement letter, at our option. Where appropriate we will discuss and agree an additional fee for this work when it is commissioned by you. Examples of such work include:
- Reviewing and advising a suitable partial exemption method to use in preparing the return;
  - Dealing with all communications relating to your VAT returns [Intrastat returns/EC Sales List returns] addressed to us by HMRC or passed to us by you;
  - Making recommendations to you about the use of cash accounting, annual accounting, flat rate and other suitable methods of accounting for VAT; and
  - Providing you with advice on VAT as and when requested. Where the advice is provided in writing, the information provided and the query raised will be set out with our response to you
- 4.1.7 Where specialist advice is required in certain areas we may need to seek this from or refer you to appropriate specialists.

### **Changes in the law**

- 4.1.8 We will not accept responsibility if you act on advice given by us on an earlier occasion without first confirming with us that the advice is still valid in the light of any change in the law or your circumstances.
- 4.1.9 We will accept no liability for losses arising from changes in the law or the interpretation thereof that are first published on or after the date on which the advice is given.<sup>38</sup>

## 4.2 Your responsibilities

### 4.2.1 You are legally responsible for:

- a) Ensuring that your returns are correct and complete;
- b) Filing any returns by the due date; and
- c) Making payment of tax on time.

Failure to do this may lead to automatic penalties, surcharges and/or interest.

The signatory to the return cannot delegate this legal responsibility to others. The signatory agrees to check that returns we have prepared for you are complete before he/she approves and signs them.

### 4.2.2 To enable us to carry out our work you agree:

- a) That all returns are to be made on the basis of full disclosure;
- b) That you are responsible for ensuring that the information provided is, to the best of your knowledge, accurate and complete. The VAT returns are prepared solely on the basis of the information provided by you and we accept no responsibility for any VAT liabilities arising due to inaccuracies or omissions in the information you provide which may lead to a misdeclaration on which penalties and interest may arise;
- c) That we can approach such third parties as may be appropriate for information we consider necessary to deal with the VAT returns; and
- d) To provide us with all the records relevant to the preparation of your VAT returns as soon as possible after the return period ends. We would ordinarily need a minimum of 15 days before submission to complete our work. If the records are provided later or are incomplete or unclear thereby delaying the preparation and submission of the VAT return, we accept no responsibility for any "default surcharge" penalty that may arise. Where feasible we may agree to complete your return within a shorter period but may charge an additional fee for so doing.

### 4.2.3 You will keep us informed of material changes in circumstances that could affect your VAT obligations. If you are unsure whether the change is material or not please let us know so that we can assess its significance.

### 4.2.4 You will forward to us HMRC statements of account, copies of notices of assessment, letters and other communications received from HMRC in time to enable us to deal with them as may be necessary within the statutory time limits. Although HMRC have the authority to communicate with us when form 64-8 has been signed and submitted it is essential that you let us have copies of any correspondence received because HMRC are not obliged to send us copies of all communications issued to you.

### 4.2.5 You are responsible for bringing to our attention any errors, omissions or inaccuracies in your VAT returns which you become aware of after the returns have been submitted in order that we may assist you to make a voluntary disclosure.

### 4.2.6 If EC Sales Lists need to be completed you are responsible for obtaining all of your customers' VAT registration numbers in other member states and to check any that you are not completely satisfied with, with HMRC.

## 5. SCHEDULE 5: PAYROLL SERVICES

### 5.1 Recurring compliance work

5.1.1 We will, where requested by you, assist with the preparation of your UK payroll for each payroll period to meet UK employment tax requirements, specifically:

- Calculating the pay as you earn (PAYE) deductions;
- Calculating the employees' National Insurance Contributions (NIC) deductions;
- Calculating the employer's NIC liabilities;
- Calculating statutory payments, for example, Statutory Sick Pay and/or Statutory Maternity Pay; and
- Calculating other statutory and non-statutory deductions

5.1.2 We will prepare and send to you the following documents for each payroll period at or before the time of payment:

- Payroll summary report showing the reconciliation from gross to net for each employee and all relevant payroll totals;
- A payslip for each employee unless not required;
- A P45 for each leaver; and
- A report showing your PAYE and NIC liability and due date for payment.

5.1.3 We will prepare and send to you the following documents by the statutory due dates at the end of the payroll year:

- Form P60 for each employee on the payroll at the year-end;
- A summary of the employer's annual declarations, including the total payroll payments and deductions for your approval before the year end online declaration P35 is made to HMRC ; and
- P14 or P60 for all staff who were on the payroll during the payroll year

5.1.4 We will submit your forms P35 and P14 after they have been approved.

#### **Ad hoc and advisory work**

5.1.5 5.1.5 Where you have instructed us to do so, we will also provide such other taxation ad hoc and advisory services as may be agreed between us from time to time. These may be the subject of a separate engagement letter, at our option. Where appropriate we will discuss and agree an additional fee for such work when it is commissioned by you. Examples of such work include:

- Dealing with any enquiry by HMRC into the payroll returns; and
- Preparing any amended returns which may be required and corresponding with HMRC as necessary.

5.1.6 Where specialist advice is required on occasions, we may need to seek this from or refer you to appropriate specialists.

## **Changes in the law**

- 5.1.7 We will not accept responsibility if you act on advice given by us on an earlier occasion without first confirming with us that the advice is still valid in the light of any change in the law or your circumstances.
- 5.1.8 We will accept no liability for losses arising from changes in the law or the interpretation thereof that are first published after the date on which the advice is given.

## **5.2 Your responsibilities**

5.2.1 You are legally responsible for:

- a) Completing the checks on a new employee's eligibility to live and work in the UK in accordance with the Governments Code of Practice "Preventing Illegal Working" and section 8 of the Asylum and Immigration Act 1996.
- b) Ensuring that your payroll returns are correct and complete;
- c) Filing any returns by the due date; and
- d) Making payment of tax and NIC on time.

Failure to do this may lead to automatic penalties, surcharges and/or interest.

Signatories to returns cannot delegate this legal responsibility to others. You agree to check that returns we have prepared for you are correct and complete before you approve and sign them.

5.2.2 To enable us to carry out our work you agree:

- a) That all returns are to be made on the basis of full disclosure;
- b) To provide full information necessary for dealing with your payroll affairs: we will rely on the information and documents being true, correct and complete and will not audit the information or those documents;
- c) To agree with us the name[s] of the person[s] authorised by you to notify us of changes in employees and in rates of pay. We will process the changes only if notified by that/those individual[s];
- d) To advise us in writing of changes of payroll pay dates;
- e) To notify us at least 8 working days prior to the payroll date of all transactions or events that may need to be reflected in the payroll for the period, including details of:
  - all new employees and details of their remuneration packages;
  - all leavers and details of termination arrangements;
  - all changes to remuneration packages;
  - all pension scheme changes; and
  - any changes to the employees' bank accounts;
- f) You will keep us informed of changes in circumstances that could affect the payroll. If you are unsure whether the change is material or not please let us know so that we can assess its significance. and
- g) To authorise us to approach such third parties as may be appropriate for information that we consider necessary to deal with your affairs.

- 5.2.3 If the information required to complete the payroll services set out above is received less than 8 working days before the payroll date we will still endeavour to process the payroll to meet the agreed payroll date but we will not be liable for any costs or other losses arising if the payroll is late in these circumstances. We may charge an additional fee for work carries out in a shorter time period.
- 5.2.4 Sections 11 and 12 of the Data Protection Act 1998 place express obligations on you as a data controller where we as a data processor undertake the processing of personal data on your behalf. We therefore confirm that we will at all times comply with the requirements of the Data Protection Act 1998 when processing data on your behalf. In particular we confirm that we have adequate security measures in place and that we will comply with any obligations equivalent to those placed on you as a data controller

## **6. SCHEDULE 6: BENEFITS-IN-KIND RETURNS**

### **6.1 Recurring compliance work**

- 6.1.1 We will, where requested by you, assist with the preparation forms P11D and P9D as may be required for each employee including directors based on the accounts, information and explanations provided to us on your behalf.
- 6.1.2 We will submit the forms P11D and P9D with the form P11D(b) after the form P11D(b) has been signed by you.
- 6.1.3 We will prepare and send to you the P11D information for you to forward to your employees and directors by the statutory due date.
- 6.1.4 We will calculate your Class 1A NIC liability on the benefits returned in forms P11D that you are obliged to pay HMRC by the due date and send payment instructions to you.

### **Ad hoc and advisory work**

- 6.1.5 Where you have instructed us to do so, we will also provide such other taxation ad hoc and advisory services as may be agreed between us from time to time. These may be the subject of a separate engagement letter, at our option. Where appropriate we will discuss and agree an additional fee for such work when it is commissioned by you. Examples of such work include:

- Dealing with any straightforward enquiry opened into the benefits-in-kind returns by HMRC. More detailed enquiries may be the subject of a separate engagement;
- Preparing any amended returns which may be required and corresponding with HMRC as necessary;
- Advising on Dispensations and PAYE Settlement Agreements; and
- Conducting PAYE and benefits health checks.

- 6.1.6 Where specialist advice is required, we may need to seek this from or refer you to appropriate specialists.

### **Changes in the law**

- 6.1.7 We will not accept responsibility if you act on advice given by us on an earlier occasion without first confirming with us that the advice is still valid in the light of any change in the law or your circumstances.

6.1.8 We will accept no liability for losses arising from changes in the law or the interpretation thereof that are first published after the date on which the advice is given.

## 6.2 Your responsibilities

6.2.1 You are legally responsible for:

- a) Ensuring that your declaration on form P11D(b) is true to the best of your knowledge and belief and therefore that the entries on the related forms P11D and P9D are correct and complete;
- b) Filing any returns by the due date after the end of the tax year; and
- c) Making payment of Class 1A NIC on time.

Failure to do this may lead to automatic interest, penalties and/or surcharges.

6.2.2 The signatory to the return cannot delegate this legal responsibility to others. The signatory agrees to check that the forms that we have prepared for you are complete before he/she approves and signs them.

6.2.3 To enable us to carry out our work you agree:

- a) That all returns are to be made on the basis of full disclosure;
- b) To provide full information necessary for dealing with your benefits-in-kind returns: we will rely on the information and documents being true, correct and complete and will not audit the information or those documents;
- c) To notify us within 15 working days after the end of the tax year of all transactions or events which may need to be reflected in the forms P11D and P9D for the period, including details of all employees during the year and details of their remuneration packages; and
- d) To authorise us to approach such third parties as may be appropriate that we consider necessary to deal with completing the benefits-in-kind returns.

6.2.4 If the information required to complete the benefits-in-kind returns set out above is received more than 15 working days after the end of the tax year we will still endeavour to process the information onto the benefits-in-kind returns to meet the submission date but we will not be liable for any costs or other losses arising if submission is late in these circumstances. We may charge an additional fee in such circumstances.

6.2.5 Sections 11 and 12 of the Data Protection Act 1998 place express obligations on you as a data controller where we as a data processor undertake the processing of personal data on your behalf. We therefore confirm that we will at all times comply with the requirements of the Data Protection Act 1998 when processing data on your behalf. In particular we confirm that we have adequate security measures in place and that we will comply with any obligations equivalent to those placed on you as a data controller.



## TERMS OF BUSINESS

[[#Firm#]] is a limited liability partnership incorporated in England (number OC) and whose registered office is at [Address of Firm]] (“the Firm”, or “We”) are pleased to set out the Terms and Conditions of Business, which will apply to the work we do for you.

These Terms and Conditions of Business and the Engagement Letter and its Schedules of Services together form the contract between us. Changes to the Terms and Conditions of Business can only be made by a Member in writing. The term “Partner” used in any correspondence means a Member of the Firm.

If any provisions of these Terms and Conditions of Business or parts of the Letter of Engagement and its Schedules of Services are held to be void, then that provision will be deemed not to form part of this contract and the remainder of them shall be interpreted as if such provision had never been inserted. Nothing in these terms shall exclude, restrict or prevent action in respect of any liability arising from fraud or dishonesty or other liabilities which cannot lawfully be limited or excluded. Nothing in these Terms and Conditions of Business seeks to limit or exclude our liability for death or personal injury caused by negligence, or for fraud or fraudulent misrepresentation.

In the event of any conflict between these Terms and Conditions of Business and the Letter of Engagement and its schedules of Services, the relevant provision in the Letter of Engagement or Schedule of Services will take precedence.

### 1. **Applicable law**

1.1 Our engagement letter, the schedules of services and our standard terms and conditions of business are governed by, and should be construed in accordance with English Law. Each party agrees that the Courts of England will have exclusive jurisdiction in relation to any claim, dispute, or difference concerning this engagement letter and any matter arising from it on any basis. Each party irrevocably waives any right to object to any action being brought in those Courts, to claim that the action has been brought in an inconvenient forum, or to claim that those Courts do not have jurisdiction.

### 2. **Client identification**

2.1 As with other professional service firms, we are required to identify our clients for the purposes of the UK anti-money laundering legislation. We may request from you, and retain, such information and documentation as we require for these purposes and/or make searches of appropriate databases.

### 3. **Client money**

3.1 We may from time to time hold money on your behalf. The money will be held in trust in a client bank account, which is segregated from the Firm’s funds. The account will be operated, and all funds dealt with, in accordance with the Clients’ Money [Regulations of the Institute of Chartered Accountants in England and Wales/ Rules of the Association of Chartered Certified Accountants/Other accountancy body].

3.2 To avoid excessive administration, interest will only be paid to you where the amount earned on the balances held on your behalf in any year exceeds £25. Interest will not be paid on amounts of less than £10,000 which are held for less than 30 days unless you instruct us otherwise in writing. Where you make such a request the money will be placed into a separate interest bearing client account designated to you. All interest earned on such money will be paid to you. Subject to any tax legislation, interest will be paid gross.

3.3 We will return monies held on your behalf promptly as soon as there is no longer any reason to retain those funds. If any funds remain in our client account that are unclaimed and the client to whom they relate has remained untraced for 5 years or we as a firm cease to practice then we may pay those monies to a registered charity.

#### **4. Commissions or other benefits**

4.1 In some circumstances we may receive commissions or other benefits for introductions to other professionals or in respect of transactions which we arrange for you. Where this happens, we will notify you in writing of the amount and terms of payment and receipt of any such commissions or benefits. The same will apply where the payment is made to or the transactions are arranged by a person or business connected with ours. The fees you would otherwise pay as described in the Letter of Engagement will not be reduced by the amount of the commission or benefits.

#### **5. Complaints**

5.1 We are committed to provide you with a high quality service that is both efficient and effective. However, should there be any cause for complaint in relation to any aspect of our service please contact [Name]. We agree to look into any complaint carefully and promptly and do everything reasonable to put it right. If you are still not satisfied you may refer your complaint to our professional body, the [Institute of Chartered Accountants in England and Wales/Association of Chartered Certified Accountants/Other accountancy body].

#### **6. Confidentiality**

6.1 Communication between us is confidential and we shall take all reasonable steps to keep confidential your information except where we are required to disclose it by law, by regulatory bodies, by our insurers, or as part of an external peer review. Unless we are authorized by you to disclose information on your behalf this undertaking will apply during and after this engagement

6.2 We may, on occasions, consult with other professionals on aspects of your affairs. These other professionals will be bound by our client confidentiality terms.

6.3 We reserve the right, for the purpose of promotional activity, training or for other purposes, to mention that you are a client. As stated above, we will not disclose any confidential information.

#### **7. Conflicts of interest**

7.1 We will inform you if we become aware of any conflict of interest in our relationship with you or in our relationship with you and another client unless we are unable to do so because of our confidentiality obligations. We have safeguards that can be implemented to protect the interests of different clients if a conflict arises. Where conflicts are identified which cannot be managed in a way that protects your interests then we regret that we will be unable to provide further services. If this arises, we will inform you promptly.

7.2 If there is a conflict of interest that is capable of being addressed successfully by the adoption of suitable safeguards to protect your interests then we will adopt those safeguards. Where possible this will be done on the basis of your informed consent. We reserve the right to provide services to other clients whose interests are not the same as yours or are adverse to yours, subject to the obligations of confidentiality referred to above.

### *Internal disputes within a client*

- 7.3 If we become aware of a dispute between the parties who own or are in some way involved in the ownership or management of the business, it should be noted that our client is the business and we would not provide information or services to one party without the express knowledge and permission of all parties. Unless otherwise agreed by all parties we will continue to supply information to the normal place of business for the attention of the directors/proprietors. If conflicting information or instructions are received from different directors/principals in the business we will refer the matter back to the board/proprietors and take no further action until the board/partnership/LLP has agreed the action to be taken.

## **8. Data protection**

- 8.1 We confirm that we will comply with the provisions of the Data Protection Act 1998 when processing personal data about you [and your family]. In order to carry out the services under our engagement letter and for related purposes such as updating and enhancing our client records, analysis for management purposes and statutory returns, legal and regulatory compliance and crime prevention we may obtain, process, use and disclose personal data about you.

## **9. Disengagement**

- 9.1 Should we cease to act for you, where relevant we will issue a disengagement letter to ensure our respective responsibilities are clear.

## **10. Electronic communication**

- 10.1 Unless you instruct us otherwise we may, where appropriate, communicate with you and with third parties by e-mail or by other electronic means. The recipient is responsible for virus checking emails and any attachments.
- 10.2 With electronic communication there is a risk of non-receipt, delayed receipt, inadvertent misdirection or interception by third parties. We use virus-scanning software to reduce the risk of viruses and similar damaging items being transmitted through emails or electronic storage devices. However, electronic communication is not totally secure and we cannot be held responsible for damage caused by viruses or similar damaging items, nor for communications which are corrupted or altered after dispatch. Nor can we accept any liability for problems or accidental errors relating to this means of communication especially in relation to commercially sensitive information. These are risks you must bear in return for greater efficiency and lower costs. If you do not wish to accept these risks, please let us know and we will communicate by paper mail other than where electronic submission is mandatory.
- 10.3 Any communication by us with you sent through the post [or DX] system is deemed to arrive at your postal address two working days after the day that the document was sent.

## **11. Fees and payment terms**

- 11.1 Our fees may depend not only upon the time spent on your affairs but also on the level of skill and responsibility and the importance and value of the advice that we provide, as well as the level of risk.
- 11.2 If we provide you with an estimate of our fees for any specific work, then the estimate will not be contractually binding unless we explicitly state that that will be the case.

- 11.3 Where requested, we may indicate a fixed fee for the provision of specific services or an indicative range of fees for a particular assignment. It is not our practice to identify fixed fees for more than a year ahead as such fee quotes need to be reviewed in the light of events. If it becomes apparent to us, due to unforeseen circumstances, that a fee quote is inadequate, we reserve the right to notify you of a revised figure or range and to seek your agreement thereto.
- 11.4 In some cases, you may be entitled to assistance with your professional fees, particularly in relation to any investigation into your tax affairs by HMRC. Assistance may be provided through insurance policies you hold or via membership of a professional or trade body. Other than where such insurance was arranged through us you will need to advise us of any such insurance cover that you have. You will remain liable for our fees regardless of whether all or part are liable to be paid by your insurers.
- 11.5 We will bill [monthly] [quarterly] [half-yearly] and our invoices will be due for payment [upon presentation/within [14] [30] days of issue]. Our fees are exclusive of VAT which will be added where it is chargeable. Any disbursements we incur on your behalf and expenses incurred in the course of carrying out our work for you will be added to our invoices where appropriate.
- 11.6 Unless otherwise agreed to the contrary our fees do not include the costs of any third party, counsel or other professional fees.
- 11.7 [It is our normal practice to issue 'Applications for Payment' when dealing with continuous or recurring work. The payment terms for 'Applications for Payment' are the same as for invoiced fees. A VAT invoice will be issued to you upon receipt of your payment.]
- 11.8 [It is our normal practice to ask clients to pay by monthly direct debit and to periodically adjust the monthly payment by reference to actual billings.]
- 11.9 We reserve the right to charge interest on late paid invoices at the rate of [3%] [5%] above bank base rates under the Late Payment of Commercial Debts (Interest) Act 1998. We also reserve the right to suspend our services or to cease to act for you on giving written notice if payment of any fees is unduly delayed. We intend to exercise these rights only where it is fair and reasonable to do so.
- 11.10 If you do not accept that an invoiced fee is fair and reasonable you must notify us within 21 days of receipt, failing which you will be deemed to have accepted that payment is due.
- 11.11 If a client company, trust or other entity is unable or unwilling to settle our fees we reserve the right to seek payment from the individual (or parent company) giving us instructions on behalf of the client and we shall be entitled to enforce any sums due against the Group Company or individual nominated to act for you.

## **12. Implementation**

- 12.1 We will only assist with implementation of our advice if specifically instructed and agreed in writing.

## **13. Intellectual property rights**

- 13.1 We will retain all copyright in any document prepared by us during the course of carrying out the engagement save where the law specifically provides otherwise.

