

Technical factsheet

Engagement letters for practitioners: accounts production

The application of engagement letters, guidance notes to the appendices, covering letter, privacy notice, schedules of services, standard terms and conditions of business and disengagement letter wording **are examples only**. Engagement letters set out the terms under which a practitioner works with clients, and define the contractual responsibilities that each has to the other. The terms that offer practitioners the best protection will depend on the circumstances of each and the work that is agreed to be provided. Equally, the extent to which those contractual terms will be enforceable given, for example, ‘unfair contract terms’, depends on similar considerations. A practitioner offering services to a client is subject to specific legislation, such as on data protection. Contracts between a practitioner and their client offer evidence of the relationship between the parties which may affect how that legislation applies, but a contract cannot override statute law. For these and similar reasons, it is impossible to provide template engagement letters which offer the practitioner total protection or cover all circumstances equally. We have advice from counsel expressing concerns on this point. Nevertheless, we believe it is in the interests of practitioners to have draft engagement letters available, on the basis of which, considering the guidance in this document and other guidance available, their own circumstances, the relationship and work commitment with clients, they can draft appropriate contractual terms. The engagement letters, on which counsel has commented, are set out in the following pages and we have attempted in the text to reflect the detailed advice which counsel has given. While every care has been taken in the preparation of the application of engagement letters, guidance notes to the appendices, covering letter, privacy notice, schedules of services, standard terms and conditions of business and disengagement letter wording, ACCA and all those involved in the preparation and approval of this guidance do not accept any responsibility for any loss occasioned by reliance on the aforementioned documents. Template documents cannot and should not be taken as a substitute for appropriate legal advice.

**MAY 2020**

**ACCA LEGAL NOTICE**

The letters of engagement, specimen letters and terms and conditions are examples only. They may not address all of the issues for each specific client you intend to issue letters of engagement, specimen letters and terms and conditions to. You should undertake additional research into any client matters not dealt with in the examples and amend your letter accordingly.

While every care has been taken in the preparation of the example letters of engagement, specimen letters and terms and conditions, ACCA does not accept any responsibility for any loss occasioned by reliance on the issue of any example letter of engagement, specimen letter or terms and conditions.

We recommend you seek legal advice before the issue of any letter of engagement and terms and conditions.

**CONTENTS**

Foreword

Introduction

[Appendix Aa – Covering letter](#Appendix_Aa)

[Appendix Ab – Privacy notice](#Appendix_Ab)

[Appendix\_B](#Appendix_B)

[Schedule of services for a non-audit accounts assignment for an incorporated company](#non_audit_incorp)

[Schedule of services for a non-audit accounts assignment for a micro-entity](#non_audit_micro)

[Schedule of services for a sole trader](#sole_trader)

[Schedule of services for a partnership](#partnership)

[Schedule of services for an independent examiner’s report for an unincorporated charity (receipts and payments basis for accounts preparation)](#unincorp_charity)

[Schedule of services for an independent examination assignment for an incorporated charity](#incorp_charity)

[Schedule of services for a non-audit accounts assignment for a limited liability partnership (LLP)](#LLP)

[Appendix C – Standard statement of terms and conditions](#terms_conditions)

[Appendix D – Disengagement letter wording](#disengage)

# FOREWORD

**This guidance is issued only for use by members of the Association of Chartered Certified Accountants. It may not be relied on or published by any other body for any other purpose without prior written permission.**

The application of engagement letters, guidance notes to the appendices, covering letter, privacy notice, schedules of services, standard terms and conditions of business and disengagement letter wording **are examples only**. Please note that with regard to the suite of engagement letters on which these letters are drawn that legal counsel, when advising on the professional bodies for *Engagement Letters for Tax Practitioners*, highlighted misgivings in relation to the provision of template wording generally. We advise our members to complete their own letters seeking legal opinion or support where required to tailor the draft template documents. We consider that our members require a starting point and therefore we have continued our previous practice of providing template documents. They may not address issues for each client a practitioner intends to issue them to, and in **all cases** a practitioner **must** tailor them to take into account their requirements and client considerations.

**Practitioners:** While every care has been taken in the preparation of the application of engagement letters, guidance notes to the appendices, covering letter, privacy notice, schedules of services, standard terms and conditions of business and disengagement letter wording, ACCA and all those involved in the preparation and approval of this guidance do not accept any responsibility for any loss occasioned by reliance on the aforementioned documents. Template documents cannot and should not be taken as a substitute for appropriate legal advice.