## 14. Investment advice

- 14.1 Although we are not authorised by the Financial Conduct Authority (“FCA”) to conduct Investment Business, we are licensed by the [Institute of Chartered Accountants in England and Wales/Association of Chartered Certified Accountants/Other accountancy body] to provide certain investment services that are complimentary to, or arise out of, the professional services we are providing to you. In the unlikely event that we cannot meet our liabilities to you, you may be able to claim compensation under the Chartered [Certified/Other accountancy body] Accountants’ Compensation scheme in respect of exempt regulated activities undertaken.
- 14.2 Such advice may include the following:-
- a) advising you on investments generally, but not recommending a particular investment or type of investment;
  - b) where you require advice on investment business which we are unable to give as we are not authorised by the FCA we can introduce you to an independent Permitted Third Party (PTP) authorised by the FCA, and assisting you and the PTP during the course of any advice given by the PTP. This may include comment on, or explanation of, the advice received (but we will not make alternative recommendations). The PTP will issue you with their own terms and conditions letter, will be remunerated separately for their services, and will take full responsibility for compliance with the requirements of the Financial Services and Markets Act 2000;
  - c) advising on the sale of a contractually based investment other than disposing of any rights or interests which you may have as a member of a personal pension scheme;
  - d) advising and assisting you in transactions concerning shares or other securities not quoted on a recognised exchange;
  - e) managing investments or acting as a Trustee (or donee of Power of Attorney) where decisions to invest are taken on the advice of an authorised person;
- 14.3 We may also, on the understanding that the shares or other securities of the company are not publicly traded:
- a) advise the company, existing or prospective shareholders in relation to exercising rights, taking benefits or share options including valuation and methods;
  - b) arrange any agreements in connection with the issue, sale or transfer of the company’s shares or other securities;
  - c) arrange for the issue of new shares; and
  - d) act as the addressee to receive confirmation of acceptance of offer documents etc
- 14.4 Whilst we are not authorised by the FCA, we are included on the register maintained by them so we can carry on insurance mediation activity (which is broadly advising on the selling and administration of insurance contracts). This part of our business, including arrangements for complaints or redress if something goes wrong, is regulated by the [Institute of Chartered Accountants in England and Wales/Association of Chartered Certified Accountants/Other accountancy body]. The register can be accessed via the FCA website at [www.fca.org.uk/register](http://www.fca.org.uk/register)

### *Referral to a Permitted Third Party (PTP)*

- 14.5 Should you require advice on investment business which we are unable to give as we are not authorised by the Financial Conduct Authority, we can introduce you to a suitable PTP.
- 14.6 The PTP will issue you with their own terms and conditions letter, will be remunerated separately for their services and will take full responsibility for compliance with the requirements of the Financial Services and Markets Act 2000. We will act as introducers but would be pleased to comment on, or explain any advice received and if required attend any meetings with you.
- 14.7 We will inform you when any introductory fee or commission is received and agree with you how this is to be dealt with at that time. Where amounts are being rebated or shared with the client or the amount relates to exempt regulated activities.] [You consent to our retaining such amounts and we shall not be required to account to you for them. Note: Whilst this phraseology can be useful for an introduction to a permitted third party, it will not be sufficient to obtain permission to retain commission in respect of exempt regulated activities where the firm is licensed under the DPB arrangements.] [We do not receive any income from the PTP] [but benefit from the profit made by that firm]. [The income received by that firm in respect of advice given to you will be advised to you by the PTP directly.]
- 14.8 To enable us to provide you with a proper service, there may be occasions when we will need to contact you without your express permission concerning investment business matters. For example, it may be in your interests to sell a particular investment, and we would wish to inform you of this. We may therefore contact you in such circumstances. We shall, of course, comply with any restrictions you may wish to impose which you notify to us in writing.

### **15. Lien**

- 15.1 Insofar as we are permitted to so by law or professional guidelines, we reserve the right to exercise a lien over all funds, documents and records in our possession relating to all engagements for you until all outstanding fees and disbursements are paid in full.

### **16. Limitation of third party rights**

- 16.1 The advice and information we provide to you as part of our service is for your sole use and not for any third party to whom you may communicate it unless we have expressly agreed in the engagement letter that a specified third party may rely on our work. We accept no responsibility to third parties, including any group company to whom the engagement letter is not addressed, for any advice, information or material produced as part of our work for you which you make available to them. A party to this agreement is the only person who has the right to enforce any of its terms and no rights or benefits are conferred on any third party under the Contracts (Rights of Third Parties) Act 1999.

### **17. Period of engagement and termination**

- 17.1 Unless otherwise agreed in our engagement letter, our work will begin when we receive implicit or explicit acceptance of that letter. Except as stated in that letter we will not be responsible for periods before that date.
- 17.2 Each of us may terminate our agreement by giving not less than 21 days notice in writing to the other party except where you fail to cooperate with us or we have reason to believe that you have provided us or HMRC with misleading information, in which case we may terminate this agreement immediately. Termination will be without prejudice to any rights that may have accrued to either of us prior to termination.

17.3 In the event of termination of our contract, we will endeavour to agree with you the arrangements for the completion of work in progress at that time, unless we are required for legal or regulatory reasons to cease work immediately. In that event, we shall not be required to carry out further work and shall not be responsible or liable for any consequences arising from termination.

## **18. Professional rules and statutory obligations**

18.1 We will observe and act in accordance with the bye-laws, regulations and code of ethics of the [Institute of Chartered Accountants in England and Wales/Association of Chartered Certified Accountants/Other accountancy body] and will accept instructions to act for you on this basis. [In particular you give us the authority to correct errors made by HMRC where we become aware of them.] We will not be liable for any loss, damage or cost arising from our compliance with statutory or regulatory obligations. You can see copies of these requirements in our offices. The requirements are also available on the internet at [www.icaew.com/regulations](http://www.icaew.com/regulations) / [www.accaglobal.com/regulations](http://www.accaglobal.com/regulations) . We confirm that we are Statutory Auditors eligible to conduct audits under the Companies Act 2006.

## **19. Quality control**

19.1 As part of our ongoing commitment to providing a quality service, our files are periodically reviewed by an independent regulatory or quality control body. These reviewers are highly experienced and professional people and, of course, are bound by the same rules for confidentiality as our principals and staff.

## **20. Reliance on advice**

20.1 We will endeavour to record all advice on important matters in writing. Advice given orally is not intended to be relied upon unless confirmed in writing. Therefore, if we provide oral advice (for example during the course of a meeting or a telephone conversation) and you wish to be able to rely on that advice, you must ask for the advice to be confirmed by us in writing.

## **21. Retention of papers**

21.1 You have a legal responsibility to retain documents and records relevant to your financial affairs. During the course of our work we may collect information from you and others relevant to your tax and financial affairs. We will return any original documents to you [if requested]. Documents and records relevant to your tax affairs are required by law to be retained as follows:

*Individuals, trustees and partnerships:*

- with trading or rental income: 5 years and 10 months after the end of the tax year;
- otherwise: 22 months after the end of the tax year;

*Companies, Limited liability Partnerships, and other corporate entities:*

- 6 years from the end of the accounting period;

21.2 Whilst certain documents may legally belong to you, we may destroy correspondence and other papers that we store electronically or otherwise that are more than [seven] years old, except documents we think may be of continuing significance. You must tell us if you wish us to keep any document for any longer period.

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**22. The Provision of Services Regulations 2009**

- 22.1 We are registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales/Association of Chartered Certified Accountants/Other accountancy body. Details of our audit registration can be viewed at [www.auditregister.org.uk](http://www.auditregister.org.uk) under reference number C00.....
- 22.2 Our professional indemnity insurer is .....name of insurer, of.....contact address. The territorial coverage is worldwide excluding professional business carried out from an office in the United States of America or Canada and excludes any action for a claim brought in any court in the United States or Canada.



# Letter of engagement - Audit exemption

[#Date#]

The Directors

[#Name/Add#]

Dear Sirs

## LETTER OF ENGAGEMENT

Thank you for engaging us as your accountants and advisors. This letter and the attached schedules of service together with our terms of business dated                    set out the basis on which we are to provide services as auditors and advisers and your and our respective responsibilities.

..... will be the principal responsible for this engagement.

### 1. SCOPE OF SERVICES

1.1 We have listed below the work which you have instructed us to carry out, the detail of which is contained in the attached schedules. These state your and our responsibilities in relation to the work to be carried out. If we agree to carry out additional services for you, we will provide you with a new or amended engagement letter and schedules. Only the services which are listed in the attached schedules are included within the scope of our instructions. If there is additional work that you wish us to carry out which is not listed in the schedules, please let us know and we will discuss with you whether they can be included in the scope of our work.

1.2 The following schedules of services and our terms of business are attached to this engagement letter and should be read in conjunction with it.

Schedule 1	Preparation of Statutory Financial Statements in Compliance with the Companies Act 2006
Schedule 2	Corporation Tax Services
Schedule 3	Corporate Services
Schedule 4	VAT Returns
Schedule 5	Payroll Services
Schedule 6	Benefits-in-kind Returns

Our services as set out in Schedules 2 to 6 below are subject to the limitations on our liability set out in section 2 of the engagement letter below. These are important provisions which you should read and consider carefully.

1.3 In the event that any part of this Letter of Engagement is held to be invalid, the remainder of it will continue in force and effect. Nothing in the terms shall exclude, restrict or prevent action in respect of any liability arising from fraud or dishonesty or other liabilities which cannot lawfully be limited or excluded. Nothing in this Letter of Engagement seeks to limit or exclude our liability for death or personal injury caused by negligence, or for fraud or fraudulent misrepresentation.

1.4 This letter only covers services to the Company and does not cover services to the Shareholders, Directors or employees of the Company. Should the Shareholders, Directors or employees require any of our services, or require advice on the implications to them

personally of advice given to the Company, these services or advice should be specifically requested and will be the subject of a separate, unrelated letter of engagement.

- 1.5 Changes to the terms of this Letter of Engagement can only be made by a partner in writing.

## 2. **LIMITATION OF LIABILITY**

- 2.1 We have discussed with you the extent of our liability to you in respect of the professional services described within this engagement letter (the professional services). Having considered both your circumstances and our own, we have reached a mutual agreement that our liability to you in respect of any claims for tort (including negligence), breach of judiciary duty or breach of contract on the part of the firm, its partners or employees or otherwise arising out of any other work carried out on your behalf or for any advice provided will be limited to:
- a) the value of the claim, or if this is in excess of [.....] pounds,
  - b) then either [.....] pounds or [...] times the fee for that work or advice, whichever amount is greater.
- 2.2 We confirm that the limit in respect of our total aggregate liability will not apply to any acts, omissions or representations that are in any way criminal, dishonest or fraudulent on the part of the firm, its partners or employees. You have also agreed that you will not bring any claim of a kind that is included within the subject of the limit against any of our partners or employees on a personal basis.
- 2.3 The sums in paragraph 2.1 above include any damages costs and interest that may be awarded against us. If we are jointly and severally liable to you with any other party we shall only be liable to pay you the portion which is found to be fair and reasonable due to our fault. We shall not be liable to pay you the portion which is due to the fault of another party.
- 2.4 These limits on our liability shall apply to done under this contract and any future work unless we agree different terms with you.
- 2.5 In any event, under no circumstances will we be liable to you under statute, contract, or tort for any indirect or inconsequential loss.
- 2.6 We undertake that we will exercise due care in the performance of our work in accordance with applicable professional standards. In respect of all work except in relation to any audit work carried out in accordance with a statutory audit requirement, you agree to hold harmless and indemnify us, our partners and employees against any misrepresentation (intentional or unintentional) supplied orally or in writing in connection with this agreement.
- 2.7 We will provide services as outlined in this letter with reasonable care and skill. Our liability to you is limited to losses, damages, costs and expenses caused by our negligence or wilful default. However, to the fullest extent permitted by law, we will not be responsible for any losses, [penalties, surcharges, interest or additional tax liabilities] where you or others supply incorrect or incomplete information, or fail to supply any appropriate information or where you fail to act on our advice or respond promptly to communications from us or HM Revenue & Customs.
- 2.8 You will not hold us, our partners and staff, responsible, to the fullest extent permitted by law, for any loss suffered by you arising from any misrepresentation (intentional or unintentional) supplied to us orally or in writing in connection with this agreement. You have agreed that you will not bring any claim in connection with services we provide to you against any of our partners or employees personally.

2.9 Our work is not, unless there is a legal or regulatory requirement, to be made available to third parties without our written permission and we will accept no responsibility to third parties for any aspect of our professional services or work that is made available to them.

**3. COMMUNICATING WITH YOU**

3.1 We will communicate with ... in relation to the company's auditing, accounting and other affairs having agreed with you that he will represent the company.

**4. AGREEMENT OF TERMS**

**4.1 Period of engagement**

4.1.1 This engagement will start with the company's accounting period ending on ..... If respect of other services being offered, this will commence with.....

4.1.2 We will not be responsible for earlier years. The company's previous advisers....insert name of advisers, will deal with outstanding matters relating to earlier periods.

4.1.3 This letter supersedes any previous engagement letter for the period covered. Once agreed, this letter will remain effective from the date of signature until it is replaced. You or we may agree to vary or terminate our authority to act on your behalf at any time without penalty. Notice of variation or termination must be given in writing.

**4.2 Confirmation of your agreement**

4.2.1 Please confirm your agreement to the terms of this letter and the attached terms of business by signing and returning the enclosed copies.

4.2.2 If this letter and the attached terms of business are not in accordance with your understanding of our terms of appointment, please let us know.

Yours sincerely

[#Firm#]

We acknowledge receipt of this letter, and we agree to this letter and the attached schedules of services, which together with the terms of business fully records the agreement between us concerning your appointment to carry out the work described in the schedules. We agree to you contacting us in accordance with our terms and conditions

Approved on behalf of the board by:

Signed.....Director

Dated .....

## **1 SCHEDULE 1: PREPARATION OF STATUTORY FINANCIAL STATEMENTS IN COMPLIANCE WITH THE COMPANIES ACT 2006**

### **1.1. Your responsibilities as Directors**

- 1.1.1 As Directors of the Company, you are responsible for preparing financial statements which give a true and fair view and have been prepared in accordance with the Companies Act 2006 (the "Act"). As directors you must not approve the financial statements unless you are satisfied that they give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company.
- 1.1.2 In preparing the financial statements, you are required to:
- a) select suitable accounting policies and then apply them consistently;
  - b) make judgments and estimates that are reasonable and prudent; and
  - c) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.
- 1.1.3 You are responsible for keeping adequate accounting records that set out with reasonable accuracy at any time the Company's financial position and for ensuring that the financial statements comply with United Kingdom Generally Accepted Accounting Practice ("UK GAAP") / International Financial Reporting Standards as implemented by the EU ("IFRS") and with the Act and give a true and fair view.
- 1.1.4 You are also responsible for:
- a) safeguarding the assets of the Company and hence for taking reasonable steps to ensure the Company's activities are conducted honestly and to prevent and detect fraud and other irregularities;
  - b) in addition to the general duties of directors specified in sections 170 – 177 of the Act, ensuring that the Company complies with laws and regulations that apply to its activities, and preventing non-compliance and detecting any that occurs;
  - c) ensuring the Company does not continue to trade if there is no reasonable prospect of avoiding insolvent liquidation.
  - d) Ensuring the financial statements are filed at Companies House within the requisite time limits.
- 1.1.5 You are responsible for deciding whether, in each financial year, the Company meets the conditions for exemption from an audit, as set out in section 477 or 480 of the Companies Act 2006, and for deciding whether the exemption cannot be claimed that year.
- 1.1.6 You have undertaken to make available to us, as and when required, all the Company's accounting records and related financial information, including Minutes of all Management, Directors and Shareholders' Meetings that we need to do our work.
- 1.1.7 If financial information is published, which includes a report by us or is otherwise connected to us, on the Company's website or by other electronic means, you must inform us of the electronic publication and get our consent before it occurs and ensure that it presents the financial information and auditor's report properly. We have the right to withhold consent to the electronic publication of our report or the financial statements if they are to be published in an inappropriate manner.
- 1.1.8 You must set up controls to prevent or detect quickly any changes to electronically published information. We are not responsible for reviewing these controls nor for keeping the information under review after it is first published. You are responsible for the maintenance and integrity of electronically published information, and we accept no responsibility for changes made to any information after it is first posted.

## **1.2. Our responsibilities as Accountants**

- 1.2.1 As the Company is totally exempt from audit, we have no statutory responsibilities to the Company at all. Our only responsibilities arise from those specifically agreed between us in respect of other professional services. Should you instruct us to carry out an audit, then a new engagement letter will be issued.
- 1.2.2 We do not have any responsibility to report whether any shareholder of the Company has notified the Company that he or she requires an audit. Consequently we have no responsibility to carry out any work in respect of this matter.
- 1.2.3 You have told us that the Company is exempt from an audit of the financial statements. We will not check whether this is the case. However, should our work indicate that the Company is not entitled to the exemption, we will inform you of this. In these circumstances, we will discuss with you the need to appoint us as auditors.
- 1.2.4 You have asked us to help you prepare the annual financial statements in accordance with the requirements of the Act. We will compile the financial statements for your approval based on the accounting records that you maintain and the information and explanations that you give us.
- 1.2.5 We shall plan our work on the basis that no report on the financial statements is required by statute or regulation for the year, unless you inform us in writing to the contrary. We will make enquiries of management and undertake any procedures that we judge appropriate but are under no obligation to perform procedures that may be required for assurance engagements, such as audits or reviews.
- 1.2.6 Our work will not be an audit of the financial statements in accordance with International Standards on Auditing (UK & Ireland). So, we will not be able to provide any assurance that the accounting records or the financial statements are free from material misstatement, whether caused by fraud, other irregularities or error nor to identify weaknesses in internal controls.
- 1.2.7 Since we will not carry out an audit, nor confirm in any way the accuracy or reasonableness of the accounting records, we cannot provide any assurance whether the financial statements that we prepare from those records will present a true and fair view.
- 1.2.8 We will advise you on whether your records are adequate for the preparation of the financial statements and recommend improvements
- 1.2.9 We have a professional duty to compile financial statements that conform with generally accepted accounting principles from the accounting records and information and explanations given to us. The accounting policies on which the financial statements have been compiled will be disclosed in an accounting policy and will be referred to in our accountants report. We will not compile financial statements where the accounting principles, or the accounting policies selected by management are inappropriate.
- 1.2.10 We also have a professional responsibility not to allow our name to be associated with financial statements which we believe may be misleading. Therefore, although we are not required to search for such matters, should we become aware, for any reason, that the financial statements may be misleading, we will discuss the matter with you with a view to agreeing appropriate adjustments and/or disclosures in the financial statements. In circumstances where adjustments and/or disclosures that we consider appropriate are not made or where we are not provided with appropriate information, and as a result we consider that the financial statements are misleading, we will withdraw from the engagement. In these circumstances you agree that we have a right to invoice you for our time spent preparing and discussing the accounts with you and for the time spent on any other work that is not completed as a result of our resignation.

- 1.2.11 As part of our normal procedures, we may request you to provide written confirmation of any information or explanations given to us orally during the course of our work.

### **1.3. Form of Accountants' Report**

- 1.3.1 We will report to the Board of Directors, that in accordance with this engagement letter and to assist you to fulfil your responsibilities, we have not carried out an audit but have compiled the financial statements from the accounting records of the Company and from the information and explanations supplied to us. The report should not be used for any purpose other than as set out in this engagement letter and should not be filed with the financial statements at Companies House. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's Board of Directors as a body for our work or for this report

## **2 SCHEDULE 2: CORPORATION TAX SERVICES – PRE-TAGGED ACCOUNTS**

### **2.1 Recurring compliance work**

- 2.1.1 We will use appropriate software to apply iXBRL tags to items in the accounts as we consider appropriate for the purposes of submission of the accounts to HM Revenue & Customs (HMRC).
- 2.1.2 We will, to the extent we consider necessary, manually amend or apply tags where the software has not applied automatic tagging or where we consider any automatic tagging to have been inappropriate.
- 2.1.3 We will provide you with detailed information regarding the tagging applied for your approval.
- 2.1.4 We will prepare the company's corporate tax self-assessment (CTSA) return as your agent. After obtaining the approval and signature of an authorised Nominated Director, we will submit it to HMRC. We will not accept liability for any financial penalty or loss or other damage arising from any rejection of the iXBRL accounts by HMRC or otherwise as a result of incorrect or inappropriate tagging.
- 2.1.5 We will prepare the corporation tax computation and supporting schedules required for preparation of the company tax return from accounts, information and explanations provided to us on your behalf.
- 2.1.6 We will tell you how much tax the company should pay and when. If appropriate, we will initiate repayment claims when tax has been overpaid. We will advise on the interest and penalty implications if corporation tax is paid late.
- 2.1.7 We will inform you if instalment payments of corporation tax are due for an accounting period and the dates they are payable. We will calculate the quarterly instalments which should be made on the basis of information supplied by you by the date agreed.
- 2.1.8 We will advise you as to possible tax return related claims and elections arising from information supplied by you. Where instructed by you, we will make such claims and elections in the form and manner required by HMRC.

### **Groups and consortia**

- 2.1.9 In relation to groups and consortia of which your company is a member, and in respect of which you have instructed us to act; we will provide the following additional services:
- 2.1.10 Where instructed we will advise on the tax treatment of intra-group payments of dividends, charges and interest.

- 2.1.11 We will advise on the eligibility of companies to make elections in relation to such payments.
- 2.1.12 We will prepare and submit to HMRC elections relating to intra-group payments of dividends, charges and interest.
- 2.1.13 We will deal with all communications relating to elections addressed to us by HMRC.
- 2.1.14 Where instructed, in respect of claims for group and consortium relief:
  - a) We will advise as required on claims for group and consortium relief and the interaction with other reliefs;
  - b) We will prepare and submit to HMRC appropriate claims;
  - c) We will adjust corporation tax computations and returns to reflect the surrender and receipt of group and consortium reliefs; and
  - d) We will advise on arrangements for payment of tax and the surrender and set-off of tax refunds within the group.

## **2.2 Ad hoc and advisory work**

- 2.2.1 Where you have instructed us to do so, we will also provide such other taxation advisory and ad hoc services as may be agreed between from time to time. These may be the subject of a separate engagement letter, at our option. Where appropriate we will discuss and agree an additional fee for such work when it is commissioned by you. Examples of such work include:
  - Advising you when corporation tax is due on loans by the company to directors or shareholders or their associates, and calculating the payments due or the amount repayable when the loans are repaid; and
  - Dealing with any enquiry opened into the company's tax return by HMRC;
  - Preparing any amended returns which may be required and corresponding with HMRC as necessary.
- 2.2.2 Where specialist advice is required on occasions we may need to seek this from or refer you to appropriate specialists.

### **Changes in the law**

- 2.2.3 We will not accept responsibility if you act on advice given by us on an earlier occasion without first confirming with us that the advice is still valid in the light of any change in the law or your circumstances.
- 2.2.4 We will accept no liability for losses arising from changes in the law or the interpretation thereof that are first published after the date on which the advice is given.