**Preventing misunderstandings**

Engagement letters are a very effective loss-avoidance tool. If problems arise in the client relationship, the engagement letter can provide essential evidence of the exact terms agreed, and may well head off an incipient legal action.

The importance of an engagement letter for work is to define the terms and limitations of the engagement, and to agree these with the client.

It can be used to manage clients’ expectations and can provide significant protection to a practitioner against potential claims. An engagement letter provides important evidence of what was agreed in the event of a dispute as to the scope of a practitioner’s engagement or where there are allegations of professional negligence. This is particularly relevant given the increasingly litigious world in which business is conducted. Professional indemnity insurers regard the failure to issue engagement letters as an increased risk, which may raise the premium.

The engagement letter records the terms of the contract with the client for the provision of professional services, and it is important that the terms are clear and precise.

It is recommended that it includes a covering letter, one or more schedules setting out clearly the nature of the services to be provided, a statement of a practitioner’s standard terms and conditions, and a copy of the firm’s privacy notice. When sending engagement letter documents, a practitioner must tailor them to meet individual circumstances, including amending or deleting wording in accordance with the comments. As highlighted, legal counsel has misgivings in relation to the provision of template wording and legal opinion, so support should be sought where required to tailor the draft template documents.

It should be noted that the Professional Conduct Regulations in the *ACCA Rulebook* require letters of engagement to be obtained for all assignments.

The product will be updated from time to time. Any significant changes that occur after the product is issued, but before the next update, will be detailed on ACCA’s website.

# INTRODUCTION

This guidance is based on the law of England and Wales, and on practice and procedures in the UK. Those giving advice in other jurisdictions or governed by other legal systems should take appropriate steps to ensure that they comply with any additional relevant requirements.

A practitioner needs to be aware that, in a consumer contract, a clause requiring the consumer to bring any proceedings in a jurisdiction other than that of the consumer’s domicile will in most circumstances be unenforceable, provided that the trader pursues commercial/professional activities in the EU member state in which the consumer is domiciled or has directed such activities to that member state.

These letters have been prepared on the basis of applicable law in England and Wales. If a practitioner is based in Northern Ireland or Scotland, they will need to consider any amendments required to the templates.

This guidance to practitioners about engagement letters for work supersedes all previous editions. A member should be satisfied that there have been no subsequent changes that impact on how this guidance applies to their particular facts and circumstances.

The engagement letter pack comprises the following documents:

* covering letter
* schedules for various specific services
* standard terms and conditions of business
* privacy notice
* cancellation notices for consumers.

When sending an initial engagement letter to a client, all of the above documents should be considered for inclusion. When undertaking additional services, a practitioner can tailor the letter and include the additional schedule on its own. A new covering letter can be issued to inform a client of a change to the fees or a change to the terms and conditions. It is not necessary to send all of the documents in these circumstances.

Practitioners must record and send to their client a letter of engagement, which sets out the terms under which they are agreeing to be engaged by the client. The professional rules and obligations can be found in the *ACCA Rulebook* (hereafter referenced as the ‘*Rulebook’*), which is available at [bit.ly/ACCA-rulebook](http://bit.ly/ACCA-rulebook).

This guidance does not cover engagement letters for statutory audits, insolvency work or regulated investment business.

‘Engagement letter’ in this guidance means the covering letter and privacy notice, schedule of services, and the standard terms and conditions of business. There is also a letter of disengagement.

Since anti-money laundering (AML) obligations should be satisfied before a practitioner agrees to act for a new client, they are not covered here. For guidance on the responsibilities and obligations under AML legislation, see the *Anti-Money Laundering Guidance for the Accountancy Sector* (AMLGAS), previously known as the CCAB guidance, at [bit.ly/AMLGAS](https://bit.ly/AMLGAS).

A practitioner should also be aware of their obligations under the European Commission’s Services Directive ([bit.ly/EC-services](https://bit.ly/EC-services)).

A practitioner acting for individuals should check whether they fall within the obligations of The Consumer Contracts (Information, Cancellation and Additional Charges) Regulations 2013 ([bit.ly/gov-cons-13](https://bit.ly/gov-cons-13)). A practitioner should also be aware of the provisions of the Consumer Rights Act 2015 ([bit.ly/gov-cons-15](https://bit.ly/gov-cons-15)), a consolidating act bringing together the existing obligations owed to consumers. Chapter 4 restricts the ways in which you can exclude or limit your liability to consumers and, importantly, makes clear that anything said or written to the client before the engagement is entered into may be implied into the contract as a term of it.