## **2.3 Your responsibilities**

2.3.1 The Directors, on behalf of the company, are legally responsible for:

- a) Ensuring that the CTSA return (including tagging) is correct and complete;
- b) Filing any returns by the due date; and
- c) Making payment of tax on time.

Failure to do this may lead to automatic penalties, surcharges and/or interest.

The signatory to the return cannot delegate this legal responsibility to others. The signatory agrees to check that returns we have prepared for the company are complete before he/she approves and signs them.

2.3.2 To enable us to carry out our work the Directors agree:

- a) To provide us with approved accounts for the Company.
- b) That all returns are to be made on the basis of full disclosure of all sources of income, charges, allowances and capital transactions;
- c) To provide full information necessary for dealing with the company's affairs: we will rely on the information and documents being true, correct and complete and will not audit the information or those documents;
- d) To authorise us to approach such third parties as may be appropriate for information that we consider necessary to deal with the company's affairs;
- e) To provide us with information in sufficient time for the company's CTSA return to be completed and submitted by the due date following the end of the tax year. In order that we can do this we need to receive all relevant information within six months of the year-end and all subsequent queries are promptly and satisfactorily answered.;
- f) To provide information on matters affecting the company's tax liability for the accounting period in respect of which instalments are due at least four weeks before the due date of each instalment. This information should include details of trading profits and other taxable activities up to the date the information is provided, together with estimates to the end of the accounting period; and
- g) To provide us with information on advances or loans made to directors, shareholders or their associates during an accounting period and any repayments made or write offs authorised at the latest within three months of the end of the relevant accounting period.

2.3.3 The Directors will keep us informed of material changes in circumstances that could affect the tax liabilities of the company. If the Directors are unsure whether the change is material or not please let us know so that we can assess its significance.

2.3.4 You will forward to us HMRC statements of account, copies of notices of assessment, letters and other communications received from HMRC in time to enable us to deal with them as may be necessary within the statutory time limits. Although HMRC have the authority to communicate with us when form 64-8 has been signed and submitted it is essential that you let us have copies of any correspondence received because HMRC are not obliged to send us copies of all communications issued to you.



- 2.3.5 You are responsible for monitoring the monthly turnover to establish whether the Company is liable to register for VAT, if it is not already registered. If you do not understand what to do, please ask us. If the Company exceeds the VAT registration threshold, and you wish us to assist in notifying HMRC of the Company's liability to be VAT registered we will be pleased to assist in the VAT registration process. You should notify us of your instructions to act in relation to the Company's VAT registration in good time to enable a VAT registration form to be submitted within the time limit of one month following the month in which the current VAT registration turnover threshold was exceeded. We will not be responsible if we are notified in time and a late registration penalty is incurred.
- 2.3.6 The work carried out within this engagement will be in respect of the company's tax affairs. Any work to be carried out for the directors on a personal basis will be set out in a separate letter of engagement.
- 2.3.7 In accepting the terms of this Schedule to the letter of engagement you recognise that we shall comply with our [Institute's/Association's] ethical and practice guidelines to correct any HMR&C errors.

### **3 SCHEDULE 3: CORPORATE SERVICES**

#### **3.1 Accounting services**

- 3.1.1 Where professional ethics allow, we shall, where requested by you, assist you in the maintenance of the accounting records and in the compilation of financial statements based on them which show a true and fair view in accordance with the requirements of the Companies Act 2006 and applicable Accounting Standards. You will provide us with all the accounting records and related financial information together with all relevant information and explanations necessary to allow us to compile such financial statements. You will make full disclosure to us of all relevant information.
- 3.1.2 We shall, where requested by you, assist you in the compilation of financial statements that comply with UK GAAP / IFRS.
- 3.1.3 A private company is required to file its financial statements at Companies House within 9 months of the year end: 6 months in the case of a public company. The Company will be liable to a fine if it fails to do so. We accept no responsibility for fines or regulatory action taken against the directors where the statutory financial statements are not available for filing or are filed late.

#### **3.2 Company secretarial**

- 3.2.1 You have agreed to complete all the returns which are required by law to be filed at Companies House, for example, the annual return and the notification of changes in directors. We shall, of course, be pleased to advise you on these and any other company secretarial matters if requested.

### **3.3 Other services**

- 3.3.1 There are many other areas where, subject to professional ethics, we can be of assistance, and we will be pleased to discuss any matters with you. These other services include:
- a) reports in support of returns or claims, eg insurance company certificates, government grants, etc;
  - b) advice on financial matters;
  - c) management accounting, including such matters as cash flow statements, costing systems, etc, and advice on management;
  - d) advice on the selection and implementation of computer systems;
  - e) investigations for special purposes, eg. acquisitions of other businesses or examination of specific aspects of your business; and
  - f) advice on the selection and recruitment of staff.
- 3.3.2 Please contact your client Engagement Partner if you want further details or you wish to discuss these services more fully or refer to our website.

## **4 SCHEDULE 4: VAT RETURNS**

### **4.1 Recurring compliance work**

- 4.1.1 We will, where requested by you, assist you to prepare your VAT returns, and Intrastat returns/EC Sales lists on the basis of the information and explanations supplied by you.
- 4.1.2 Based on the information that you provide to us we will tell you how much you should pay and when. If appropriate we will initiate repayment claims where tax has been overpaid. We will advise on the interest and penalty implications if VAT is paid late.
- 4.1.3 Where appropriate we will calculate the partial exemption annual adjustment.
- 4.1.4 Where appropriate we will calculate the annual Capital Goods Scheme adjustment.
- 4.1.5 We will forward to you the completed return calculations for you to review, before you approve the VAT return for onward transmission by you to HMRC.

### **Ad hoc and advisory services**

- 4.1.6 Where you have instructed us to do so, we will also provide such other taxation ad hoc and advisory services as may be agreed between us from time to time. These may be the subject of a separate engagement letter, at our option. Where appropriate we will discuss and agree an additional fee for this work when it is commissioned by you. Examples of such work include:
- Reviewing and advising a suitable partial exemption method to use in preparing the return;
  - Dealing with all communications relating to your VAT returns [Intrastat returns/EC Sales List returns] addressed to us by HMRC or passed to us by you;
  - Making recommendations to you about the use of cash accounting, annual accounting, flat rate and other suitable methods of accounting for VAT; and
  - Providing you with advice on VAT as and when requested. Where the advice is provided in writing, the information provided and the query raised will be set out with our response to you

- 4.1.7 Where specialist advice is required in certain areas we may need to seek this from or refer you to appropriate specialists.

#### **Changes in the law**

- 4.1.8 We will not accept responsibility if you act on advice given by us on an earlier occasion without first confirming with us that the advice is still valid in the light of any change in the law or your circumstances.
- 4.1.9 We will accept no liability for losses arising from changes in the law or the interpretation thereof that are first published on or after the date on which the advice is given.<sup>38</sup>

#### **4.2 Your responsibilities**

- 4.2.1 You are legally responsible for:

- a) Ensuring that your returns are correct and complete;
- b) Filing any returns by the due date; and
- c) Making payment of tax on time.

Failure to do this may lead to automatic penalties, surcharges and/or interest.

The signatory to the return cannot delegate this legal responsibility to others. The signatory agrees to check that returns we have prepared for you are complete before he/she approves and signs them.

- 4.2.2 To enable us to carry out our work you agree:

- a) That all returns are to be made on the basis of full disclosure;
- b) That you are responsible for ensuring that the information provided is, to the best of your knowledge, accurate and complete. The VAT returns are prepared solely on the basis of the information provided by you and we accept no responsibility for any VAT liabilities arising due to inaccuracies or omissions in the information you provide which may lead to a misdeclaration on which penalties and interest may arise;
- c) That we can approach such third parties as may be appropriate for information we consider necessary to deal with the VAT returns; and
- d) To provide us with all the records relevant to the preparation of your VAT returns as soon as possible after the return period ends. We would ordinarily need a minimum of 15 days before submission to complete our work. If the records are provided later or are incomplete or unclear thereby delaying the preparation and submission of the VAT return, we accept no responsibility for any "default surcharge" penalty that may arise. Where feasible we may agree to complete your return within a shorter period but may charge an additional fee for so doing.

- 4.2.3 You will keep us informed of material changes in circumstances that could affect your VAT obligations. If you are unsure whether the change is material or not please let us know so that we can assess its significance.

- 4.2.4 You will forward to us HMRC statements of account, copies of notices of assessment, letters and other communications received from HMRC in time to enable us to deal with them as may be necessary within the statutory time limits. Although HMRC have the authority to communicate with us when form 64-8 has been signed and submitted it is essential that you let us have copies of any correspondence received because HMRC are not obliged to send us copies of all communications issued to you.

- 4.2.5 You are responsible for bringing to our attention any errors, omissions or inaccuracies in your VAT returns which you become aware of after the returns have been submitted in order that we may assist you to make a voluntary disclosure.
- 4.2.6 If EC Sales Lists need to be completed you are responsible for obtaining all of your customers' VAT registration numbers in other member states and to check any that you are not completely satisfied with, with HMRC.

## **5 SCHEDULE 5: PAYROLL SERVICES**

### **5.1 Recurring compliance work**

- 5.1.1 We will, where requested by you, assist with the preparation of your UK payroll for each payroll period to meet UK employment tax requirements, specifically:
  - Calculating the pay as you earn (PAYE) deductions;
  - Calculating the employees' National Insurance Contributions (NIC) deductions;
  - Calculating the employer's NIC liabilities;
  - Calculating statutory payments, for example, Statutory Sick Pay and/or Statutory Maternity Pay; and
  - Calculating other statutory and non-statutory deductions
- 5.1.2 We will prepare and send to you the following documents for each payroll period at or before the time of payment:
  - Payroll summary report showing the reconciliation from gross to net for each employee and all relevant payroll totals;
  - A payslip for each employee unless not required;
  - A P45 for each leaver; and
  - A report showing your PAYE and NIC liability and due date for payment.
- 5.1.3 We will prepare and send to you the following documents by the statutory due dates at the end of the payroll year:
  - Form P60 for each employee on the payroll at the year end;
  - A summary of the employer's annual declarations, including the total payroll payments and deductions for your approval before the year end online declaration P35 is made to HMRC ; and
  - P14 or P60 for all staff who were on the payroll during the payroll year
- 5.1.4 We will submit your forms P35 and P14 after they have been approved.

### **Ad hoc and advisory work**

- 5.1.5 Where you have instructed us to do so, we will also provide such other taxation ad hoc and advisory services as may be agreed between us from time to time. These may be the subject of a separate engagement letter, at our option. Where appropriate we will discuss and agree an additional fee for such work when it is commissioned by you. Examples of such work include:
  - Dealing with any enquiry by HMRC into the payroll returns; and
  - Preparing any amended returns which may be required and corresponding with HMRC as necessary.

- 5.1.6 Where specialist advice is required on occasions we may need to seek this from or refer you to appropriate specialists.

### **Changes in the law**

- 5.1.7 We will not accept responsibility if you act on advice given by us on an earlier occasion without first confirming with us that the advice is still valid in the light of any change in the law or your circumstances.
- 5.1.8 We will accept no liability for losses arising from changes in the law or the interpretation thereof that are first published after the date on which the advice is given.

## **5.2 Your responsibilities**

- 5.2.1 You are legally responsible for:

- a) Completing the checks on a new employee's eligibility to live and work in the UK in accordance with the Governments Code of Practice "Preventing Illegal Working" and section 8 of the Asylum and Immigration Act 1996.
- b) Ensuring that your payroll returns are correct and complete;
- c) Filing any returns by the due date; and
- d) Making payment of tax and NIC on time.

Failure to do this may lead to automatic penalties, surcharges and/or interest.

Signatories to returns cannot delegate this legal responsibility to others. You agree to check that returns we have prepared for you are correct and complete before you approve and sign them.

- 5.2.2 To enable us to carry out our work you agree:

- a) That all returns are to be made on the basis of full disclosure;
- b) To provide full information necessary for dealing with your payroll affairs: we will rely on the information and documents being true, correct and complete and will not audit the information or those documents;
- c) To agree with us the name[s] of the person[s] authorised by you to notify us of changes in employees and in rates of pay. We will process the changes only if notified by that/those individual[s];
- d) To advise us in writing of changes of payroll pay dates;
- e) To notify us at least 8 working days prior to the payroll date of all transactions or events that may need to be reflected in the payroll for the period, including details of:
  - all new employees and details of their remuneration packages;
  - all leavers and details of termination arrangements;
  - all changes to remuneration packages;
  - all pension scheme changes; and
  - any changes to the employees' bank accounts;
- f) You will keep us informed of changes in circumstances that could affect the payroll. If you are unsure whether the change is material or not please let us know so that we can assess its significance. and
- g) To authorise us to approach such third parties as may be appropriate for information that we consider necessary to deal with your affairs.

- 5.2.3 If the information required to complete the payroll services set out above is received less than 8 working days before the payroll date we will still endeavour to process the payroll to meet the agreed payroll date but we will not be liable for any costs or other losses arising if the payroll is late in these circumstances. We may charge an additional fee for work carries out in a shorter time period.
- 5.2.4 Sections 11 and 12 of the Data Protection Act 1998 place express obligations on you as a data controller where we as a data processor undertake the processing of personal data on your behalf. We therefore confirm that we will at all times comply with the requirements of the Data Protection Act 1998 when processing data on your behalf. In particular we confirm that we have adequate security measures in place and that we will comply with any obligations equivalent to those placed on you as a data controller

## **6 SCHEDULE 6: BENEFITS-IN-KIND RETURNS**

### **6.1 Recurring compliance work**

- 6.1.1 We will, where requested by you, assist with the preparation forms P11D and P9D as may be required for each employee including directors based on the accounts, information and explanations provided to us on your behalf.
- 6.1.2 We will submit the forms P11D and P9D with the form P11D(b) after the form P11D(b) has been signed by you.
- 6.1.3 We will prepare and send to you the P11D information for you to forward to your employees and directors by the statutory due date.
- 6.1.4 We will calculate your Class 1A NIC liability on the benefits returned in forms P11D that you are obliged to pay HMRC by the due date and send payment instructions to you.

### **Ad hoc and advisory work**

- 6.1.5 Where you have instructed us to do so, we will also provide such other taxation ad hoc and advisory services as may be agreed between us from time to time. These may be the subject of a separate engagement letter, at our option. Where appropriate we will discuss and agree an additional fee for such work when it is commissioned by you. Examples of such work include:
- Dealing with any straightforward enquiry opened into the benefits-in-kind returns by HMRC. More detailed enquiries may be the subject of a separate engagement;
  - Preparing any amended returns which may be required and corresponding with HMRC as necessary;
  - Advising on Dispensations and PAYE Settlement Agreements; and
  - Conducting PAYE and benefits healthchecks.
- 6.1.6 Where specialist advice is required we may need to seek this from or refer you to appropriate specialists.

### **Changes in the law**

- 6.1.7 We will not accept responsibility if you act on advice given by us on an earlier occasion without first confirming with us that the advice is still valid in the light of any change in the law or your circumstances.
- 6.1.8 We will accept no liability for losses arising from changes in the law or the interpretation thereof that are first published after the date on which the advice is given.

## 6.2 Your responsibilities

### 6.2.1 You are legally responsible for:

- a) Ensuring that your declaration on form P11D(b) is true to the best of your knowledge and belief and therefore that the entries on the related forms P11D and P9D are correct and complete;
- b) Filing any returns by the due date after the end of the tax year; and
- c) Making payment of Class 1A NIC on time.

Failure to do this may lead to automatic interest, penalties and/or surcharges.

### 6.2.2 The signatory to the return cannot delegate this legal responsibility to others. The signatory agrees to check that the forms that we have prepared for you are complete before he/she approves and signs them.

### 6.2.3 To enable us to carry out our work you agree:

- a) That all returns are to be made on the basis of full disclosure;
- b) To provide full information necessary for dealing with your benefits-in-kind returns: we will rely on the information and documents being true, correct and complete and will not audit the information or those documents;
- c) To notify us within 15 working days after the end of the tax year of all transactions or events which may need to be reflected in the forms P11D and P9D for the period, including details of all employees during the year and details of their remuneration packages; and
- d) To authorise us to approach such third parties as may be appropriate that we consider necessary to deal with completing the benefits-in-kind returns.

### 6.2.4 If the information required to complete the benefits-in-kind returns set out above is received more than 15 working days after the end of the tax year we will still endeavour to process the information onto the benefits-in-kind returns to meet the submission date but we will not be liable for any costs or other losses arising if submission is late in these circumstances. We may charge an additional fee in such circumstances.

### 6.2.5 Sections 11 and 12 of the Data Protection Act 1998 place express obligations on you as a data controller where we as a data processor undertake the processing of personal data on your behalf. We therefore confirm that we will at all times comply with the requirements of the Data Protection Act 1998 when processing data on your behalf. In particular we confirm that we have adequate security measures in place and that we will comply with any obligations equivalent to those placed on you as a data controller.

## TERMS OF BUSINESS

[[#Firm#]] is a limited liability partnership incorporated in England (number OC) and whose registered office is at [Address of Firm]] (“the Firm”, or “We”) are pleased to set out the Terms and Conditions of Business, which will apply to the work we do for you.

These Terms and Conditions of Business and the Engagement Letter and its Schedules of Services together form the contract between us. Changes to the Terms and Conditions of Business can only be made by a Member in writing. The term “Partner” used in any correspondence means a Member of the Firm.

If any provisions of these Terms and Conditions of Business or parts of the Letter of Engagement and its Schedules of Services are held to be void, then that provision will be deemed not to form part of this contract and the remainder of them shall be interpreted as if such provision had never been inserted. Nothing in these terms shall exclude, restrict or prevent action in respect of any liability arising from fraud or dishonesty or other liabilities which cannot lawfully be limited or excluded. Nothing in these Terms and Conditions of Business seeks to limit or exclude our liability for death or personal injury caused by negligence, or for fraud or fraudulent misrepresentation.

In the event of any conflict between these Terms and Conditions of Business and the Letter of Engagement and its schedules of Services, the relevant provision in the Letter of Engagement or Schedule of Services will take precedence.

### 1 **Applicable law**

- 1.1 Our engagement letter, the schedules of services and our standard terms and conditions of business are governed by, and should be construed in accordance with English Law. Each party agrees that the Courts of England will have exclusive jurisdiction in relation to any claim, dispute, or difference concerning this engagement letter and any matter arising from it on any basis. Each party irrevocably waives any right to object to any action being brought in those Courts, to claim that the action has been brought in an inconvenient forum, or to claim that those Courts do not have jurisdiction.

### 2 **Client identification**

- 2.1 As with other professional service firms, we are required to identify our clients for the purposes of the UK anti-money laundering legislation. We may request from you, and retain, such information and documentation as we require for these purposes and/or make searches of appropriate databases.

### 3 **Client money**

- 3.1 We may from time to time hold money on your behalf. The money will be held in trust in a client bank account, which is segregated from the Firm’s funds. The account will be operated, and all funds dealt with, in accordance with the Clients’ Money [Regulations of the Institute of Chartered Accountants in England and Wales/ Rules of the Association of Chartered Certified Accountants/Other accountancy body].
- 3.2 To avoid excessive administration, interest will only be paid to you where the amount earned on the balances held on your behalf in any year exceeds £25. Interest will not be paid on amounts of less than £10,000 which are held for less than 30 days unless you instruct us otherwise in writing. Where you make such a request the money will be placed into a separate interest bearing client account designated to you. All interest earned on such money will be paid to you. Subject to any tax legislation, interest will be paid gross.



- 3.3 We will return monies held on your behalf promptly as soon as there is no longer any reason to retain those funds. If any funds remain in our client account that are unclaimed and the client to whom they relate has remained untraced for 5 years or we as a firm cease to practice then we may pay those monies to a registered charity.

#### **4 Commissions or other benefits**

- 4.1 In some circumstances we may receive commissions or other benefits for introductions to other professionals or in respect of transactions which we arrange for you. Where this happens, we will notify you in writing of the amount and terms of payment and receipt of any such commissions or benefits. The same will apply where the payment is made to or the transactions are arranged by a person or business connected with ours. The fees you would otherwise pay as described in the Letter of Engagement will not be reduced by the amount of the commission or benefits.

#### **5 Complaints**

- 5.1 We are committed to provide you with a high quality service that is both efficient and effective. However, should there be any cause for complaint in relation to any aspect of our service please contact [Name]. We agree to look into any complaint carefully and promptly and do everything reasonable to put it right. If you are still not satisfied you may refer your complaint to our professional body, the [Institute of Chartered Accountants in England and Wales/Association of Chartered Certified Accountants/Other accountancy body].

#### **6 Confidentiality**

- 6.1 Communication between us is confidential and we shall take all reasonable steps to keep confidential your information except where we are required to disclose it by law, by regulatory bodies, by our insurers, or as part of an external peer review. Unless we are authorized by you to disclose information on your behalf this undertaking will apply during and after this engagement
- 6.2 We may, on occasions, consult with other professionals on aspects of your affairs. These other professionals will be bound by our client confidentiality terms.
- 6.3 We reserve the right, for the purpose of promotional activity, training or for other purposes, to mention that you are a client. As stated above, we will not disclose any confidential information.

#### **7 Conflicts of interest**

- 7.1 We will inform you if we become aware of any conflict of interest in our relationship with you or in our relationship with you and another client unless we are unable to do so because of our confidentiality obligations. We have safeguards that can be implemented to protect the interests of different clients if a conflict arises. Where conflicts are identified which cannot be managed in a way that protects your interests then we regret that we will be unable to provide further services. If this arises, we will inform you promptly.
- 7.2 If there is a conflict of interest that is capable of being addressed successfully by the adoption of suitable safeguards to protect your interests then we will adopt those safeguards. Where possible this will be done on the basis of your informed consent. We reserve the right to provide services to other clients whose interests are not the same as yours or are adverse to yours, subject to the obligations of confidentiality referred to above.

### *Internal disputes within a client*

- 7.3 If we become aware of a dispute between the parties who own or are in some way involved in the ownership or management of the business, it should be noted that our client is the business and we would not provide information or services to one party without the express knowledge and permission of all parties. Unless otherwise agreed by all parties we will continue to supply information to the normal place of business for the attention of the directors/proprietors. If conflicting information or instructions are received from different directors/principals in the business we will refer the matter back to the board/proprietors and take no further action until the board/partnership/LLP has agreed the action to be taken.

## **8 Data protection**

- 8.1 We confirm that we will comply with the provisions of the Data Protection Act 1998 when processing personal data about you [and your family]. In order to carry out the services under our engagement letter and for related purposes such as updating and enhancing our client records, analysis for management purposes and statutory returns, legal and regulatory compliance and crime prevention we may obtain, process, use and disclose personal data about you.

## **9 Disengagement**

- 9.1 Should we cease to act for you, where relevant we will issue a disengagement letter to ensure our respective responsibilities are clear.

## **10 Electronic communication**

- 10.1 Unless you instruct us otherwise we may, where appropriate, communicate with you and with third parties by e-mail or by other electronic means. The recipient is responsible for virus checking emails and any attachments.
- 10.2 With electronic communication there is a risk of non-receipt, delayed receipt, inadvertent misdirection or interception by third parties. We use virus-scanning software to reduce the risk of viruses and similar damaging items being transmitted through emails or electronic storage devices. However, electronic communication is not totally secure and we cannot be held responsible for damage caused by viruses or similar damaging items, nor for communications which are corrupted or altered after dispatch. Nor can we accept any liability for problems or accidental errors relating to this means of communication especially in relation to commercially sensitive information. These are risks you must bear in return for greater efficiency and lower costs. If you do not wish to accept these risks, please let us know and we will communicate by paper mail other than where electronic submission is mandatory.
- 10.3 Any communication by us with you sent through the post [or DX] system is deemed to arrive at your postal address two working days after the day that the document was sent.

## **11 Fees and payment terms**

- 11.1 Our fees may depend not only upon the time spent on your affairs but also on the level of skill and responsibility and the importance and value of the advice that we provide, as well as the level of risk.
- 11.2 If we provide you with an estimate of our fees for any specific work, then the estimate will not be contractually binding unless we explicitly state that that will be the case.

- 11.3 Where requested we may indicate a fixed fee for the provision of specific services or an indicative range of fees for a particular assignment. It is not our practice to identify fixed fees for more than a year ahead as such fee quotes need to be reviewed in the light of events. If it becomes apparent to us, due to unforeseen circumstances, that a fee quote is inadequate, we reserve the right to notify you of a revised figure or range and to seek your agreement thereto.
- 11.4 In some cases, you may be entitled to assistance with your professional fees, particularly in relation to any investigation into your tax affairs by HMRC. Assistance may be provided through insurance policies you hold or via membership of a professional or trade body. Other than where such insurance was arranged through us you will need to advise us of any such insurance cover that you have. You will remain liable for our fees regardless of whether all or part are liable to be paid by your insurers.
- 11.5 We will bill [monthly] [quarterly] [half-yearly] and our invoices will be due for payment [upon presentation/within [14] [30] days of issue]. Our fees are exclusive of VAT which will be added where it is chargeable. Any disbursements we incur on your behalf and expenses incurred in the course of carrying out our work for you will be added to our invoices where appropriate.
- 11.6 Unless otherwise agreed to the contrary our fees do not include the costs of any third party, counsel or other professional fees.
- 11.7 [It is our normal practice to issue 'Applications for Payment' when dealing with continuous or recurring work. The payment terms for 'Applications for Payment' are the same as for invoiced fees. A VAT invoice will be issued to you upon receipt of your payment.]
- 11.8 [It is our normal practice to ask clients to pay by monthly direct debit and to periodically adjust the monthly payment by reference to actual billings.]
- 11.9 We reserve the right to charge interest on late paid invoices at the rate of [3%] [5%] above bank base rates under the Late Payment of Commercial Debts (Interest) Act 1998. We also reserve the right to suspend our services or to cease to act for you on giving written notice if payment of any fees is unduly delayed. We intend to exercise these rights only where it is fair and reasonable to do so.
- 11.10 If you do not accept that an invoiced fee is fair and reasonable you must notify us within 21 days of receipt, failing which you will be deemed to have accepted that payment is due.
- 11.11 If a client company, trust or other entity is unable or unwilling to settle our fees we reserve the right to seek payment from the individual (or parent company) giving us instructions on behalf of the client and we shall be entitled to enforce any sums due against the Group Company or individual nominated to act for you.

## **12 Implementation**

- 12.1 We will only assist with implementation of our advice if specifically instructed and agreed in writing.

## **13 Intellectual property rights**

- 13.1 We will retain all copyright in any document prepared by us during the course of carrying out the engagement save where the law specifically provides otherwise.

## 14 Investment advice

- 14.1 Although we are not authorised by the Financial Conduct Authority (“FCA”) to conduct Investment Business, we are licensed by the [Institute of Chartered Accountants in England and Wales/Association of Chartered Certified Accountants] to provide certain investment services that are complimentary to, or arise out of, the professional services we are providing to you. In the unlikely event that we cannot meet our liabilities to you, you may be able to claim compensation under the Chartered [Certified/Other accountancy body] Accountants’ Compensation scheme in respect of exempt regulated activities undertaken.
- 14.2 Such advice may include the following:-
- a) advising you on investments generally, but not recommending a particular investment or type of investment;
  - b) where you require advice on investment business which we are unable to give as we are not authorised by the FCA we can introduce you to an independent Permitted Third Party (PTP) authorised by the FCA, and assisting you and the PTP during the course of any advice given by the PTP. This may include comment on, or explanation of, the advice received (but we will not make alternative recommendations). The PTP will issue you with their own terms and conditions letter, will be remunerated separately for their services, and will take full responsibility for compliance with the requirements of the Financial Services and Markets Act 2000;
  - c) advising on the sale of a contractually based investment other than disposing of any rights or interests which you may have as a member of a personal pension scheme;
  - d) advising and assisting you in transactions concerning shares or other securities not quoted on a recognised exchange;
  - e) managing investments or acting as a Trustee (or donee of Power of Attorney) where decisions to invest are taken on the advice of an authorised person;
- 14.3 We may also, on the understanding that the shares or other securities of the company are not publicly traded:
- a) advise the company, existing or prospective shareholders in relation to exercising rights, taking benefits or share options including valuation and methods;
  - b) arrange any agreements in connection with the issue, sale or transfer of the company’s shares or other securities;
  - c) arrange for the issue of new shares; and
  - d) act as the addressee to receive confirmation of acceptance of offer documents etc
- 14.4 Whilst we are not authorised by the FCA, We are included on the register maintained by them so we can carry on insurance mediation activity (which is broadly advising on the selling and administration of insurance contracts). This part of our business, including arrangements for complaints or redress if something goes wrong, is regulated by the [Institute of Chartered Accountants in England and Wales/Association of Chartered Certified Accountants]. The register can be accessed via the FCA website at [www.fca.org.uk/register](http://www.fca.org.uk/register)

### *Referral to a Permitted Third Party (PTP)*

- 14.5 Should you require advice on investment business which we are unable to give as we are not authorised by the Financial Conduct Authority, we can introduce you to a suitable PTP.
- 14.6 The PTP will issue you with his own terms and conditions letter, will be remunerated separately for their services and will take full responsibility for compliance with the requirements of the Financial Services and Markets Act 2000. We will act as introducers but would be pleased to comment on, or explain any advice received and if required attend any meetings with you.
- 14.7 We will inform you when any introductory fee or commission is received and agree with you how this is to be dealt with at that time. Where amounts are being rebated or shared with the client or the amount relates to exempt regulated activities.] [You consent to our retaining such amounts and we shall not be required to account to you for them. Note: Whilst this phraseology can be useful for an introduction to a permitted third party, it will not be sufficient to obtain permission to retain commission in respect of exempt regulated activities where the firm is licensed under the DPB arrangements.] [We do not receive any income from the PTP] [but benefit from the profit made by that firm]. [The income received by that firm in respect of advice given to you will be advised to you by the PTP directly.]
- 14.8 To enable us to provide you with a proper service, there may be occasions when we will need to contact you without your express permission concerning investment business matters. For example, it may be in your interests to sell a particular investment, and we would wish to inform you of this. We may therefore contact you in such circumstances. We shall, of course, comply with any restrictions you may wish to impose which you notify to us in writing.

## **15 Lien**

- 15.1 Insofar as we are permitted to so by law or professional guidelines, we reserve the right to exercise a lien over all funds, documents and records in our possession relating to all engagements for you until all outstanding fees and disbursements are paid in full.

## **16 Limitation of third party rights**

- 16.1 The advice and information we provide to you as part of our service is for your sole use and not for any third party to whom you may communicate it unless we have expressly agreed in the engagement letter that a specified third party may rely on our work. We accept no responsibility to third parties, including any group company to whom the engagement letter is not addressed, for any advice, information or material produced as part of our work for you which you make available to them. A party to this agreement is the only person who has the right to enforce any of its terms and no rights or benefits are conferred on any third party under the Contracts (Rights of Third Parties) Act 1999.

## **17 Period of engagement and termination**

- 17.1 Unless otherwise agreed in our engagement letter, our work will begin when we receive implicit or explicit acceptance of that letter. Except as stated in that letter we will not be responsible for periods before that date.
- 17.2 Each of us may terminate our agreement by giving not less than 21 days notice in writing to the other party except where you fail to cooperate with us or we have reason to believe that you have provided us or HMRC with misleading information, in which case we may terminate this agreement immediately. Termination will be without prejudice to any rights that may have accrued to either of us prior to termination.

17.3 In the event of termination of our contract, we will endeavour to agree with you the arrangements for the completion of work in progress at that time, unless we are required for legal or regulatory reasons to cease work immediately. In that event, we shall not be required to carry out further work and shall not be responsible or liable for any consequences arising from termination.

## 18 Professional rules and statutory obligations

18.1 We will observe and act in accordance with the bye-laws, regulations and code of ethics of the [Institute of Chartered Accountants in England and Wales/Association of Chartered Certified Accountants] and will accept instructions to act for you on this basis. [In particular you give us the authority to correct errors made by HMRC where we become aware of them.] We will not be liable for any loss, damage or cost arising from our compliance with statutory or regulatory obligations. You can see copies of these requirements in our offices. The requirements are also available on the internet at [www.icaew.com/regulations](http://www.icaew.com/regulations) / [www.accaglobal.com/regulations](http://www.accaglobal.com/regulations) . We confirm that we are Statutory Auditors eligible to conduct audits under the Companies Act 2006.

## 19 Quality control

19.1 As part of our on-going commitment to providing a quality service, our files are periodically reviewed by an independent regulatory or quality control body. These reviewers are highly experienced and professional people and, of course, are bound by the same rules for confidentiality as our principals and staff.

## 20 Reliance on advice

20.1 We will endeavour to record all advice on important matters in writing. Advice given orally is not intended to be relied upon unless confirmed in writing. Therefore, if we provide oral advice (for example during the course of a meeting or a telephone conversation) and you wish to be able to rely on that advice, you must ask for the advice to be confirmed by us in writing.

## 21 Retention of papers

21.1 You have a legal responsibility to retain documents and records relevant to your financial affairs. During the course of our work we may collect information from you and others relevant to your tax and financial affairs. We will return any original documents to you [if requested]. Documents and records relevant to your tax affairs are required by law to be retained as follows:

*Individuals, trustees and partnerships:*

- with trading or rental income: 5 years and 10 months after the end of the tax year;
- otherwise: 22 months after the end of the tax year;

*Companies, Limited liability Partnerships, and other corporate entities:*

- 6 years from the end of the accounting period;

21.2 Whilst certain documents may legally belong to you, we may destroy correspondence and other papers that we store electronically or otherwise that are more than [seven] years old, except documents we think may be of continuing significance. You must tell us if you wish us to keep any document for any longer period.

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**22 The Provision of Services Regulations 2009**

- 22.1 We are registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales/Association of Chartered Certified Accountants. Details of our audit registration can be viewed at [www.auditregister.org.uk](http://www.auditregister.org.uk) under reference number C00.....
- 22.2 Our professional indemnity insurer is .....name of insurer, of..... contact address. The territorial coverage is worldwide excluding professional business carried out from an office in the United States of America or Canada and excludes any action for a claim brought in any court in the United States or Canada.

# Letter of engagement – Limited Assurance

[#Date#]

[#Name/add#]

Dear Sirs

## LETTER OF ENGAGEMENT

Thank you for engaging us as your accountants and advisors. This letter and the attached schedules of service together with our terms of business dated                    set out the basis on which we are to provide services as auditors and advisers and your and our respective responsibilities.

..... will be the principal responsible for this engagement.

### 1 SCOPE OF SERVICES

**1.1** We have listed below the work which you have instructed us to carry out, the detail of which is contained in the attached schedules. These state your and our responsibilities in relation to the work to be carried out. If we agree to carry out additional services for you we will provide you with a new or amended engagement letter and schedules. Only the services which are listed in the attached schedules are included within the scope of our instructions. If there is additional work that you wish us to carry out which is not listed in the schedules, please let us know and we will discuss with you whether they can be included in the scope of our work.

**1.2** The following schedules of services and our terms of business are attached to this engagement letter and should be read in conjunction with it.

Schedule 1	Preparation of Statutory Financial Statements in Compliance with the Companies Act 2006
Schedule 2	Corporation Tax Services
Schedule 3	Corporate Services
Schedule 4	VAT Returns
Schedule 5	Payroll Services
Schedule 6	Benefits-in-kind Returns

Our services as set out in Schedules 2 to 6 below are subject to the limitations on our liability set out in section 2 of the engagement letter below. These are important provisions which you should read and consider carefully.

**1.3** In the event that any part of this Letter of Engagement is held to be invalid, the remainder of it will continue in force and effect. Nothing in the terms shall exclude, restrict or prevent action in respect of any liability arising from fraud or dishonesty or other liabilities which cannot lawfully be limited or excluded. Nothing in this Letter of Engagement seeks to limit or exclude our liability for death or personal injury caused by negligence, or for fraud or fraudulent misrepresentation.



- 1.4** This letter only covers services to the Company and does not cover services to the Shareholders, Directors or employees of the Company. Should the Shareholders, Directors or employees require any of our services, or require advice on the implications to them personally of advice given to the Company, these services or advice should be specifically requested and will be the subject of a separate, unrelated letter of engagement.
- 1.5** Changes to the terms of this Letter of Engagement can only be made by a partner in writing.

## **2 LIMITATION OF LIABILITY**

- 2.1** We have discussed with you the extent of our liability to you in respect of the professional services described within this engagement letter (the professional services). Having considered both your circumstances and our own, we have reached a mutual agreement that our liability to you in respect of any claims for tort (including negligence), breach of judiciary duty or breach of contract on the part of the firm, its partners or employees or otherwise arising out of any other work carried out on your behalf or for any advice provided will be limited to:
- a) the value of the claim, or if this is in excess of [.....] pounds,
  - b) then either [.....] pounds or [...] times the fee for that work or advice, whichever amount is greater.
- 2.2** We confirm that the limit in respect of our total aggregate liability will not apply to any acts, omissions or representations that are in any way criminal, dishonest or fraudulent on the part of the firm, its partners or employees. You have also agreed that you will not bring any claim of a kind that is included within the subject of the limit against any of our partners or employees on a personal basis.
- 2.3** The sums in paragraph 2.1 above include any damages costs and interest that may be awarded against us. If we are jointly and severally liable to you with any other party we shall only be liable to pay you the portion which is found to be fair and reasonable due to our fault. We shall not be liable to pay you the portion which is due to the fault of another party.
- 2.4** These limits on our liability shall apply to done under this contract and any future work unless we agree different terms with you.
- 2.5** In any event, under no circumstances will we be liable to you under statute, contract, or tort for any indirect or inconsequential loss.
- 2.6** We undertake that we will exercise due care in the performance of our work in accordance with applicable professional standards. In respect of all work except in relation to any audit work carried out in accordance with a statutory audit requirement, you agree to hold harmless and indemnify us, our partners and employees against any misrepresentation (intentional or unintentional) supplied orally or in writing in connection with this agreement.
- 2.7** We will provide services as outlined in this letter with reasonable care and skill. Our liability to you is limited to losses, damages, costs and expenses caused by our negligence or wilful default. However, to the fullest extent permitted by law, we will not be responsible for any losses, [penalties, surcharges, interest or additional tax liabilities] where you or others supply incorrect or incomplete information, or fail to supply any appropriate information or where you fail to act on our advice or respond promptly to communications from us or HM Revenue & Customs.

- 2.8 You will not hold us, our partners and staff, responsible, to the fullest extent permitted by law, for any loss suffered by you arising from any misrepresentation (intentional or unintentional) supplied to us orally or in writing in connection with this agreement. You have agreed that you will not bring any claim in connection with services we provide to you against any of our partners or employees personally.
- 2.9 Our work is not, unless there is a legal or regulatory requirement, to be made available to third parties without our written permission and we will accept no responsibility to third parties for any aspect of our professional services or work that is made available to them.

**3 COMMUNICATING WITH YOU**

- 3.1 We will communicate with ... in relation to the company’s auditing, accounting and other affairs having agreed with you that he will represent the company.

**4 AGREEMENT OF TERMS**

**4.1 Period of engagement**

- 4.1.1 This engagement will start with the company’s accounting period ending on ..... If respect of other services being offered, this will commence with.....
- 4.1.2 We will not be responsible for earlier years. The company’s previous advisers....insert name of advisers, will deal with outstanding matters relating to earlier periods.
- 4.1.3 This letter supersedes any previous engagement letter for the period covered. Once agreed, this letter will remain effective from the date of signature until it is replaced. You or we may agree to vary or terminate our authority to act on your behalf at any time without penalty. Notice of variation or termination must be given in writing.

**4.2 Confirmation of your agreement**

- 4.2.1 Please confirm your agreement to the terms of this letter and the attached terms of business by signing and returning the enclosed copies.
- 4.2.2 If this letter and the attached terms of business are not in accordance with your understanding of our terms of appointment, please let us know.

Yours sincerely

[#Firm#]

We acknowledge receipt of this letter, and we agree to this letter and the attached schedules of services, which together with the terms of business fully records the agreement between us concerning your appointment to carry out the work described in the schedules. We agree to you contacting us in accordance with our terms and conditions

Approved on behalf of the board by:

Signed.....Director

Dated .....

## **1 SCHEDULE 1: PREPARATION OF STATUTORY FINANCIAL STATEMENTS IN COMPLIANCE WITH THE COMPANIES ACT 2006**

### **1.1 Your responsibilities as Directors**

- 1.1.1 As Directors of the Company, you are responsible for preparing financial statements which give a true and fair view and have been prepared in accordance with the Companies Act 2006 (the “Act”). As directors you must not approve the financial statements unless you are satisfied that they give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company.
- 1.1.2 In preparing the financial statements, you are required to:
- a) select suitable accounting policies and then apply them consistently;
  - b) make judgments and estimates that are reasonable and prudent; and
  - c) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.
- 1.1.3 You are responsible for keeping adequate accounting records that set out with reasonable accuracy at any time the Company’s financial position and for ensuring that the financial statements comply with United Kingdom Generally Accepted Accounting Practice (“UK GAAP”) / International Financial Reporting Standards as implemented by the EU (“IFRS”) and with the Act and give a true and fair view.
- 1.1.4 You are also responsible for:
- a) safeguarding the assets of the Company and hence for taking reasonable steps to ensure the Company’s activities are conducted honestly and to prevent and detect fraud and other irregularities;
  - b) in addition to the general duties of directors specified in sections 170 – 177 of the Act, ensuring that the Company complies with laws and regulations that apply to its activities, and preventing non-compliance and detecting any that occurs;
  - c) ensuring the Company does not continue to trade if there is no reasonable prospect of avoiding insolvent liquidation.
  - d) Ensuring the financial statements are filed at Companies House within the requisite time limits.
- 1.1.5 You are responsible for deciding whether, in each financial year, the Company meets the conditions for exemption from an audit, as set out in section 477 or 480 of the Companies Act 2006, and for deciding whether the exemption cannot be claimed that year.
- 1.1.6 You have undertaken to make available to us, as and when required, all the Company’s accounting records and related financial information, including Minutes of all Management, Directors and Shareholders’ Meetings that we need to do our work.
- 1.1.7 If financial information is published, which includes a report by us or is otherwise connected to us, on the Company’s website or by other electronic means, you must inform us of the electronic publication and get our consent before it occurs and ensure that it presents the financial information and auditor’s report properly. We have the right to withhold consent to the electronic publication of our report or the financial statements if they are to be published in an inappropriate manner.
- 1.1.8 You must set up controls to prevent or detect quickly any changes to electronically published information. We are not responsible for reviewing these controls nor for keeping the information under review after it is first published. You are responsible for the maintenance and integrity of electronically published information, and we accept no responsibility for changes made to any information after it is first posted.