A practitioner should be aware of their requirements under the Data Protection Act (DPA) 2018 ([bit.ly/gov-dpa-18](https://bit.ly/gov-dpa-18)) and the General Data Protection Regulation (GDPR) ([https://gdpr-info.eu](https://gdpr-info.eu/)).

A practitioner should also be aware of the requirements under The Payment Services Regulations 2017 ([bit.ly/gov-psr-17](https://bit.ly/gov-psr-17)) and ensure that they are not undertaking payment services for clients without the proper authorisation. These engagement letters have not been prepared on the basis that a practitioner is offering these services, and specialist advice should be taken where client accounts are operated in this way.

A practitioner **must** review and amend the letters to meet the requirements of their own practice.

**Scope of the engagement**

Engagement letters should be issued to the client at the outset of an engagement and also when the scope of services changes significantly. New letters or revised schedules may be needed if, for example, there are changes to the standard terms and conditions, to the scope of services or to the basis for charging fees.

It is strongly recommended that engagement letters are reviewed annually.

The understanding between you and your client concerning the nature and scope of the engagement is paramount. In addition to fees and billing issues, a comprehensive engagement letter should cover several issues to clarify the scope of the engagement:

* Early in the engagement, time is well spent clarifying the exact nature of the engagement. A clear, concise definition of the engagement is often a portion of the engagement letter that must be individually drafted. This will not only assist you in meeting the client’s goals as the engagement progresses; it will also provide a useful benchmark for any discussion of changing expectations as the engagement evolves.
* The letter should specify the correct name of the parties represented, especially when multiple interests are involved. A separate engagement letter should be issued for each client to whom a service is provided unless it is agreed otherwise.
* Significant areas of responsibility assigned to either the firm or the client should be spelled out. Limitations on responsibility should also be detailed.
* Well-constructed engagement letters also include a clear delineation of the respective areas of authority and responsibility of the firm and client.

**Framework for the engagement – the covering letter**

The covering letter should provide a framework for the work to be performed, as well as establish the course of communication and interaction throughout the engagement. The covering letter should be printed on the practice notepaper. A sole practitioner may wish to personalise references to ‘us’/’our’/’the firm’. Where the letter is not addressed to an individual client, it should be addressed as appropriate to the directors of a company, partners in a partnership, trustees of a trust or members of a limited liability partnership. It should outline:

## *Who we are acting for* For clients other than individuals, it is important to be clear who within the client’s organisation has the authority to give instructions for work to be undertaken and who is the authorised signatory. This also applies where a composite letter has been issued.

* *Terms of engagement*Setting out the specific terms and conditions of the assignment.

## *Scope of services*If a practitioner agrees to carry out additional work after issuing an engagement letter, a new engagement letter or updated schedules as appropriate should be issued unless the additional work is covered by the ad hoc and advisory section of the original engagement letter. A practitioner may also wish to include a paragraph setting out the other services available to clients.

* *Important deadlines*Time considerations should be delineated for major tasks, particularly if timing is key to the engagement.
* *Frequency of client communication*The frequency and manner of keeping the client informed is another area that should be addressed.
* *Period of engagement*The date the engagement is to start should be stated in the covering letter. The period such as the tax year or the accounting period, in respect of which the first work will be undertaken, should also be stated. The letter should specify when any advisory services will begin. Where it is agreed that a previous practitioner will complete work relating to prior years, the respective responsibilities need to be clear to avoid any dispute.
* *Termination of the engagement*The letter should address how the engagement can be terminated if either party is dissatisfied. For example, “After providing written notice, you may end the engagement at any time” or “Subject to the Rules of Professional Conduct, we also may terminate the engagement. These rules permit or sometimes require withdrawal. Before this occurs, we will provide you with written notice.”
* *Document retention and storage*You should provide for return to the client of their records and state the firm’s document retention policy for all other records. The client should be alerted to the fact that you will dispose of any other records after the time period stated. You should also indicate that it is the client’s responsibility to request such documents from you prior to that date if they wish to retain them.

## Fee arrangements

Many firms routinely use engagement letters for all new clients, new matters with existing clients and contingent fee matters. The likelihood of a fee dispute – leading to a possible negligence claim – can be substantially reduced if the key details of the fee arrangement are made clear at the outset and confirmed in writing. The engagement letter should address:

* *Payment of fees*Include the basis for computing the fee.
* *Billing frequency*Outline how often bills are sent and when they are due.
* *Handling of clients’ monies*Address the handling of clients’ monies in general, whether or not interest will accrue, etc.