## **1.2 Our responsibilities as Accountants**

- 1.2.1 As the Company is totally exempt from audit, we have no statutory responsibilities to the Company at all. Our only responsibilities arise from those specifically agreed between us in respect of other professional services. Should you instruct us to carry out an audit, then a new engagement letter will be issued.
- 1.2.2 We do not have any responsibility to report whether any shareholder of the Company has notified the Company that he or she requires an audit. Consequently, we have no responsibility to carry out any work in respect of this matter.
- 1.2.3 You have told us that the Company is exempt from an audit of the financial statements. We will not check whether this is the case. However, should our work indicate that the Company is not entitled to the exemption, we will inform you of this. In these circumstances, we will discuss with you the need to appoint us as auditors.
- 1.2.4 You have asked us to help you prepare the annual financial statements in accordance with the requirements of the Act. We will compile the financial statements for your approval based on the accounting records that you maintain and the information and explanations that you give us.
- 1.2.5 You have asked us to report to you on a limited assurance basis on the unaudited financial statements of the company. We shall plan our work on the basis that the company is not required by statute or regulation to have an audit of its financial statements for the year [/period] ended [date], unless you inform us in writing to the contrary. In carrying out this engagement, we will make enquiries, perform analytical procedures and assess the consistency of application of your accounting policies in accordance with Generally Accepted Accounting Principles in the United Kingdom ('UK GAAP'). We will perform limited examination of evidence relevant to certain balances and disclosures in the financial statements where, after performing the above work, we become aware of matters that might indicate material misstatements in the financial statements.
- 1.2.6 Our work will be undertaken and our report will be made in accordance with AAF 03/06 issued by the Institute of Chartered Accountants in England & Wales (ICAEW).
- 1.2.7 Our conclusion on the unaudited financial statements cannot be regarded as providing assurance on the adequacy of the company's systems or on the incidence of fraud, non-compliance with laws and regulations or weaknesses in internal controls. Engaging us to perform this assurance engagement on the unaudited financial statements does not relieve the directors of their responsibilities in these respects.
- 1.2.8 You have advised us that the company is exempt from an audit of the financial statements. We will not carry out any work to determine whether or not the company is entitled to audit exemption. However, should our work indicate that the company is not entitled to the exemption, we will inform you of this.
- 1.2.9 Our work will not be an audit of the financial statements in accordance with International Standards on Auditing (UK & Ireland). So, we will not be able to provide any assurance that the accounting records or the financial statements are free from material misstatement, whether caused by fraud, other irregularities or error nor to identify weaknesses in internal controls.
- 1.2.10 We will advise you on whether your records are adequate for the preparation of the financial statements and recommend improvements

- 1.2.11 We have a professional duty to compile financial statements that conform with generally accepted accounting principles from the accounting records and information and explanations given to us. The accounting policies on which the financial statements have been compiled will be disclosed in an accounting policy and will be referred to in our accountants' report. We will not compile financial statements where the accounting principles, or the accounting policies selected by management are inappropriate.
- 1.2.12 We also have a professional responsibility not to allow our name to be associated with financial statements which we believe may be misleading. Therefore, although we are not required to search for such matters, should we become aware, for any reason, that the financial statements may be misleading, we will discuss the matter with you with a view to agreeing appropriate adjustments and/or disclosures in the financial statements. In circumstances where adjustments and/or disclosures that we consider appropriate are not made or where we are not provided with appropriate information, and as a result we consider that the financial statements are misleading, we will withdraw from the engagement. In these circumstances you agree that we have a right to invoice you for our time spent preparing and discussing the accounts with you and for the time spent on any other work that is not completed as a result of our resignation.
- 1.2.13 As part of our normal procedures, we will request you to provide written confirmation of any information or explanations given to us orally during the course of our work.

### **1.3 Form of Accountants' Report**

- 1.3.1 Our report is prepared on the following basis:
- a) our report is prepared solely for your confidential use. It may not be relied upon by anyone else, and should not be filed with the financial statements at Companies House
  - b) except to the extent required by court order, law or regulation, or where required in any court proceedings in which you may be involved, our report must not be made available, copied, referred to or recited to any other person, or included in any other document, nor may you make reference to us or the services, without our prior written permission.
  - c) To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's Board of Directors as a body for our work or for this report
- 1.3.2 We will report to the Board of Directors, with any modifications that we consider may be necessary, that in accordance with this engagement letter and in order to assist you to fulfil your responsibilities, we have compiled, without carrying out an audit, the financial statements from the accounting records of the company and from the information and explanations supplied to us.

## **2 SCHEDULE 2: CORPORATION TAX SERVICES – PRE-TAGGED ACCOUNTS**

### **2.1 Recurring compliance work**

- 2.1.1 We will use appropriate software to apply iXBRL tags to items in the accounts as we consider appropriate for the purposes of submission of the accounts to HM Revenue & Customs (HMRC).
- 2.1.2 We will, to the extent we consider necessary, manually amend or apply tags where the software has not applied automatic tagging or where we consider any automatic tagging to have been inappropriate.
- 2.1.3 We will provide you with detailed information regarding the tagging applied for your approval.
- 2.1.4 We will prepare the company's corporate tax self-assessment (CTSA) return as your agent. After obtaining the approval and signature of an authorised Nominated Director, we will submit it to HMRC. We will not accept liability for any financial penalty or loss or other damage arising from any rejection of the iXBRL accounts by HMRC or otherwise as a result of incorrect or inappropriate tagging.
- 2.1.5 We will prepare the corporation tax computation and supporting schedules required for preparation of the company tax return from accounts, information and explanations provided to us on your behalf.
- 2.1.6 We will tell you how much tax the company should pay and when. If appropriate, we will initiate repayment claims when tax has been overpaid. We will advise on the interest and penalty implications if corporation tax is paid late.
- 2.1.7 We will inform you if instalment payments of corporation tax are due for an accounting period and the dates they are payable. We will calculate the quarterly instalments which should be made on the basis of information supplied by you by the date agreed.
- 2.1.8 We will advise you as to possible tax return related claims and elections arising from information supplied by you. Where instructed by you, we will make such claims and elections in the form and manner required by HMRC.

### **Groups and consortia**

- 2.1.9 In relation to groups and consortia of which your company is a member, and in respect of which you have instructed us to act; we will provide the following additional services:
- 2.1.10 Where instructed we will advise on the tax treatment of intra-group payments of dividends, charges and interest.
- 2.1.11 We will advise on the eligibility of companies to make elections in relation to such payments.
- 2.1.12 We will prepare and submit to HMRC elections relating to intra-group payments of dividends, charges and interest.
- 2.1.13 We will deal with all communications relating to elections addressed to us by HMRC.

2.1.14 Where instructed, in respect of claims for group and consortium relief:

- a) We will advise as required on claims for group and consortium relief and the interaction with other reliefs;
- b) We will prepare and submit to HMRC appropriate claims;
- c) We will adjust corporation tax computations and returns to reflect the surrender and receipt of group and consortium reliefs; and
- d) We will advise on arrangements for payment of tax and the surrender and set-off of tax refunds within the group.

## 2.2 Ad hoc and advisory work

2.2.1 Where you have instructed us to do so, we will also provide such other taxation advisory and ad hoc services as may be agreed between from time to time. These may be the subject of a separate engagement letter, at our option. Where appropriate we will discuss and agree an additional fee for such work when it is commissioned by you. Examples of such work include:

- Advising you when corporation tax is due on loans by the company to directors or shareholders or their associates, and calculating the payments due or the amount repayable when the loans are repaid; and
- Dealing with any enquiry opened into the company's tax return by HMRC;
- Preparing any amended returns which may be required and corresponding with HMRC as necessary.

2.2.2 Where specialist advice is required on occasions we may need to seek this from or refer you to appropriate specialists.

### Changes in the law

2.2.3 We will not accept responsibility if you act on advice given by us on an earlier occasion without first confirming with us that the advice is still valid in the light of any change in the law or your circumstances.

2.2.4 We will accept no liability for losses arising from changes in the law or the interpretation thereof that are first published after the date on which the advice is given.

## 2.3 Your responsibilities

2.3.1 The Directors, on behalf of the company, are legally responsible for:

- a) Ensuring that the CTSA return (including tagging) is correct and complete;
- b) Filing any returns by the due date; and
- c) Making payment of tax on time.

Failure to do this may lead to automatic penalties, surcharges and/or interest.

The signatory to the return cannot delegate this legal responsibility to others. The signatory agrees to check that returns we have prepared for the company are complete before he/she approves and signs them.

- 2.3.2 To enable us to carry out our work the Directors agree:
- a) To provide us with approved accounts for the Company.
  - b) That all returns are to be made on the basis of full disclosure of all sources of income, charges, allowances and capital transactions;
  - c) To provide full information necessary for dealing with the company's affairs: we will rely on the information and documents being true, correct and complete and will not audit the information or those documents;
  - d) To authorise us to approach such third parties as may be appropriate for information that we consider necessary to deal with the company's affairs;
  - e) To provide us with information in sufficient time for the company's CTSA return to be completed and submitted by the due date following the end of the tax year. In order that we can do this we need to receive all relevant information within six months of the year-end and all subsequent queries are promptly and satisfactorily answered.;
  - f) To provide information on matters affecting the company's tax liability for the accounting period in respect of which instalments are due at least four weeks before the due date of each instalment. This information should include details of trading profits and other taxable activities up to the date the information is provided, together with estimates to the end of the accounting period; and
  - g) To provide us with information on advances or loans made to directors, shareholders or their associates during an accounting period and any repayments made or write offs authorised at the latest within three months of the end of the relevant accounting period.
- 2.3.3 The Directors will keep us informed of material changes in circumstances that could affect the tax liabilities of the company. If the Directors are unsure whether the change is material or not please let us know so that we can assess its significance.
- 2.3.4 You will forward to us HMRC statements of account, copies of notices of assessment, letters and other communications received from HMRC in time to enable us to deal with them as may be necessary within the statutory time limits. Although HMRC have the authority to communicate with us when form 64-8 has been signed and submitted it is essential that you let us have copies of any correspondence received because HMRC are not obliged to send us copies of all communications issued to you.
- 2.3.5 You are responsible for monitoring the monthly turnover to establish whether the Company is liable to register for VAT, if it is not already registered. If you do not understand what to do, please ask us. If the Company exceeds the VAT registration threshold, and you wish us to assist in notifying HMRC of the Company's liability to be VAT registered we will be pleased to assist in the VAT registration process. You should notify us of your instructions to act in relation to the Company's VAT registration in good time to enable a VAT registration form to be submitted within the time limit of one month following the month in which the current VAT registration turnover threshold was exceeded. We will not be responsible if we are notified in time and a late registration penalty is incurred.
- 2.3.6 The work carried out within this engagement will be in respect of the company's tax affairs. Any work to be carried out for the directors on a personal basis will be set out in a separate letter of engagement.
- 2.3.7 In accepting the terms of this Schedule to the letter of engagement you recognise that we shall comply with our [Institute's/Association's] ethical and practice guidelines to correct any HMR&C errors.



### **3 SCHEDULE 3: CORPORATE SERVICES**

#### **3.1 Accounting services**

- 3.1.1 Where professional ethics allow, we shall, where requested by you, assist you in the maintenance of the accounting records and in the compilation of financial statements based on them which show a true and fair view in accordance with the requirements of the Companies Act 2006 and applicable Accounting Standards. You will provide us with all the accounting records and related financial information together with all relevant information and explanations necessary to allow us to compile such financial statements. You will make full disclosure to us of all relevant information.
- 3.1.2 We shall, where requested by you, assist you in the compilation of financial statements that comply with UK GAAP / IFRS.
- 3.1.3 A private company is required to file its financial statements at Companies House within 9 months of the year end: 6 months in the case of a public company. The Company will be liable to a fine if it fails to do so. We accept no responsibility for fines or regulatory action taken against the directors where the statutory financial statements are not available for filing or are filed late.

#### **3.2 Company secretarial**

- 3.2.1 You have agreed to complete all the returns which are required by law to be filed at Companies House, for example, the annual return and the notification of changes in directors. We shall, of course, be pleased to advise you on these and any other company secretarial matters if requested.

#### **3.3 Other services**

- 3.3.1 There are many other areas where, subject to professional ethics, we can be of assistance, and we will be pleased to discuss any matters with you. These other services include:
- a) reports in support of returns or claims, eg insurance company certificates, government grants, etc;
  - b) advice on financial matters;
  - c) management accounting, including such matters as cash flow statements, costing systems, etc, and advice on management;
  - d) advice on the selection and implementation of computer systems;
  - e) investigations for special purposes, eg. acquisitions of other businesses or examination of specific aspects of your business; and
  - f) advice on the selection and recruitment of staff.
- 3.3.2 Please contact your client Engagement Partner if you want further details or you wish to discuss these services more fully or refer to our website.

### **4 SCHEDULE 4: VAT RETURNS**

#### **4.1 Recurring compliance work**

- 4.1.1 We will, where requested by you, assist you to prepare your VAT returns, and Intrastat returns/EC Sales lists on the basis of the information and explanations supplied by you.

- 4.1.2 Based on the information that you provide to us we will tell you how much you should pay and when. If appropriate we will initiate repayment claims where tax has been overpaid. We will advise on the interest and penalty implications if VAT is paid late.
- 4.1.3 Where appropriate we will calculate the partial exemption annual adjustment.
- 4.1.4 Where appropriate we will calculate the annual Capital Goods Scheme adjustment.
- 4.1.5 We will forward to you the completed return calculations for you to review, before you approve the VAT return for onward transmission by you to HMRC.

#### **Ad hoc and advisory services**

- 4.1.6 Where you have instructed us to do so, we will also provide such other taxation ad hoc and advisory services as may be agreed between us from time to time. These may be the subject of a separate engagement letter, at our option. Where appropriate we will discuss and agree an additional fee for this work when it is commissioned by you. Examples of such work include:
  - Reviewing and advising a suitable partial exemption method to use in preparing the return;
  - Dealing with all communications relating to your VAT returns [Intrastat returns/EC Sales List returns] addressed to us by HMRC or passed to us by you;
  - Making recommendations to you about the use of cash accounting, annual accounting, flat rate and other suitable methods of accounting for VAT; and
  - Providing you with advice on VAT as and when requested. Where the advice is provided in writing, the information provided and the query raised will be set out with our response to you
- 4.1.7 Where specialist advice is required in certain areas we may need to seek this from or refer you to appropriate specialists.

#### **Changes in the law**

- 4.1.8 We will not accept responsibility if you act on advice given by us on an earlier occasion without first confirming with us that the advice is still valid in the light of any change in the law or your circumstances.
- 4.1.9 We will accept no liability for losses arising from changes in the law or the interpretation thereof that are first published on or after the date on which the advice is given.<sup>38</sup>

## **4.2 Your responsibilities**

- 4.2.1 You are legally responsible for:
  - a) Ensuring that your returns are correct and complete;
  - b) Filing any returns by the due date; and
  - c) Making payment of tax on time.

Failure to do this may lead to automatic penalties, surcharges and/or interest.

The signatory to the return cannot delegate this legal responsibility to others. The signatory agrees to check that returns we have prepared for you are complete before he/she approves and signs them.

- 4.2.2 To enable us to carry out our work you agree:
- a) That all returns are to be made on the basis of full disclosure;
  - b) That you are responsible for ensuring that the information provided is, to the best of your knowledge, accurate and complete. The VAT returns are prepared solely on the basis of the information provided by you and we accept no responsibility for any VAT liabilities arising due to inaccuracies or omissions in the information you provide which may lead to a misdeclaration on which penalties and interest may arise;
  - c) That we can approach such third parties as may be appropriate for information we consider necessary to deal with the VAT returns; and
  - d) To provide us with all the records relevant to the preparation of your VAT returns as soon as possible after the return period ends. We would ordinarily need a minimum of 15 days before submission to complete our work. If the records are provided later or are incomplete or unclear thereby delaying the preparation and submission of the VAT return, we accept no responsibility for any "default surcharge" penalty that may arise. Where feasible we may agree to complete your return within a shorter period but may charge an additional fee for so doing.
- 4.2.3 You will keep us informed of material changes in circumstances that could affect your VAT obligations. If you are unsure whether the change is material or not please let us know so that we can assess its significance.
- 4.2.4 You will forward to us HMRC statements of account, copies of notices of assessment, letters and other communications received from HMRC in time to enable us to deal with them as may be necessary within the statutory time limits. Although HMRC have the authority to communicate with us when form 64-8 has been signed and submitted it is essential that you let us have copies of any correspondence received because HMRC are not obliged to send us copies of all communications issued to you.
- 4.2.5 You are responsible for bringing to our attention any errors, omissions or inaccuracies in your VAT returns which you become aware of after the returns have been submitted in order that we may assist you to make a voluntary disclosure.
- 4.2.6 If EC Sales Lists need to be completed you are responsible for obtaining all of your customers' VAT registration numbers in other member states and to check any that you are not completely satisfied with, with HMRC.

## **5 SCHEDULE 5: PAYROLL SERVICES**

### **5.1 Recurring compliance work**

- 5.1.1 We will, where requested by you, assist with the preparation of your UK payroll for each payroll period to meet UK employment tax requirements, specifically:
- Calculating the pay as you earn (PAYE) deductions;
  - Calculating the employees' National Insurance Contributions (NIC) deductions;
  - Calculating the employer's NIC liabilities;
  - Calculating statutory payments, for example, Statutory Sick Pay and/or Statutory Maternity Pay; and
  - Calculating other statutory and non-statutory deductions

- 5.1.2 We will prepare and send to you the following documents for each payroll period at or before the time of payment:
- Payroll summary report showing the reconciliation from gross to net for each employee and all relevant payroll totals;
  - A payslip for each employee unless not required;
  - A P45 for each leaver; and
  - A report showing your PAYE and NIC liability and due date for payment.
- 5.1.3 We will prepare and send to you the following documents by the statutory due dates at the end of the payroll year:
- Form P60 for each employee on the payroll at the year end;
  - A summary of the employer's annual declarations, including the total payroll payments and deductions for your approval before the year end online declaration P35 is made to HMRC ; and
  - P14 or P60 for all staff who were on the payroll during the payroll year
- 5.1.4 We will submit your forms P35 and P14 after they have been approved.

#### **Ad hoc and advisory work**

- 5.1.5 Where you have instructed us to do so, we will also provide such other taxation ad hoc and advisory services as may be agreed between us from time to time. These may be the subject of a separate engagement letter, at our option. Where appropriate we will discuss and agree an additional fee for such work when it is commissioned by you. Examples of such work include:
- Dealing with any enquiry by HMRC into the payroll returns; and
  - Preparing any amended returns which may be required and corresponding with HMRC as necessary.
- 5.1.6 Where specialist advice is required on occasions we may need to seek this from or refer you to appropriate specialists.

#### **Changes in the law**

- 5.1.7 We will not accept responsibility if you act on advice given by us on an earlier occasion without first confirming with us that the advice is still valid in the light of any change in the law or your circumstances.
- 5.1.8 We will accept no liability for losses arising from changes in the law or the interpretation thereof that are first published after the date on which the advice is given.

5.2.1 You are legally responsible for:

- a) Completing the checks on a new employee's eligibility to live and work in the UK in accordance with the Governments Code of Practice "Preventing Illegal Working" and section 8 of the Asylum and Immigration Act 1996.
- b) Ensuring that your payroll returns are correct and complete;
- c) Filing any returns by the due date; and
- d) Making payment of tax and NIC on time.

Failure to do this may lead to automatic penalties, surcharges and/or interest.

Signatories to returns cannot delegate this legal responsibility to others. You agree to check that returns we have prepared for you are correct and complete before you approve and sign them.

5.2.2 To enable us to carry out our work you agree:

- a) That all returns are to be made on the basis of full disclosure;
- b) To provide full information necessary for dealing with your payroll affairs: we will rely on the information and documents being true, correct and complete and will not audit the information or those documents;
- c) To agree with us the name[s] of the person[s] authorised by you to notify us of changes in employees and in rates of pay. We will process the changes only if notified by that/those individual[s];
- d) To advise us in writing of changes of payroll pay dates;
- e) To notify us at least 8 working days prior to the payroll date of all transactions or events that may need to be reflected in the payroll for the period, including details of:
  - all new employees and details of their remuneration packages;
  - all leavers and details of termination arrangements;
  - all changes to remuneration packages;
  - all pension scheme changes; and
  - any changes to the employees' bank accounts;
- f) You will keep us informed of changes in circumstances that could affect the payroll. If you are unsure whether the change is material or not please let us know so that we can assess its significance. and
- g) To authorise us to approach such third parties as may be appropriate for information that we consider necessary to deal with your affairs.

5.2.3 If the information required to complete the payroll services set out above is received less than 8 working days before the payroll date, we will still endeavour to process the payroll to meet the agreed payroll date but we will not be liable for any costs or other losses arising if the payroll is late in these circumstances. We may charge an additional fee for work carries out in a shorter time period.

- 5.2.4 Sections 11 and 12 of the Data Protection Act 1998 place express obligations on you as a data controller where we as a data processor undertake the processing of personal data on your behalf. We therefore confirm that we will at all times comply with the requirements of the Data Protection Act 1998 when processing data on your behalf. In particular we confirm that we have adequate security measures in place and that we will comply with any obligations equivalent to those placed on you as a data controller

## **6 SCHEDULE 6: BENEFITS-IN-KIND RETURNS**

### **6.1 Recurring compliance work**

- 6.1.1 We will, where requested by you, assist with the preparation forms P11D and P9D as may be required for each employee including directors based on the accounts, information and explanations provided to us on your behalf.
- 6.1.2 We will submit the forms P11D and P9D with the form P11D(b) after the form P11D(b) has been signed by you.
- 6.1.3 We will prepare and send to you the P11D information for you to forward to your employees and directors by the statutory due date.
- 6.1.4 We will calculate your Class 1A NIC liability on the benefits returned in forms P11D that you are obliged to pay HMRC by the due date and send payment instructions to you.

### **Ad hoc and advisory work**

- 6.1.5 Where you have instructed us to do so, we will also provide such other taxation ad hoc and advisory services as may be agreed between us from time to time. These may be the subject of a separate engagement letter, at our option. Where appropriate we will discuss and agree an additional fee for such work when it is commissioned by you. Examples of such work include:
- Dealing with any straightforward enquiry opened into the benefits-in-kind returns by HMRC. More detailed enquiries may be the subject of a separate engagement;
  - Preparing any amended returns which may be required and corresponding with HMRC as necessary;
  - Advising on Dispensations and PAYE Settlement Agreements; and
  - Conducting PAYE and benefits health checks.
- 6.1.6 Where specialist advice is required, we may need to seek this from or refer you to appropriate specialists.

### **Changes in the law**

- 6.1.7 We will not accept responsibility if you act on advice given by us on an earlier occasion without first confirming with us that the advice is still valid in the light of any change in the law or your circumstances.
- 6.1.8 We will accept no liability for losses arising from changes in the law or the interpretation thereof that are first published after the date on which the advice is given.

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- 6.2.1 You are legally responsible for:
- a) Ensuring that your declaration on form P11D(b) is true to the best of your knowledge and belief and therefore that the entries on the related forms P11D and P9D are correct and complete;
  - b) Filing any returns by the due date after the end of the tax year; and
  - c) Making payment of Class 1A NIC on time.
- Failure to do this may lead to automatic interest, penalties and/or surcharges.
- 6.2.2 The signatory to the return cannot delegate this legal responsibility to others. The signatory agrees to check that the forms that we have prepared for you are complete before he/she approves and signs them.
- 6.2.3 To enable us to carry out our work you agree:
- a) That all returns are to be made on the basis of full disclosure;
  - b) To provide full information necessary for dealing with your benefits-in-kind returns: we will rely on the information and documents being true, correct and complete and will not audit the information or those documents;
  - c) To notify us within 15 working days after the end of the tax year of all transactions or events which may need to be reflected in the forms P11D and P9D for the period, including details of all employees during the year and details of their remuneration packages; and
  - d) To authorise us to approach such third parties as may be appropriate that we consider necessary to deal with completing the benefits-in-kind returns.
- 6.2.4 If the information required to complete the benefits-in-kind returns set out above is received more than 15 working days after the end of the tax year we will still endeavour to process the information onto the benefits-in-kind returns to meet the submission date but we will not be liable for any costs or other losses arising if submission is late in these circumstances. We may charge an additional fee in such circumstances.
- 6.2.5 Sections 11 and 12 of the Data Protection Act 1998 place express obligations on you as a data controller where we as a data processor undertake the processing of personal data on your behalf. We therefore confirm that we will at all times comply with the requirements of the Data Protection Act 1998 when processing data on your behalf. In particular we confirm that we have adequate security measures in place and that we will comply with any obligations equivalent to those placed on you as a data controller.

## TERMS OF BUSINESS

[[#Firm#] is a limited liability partnership incorporated in England (number OC) and whose registered office is at [Address of Firm]] (“the Firm”, or “We”) are pleased to set out the Terms and Conditions of Business, which will apply to the work we do for you.

These Terms and Conditions of Business and the Engagement Letter and its Schedules of Services together form the contract between us. Changes to the Terms and Conditions of Business can only be made by a Member in writing. The term “Partner” used in any correspondence means a Member of the Firm.

If any provisions of these Terms and Conditions of Business or parts of the Letter of Engagement and its Schedules of Services are held to be void, then that provision will be deemed not to form part of this contract and the remainder of them shall be interpreted as if such provision had never been inserted. Nothing in these terms shall exclude, restrict or prevent action in respect of any liability arising from fraud or dishonesty or other liabilities which cannot lawfully be limited or excluded. Nothing in these Terms and Conditions of Business seeks to limit or exclude our liability for death or personal injury caused by negligence, or for fraud or fraudulent misrepresentation.

In the event of any conflict between these Terms and Conditions of Business and the Letter of Engagement and its schedules of Services, the relevant provision in the Letter of Engagement or Schedule of Services will take precedence.

### 1 **Applicable law**

- 1.1 Our engagement letter, the schedules of services and our standard terms and conditions of business are governed by, and should be construed in accordance with English Law. Each party agrees that the Courts of England will have exclusive jurisdiction in relation to any claim, dispute, or difference concerning this engagement letter and any matter arising from it on any basis. Each party irrevocably waives any right to object to any action being brought in those Courts, to claim that the action has been brought in an inconvenient forum, or to claim that those Courts do not have jurisdiction.

### 2 **Client identification**

- 2.1 As with other professional service firms, we are required to identify our clients for the purposes of the UK anti-money laundering legislation. We may request from you, and retain, such information and documentation as we require for these purposes and/or make searches of appropriate databases.

### 3 **Client money**

- 3.1 We may from time to time hold money on your behalf. The money will be held in trust in a client bank account, which is segregated from the Firm’s funds. The account will be operated, and all funds dealt with, in accordance with the Clients’ Money [Regulations of the Institute of Chartered Accountants in England and Wales/ Rules of the Association of Chartered Certified Accountants/Other accountancy body].
- 3.2 To avoid excessive administration, interest will only be paid to you where the amount earned on the balances held on your behalf in any year exceeds £25. Interest will not be paid on amounts of less than £10,000 which are held for less than 30 days unless you instruct us otherwise in writing. Where you make such a request the money will be placed into a separate interest bearing client account designated to you. All interest earned on such money will be paid to you. Subject to any tax legislation, interest will be paid gross.



- 3.3 We will return monies held on your behalf promptly as soon as there is no longer any reason to retain those funds. If any funds remain in our client account that are unclaimed and the client to whom they relate has remained untraced for 5 years or we as a firm cease to practice then we may pay those monies to a registered charity.

#### **4 Commissions or other benefits**

- 4.1 In some circumstances we may receive commissions or other benefits for introductions to other professionals or in respect of transactions which we arrange for you. Where this happens, we will notify you in writing of the amount and terms of payment and receipt of any such commissions or benefits. The same will apply where the payment is made to or the transactions are arranged by a person or business connected with ours. The fees you would otherwise pay as described in the Letter of Engagement will not be reduced by the amount of the commission or benefits.

#### **5 Complaints**

- 5.1 We are committed to provide you with a high quality service that is both efficient and effective. However, should there be any cause for complaint in relation to any aspect of our service please contact [Name]. We agree to look into any complaint carefully and promptly and do everything reasonable to put it right. If you are still not satisfied you may refer your complaint to our professional body, the [Institute of Chartered Accountants in England and Wales/Association of Chartered Certified Accountants/Other accountancy body].

#### **6 Confidentiality**

- 6.1 Communication between us is confidential and we shall take all reasonable steps to keep confidential your information except where we are required to disclose it by law, by regulatory bodies, by our insurers, or as part of an external peer review. Unless we are authorized by you to disclose information on your behalf this undertaking will apply during and after this engagement
- 6.2 We may, on occasions, consult with other professionals on aspects of your affairs. These other professionals will be bound by our client confidentiality terms.
- 6.3 We reserve the right, for the purpose of promotional activity, training or for other purposes, to mention that you are a client. As stated above, we will not disclose any confidential information.

#### **7 Conflicts of interest**

- 7.1 We will inform you if we become aware of any conflict of interest in our relationship with you or in our relationship with you and another client unless we are unable to do so because of our confidentiality obligations. We have safeguards that can be implemented to protect the interests of different clients if a conflict arises. Where conflicts are identified which cannot be managed in a way that protects your interests then we regret that we will be unable to provide further services. If this arises, we will inform you promptly.
- 7.2 If there is a conflict of interest that is capable of being addressed successfully by the adoption of suitable safeguards to protect your interests then we will adopt those safeguards. Where possible this will be done on the basis of your informed consent. We reserve the right to provide services to other clients whose interests are not the same as yours or are adverse to yours subject to the obligations of confidentiality referred to above.

### **Internal disputes within a client**

- 7.3 If we become aware of a dispute between the parties who own or are in some way involved in the ownership or management of the business, it should be noted that our client is the business and we would not provide information or services to one party without the express knowledge and permission of all parties. Unless otherwise agreed by all parties we will continue to supply information to the normal place of business for the attention of the directors/proprietors. If conflicting information or instructions are received from different directors/principals in the business we will refer the matter back to the board/proprietors and take no further action until the board/partnership/LLP has agreed the action to be taken.

### **8 Data protection**

- 8.1 We confirm that we will comply with the provisions of the Data Protection Act 1998 when processing personal data about you [and your family]. In order to carry out the services under our engagement letter and for related purposes such as updating and enhancing our client records, analysis for management purposes and statutory returns, legal and regulatory compliance and crime prevention we may obtain, process, use and disclose personal data about you.

### **9 Disengagement**

- 9.1 Should we cease to act for you, where relevant we will issue a disengagement letter to ensure our respective responsibilities are clear.

### **10 Electronic communication**

- 10.1 Unless you instruct us otherwise we may, where appropriate, communicate with you and with third parties by e-mail or by other electronic means. The recipient is responsible for virus checking emails and any attachments.
- 10.2 With electronic communication there is a risk of non-receipt, delayed receipt, inadvertent misdirection or interception by third parties. We use virus-scanning software to reduce the risk of viruses and similar damaging items being transmitted through emails or electronic storage devices. However, electronic communication is not totally secure and we cannot be held responsible for damage caused by viruses or similar damaging items, nor for communications which are corrupted or altered after dispatch. Nor can we accept any liability for problems or accidental errors relating to this means of communication especially in relation to commercially sensitive information. These are risks you must bear in return for greater efficiency and lower costs. If you do not wish to accept these risks, please let us know and we will communicate by paper mail other than where electronic submission is mandatory.
- 10.3 Any communication by us with you sent through the post [or DX] system is deemed to arrive at your postal address two working days after the day that the document was sent.

### **11 Fees and payment terms**

- 11.1 Our fees may depend not only upon the time spent on your affairs but also on the level of skill and responsibility and the importance and value of the advice that we provide, as well as the level of risk.
- 11.2 If we provide you with an estimate of our fees for any specific work, then the estimate will not be contractually binding unless we explicitly state that that will be the case.

- 11.3 Where requested we may indicate a fixed fee for the provision of specific services or an indicative range of fees for a particular assignment. It is not our practice to identify fixed fees for more than a year ahead as such fee quotes need to be reviewed in the light of events. If it becomes apparent to us, due to unforeseen circumstances, that a fee quote is inadequate, we reserve the right to notify you of a revised figure or range and to seek your agreement thereto.
- 11.4 In some cases, you may be entitled to assistance with your professional fees, particularly in relation to any investigation into your tax affairs by HMRC. Assistance may be provided through insurance policies you hold or via membership of a professional or trade body. Other than where such insurance was arranged through us you will need to advise us of any such insurance cover that you have. You will remain liable for our fees regardless of whether all or part are liable to be paid by your insurers.
- 11.5 We will bill [monthly] [quarterly] [half-yearly] and our invoices will be due for payment [upon presentation/within [14] [30] days of issue]. Our fees are exclusive of VAT which will be added where it is chargeable. Any disbursements we incur on your behalf and expenses incurred in the course of carrying out our work for you will be added to our invoices where appropriate.
- 11.6 Unless otherwise agreed to the contrary our fees do not include the costs of any third party, counsel or other professional fees.
- 11.7 [It is our normal practice to issue 'Applications for Payment' when dealing with continuous or recurring work. The payment terms for 'Applications for Payment' are the same as for invoiced fees. A VAT invoice will be issued to you upon receipt of your payment.]
- 11.8 [It is our normal practice to ask clients to pay by monthly direct debit and to periodically adjust the monthly payment by reference to actual billings.]
- 11.9 We reserve the right to charge interest on late paid invoices at the rate of [3%] [5%] above bank base rates under the Late Payment of Commercial Debts (Interest) Act 1998. We also reserve the right to suspend our services or to cease to act for you on giving written notice if payment of any fees is unduly delayed. We intend to exercise these rights only where it is fair and reasonable to do so.
- 11.10 If you do not accept that an invoiced fee is fair and reasonable you must notify us within 21 days of receipt, failing which you will be deemed to have accepted that payment is due.
- 11.11 If a client company, trust or other entity is unable or unwilling to settle our fees we reserve the right to seek payment from the individual (or parent company) giving us instructions on behalf of the client and we shall be entitled to enforce any sums due against the Group Company or individual nominated to act for you.

## **12 Implementation**

- 12.1 We will only assist with implementation of our advice if specifically instructed and agreed in writing.

## **13 Intellectual property rights**

- 13.1 We will retain all copyright in any document prepared by us during the course of carrying out the engagement save where the law specifically provides otherwise.

## 14 Investment advice

- 14.1 Although we are not authorised by the Financial Conduct Authority (“FCA”) to conduct Investment Business, we are licensed by the [Institute of Chartered Accountants in England and Wales/Association of Chartered Certified Accountants/Other accountancy body] to provide certain investment services that are complimentary to, or arise out of, the professional services we are providing to you. In the unlikely event that we cannot meet our liabilities to you, you may be able to claim compensation under the Chartered [Certified/Other accountancy body] Accountants’ Compensation scheme in respect of exempt regulated activities undertaken.
- 14.2 Such advice may include the following:-
- a) advising you on investments generally, but not recommending a particular investment or type of investment;
  - b) where you require advice on investment business which we are unable to give as we are not authorised by the FCA we can introduce you to an independent Permitted Third Party (PTP) authorised by the FCA, and assisting you and the PTP during the course of any advice given by the PTP. This may include comment on, or explanation of, the advice received (but we will not make alternative recommendations). The PTP will issue you with their own terms and conditions letter, will be remunerated separately for their services, and will take full responsibility for compliance with the requirements of the Financial Services and Markets Act 2000;
  - c) advising on the sale of a contractually based investment other than disposing of any rights or interests which you may have as a member of a personal pension scheme;
  - d) advising and assisting you in transactions concerning shares or other securities not quoted on a recognised exchange;
  - e) managing investments or acting as a Trustee (or donee of Power of Attorney) where decisions to invest are taken on the advice of an authorised person;
- 14.3 We may also, on the understanding that the shares or other securities of the company are not publicly traded:
- a) advise the company, existing or prospective shareholders in relation to exercising rights, taking benefits or share options including valuation and methods;
  - b) arrange any agreements in connection with the issue, sale or transfer of the company’s shares or other securities;
  - c) arrange for the issue of new shares; and
  - d) act as the addressee to receive confirmation of acceptance of offer documents etc
- 14.4 Whilst we are not authorised by the FCA, We are included on the register maintained by them so we can carry on insurance mediation activity (which is broadly advising on the selling and administration of insurance contracts). This part of our business, including arrangements for complaints or redress if something goes wrong, is regulated by the [Institute of Chartered Accountants in England and Wales/Association of Chartered Certified Accountants]. The register can be accessed via the FCA website at [www.fca.org.uk/register](http://www.fca.org.uk/register)

### ***Referral to a Permitted Third Party (PTP)***

- 14.5 Should you require advice on investment business which we are unable to give as we are not authorised by the Financial Conduct Authority, we can introduce you to a suitable PTP.

- 14.6 The PTP will issue you with his own terms and conditions letter, will be remunerated separately for their services and will take full responsibility for compliance with the requirements of the Financial Services and Markets Act 2000. We will act as introducers but would be pleased to comment on, or explain any advice received and if required attend any meetings with you.
- 14.7 We will inform you when any introductory fee or commission is received and agree with you how this is to be dealt with at that time. Where amounts are being rebated or shared with the client or the amount relates to exempt regulated activities.] [You consent to our retaining such amounts and we shall not be required to account to you for them. Note: Whilst this phraseology can be useful for an introduction to a permitted third party, it will not be sufficient to obtain permission to retain commission in respect of exempt regulated activities where the firm is licensed under the DPB arrangements.] [We do not receive any income from the PTP] [but benefit from the profit made by that firm]. [The income received by that firm in respect of advice given to you will be advised to you by the PTP directly.]
- 14.8 To enable us to provide you with a proper service, there may be occasions when we will need to contact you without your express permission concerning investment business matters. For example, it may be in your interests to sell a particular investment, and we would wish to inform you of this. We may therefore contact you in such circumstances. We shall, of course, comply with any restrictions you may wish to impose which you notify to us in writing.

## **15 Lien**

- 15.1 Insofar as we are permitted to so by law or professional guidelines, we reserve the right to exercise a lien over all funds, documents and records in our possession relating to all engagements for you until all outstanding fees and disbursements are paid in full.

## **16 Limitation of third party rights**

- 16.1 The advice and information we provide to you as part of our service is for your sole use and not for any third party to whom you may communicate it unless we have expressly agreed in the engagement letter that a specified third party may rely on our work. We accept no responsibility to third parties, including any group company to whom the engagement letter is not addressed, for any advice, information or material produced as part of our work for you which you make available to them. A party to this agreement is the only person who has the right to enforce any of its terms and no rights or benefits are conferred on any third party under the Contracts (Rights of Third Parties) Act 1999.

## **17 Period of engagement and termination**

- 17.1 Unless otherwise agreed in our engagement letter, our work will begin when we receive implicit or explicit acceptance of that letter. Except as stated in that letter we will not be responsible for periods before that date.
- 17.2 Each of us may terminate our agreement by giving not less than 21 days notice in writing to the other party except where you fail to cooperate with us or we have reason to believe that you have provided us or HMRC with misleading information, in which case we may terminate this agreement immediately. Termination will be without prejudice to any rights that may have accrued to either of us prior to termination.
- 17.3 In the event of termination of our contract, we will endeavour to agree with you the arrangements for the completion of work in progress at that time, unless we are required for legal or regulatory reasons to cease work immediately. In that event, we shall not be

required to carry out further work and shall not be responsible or liable for any consequences arising from termination.

## **18 Professional rules and statutory obligations**

- 18.1 We will observe and act in accordance with the bye-laws, regulations and code of ethics of the [Institute of Chartered Accountants in England and Wales/Association of Chartered Certified Accountants] and will accept instructions to act for you on this basis. [In particular you give us the authority to correct errors made by HMRC where we become aware of them.] We will not be liable for any loss, damage or cost arising from our compliance with statutory or regulatory obligations. You can see copies of these requirements in our offices. The requirements are also available on the internet at [www.icaew.com/regulations](http://www.icaew.com/regulations) / [www.accaglobal.com/regulations](http://www.accaglobal.com/regulations) . We confirm that we are Statutory Auditors eligible to conduct audits under the Companies Act 2006.

## **19 Quality control**

- 19.1 As part of our on-going commitment to providing a quality service, our files are periodically reviewed by an independent regulatory or quality control body. These reviewers are highly experienced and professional people and, of course, are bound by the same rules for confidentiality as our principals and staff.

## **20 Reliance on advice**

- 20.1 We will endeavour to record all advice on important matters in writing. Advice given orally is not intended to be relied upon unless confirmed in writing. Therefore, if we provide oral advice (for example during the course of a meeting or a telephone conversation) and you wish to be able to rely on that advice, you must ask for the advice to be confirmed by us in writing.

## **21 Retention of papers**

- 21.1 You have a legal responsibility to retain documents and records relevant to your financial affairs. During the course of our work we may collect information from you and others relevant to your tax and financial affairs. We will return any original documents to you [if requested]. Documents and records relevant to your tax affairs are required by law to be retained as follows:

*Individuals, trustees and partnerships:*

- with trading or rental income: 5 years and 10 months after the end of the tax year;
- otherwise: 22 months after the end of the tax year;

*Companies, Limited liability Partnerships, and other corporate entities:*

- 6 years from the end of the accounting period;

- 21.2 Whilst certain documents may legally belong to you, we may destroy correspondence and other papers that we store electronically or otherwise that are more than [seven] years old, except documents we think may be of continuing significance. You must tell us if you wish us to keep any document for any longer period.

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**22 The Provision of Services Regulations 2009**

- 22.1 We are registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales/Association of Chartered Certified Accountants. Details of our audit registration can be viewed at [www.auditregister.org.uk](http://www.auditregister.org.uk) under reference number C00.....
- 22.2 Our professional indemnity insurer is .....name of insurer, of..... contact address. The territorial coverage is worldwide excluding professional business carried out from an office in the United States of America or Canada and excludes any action for a claim brought in any court in the United States or Canada.

# Disengagement Letter

[#Date#]

[#Name/add#]

Dear Sirs

## **Disengagement Letter**

### **1. Purpose**

The purpose of this letter is to set out matters connected with [our decision to cease acting as your tax advisers\*] [your decision to replace us as your tax advisers\*] with immediate effect.

### **2. Summary of services provided**

During the course of our professional work for you we have provided the following services:

- Completion of business tax returns\*
- Preparation of VAT returns\*
- Payroll processing\*
- Bookkeeping\*
- Accounts preparation\*
- Audit\*
- Other (insert any other services provided)\*

\*delete as appropriate

These services, together with a summary of the respective responsibilities of both yourselves and us relating to them, and the terms of business on which we provided our service, were set out in our Letter of Engagement to you dated .....

### **3. Current status report**

To ensure that you are fully aware of the current status, including applicable dates by which aspects of these services are normally due, we attach to this letter a progress report. This report sets out, by service, information relating to the last completed service cycle, details of progress to date in respect of the current service cycle, and its applicable 'due date'. This report should assist the firm succeeding us as your tax advisers to assume responsibility for this work.

[In view of the due date relating to .....service we have agreed to continue with our responsibilities in respect of this service alone.]



#### **4. Respective responsibilities**

With respect to our resignation as your tax advisers, our responsibilities to you, with the exception of the specific matters referred to in section 3 (above) will cease with immediate effect. You will be solely responsible for identifying another tax adviser to take on these responsibilities or to satisfy the need for the services that we provided in other ways. To assist you and any successor, we have drawn your attention to relevant dates associated with the services provided in section 3 (above).

Our responsibilities, on resignation as tax advisers, include responding to the enquiry of any successor and disclosing, with your consent, any issues or circumstances relevant to their decision to accept or decline appointment. It is also common for practitioners to combine this initial professional enquiry with a request for information and documents relevant to the engagement. We will, unless significant additional work is entailed, be pleased to respond to these enquiries at no additional fee, and would be pleased if you would indicate your agreement to our satisfying these requests by signing and returning to us the authority attached to this letter.

Our responsibilities on resignation as accountants include those set out in our Institute's Guide to Professional Ethics (Statement 3.3 Section 210) to respond to the enquiry of our successor and disclose, with your consent, any issues or circumstances relevant to their decision to accept or decline appointment. It is also common for practitioners to combine this initial professional enquiry with a request for information and documents relevant to the engagement. We will, unless undue work is entailed, be pleased to respond to these enquiries at no additional fee.