Clients need to be given enough information on fees to make an informed decision and a practitioner should be aware that, as a matter of contract law, if a client doesn’t know what they are agreeing to pay, they may not be required by the courts to pay it. Where more complicated fee arrangements are in place, it may be more appropriate to set the position out in a schedule and a suggested format has been provided.

The hourly rates for each member of the team and/or level of professional staff should be included unless a fixed-fee arrangement is in place. It is important to explain when and how the client will be advised of changes in the hourly rates and of other relevant changes.

Where a fixed fee or some other basis of charge has been agreed, the paragraph in the engagement covering letter should be amended accordingly. If an estimate or an indication of fees has been given, the precise terms should be stated in this paragraph or in the separate fee schedule.

Fees may not be payable by the client where fee protection insurance is in place and covers the work being undertaken, and this should be drawn to the client’s attention where relevant.

Where additional fees are to be charged because work is being completed within a shorter period than normal because of the late receipt of information, the client should be made aware of this to minimise the possibility of a dispute when the fee is issued.

## Confirmation of the client’s agreement

The client should be asked to agree to the scope and terms of the engagement in writing, usually by signing and returning a copy of the engagement letter. In line with guidance in Professional Conduct in Relation to Taxation, a practitioner should obtain evidence of the client’s approval of the engagement letter in electronic or non-electronic form. It is therefore acceptable, for example, if the client sends an email confirming their agreement to the letter and this is retained. Ensuring there is evidence of agreement minimises the risk of subsequent disagreement over the terms under which the work is carried out. Any changes to the engagement letters that are agreed orally should be subsequently confirmed in writing.

Where more than one company in a group is to be the client, the letter may be signed by the representative of the parent provided that all the companies are listed on the engagement letter and it is confirmed that the signatory is properly authorised.

While it is always advisable to insist on the letter being acknowledged, preferably by return of a signed copy, it is possible that, despite a practitioner’s best efforts, the client will never sign an engagement letter. If so, the contract with the client will be evidenced by the subsequent conduct of the parties – for example, by the client sending in the books and records needed to carry out the work.

If the letter is never signed but services are performed, a practitioner will need to prove that the letter was communicated to the client, and to demonstrate acts by the client that are sufficient proof of acceptance. A useful record of receipt can be an email sent by the client confirming receipt, sending a reminder engagement letter by recorded delivery or a note of a telephone conversation in which the client made reference to receiving the letter.

Any discussion of the client’s views on the engagement letter would also be relevant. For example, if the client had expressed dissatisfaction with the terms of the engagement letter, this would in most circumstances negate any case that the engagement terms had been accepted by conduct.

If there is a pressing need to act in the client’s interests before the engagement letter is signed, it is important to ensure that any such work is later covered by the terms of the engagement letter. A practitioner should make the client aware of the terms and conditions under which the work is being carried out. It is strongly recommended that a practitioner makes a file note recording the discussion regarding the terms and conditions. A practitioner should also confirm in writing to the client that work carried out before the signing of the engagement letter is subject to the terms and conditions set out in that engagement letter so that there can subsequently be no dispute as to whether or not it was covered by the engagement letter.

**Accounting choices**

Although the practitioner may advise the clients on the choices of accounting framework that are available to them, it remains the responsibility of the client to select the option that is most appropriate for them. To emphasise this within the statutory responsibility, the following sentence could be inserted: “As directors of the company, it is your responsibility to select and review the statutory reporting framework you have chosen to report under.”

**Other issues**

If the status of a practitioner alters – for example, from sole practitioner to partnership or limited liability partnership or limited company or vice versa – new engagement letters should be issued to all clients concerned.

If the client incorporates, merges or demerges, or converts to a limited liability partnership, a new engagement letter is needed to establish the terms of the business relationship with the new entity.

When acting for a group of companies, it may be more practical to send a single engagement letter to the parent company of the group. The letter should specify clearly that services to all the member companies of the group are covered. If this approach is adopted, a practitioner should check that the parent company has the authority to bind all companies of the group. It is important to define and list the members of the group and to put the onus on the client to advise promptly of changes in the membership of the group. The same principles apply when acting for a network of partnerships.

If a composite letter is used, then it should set out what would happen should there be a dispute between the clients who have signed that letter, and, in particular, where ultimate liability for payment of a practitioner’s fees will lie, including whether the adviser reserves the right to continue to act for one or more of the clients, in the absence of a conflict, and in particular make clear either that liability for fees is joint and several, alternatively as to the clients responsible for the payment of fees.