Special circumstances apply in the case of the end of an audit appointment. We are required by law to make certain statements in respect of our cessation as your auditor and these are dealt with in our letter dated.....

#### **5. Retention of records**

During the course of our work we have collected information from you and other parties acting on your behalf. Some of these records and other items of documentation should be retained by you to satisfy your statutory obligations. We will be pleased to return any original documents or documents that legally belong to you on request. We should advise you, however, that if you fail to collect such records within six months of the date of this letter, we cannot be held responsible for their safekeeping and we may return any original documents to your last known address and destroy any other documents and records that we hold without further notice.

#### **6. Fees**

With reference to our fees, we calculate that an amount of £.....plus VAT, as set out on the attached invoice, remains due from you.

[A further fee will be due to us in respect of the additional work set out in section 3 (above) and] if it is necessary to carry out work outside the responsibilities outlined in this letter, we will advise you in advance.]

#### **7. HMRC**

We have informed HMRC that we are no longer acting for you and that until further notice, all correspondence should be sent to you in the event that a new adviser has not been appointed.

**8. Limitation of third party rights**

We should remind you of the provisions limiting the rights of third parties to rely on our work set out in Paragraph 16 of our Terms and Conditions of Business, which provide as follows: “The advice and information we provide to you as part of our service is for your sole use and not for any third party to whom you may communicate it unless we have expressly agreed in the engagement letter that a specified third party may rely on our work. We accept no responsibility to third parties, including any group company to whom the engagement letter is not addressed, for any advice, information or material produced as part of our work for you which you make available to them. A party to this agreement is the only person who has the right to enforce any of its terms and no rights or benefits are conferred on any third party under the Contracts (Rights of Third Parties) Act 1999.”

**9. Applicable law**

This letter shall be governed by, and construed in accordance with English Law. The Courts of England shall have exclusive jurisdiction in relation to any claim, dispute or difference concerning the disengagement letter and any matter arising from it. Each party irrevocably waives any right it may have to object to any action being brought in those courts, to claim that the action has been brought in any inconvenient forum, or to claim that these Courts do not have jurisdiction.

This letter supercedes and takes precedence over our Letter of Engagement, addressed to you and dated.....

**10. Confirmation of our agreement**

To confirm that you have read and understood the contents of this letter and agree that it accurately reflects your understanding of our disengagement and to confirm your authority for us to correspond with our successor and provide them with the information requested by them, please sign and return the enclosed duplicate. If it is not returned to us within 21 days of the date of this letter, we shall proceed as if you had provided such agreement.

Yours

sincerely

[#Firm#]

We acknowledge receipt of this letter.

Approved on behalf of the board by:

Signed ..... Director

Dated .....

---

## Letter of clearance

#[Date]

Dear

Sirs

#[Name]

As you have no doubt been informed, we have been approached by the directors of #[Name] to act as accountants and auditors. We are therefore writing to enquire whether there are any professional or other reasons why we should not accept the appointment.

On the assumption that there is no reason why we should not act in this case, we shall be grateful if you will provide us with the following in respect of the company:

1. A copy of the last audited statutory accounts.
2. A copy of the last agreed tax computations together with any computations that have been prepared but not yet agreed with the Revenue.
3. A copy of the trial balance in respect of the accounts provided in 1 above.
4. Copies of supporting schedules for items appearing in the balance sheet.
5. The company's statutory books, if these are held by you.
6. Any other information that could be of assistance to us.

Yours faithfully

#[Firm]

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## Letter of resignation

#[Date]

The Board of  
Directors  
#[Name/Add]

Dear Sirs

Statement to the Directors of [ ] on ceasing to hold office as auditor to an unquoted non- major client where there are no circumstances

We are writing to advise you that we are resigning as auditors of the company with effect from the date of this letter.

In accordance with section 519 of the Companies Act 2006, we confirm that there are no circumstances connected with our resignation which we consider should be brought to the attention of the company's members or creditors.

Yours faithfully

#[Firm]

## Bank certificate letter

[#Date#]

[#BPNAM#

]

[#BPAD1#]

[#BPAD2#]

[#BPAD3#]

[#BPAD4#]

Dear Sirs

In accordance with the agreed practice for provision of information to auditors, please forward information on our mutual client(s) as detailed below on behalf of the bank, its branches and subsidiaries. This request and your response will not create any contractual or other duty of care with us.

### AUDITOR CONTACT DETAILS

The contact name is [#man name#] Telephone 999 999 9999 email:

AUDIT CONFIRMATION DATE [#PERIOD END#]

### COMPANIES OR OTHER BUSINESS

ENTITIES [#NAME#]

[#SORT CODE OF MAIN BANK ACCOUNT#]

[#MAIN BANK ACCOUNT NUMBER#]

(\* list any subsidiaries below \*)

### AUTHORITY TO DISCLOSE INFORMATION

The Authority to Disclose Information signed by your customer is attached/already held by you. Please advise us if this Authority is insufficient for you to provide full disclosure of the information requested.

---

ACKNOWLEDGEMENT

Acknowledgement required by  
email/post Reference No. to be quoted:

ADDITIONAL INFORMATION REQUIRED

Trade Finance One of the facility account numbers:

Derivative & Commodity Trading      One of the facility account numbers:

Yours faithfully

[#Firm#]

## Bank Acknowledgement of Auditor request

PART A – This part to be completed by the auditor

This acknowledgement should be returned to:

Name \_\_\_\_\_

Position \_\_\_\_\_

Firm \_\_\_\_\_

Address \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Tel. No \_\_\_\_\_

E-mail\* \_\_\_\_\_

\* if available.

PART B – This part to be completed by the bank

Thank you for your request for a bank report for audit purposes in respect of  
\_\_\_\_\_ (customer's name)

The request was received on:  
\_\_\_\_\_ (day/month/year)

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Your request is being processed and the letter will be completed once we have gathered the information sought. In the event of your needing to contact us, please address any enquiries to:

Name \_\_\_\_\_

Position \_\_\_\_\_

Bank \_\_\_\_\_

Address \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Tel. No \_\_\_\_\_

E-mail\*

\_\_\_\_\_ \* if available.



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## Bank authority

[To be produced on company note paper]

Dear Sir

Standard request for Bank Report for Audit Purposes

We authorise [xxxxBank PLC] including all branches and subsidiaries to provide to our auditors, #[Firm] of #[Firm Add 1], #[Firm Add 2], #[Firm Add 3], #[Firm Add 4], #[Firm Add 2], any information that they request from you regarding all and any of our accounts and dealings with you.

For and on behalf of #[Name]

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

Name: \_\_\_\_\_

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## Building Society confirmation

#[Date]

Our ref.:

Dear Sir

#[Name]

Request for information for Audit Purposes

In accordance with your above-named customer's instructions given in the authority dated \_\_\_\_\_ please send to us, as auditors of your customer for the purpose of our business, without entering into any contractual relationship with us, the following information relating to their affairs at your branch as at the close of business on #[Period end].

The full titles and account number(s) of all accounts where your customer's name is the sole name in the title, where your customer's name is joined with that of other parties and where the account is in a trade name.

balance(s) at #[Period end];

interest earned from #[Period start] to #[Period end].

We enclose a stamped addressed envelope for your reply.

Thank you for your assistance in this matter.

Yours faithfully

#[Firm]

Enc.

# Audit planning letter

#[Date]

#[Name/Add]

Dear Sirs,

Audit of your Financial Statements for the year ended #[Period end]

We are in the process of planning our above audit and set out below details of our audit plan:

1. Variations in our terms of engagement

2. Audit Staff

The members of our audit staff will be as follows:

Partner:

Manager:

Senior:

Assistant:

Tax manager:

3. Audit approach

The purpose of our audit is to report to the members on the Financial Statements and we will conduct our audit in accordance with International Standards on Auditing (UK & Ireland) issued by the Financial Reporting Council. Our audit will include an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It will also include an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We will plan and performed our audit so as to obtain all the information and explanations which we consider necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we will also evaluate the overall adequacy of the presentation of information in the financial statements.

Place any special comments here.....

#### 4. Timetable

As agreed our audit will commence on \_\_\_\_\_ and it is anticipated that we will attend at your premises for \_\_\_\_\_ weeks. The following dates have also been agreed:

Meeting to discuss the results of our audit:

Provisional date on which we will sign our audit report:

Date of AGM:

To enable us to conduct our audit in a timely and efficient manner, there are certain documents and schedules that we will need by the dates set out below:

Draft accounts:

Letter of representation:

etc.....

#### 5. Reports to management

During the course of our audit it is possible that we may discover matters that we feel it is appropriate to bring to the attention of the management. This may include observations on your accounting and other systems as well as management considerations and comparison of your results with similar companies. Where such matters arise, we will discuss these with you during the course of the audit and provide you with a written report at its conclusion.

#### 6. Fees

As agreed our fee for carrying out the audit, based on our plan and the documents that you have agreed to prepare being produced on time, will be £ . If, during the course of our audit, it becomes apparent that there are matters about which we have not been advised, or any other circumstances that result in additional work being required, we will discuss the implications on our fees before carrying out the extra work.

Our fee will be charged over \_\_\_\_\_ invoices, as follows:

Interim fee of £	on _____
Interim fee of £	on _____
Final fee of £	on _____

#### 7. Other matters

Yours faithfully

#[Firm]

## Letter of representation - Audit

#[Name/Add]

#[Date]

#[Firm]

#[Firm Add 1]

#[Firm Add 2]

#[Firm Add 3]

#[Firm Add 4]

#[Firm Add 5]

Dear Sirs,

RE: FINANCIAL STATEMENTS FOR THE YEAR ENDED

This representation letter is provided in connection with your audit of the financial statements of the company for the year ended [date ] and comparative information for the purposes of expressing an opinion on whether the financial statements give a true and fair view of the of the financial position of the company as at that date and of the results of its operations for the year then ended in accordance with the Companies Act 2006 and applicable accounting standards.

We acknowledge as Directors our responsibility for preparing the financial statements in accordance with the Companies Act 2006 and applicable accounting standards and for ensuring:

- a) the accuracy of the accounting records and the financial statements prepared from them; and
- b) that the financial statements give a fair presentation of the state of affairs of the Company as at the balance sheet date and of the result for the year then ended.

Insofar as you have prepared any of these statements, you have acted as our agents.

We confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the following representations to you. In giving these representations we acknowledge our responsibilities under the Companies Act 2006 for making accurate representations to you and in particular section 501 which makes it a criminal offence for us to knowingly or recklessly make a misleading or false statement to the company's auditors, and Section 418(2) which requires us to take all steps to ensure you are aware of any relevant audit information and to ensure that all such information has been made available to you. We confirm that we have provided you with all such relevant information and access.

## 1) ACCOUNTING RECORDS AND TRANSACTIONS

All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the company have been properly reflected and recorded in the accounting records. All other records and related information, including relevant correspondence and minutes of all management and shareholders' meetings, have been made available to you, and no such information has been withheld.

## 2) ASSETS

Provisions for depreciation and diminution in value, including obsolescence, have been made against fixed assets on bases and at rates calculated to reduce the book value of each asset to its estimated residual value by the end of its probable useful life in the Company's business. In this respect we are satisfied that the probable useful lives have been realistically estimated.

In our opinion, on realisation in the ordinary course of business the current assets in the balance sheet are expected to produce not less than the net book amounts at which they are stated.

All assets included in the balance sheet were at that date and remain free from any lien, encumbrance or charge (except as disclosed in the financial statements).

## 3) LIABILITIES

Full provision has been made in these financial statements for all liabilities of the Company, including guarantees, commitments and contingencies where the items are expected to result in significant loss.

Full disclosure has been made in these financial statements of all contingent liabilities, including any guarantees and securities given to third parties, which are required by applicable accounting standards and statute to be disclosed.

We are not aware of any pending or threatened litigation, proceedings, hearings or claims negotiation that may result in significant loss to the Company.

There were no commitments for capital expenditure as at the balance sheet date in respect of which the company was contractually committed save as disclosed in these financial statements.

## 4) OTHER MATTERS

### **Fraud and other irregularities**

We acknowledge our responsibilities for the design, implementation and maintenance of internal control systems to prevent and detect fraud and we believe we have appropriately fulfilled those responsibilities.

We have disclosed to you the results of our assessment of the risk that the financial statements may be misstated as a result of fraud.

We have no knowledge of fraud or suspected fraud affecting the entity involving management, employees who have significant roles in internal control or others where the fraud could have a material effect on the financial statements.

We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

### **Non-compliance with laws and regulations**

We are not aware of any non-compliance or suspected non-compliance with laws, regulations, contracts, agreements or the Company's Memorandum and Articles of Association which might prejudice the Company's going concern status or that might result in the Company suffering significant penalties or loss. No allegations

of such non-compliance have come to our notice.

### **Litigation and claims**

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the applicable financial reporting framework.

### **Subsequent events**

We confirm that all events occurring subsequent to the date of the financial statements and for which applicable financial standards require adjustment or disclosure have been adjusted or disclosed. All such matters which should be disclosed to shareholders through some other medium have been so disclosed and you have provided us with copies of such disclosures.

We have no plans or intentions that may materially affect the carrying value or classification of assets or liabilities.

### **Related party transactions**

We have disclosed to you the identity of the company's related parties and all the related party relationships and transactions of which we are aware. We have also disclosed to you all significant transactions not in the ordinary course of the company's business of which we are aware.

Except as disclosed in the financial statements no transactions or agreements to provide credit facilities (including loans, quasi-loans or credit transactions), or guarantees or provision of security in respect of such transactions, involving Directors, Officers and other related parties (as set out in the Companies Act 2006 or Financial Reporting Standard FRS 102) have existed or been entered into at any time during the year. We have disclosed to you any guarantees and securities given personally by us or by other related parties for the benefit of the company of which we are aware.

We have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the financial reporting framework.

### **Accounting estimates**

We confirm that we believe the methods, significant assumptions and the data used in making the accounting estimates and the related disclosures are appropriate to achieve recognition, measurement or disclosure that is in accordance with the applicable financial reporting framework.

### **Going concern**

We have thought carefully about the company's ability to continue as a going concern for at least the next 12 months and consider that, subject to the disclosures in the financial statements, it is appropriate to adopt the going concern basis in the preparation of the financial statements. We have provided you with the plans for future action on which we have based our assessment and confirm that we consider the achievement of those plans to be feasible.

### **Misstatements identified but not adjusted for**

The financial statements are free of material misstatements, including omissions.

We have reviewed the attached schedule of potential journals that were identified during the course of your audit. In our opinion, there is no requirement to adjust for these items as the effect of them (both individually and in aggregate) on the financial statements is immaterial and will not affect the true and fair view given by the financial statements.

### **Documents comprising the annual report**

We have informed you of the documents which comprise the annual report, and the

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entity's planned manner and timing of the issuance of such documents. We have provided to you the final version of these documents.

**Comparative information**

We confirm that there is no requirement to restate the comparative information to correct a material misstatement in the prior period financial statements.

**Information relevant to the audit**

We confirm that, so far as each director is aware, there is no relevant audit information of which you have not been made aware. Each director has taken all necessary steps to make him/herself aware of any such relevant audit information and to ensure you have been made aware of it.

Yours faithfully,

As minuted by the board of directors at its meeting on \_\_\_\_\_

Yours faithfully



## Letter of representation – Audit exemption

#[Name/Add]

#[Date]

#[Firm]

#[Firm Add 1]

#[Firm Add 2]

#[Firm Add 3]

#[Firm Add 4]

#[Firm Add 5]

Dear Sirs

ABC LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED [DATE]

We acknowledge as Directors our responsibility for ensuring:

- a) the accuracy of the accounting records and the financial statements prepared from them; and
- b) that the financial statements give a true and fair view of the state of affairs of the Company as at the balance sheet date and of the result for the period then ended.

In compiling these financial statements, you have acted as our agent. We acknowledge that you have not audited the financial statements and accordingly that you express no opinion on them.

We confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the following representations to you. In giving these representations we acknowledge our responsibilities to make accurate representations to you.

### 1) EXEMPTION FROM AUDIT

For the above financial year, the company was entitled to the exemption under sections 477 to 479 of the Companies Act 2006 from the requirement to have its financial statements audited. The members have not required the company to obtain an audit of its financial statements for the financial year in accordance with section 476 of the Companies Act 2006.

### 2) ACCOUNTING RECORDS AND TRANSACTIONS

All the accounting records have been made available to you for the purpose of your financial statements compilation work and all the transactions undertaken by the company have been properly reflected and recorded in the accounting records. All other records and related information, including relevant correspondence and minutes of all management

and shareholders' meetings, have been made available to you, and no such information has been withheld. We also confirm that all journals processed by you in order to compile the financial statements have been considered and approved by us and that no further adjustments are required in order for the financial statements to show a true and fair view.

### 3) ASSETS

Provisions for depreciation and diminution in value, including obsolescence, have been made against fixed assets on bases and at rates calculated to reduce the book value of each asset to its estimated residual value by the end of its probable useful life in the Company's business. In this respect we are satisfied that the probable useful lives have been realistically estimated.

In our opinion, on realisation in the ordinary course of business the current assets in the balance sheet are expected to produce not less than the net book amounts at which they are stated.

All assets included in the balance sheet were at that date and remain free from any lien, encumbrance or charge (except as disclosed in the financial statements).

### 4) LIABILITIES

Full provision has been made in these financial statements for all liabilities of the Company, including guarantees, commitments and contingencies where the items are expected to result in significant loss.

Full disclosure has been made in these financial statements of all contingent liabilities, including any guarantees and securities given to third parties, which are required to be disclosed.

We are not aware of any pending or threatened litigation, proceedings, hearings or claims negotiation that may result in significant loss to the Company.

There were no commitments for capital expenditure as at the balance sheet date in respect of which the company was contractually committed save as disclosed in the financial statements.

### 5) OTHER MATTERS

#### **Fraud and other irregularities**

We are not aware of any irregularities, including fraud, involving management or employees of the Company, and no allegations of such irregularities, including fraud, or such breaches have come to our notice.

#### **Non-compliance with laws and regulations**

We are not aware of any non-compliance or suspected non-compliance with laws, regulations, contracts, agreements or the Company's Memorandum and Articles of Association which might prejudice the Company's going concern status or that might result in the Company suffering significant penalties or loss. No allegations of such non-compliance have come to our notice.

#### **Litigation and claims**

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the applicable financial reporting framework.

#### **Subsequent events**

We confirm that all events occurring subsequent to the date of the financial statements and for which applicable financial standards require adjustment or disclosure have been adjusted or disclosed. All such matters which should be disclosed to shareholders through some other medium have been so disclosed and

you have provided us with copies of such disclosures.

We have no plans or intentions that may materially affect the carrying value or classification of assets or liabilities.

**Related party transactions**

We have disclosed to you the identity of the company's related parties and all the related party relationships and transactions of which we are aware. We have also disclosed to you all significant transactions not in the ordinary course of the company's business of which we are aware.

Except as disclosed in the financial statements no transactions or agreements to provide credit facilities (including loans, quasi-loans or credit transactions), or guarantees or provision of security in respect of such transactions, involving Directors, Officers and other related parties (as set out in the Companies Act 2006 or Financial Reporting Standard FRS 102) have existed or been entered into at any time during the year. We have disclosed to you any guarantees and securities given personally by us or by other related parties for the benefit of the company of which we are aware.

We have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the financial reporting framework.

**Accounting estimates**

We confirm that we believe the methods, significant assumptions and the data used in making the accounting estimates and the related disclosures are appropriate to achieve recognition, measurement or disclosure that is in accordance with the applicable financial reporting framework.

**Going concern**

We have thought carefully about the company's ability to continue as a going concern for at least the next 12 months and consider that, subject to the disclosures in the financial statements, it is appropriate to adopt the going concern basis in the preparation of the financial statements.

**Misstatements**

The financial statements are free of material misstatements, including omissions.

There were no unadjusted errors during the year under review that we consider require adjustment in order for the financial statements to show a true and fair view.

**Comparative information**

We confirm that there is no requirement to restate the comparative information to correct a material misstatement in the prior period financial statements.

Yours faithfully,

.....

Director

Approved by the Board on

and signed on its behalf.

Registered number:

## Letter of representation – Limited Assurance

#[Name/Add]

#[Date]

#[Firm]

#[Firm Add 1]

#[Firm Add 2]

#[Firm Add 3]

#[Firm Add 4]

#[Firm Add 5]

Dear Sirs

ABC LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED [DATE]

We acknowledge as Directors our responsibility for ensuring:

- a) the accuracy of the accounting records and the financial statements prepared from them; and
- b) that the financial statements give a true and fair view of the state of affairs of the Company as at the balance sheet date and of the result for the period then ended.

In compiling these financial statements, you have acted as our agent. We acknowledge that the work performed by you is substantially less in scope than an audit performed in accordance with Auditing Standards and that you do not express an audit opinion.

We confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, of inspection of relevant supporting documentation) sufficient to satisfy ourselves that we can make each of the following representations to you. In giving these representations we acknowledge our responsibilities to make accurate representations to you.

### 1) EXEMPTION FROM AUDIT

For the above financial year, the company was entitled to the exemption under sections 477 to 479 of the Companies Act 2006 from the requirement to have its financial statements audited. The members have not required the company to obtain an audit of its financial statements for the financial year in accordance with section 476 of the Companies Act 2006.

## 2) ACCOUNTING RECORDS AND TRANSACTIONS

All the accounting records have been made available to you for the purpose of your accounts compilation work and all the transactions undertaken by the company have been properly reflected and recorded in the accounting records. All other records and related information, including relevant correspondence and minutes of all management and shareholders' meetings, have been made available to you, and no such information has been withheld. We also confirm that all journals processed by you in order to compile the financial statements have been considered and approved by us and that no further adjustments are required in order for the financial statements to show a true and fair view.

## 3) ASSETS

Provisions for depreciation and diminution in value, including obsolescence have been made against fixed assets on bases and at rates calculated to reduce the book value of each asset to its estimated residual value by the end of its probably useful life in the Company's business. In this respect we are satisfied that the probably useful lives have been realistically estimated.

In our opinion, on realisation in the ordinary course of business the current assets in the balance sheet are expected to produce not less than the net book amounts at which they are stated.

All assets included in the balance sheet were at that date and remain free from any lien, encumbrance or charge (except as disclosed in the financial statements).

## 4) LIABILITIES

Full provision has been made in these financial statements for all liabilities of the Company, including guarantees, commitments and contingencies where the items are expected to result in significant loss.

Full disclosure has been made in these financial statements of all contingent liabilities, including any guarantees and securities given to third parties, which are required to be disclosed.

We are not aware of any pending or threatened litigation, proceedings, hearings or claims negotiation that may result in significant loss to the Company.

There were no commitments for capital expenditure as at the balance sheet date in respect of which the company was contractually committed save as disclosed in the financial statements.

## 5) OTHER MATTERS

### **Fraud and other irregularities**

We are not aware of any irregularities, including fraud, involving management or employees of the Company, and no allegations of such irregularities, including fraud, or such breaches have come to our notice.

### **Non-compliance with laws and regulations**

We are not aware of any non-compliance or suspected non-compliance with laws, regulations, contracts, agreements or the Company's Memorandum and Articles of Association which might prejudice the Company's going concern status or that might result in the Company suffering significant penalties or loss. No allegations of such non-compliance have come to our notice.

### **Litigation and claims**

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the applicable financial reporting framework.

### **Subsequent events**

We confirm that all events occurring subsequent to the date of the financial statements and for which applicable financial standards require adjustment or disclosure have been adjusted or disclosed. All such matters which should be disclosed to shareholders through some other medium have been so disclosed and you have provided us with copies of such disclosures.

We have no plans or intentions that may materially affect the carrying value or classification of assets or liabilities.

**Related party transactions**

We have disclosed to you the identity of the company's related parties and all the related party relationships and transactions of which we are aware. We have also disclosed to you all significant transactions not in the ordinary course of the company's business of which we are aware.

Except as disclosed in the financial statements no transactions or agreements to provide credit facilities (including loans, quasi-loans or credit transactions), or guarantees or provision of security in respect of such transactions, involving Directors, Officers and other related parties (as set out in the Companies Act 2006 or Financial Reporting Standard FRS 102) have existed or been entered into at any time during the year. We have disclosed to you any guarantees and securities given personally by us or by other related parties for the benefit of the company of which we are aware.

We have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the financial reporting framework.

**Accounting estimates**

We confirm that we believe the methods, significant assumptions and the data used in making the accounting estimates and the related disclosures are appropriate to achieve recognition, measurement or disclosure that is in accordance with the applicable financial reporting framework.

**Going concern**

We have thought carefully about the company's ability to continue as a going concern for at least the next 12 months and consider that, subject to the disclosures in the financial statements, it is appropriate to adopt the going concern basis in the preparation of the financial statements.

**Misstatements**

The financial statements are free of material misstatements, including omissions.

There were no unadjusted errors during the year under review that we consider require adjustment in order for the financial statements to show a true and fair view.

**Comparative information**

We confirm that there is no requirement to restate the comparative information to correct a material misstatement in the prior period financial statements.

Yours faithfully

.....

Director

Approved by the Board on

and signed on its behalf.

---

Registered number:

# Management letter

#[Date]

Private and  
Confidential The Board  
of Directors  
#[Name/Add]

Dear Sirs

#[Name]

## **MATTERS ARISING FROM THE AUDIT OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED [year end date] / PERIOD ENDED {period end date}.**

We enclose our report summarising the main matters arising from our audit that we consider need to be addressed.

This report has been prepared for your sole use, and we assume no responsibility to any other party in respect of its contents. The report must not be disclosed to any third party without our prior written consent and any use they make of it is entirely at their own risk.

The main matters arising from our audit work cover:

- Expected modifications to the auditors' report
- Unadjusted misstatements
- Material weaknesses in the accounting and internal control systems
- Qualitative aspects of the entity's accounting practices and financial reporting
- Other matters required by Auditing Standards to be communicated
- Other relevant matters relating to the audit, and
- Matters affecting future years.

### **1. Expected modifications to the auditors' report**

There are no expected modifications to the auditors' report.

### **2. Unadjusted misstatements**

There are no unadjusted misstatements arising from our audit, except those that we consider to be clearly trifling.

### **3. Material weaknesses in the accounting and internal control systems**

Following our audit of the company's financial statements for the year ended [year end date], we would like to bring to your attention the attached observations on the company's operations that we believe can help you improve the performance or



control over your business that arose during the course of our audit. The points made have been discussed with [NAME] and we have taken account of their comments in drafting this report.

You will appreciate that our normal audit procedures and programmes are designed primarily to enable us to form an opinion on the financial statements as a whole and therefore do not necessarily highlight during each audit, all the weaknesses and shortcomings of internal control or accounting systems of the company.

Furthermore, although the accounting systems and records of the company are reviewed during the course of our audit to confirm compliance with the Companies Act 2006, this should not be regarded as providing a detailed check on all the areas of legislation with which the company is obliged to comply. Therefore our report cannot be expected to include all possible comments and recommendations that a more extensive special examination might reveal. If a detailed review of a particular area of legislation such as the PAYE and National Insurance regulations or the VAT regulations is required, would you please instruct us accordingly.

In view of the limited number of key staff employed by the company, it is not always possible to segregate adequately the duties of the staff for internal control purposes. Our recommendations on internal control therefore include a continuing emphasis on close supervision by you.

**4. Qualitative aspects of the entity's accounting practices and financial reporting**

We have no comments to make concerning the qualitative aspects of the entity's accounting practice and financial reporting.

**5. Other matters required by Auditing Standards to be communicated**

There are no other matters that are required by Auditing Standards to communicate to you.

**6. Other relevant matters relating to the audit**

There are no other matters that we wish to draw to your attention

**7. Matters affecting future years**

There are a number of issues that we consider need to be addressed relating to future years that need to be brought to your attention, namely (see attached table):

We would like to thank all the staff for their assistance and co-operation during the Audit.

Yours faithfully

#[Firm]

Enc.

**Matters Arising From The Audit For The Year Ended #[period end]**

	<b>Topic</b>	<b>Matter and Implications</b>	<b>Our recommendations</b>	<b>Response by client</b>
<b>Matters Arising from this year's Audit</b>				
<b>Matters affecting Future years</b>				

# Assignment appraisal form

## STAFF APPRAISAL FORM

Name	
Client	#[Name]
Accounting period	#[Period end]
Dates of assignment	From: <span style="margin-left: 150px;">To:</span>

Summary of work performed:

Assessment of performance:

Skill	Score 1 = Very good to 4 = Poor
Relationship with other staff	
Relationship with clients	
Oral communication skills	
Written communication skills	
Technical competence	
Technical judgement	
Initiative	
Ability to work within budgets	
Ability to organise own work	
Ability to organise work of others	
Ability to motivate and control others	
Ability to remain independent	

Additional comments (Note all scores of 3 or 4 should be backed up by a comment):

Overall assessment:

Assessment	Yes or No	Comments
Based on the staff member's level of experience, was their performance satisfactory?		
Would you use this member of staff again?		

Comments made by other members of staff:

Partner/Manager comments:

	Name	Date
Prepared by		
Reviewed by manager		
Reviewed by partner		

# Audit working paper - Word processing

#[Name]	Reference:	#[Reference]
	Period end:	#[Period end]
#[Title]	Prepared by:	#[Author]
	Reviewed by:	

Objective

Work done

Sample size calculation and selection method

Results

Conclusions

Audit working paper - Spread sheet

<b>[#Firm#]</b>	<b>Reference</b>	<b>[#Reference#]</b>
<b>[#name#]</b>	<b>Year end</b>	<b>[#Period End#]</b>
<b>[#Title#]</b>	<b>Prepared by</b>	<b>[#Author#]</b>
	<b>Reviewed by</b>	

**Objective**

**Work done**

**Sample size calculation and selection method**

**Results**



## Creditors circularisation working paper

#[Name]		#[Reference]		Reference:			#[Reference]	
Reference:		#[Period		Year end:			#[Period end]	
Period end:		end]		Prepared			#[Author]	
#[Title] :		#[Author]		by:				
				Reviewed				
				by				
Supplier	Balance on ledger	Balance agreed by Supplier	Balance Disputed by Supplier	Balance confirmed by payments after date	Balance remaining unconfirmed	Alternative procedures undertaken	Balances confirmed by alternative procedures	Final Unconfirmed balances
			-		-			-
			-		-			-
			-		-			-
			-		-			-
			-		-			-
			-		-			-
			-		-			-
			-		-			-
			-		-			-
			-		-			-
			-		-			-
			-		-			-
			-		-			-
			-		-			-
			-		-			-
			-		-			-
<b>Totals</b>	-	-	-	-	-		-	-



# New client acceptance form

## NEW CLIENT ACCEPTANCE FORM

#[Name] (=Company name)	Reference:   #[Reference]
Date:	#[Date]
Part   :	#[Part init]

This form is to be completed for all new clients prior to acceptance and be filed on the Permanent and Correspondence Files. Only information relevant to servicing the client need be entered.

<b>Type of Entity:</b> (PLC, private limited company, partnership, sole trader or individual)	
<b>Client contact</b>	
<b>Title</b> (Mr/Ms, etc)	
<b>Name</b>	
<b>Home address</b> (incl. postcode)	
<b>Home phone number</b>	
<b>Company Trading name</b>	
<b>Company number</b>	
<b>Business Address</b>	
(Registered office, incl. postcode)	
Tick if registered address to be moved to ours	
<b>Telephone</b> (switchboard)	
<b>Fax</b>	
<b>Direct phone</b>	
<b>Mobile phone</b>	
<b>E-mail address</b>	
<b>Website address</b>	
<b>Type of Business</b> (tick one option)	LTD – UK Limited Company PLC – UK Public Limited Company PTNR – UK Partnership LLP – UK Limited Liability Partnership STRA – UK Sole Trader IND – UK Individual Charitable Company Pension Scheme Charitable Trust Other Trust
<b>Year end</b>	

## Details of Directors

Services to be Supplied (Circle all that apply)	
Audit	Regulatory Audit (FCA, SAR, ABTA, Other)
Unaudited Accounts	Management Accounts (Monthly/Quarterly)
Bookkeeping (Bureau/Online)	
Tax Compliance	Tax Planning
VAT Returns	
Payroll	Registered Office
Company Secretarial	Web Design or Brand Services
Consultancy	Special (eg Due Diligence or Investigations)
Notes	

## Client Identification Matrix

	Company (notes1-3)	Charity (note 10)	Partnership (note 8)	LLP (note 8)	Trust (note 11)	Pension Scheme (note 9)	Individual
Name (One Item)							
Companies House/Charity Commission Free Web Search							
Membership directory of professional association (eg Law Society, ICAEW)							
Trust Deed							
Recent Credit Rating Agency Report							
Passport/EU State ID Card							
Photo card Driving Licence							
HMRC Tax Notification							
Other Official Document (note 7)							
Address (One Item - not same as 'Name')							
Visit							
Recent Utility Bill							

	Company (notes1-3)	Charity (note 10)	Partnership (note 8)	LLP (note 8)	Trust (note 11)	Pension Scheme (note 9)	Individual
(except Mobile Phone)							
Current year's rates/water rates bill							
Driving Licence (if not used for Name)							
Recent Bank/Building Society Statement							
Recent Mortgage Statement							

Notes - IF IN DOUBT, CONSULT MLRO

1. Executive directors, owners of 25% or more of an entity, active partners or members, settlor of trust, trustees who are cheque signatories or can authorise the transfer of funds or assets, and beneficiaries of trust (if not family of settlor), must also be ID'd. For listed companies (including AIM but not OFEX) or subsidiary undertakings of a listed company that are consolidated there is no need to ID the directors.

2. If entity is a subsidiary, need to carry out KYC procedures on parent undertaking and any minority > 25% of client

3. The identification procedures should be carried out for new subsidiaries/businesses of existing clients, but not for the directors, etc if we already have ID.

4. Where there is a change in control of a client, the identity of the new parties should be confirmed

5. We should obtain a copy of the latest accounts to confirm the entity exists for a legitimate purpose.

6. Copies of documents sent to us by a person not known to us should be certified by a reputable person (such as a lawyer, accountant, bank)

7. Other Official document includes documentation from government agencies that include a NI number.

8. Where partnerships/LLPs are well-known, reputable organisations their principals can be ID'd as for listed companies. The ID of professional firms and their partners that are registered by the Money Laundering Regulations can be ID'd by reference to the current membership directory of the relevant professional association or their website. Where a partner is acting in their personal capacity (eg as a trustee), their ID should be verified per 1 above. Other partnerships should be verified as for private companies.

9. The ID of pension schemes can be restricted to confirming the scheme's HMRC approval. Non-approved schemes should be treated as a trust for ID purposes. The ID of the principal employer should be confirmed as for companies above. The ID of trustees who are authorised to give instructions for the movement of funds or assets need only be verified on a risk based approach (ie we will not need to verify all the relevant trustees where the risk of money laundering is low). The ID of non-employer trustees only needs to be confirmed if they are not professionally qualified or FCA approved.

10. Where a charity supports overseas projects, we need to take account of the possible increased risk of funds being diverted for terrorist funding or other criminal activities.

11. For trusts, we need proof of name and of address. Also, the settler or protector, trustees, and non-family beneficiaries have to be identified.

---

**ANSWER YES OR NO TO EACH QUESTION:**

Are we satisfied that there are no matters, based on our knowledge of the client's business that could adversely affect our decision to accept appointment?

This knowledge should be recorded in the relevant sections of the Permanent File and could involve:

- a) obtaining and reviewing financial statements, tax computations and returns for the last year,
- b) carrying out a statutory research,
- c) ascertaining whether there are any particular accounting, auditing, taxation or regulatory issues and considering whether we have the necessary expertise,
- d) gathering and considering available information about:
  - the state of the industry in which the new client operates and its standing in it,
  - the reputation of the new client and its senior management, and,
  - any problems the client is encountering and possible developments in the business.

Are we satisfied that there are no matters in the reply to our professional enquiry letter from the previous auditor/accountant/advisor that could adversely affect our decision to accept appointment?

Are we satisfied that the client's reasons for moving to us appear to be reasonable and there is unlikely to be any imposed limitations on the scope of our work?

For audit clients where we have been asked to provide non-audit services, are we satisfied that the client has informed management in respect of these services and that any necessary safeguards can be put in place?

Are we satisfied that the independence and objectivity requirements of relevant ethical standards can be satisfied?

Are we satisfied that the independence and objectivity requirements of relevant ethical standards can be satisfied?

Are we satisfied that the client has accepted the basis on which fees are to be charged, and the fact that we will only accept appointment on the basis of full disclosure by them of all information relevant to the work being done?

Are we satisfied that we have the resources to properly service the new client?

Are we satisfied that there are no matters arising from our anti-money laundering procedures that should prevent us from accepting appointment?

Are we satisfied there are no conflicts of interest against which adequate safeguards cannot be put in place?

Are we satisfied that accepting the appointment does not pose a high business risk to the firm?

**If the answer to any of the above questions is NO, please document the concerns and why we have decided to accept the appointment and attach to this form.**

Based on the above, I am satisfied that:

- we are eligible to act, both on ethical and technical grounds;
- in the case of audit or other assurance engagements, we can continue to be independent of the prospective client;
- the new client and, in the case of a corporate client, its senior management are reputable;
- we have the resources and expertise to carry out the engagement;
- there are no unacceptable business risks relating to our association with the client;
- the proposed fees are reasonable and the client both can and is likely to pay them;
- there are no conflicts of interest preventing us from acting; and
- where applicable, there are no imposed limitations on the scope of our audit work.

And hence we can accept appointment.

\_\_\_\_\_  
Engagement Partner

\_\_\_\_\_  
Date

\_\_\_\_\_  
Second Partner (if high risk client)

\_\_\_\_\_  
Date

Action	Done?
Professional Enquiry letter sent to previous auditor/accountant/advisor	
Reply to Professional Enquiry letter received or no response to follow-up letter within deadline	
Checked that previous auditors' resignation letter filed at Companies House and with any relevant regulators	
Adequate identification evidence obtained to satisfy anti-money laundering requirements (including from ultimate controlling parties)	
Engagement letter tailored to cover services offered and terms agreed and 64-8 form sent to client	
Engagement letter and completed 64-8 form received back from client	
64-8 form sent to HMRC	
Relevant information requested and received from previous auditor/accountant/advisor	
Where relevant, appointment notified to regulators, etc	
Client code set up and Client Database updated for client details	
Permanent file set up and all relevant information we do not have requested from client	
Correspondence file set up	
Where relevant, necessary authorities (eg for bank letters) set up	
Audit, Tax, etc, files set up	
Managers notified of new client and service requirements	



## Client sensitivity checklist

<b>Client:</b>	<b>Reference:</b>
<b>Accounting period:</b>	

This form is to be completed for each client before the detailed planning commences. In the case of groups, the form needs only to be completed for the holding company.

Whilst it is not possible to define all the circumstances in which a client is to be considered sensitive, a client would be considered, except in exceptional circumstances, if either the answer to question 1 is YES or two or more of questions 2 to 7 are answered YES (although in some cases one of them may be so significant as to require the client to be classified as sensitive). In addition, if a client regulated under the Financial Services Act 1986 (including IBRC or other regulator eg ABTA) is not otherwise sensitive, the report to the regulator and the work associated with it is to be treated as sensitive.

NB. If the answer to question 1 is YES there is not need to answer questions 2 to 7.

		Yes/No
1.	Is the client publicly owned or a member of a group containing a publicly owned entity, or is it likely to be publicly owned entity in the foreseeable future or is on the firm's list of sensitive clients?  (Note: Publicly owned includes AIM, EIS and major charities).	
2.	Are there any pending financing arrangements, tender offers or acquisition offers?	
3.	Are there any going concern doubts about the entity or are there likely to be such doubts in the foreseeable future due to the entity being highly geared?	
4.	Are there a significantly larger number of shareholders than would be the case in a closely-held business?	
5.	Is the entity regulated or is (or operates in an industry which is) otherwise highly visible to the public and/or has received significant media coverage?	
6.	Is the entity prone to lawsuits or controversies?	
7.	Is the entity a significant new client?	

Conclusion

On the basis of the above, client is to be treated as:

	Tick as appropriate	State Regulators if regulated
Sensitive		
Not sensitive, but regulated		
Not sensitive		

If the sensitivity status has changed the Audit Compliance Partner must be sent a copy of this form immediately.

\_\_\_\_\_  
Signed

\_\_\_\_\_  
Date

## Books and records received

#[Name]	Reference:   #[Reference]
	Date:       #[Date]
	Part    :   #[Part init]

**BOOKS AND RECORDS RECEIVED:** Enter N/A if records maintained by the firm.

Books & records	Rec'd Y/N, or N/A	Missin g items	Date required	Date received	Date returned
Cash book					
Bank statements - current					
Bank statements - other a/cs					
Cheque books & paying-in books					
Purchase day book/Supplier activity report					
Aged Creditors list					
Purchase invoices for year					
After date purchase invoices					
Supplier statements					
Sales day book/Customer activity report					
Aged list of debtors					
Sales invoices & Credit notes					
After date sales invoices and credit notes					
VAT workings and returns					
Payroll					
P35 & P11Ds					

<b>Books &amp; records</b>	<b>Rec'd Y/N, or N/A</b>	<b>Missin g items</b>	<b>Date required</b>	<b>Date received</b>	<b>Date returned</b>
Stock & WIP sheets					
Petty cash book					
Petty cash vouchers					
Nominal ledger					
New agreements:					
Loans					
Leases					
Other					
Other items for immediate attention:					
VAT returns					
Tax returns					
Statutory work					
Other					

## Clients' Account transaction form

This form to be completed for all clients' account transactions.

**Client name:**

**File number:**

ACCOUNTS USE ONLY
Date entered:
Entered by:

Client's accounts	Current/Deposit/Designated	
Type of transaction	Receipt/Payment/Transfer	
Amount		£

Form of instruction/authority from client (attach copy if appropriate)	
Receipt details Form of receipt	Cash/Cheque/Transfer/Other:
Bank sort code	
Account number	
Account name	
Received from	
Payment details Form of payment	Cash/Cheque/Transfer/Other:
For bank transfers	

---

Bank sort code	
Account number	
Account name	
Reason for payment	
Payee	
Authorising partner	Date

## Suspicion of Money Laundering form

Client:	[#Name#]
Report Number:	

This form should be completed if there is any suspicion of money laundering and given to the Money Laundering Reporting Officer (MLRO). If the form cannot be handed to the MLRO it should be left in a sealed envelope marked 'Strictly Private and Confidential – To be opened by addressee only'. Further guidance is given in the Money Laundering Manual.

Brief description of circumstances (or cross- reference to supporting documentation)	
Suspect's name and address	
Date of birth	
Nationality	
Details of transactions (append copies or relevant documentation)	

I believe that the above circumstances constitute reasonable suspicion of money laundering:

\_\_\_\_\_  
Signed

\_\_\_\_\_  
Date

\_\_\_\_\_  
Name

---

**ASSIGNMENT PARTNERS CONCLUSION (where appropriate)**

When requested to do so by the MLRO, the Assignment Partner should promptly consider the suspicious circumstances and decide whether they consider further action is required.

I agree that the above suspicion should be considered by the MLRO

I consider that the above suspicion is not reasonable grounds for processing further because:

\_\_\_\_\_

Assignment Partner

\_\_\_\_\_

Date

**ACTION TAKEN BY MLRO**

- Reported to National Crime Agency (NCA) Date of report:  
NCA Reference Number:  
Investigating Officer:
- Not reported to the NCA because:

\_\_\_\_\_

MLRO

\_\_\_\_\_

Date