**Advising changes to standard terms through a practitioner’s website**

Terms of engagement can only be varied by agreement. It is not enough just to place an update on a website. In the event of a dispute, the practitioner would be unable to prove acceptance of those revised terms if there is no overt act of the client which can reasonably be interpreted as acceptance of those terms. Only if it can be shown that the revised terms have come to their attention will any further instructions or communications from the client be evidence of acceptance. Courts will not generally favour an approach whereby, without an opportunity to see and comment on them, a client is fixed with new terms that may be disadvantageous. The court is likely to think it unrealistic that a client will regularly consult a website for updates. However, there may be minor terms that can reasonably be updated by communication on the website, provided that the engagement letter states that there will be variations brought into effect by publication on the website.

For anything other than insignificant amendments, the use of the website is not recommended. A minimum requirement is to email each of the clients informing them of the existence of new terms, stating that they are to be found on the website and asking for confirmation of their acceptance. If obtaining confirmation is impracticable, it may be sufficient, although less secure, to state that any work instructed after receipt of the email notifying changes will be treated as carried out under the new terms and conditions.

While it is important to advise the client of changes to terms and conditions, fees etc, it is not necessary to send the full set of appendices to the client every time a change is made. When sending engagement letter documents, a practitioner must tailor them to meet individual circumstances, including amending or deleting wording in accordance with the comments. As highlighted, legal counsel has misgivings in relation to the provision of template wording and legal opinion, so support should be sought where required to tailor the draft template documents.

**Investment businesses**

Investment business engagement letters are not covered by this product. However, paragraphs for inclusion in a general engagement letter relating to investment business for firms that are not regulated or which are licensed by ACCA in respect of investment business are included. If your firm is authorised by the Financial Conduct Authority (FCA), you should seek further guidance on engagements under that authorisation. This product does, however, include a model letter to use when your firm refers a client to an independent permitted third party (PTP) relating to investment business.

**Data Protection Act (DPA) 2018 and General Data Protection Regulations (GDPR)**

GDPR came into force on 25 May 2018. The Information Commissioner’s Office (ICO) has provided a significant amount of information to assist businesses and a practitioner should refer to the ICO website.

The engagement letters have been updated to take into account our understanding of the current requirements under GDPR and the DPA 2018. They have been drawn up on the assumption that all data processing is done in the EU. Please refer to the current guidance on our website ([accaglobal.com/uk](http://www.accaglobal.com/uk/)) to check on any updates to GDPR guidance or suggested changes to these letters. This guidance does not replace the requirement for a practitioner to familiarise themself with the legislation and the information set out on the ICO website.

A practitioner must send their privacy notice to clients as part of the engagement letter. This will cover most of the information that clients require under the legislation. A practitioner must also update clients if the purpose or lawful basis of processing their data has changed.

A sample privacy notice has been provided which, if this version is used, **must be adapted** to cover the circumstances applicable to a practitioner’s own firm. Alternatively, a firm should send clients their own version.

Before preparing a privacy notice, the ICO states that businesses should document what personal data they hold, where it came from and who it is shared with. A simple template may be appropriate to meet this requirement and an example is shown below. More detailed ICO documentation templates for controllers and processors are available on the ICO website: [bit.ly/ico-doc](https://bit.ly/ico-doc).

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Source of data** | **Information stored** | **Purpose** | **Computer program****Processing/ storage** | **Access/security** | **Deletion policy** |
| ClientBankInvestment brokerCompany finance director | Names, addresses, dates of birth, marital status, income, bank account details for repayment, complete tax returns and calculations | Preparation of accounts to send to client and then submit to Companies House | CommercialSoftwareSpreadsheetsLetters | Held on laptop Laptop password protectedReturns and lettersSent by client portal | Seven years |
| Client company | Debtor and creditor detailsReports Accounts detailing financial figures | Accounts processingProvision of accounts to client | Payroll softwareFile in locked drawer | Computer password protectedLocked drawerEncrypted emails | Under discussion with employer |
|  |  |  |  |  |  |

The ICO website provides further information on preparing for GDPR and a practitioner should refer to its guidance: [bit.ly/ico-guide-gdpr](https://bit.ly/ico-guide-gdpr).

Points to note on the sample GDPR privacy notice included in the covering letter:

1. Our understanding is that accountants and tax advisers have historically been considered to be data controllers. With the introduction of GDPR, a practitioner will need to consider if they are a data controller or a data processor for individual assignments. The template documents will need to be amended to reflect the requirements in each case. There are some circumstances where they fulfil the role of a data processor and GDPR introduces new requirements for data processors. Documentation has been included with the aim of covering the requirements placed on data controllers and data processors. Refer to the ICO’s checklists for data processors and data controllers: [bit.ly/ico-check](https://bit.ly/ico-check).
2. The GDPR makes **written** contracts between controllers and processors a general requirement. A practitioner undertaking data processing, such as payroll processing, for a data controller must therefore have a contract in writing. Additional sections have been included with the payroll schedules to the engagement letters to cover the additional information, which needs to be set out in these contracts. The sample privacy notice also includes relevant statements. For guidance in relation to the requirements placed on data processors acting for data controllers, refer to [bit.ly/ico-gdpr-guide](https://bit.ly/ico-gdpr-guide). A practitioner should also note the requirements in relation to sub-processors and be aware of this when using subcontractors.
3. Data controllers must identify at the outset all the lawful bases on which they intend to process data and the privacy notice should set these out. Article 6 (1) of GDPR sets out the lawful bases on which data can be processed. In summary these are:
4. Consent
5. Contract
6. Legal obligation
7. Vital interests
8. Public task
9. Legitimate interests

For more information, refer to [bit.ly/ico-lawful](https://bit.ly/ico-lawful).

1. The privacy notice includes the statement that “there is no automated decision-making involved in the use of your information”. It is assumed that a practitioner is not using automated decision-making software but specialist advice will need to be taken if this is not correct.
2. Data portability is one of the individual rights applying under GDPR where processing is carried out by automated means. For further information in relation to the implications of this right, refer to [bit.ly/ico-port](https://bit.ly/ico-port).
3. The privacy notice aims to stress the importance of clients retaining their own records. This ensures that if they want to transfer the data to other suppliers they should have records to do so and a practitioner will be able to charge if a copy is required. It should also assist in ensuring that clients retain records so that a practitioner can delete their records at an appropriate time and, if the client exercises their right to erasure, they will have their own records to use for HMRC enquiries.
4. The privacy notice refers to periods of retention of documents and retaining data for legitimate interests such as the need to defend yourself against legal claims. As with other sections of the privacy notice, these need to be reviewed and your data retention periods and legitimate interests for retaining data should be amended as appropriate. For example, if you consider your retention period needs to go beyond the seven years highlighted in the notice, you should ensure you have a clear legitimate interest in retaining information for the stated period. The ICO has made it clear that it does not expect a practitioner to retain information “just in case”.

Practitioners should be aware of the more stringent restrictions on the processing of “special categories” of personal data, eg data revealing racial/ethnic origin, sexual orientation etc). A practitioner who is processing personal data within the special categories will need to ensure that one or more of the criteria for processing specified in Article 9(2) of GDPR is satisfied. For further information see [bit.ly/ico-special](https://bit.ly/ico-special) and ensure that your privacy notice reflects any additional requirements.

A practitioner needs to consider the policies and procedures they need to have in place in their practice to meet all of the other requirements of the DPA 2018 and GDPR. Part of this involves a consideration of what secure methods should be used when corresponding with clients. A practitioner should agree with their clients the best method of communication with them and ensure that they are aware of the risks if they insist on corresponding by email without any additional security measures in place.

Given the updated legislation, a practitioner must revisit their data retention policies and practices, and consider the records that they hold given the obligation to destroy records that are no longer required. It is essential that practitioners review their historical records as files cannot be retained for excessive periods.

In order to be able to market other services to your client, it may be advisable to cover this on the consent basis of lawful processing. Options have been included in relation to this in the covering letter and the acceptance notice. If you want to ask clients about passing their details to other outside firms, then the following paragraphs could be inserted:

**Covering letter:** We would also like to pass your details on to insert name of company/companies who you will pass information to, or well-defined category of companies, so that they can contact you by post with details of insert specific products (eg tax enquiry insurance)/offers/services/competitions that they provide. If you consent to us passing on your details for that purpose, please indicate your agreement on the acceptance statement.

**Acceptance letter:** I agree/do not agree to my details being passed to insert name of company/other companies/well-defined categories of companies who you will pass information to so that they can contact me by post with details of specific products/offers/services or competitions.

### Instructions for use

The schedules contain comments providing guidance on the use of the specific letter or technical guidance on a particular area. They are also used to highlight areas where tailoring may be required.

If the comments do not appear, go to the Word toolbar, click on ‘Review’ and then on the right of centre next to ‘Track Changes’ select ‘Final: Show Markup’ from the dropdown boxes. To ensure that the comments do not print out when you print the letter, select ‘File’, ‘Print’, and then in the first dropdown box ensure that the tab ‘Print Markup’ is unclicked; this will then print the whole document without any of the comments added for information.

You will see in the example letters certain sentences, which may be deleted in the final letter. The letters also have form fields (they appear on screen as shaded boxes). These are used when specific information such as a name or date need to be entered. The boxes tell you what information needs to be entered. Do ensure that you fully amend the letter as instructed before it is sent to the client.

There should be at least one letter sent to each client with terms and conditions attached. The engagement letter details the specific services and the individual responsibilities of the accountant/auditor and the client. The terms and conditions letter contains the general terms and conditions for the client, which will apply for all assignments undertaken for the specific client.

In order to minimise the volume of paper (especially as letters are updated), the letters have been split between the letters and schedules of services, which set out the key responsibilities of the individual parties, and the terms and conditions, which set out the general terms under which the firm conducts its business. The terms and conditions should be tailored to the firm’s specific needs and apply for all types of assignment. Hence, if you were providing PAYE services and accounts preparation to a limited company non-audit, you would issue one engagement letter for payroll and one for the accounts assignment, and then one set of terms and conditions covering both assignments. The covering letter would also be issued.

It should be noted that these letters are designed for clients where there is regular contact. It is suggested that where you have not received any contact from a client for a period of, say, 12 months, the annual review letter followed where necessary with a modified disengagement letter should be sent to ensure termination of engagement and clarify responsibilities on the ending of the engagement.

When going through the disengagement process it should be noted that, if exercising a right of lien, the guidance contained within the [*Rulebook*](https://bit.ly/ACCA-rulebook) should be followed.

**Example**

The list below takes you through the life cycle of a client and the letters that would be sent at each stage:

1. A limited company has asked you to act as its adviser. During the meeting you have discussed the services you will provide and the timescale. **After this meeting, as well as writing for clearance, you would send the letter to client including privacy notice.** This should fit in with the usual client acceptance procedures.
2. You have received a favourable response from the outgoing adviser and will be providing audit services only for the client. **At this stage, issue the terms and conditions and the accounts production schedule, or combine and send as one.**
3. If anew piece of legislation comes in that will impact on the terms and conditions, **reissue the terms and conditions or issue notification of change of terms.**
4. There have been no changes but you want to confirm your appointment for a further year. **Send the annual review letter.**
5. The client decides to use a different firm as advisers. **Issue the disengagement letter.**

### Combining letters

The letters have been designed so that a separate letter is issued for every service provided to the client although only one copy of the terms and conditions would be needed.

### Additional clauses

In addition to the standard paragraphs that have been incorporated into the standard letters of engagement, you will need to consider inclusion of clauses on the areas set out below.

*Client money*

If the practice never holds client money and is not likely to do so in the future, a practitioner may decide to omit this paragraph. If the practice is likely to hold client money, a practitioner should consider the requirements within the [*Rulebook*](https://bit.ly/ACCA-rulebook) and amend the standard terms and conditions if appropriate.

A practitioner should also be aware of the requirements under The Payment Services Regulations 2017 and ensure that they are not undertaking payment services for clients without the proper authorisation. These engagement letters have not been prepared on the basis that a practitioner is offering these services and specialist advice should be taken where client accounts are operated in this way.

## *Commissions and other benefits*

Under general law, commissions received must be accounted for to the client but, with the client’s permission, can be retained by a practitioner. If they are to be retained, examples of commissions likely to be receivable have to be provided. Even if a practitioner receives an indirect benefit they should disclose this to the client.

## *Confidentiality*

A practitioner is obliged to keep client information confidential and to take all reasonable steps to preserve confidentiality. However, a practitioner may be required by law (whether in the UK or overseas), by regulatory bodies or insurers, to disclose information about their clients.

A practitioner should be aware that they remain responsible for client information remaining confidential even where work has been subcontracted or outsourced to third parties, who should also be placed under an obligation of confidentiality. Again, this is referred to in the sample privacy notice.

## *Disengagement*

A practitioner will find it useful to issue a disengagement letter when they cease acting for a client. This can be used to manage an ex-client’s expectations and to provide some protection to a practitioner against potential claims by the ex-client.

A disengagement letter will normally address the following:

* a summary of services provided up to the date of ceasing to act
* a note of any further action to be taken by a practitioner
* a note of any outstanding matters that either the ex-client or the new advisers will need to address
* details of any impending deadlines and the action required
* a practitioner’s willingness or otherwise to
	+ assist the new advisers to resolve outstanding issues with HMRC or others
	+ provide copy papers to the new advisers
* details of any outstanding fees
* a note indicating whether a practitioner or their successor is to advise HMRC of the change.

## *Electronic and other communication*

## The standard terms and conditions state that the practitioner is using virus-scanning software to reduce the risk of viruses and similar damaging items being transmitted. A practitioner should therefore ensure that their systems are set up to deal with the relevant scans. Data security is a fundamental requirement under data protection requirements.

## *Fees and payment terms*

Fee arrangements are a matter for commercial negotiation by a practitioner and should be agreed in writing. The template wording provided may not be appropriate in every particular case. Due regard should be given to the nature of the engagement and client relationship when setting fees. Possible arrangements include:

* time and expenses – where the charges are determined by reference to time spent and the level of expertise of the personnel involved
* fixed fees – where a fixed amount is charged for an agreed assignment. In such cases the fees should be based upon a careful costing of the work. When the arrangement is to run on, say, beyond one year, a clause in the engagement letter should enable additional work to be charged and cost escalation to be recouped.
* contingent or success fees – these should be used with care and should not be offered if there is a risk that professional independence and integrity will be impaired in the conduct of work
* fees that may be covered in whole or in part by professional fee insurance.

The paragraphs in the standard terms and conditions relating to fees should reflect a practitioner’s standard approach to fee arrangements to avoid the need to amend them case by case. A practitioner who works on a contingency or success fee basis will need to amend the standard terms and conditions accordingly.

A practitioner can reduce the risk of fee disputes by giving an indication of fees before work is started or by agreeing fees before issuing invoices. If an estimate or indication of fees is given, it is advisable to include this in the covering letter sent with the schedules and standard terms and conditions, and in any updates subsequently issued.

Where fixed or contingent fees are agreed, it is especially important to take care in describing the scope of the work they cover. This protects a practitioner’s position if unexpected additional work arises.

Where a practitioner indicates the hourly rates for each member of the team and/or level of professional staff, it is also important to indicate when and how the client will be advised of changes in the hourly rates and of other relevant changes.

Fees should be stated as being exclusive of VAT. Where fees are stated in a contract for services without reference to VAT, they will be treated as inclusive of VAT (section 19(2), VAT Act 1994) – assuming that a practitioner is VAT registered.

A practitioner may charge interest on late payment of fees but must meet the requirements of the Consumer Credit Act. The rate of interest charged should be reasonable and not exceed the limits set out in the Late Payment of Commercial Debts (Interest) Act 1998 when the supplier and purchaser are both acting in the course of a business.

“Applications for payment” can be issued when continuous supplies of services are made (eg recurring work). Although they may contain all the normal invoicing details (net value, VAT amount and gross fee), they should not show a practitioner’s VAT registration number and they should clearly state “This is not a tax invoice”. A VAT invoice should be issued upon receipt of payment. A practitioner should be aware that it is harder to sue a client in respect of an application for payment than it is where an invoice has been issued.

Where continuous supplies of services are provided, and two or more payments are to be made by standing order, a practitioner can issue a VAT invoice showing the normal invoice details and listing all the payments due over a period of up to one year. The tax point then becomes the earlier of the receipt of each payment or the time when each payment falls due.

This arrangement applies only where two or more instalments are due. Invoicing in advance for a single future payment creates a tax point for VAT purposes at the time of issue of the tax invoice.

In some cases, the schedules to the engagement letters refer to the possibility of charging an additional fee where information has not been received by the date requested or returns are prepared in a short period. Where applicable, this clause should be drawn to the client’s attention and they should be made aware that an additional fee will be charged.

## *Advanced fees or acting as a guarantor*

A practitioner may wish to obtain a guarantee for payment of fees incurred by a client from a third-party guarantor. If a practitioner does wish to do so, they should seek a separate agreement with the intended guarantor, in advance of entering into the engagement with the intended client. For example:

“Guarantee of payment of fees

I, XYZ, wish ADVISER to enter into an engagement with INTENDED CLIENT because..........

In consideration of ADVISER agreeing to enter into an engagement (“the engagement”) with INTENDED CLIENT, as set out in the draft engagement letter annexed to this guarantee, I, XYZ, agree to pay all fees arising or incurred in accordance with the engagement in so far as the same are not paid by INTENDED CLIENT within x days of such fees arising, and to pay interest on any unpaid fees at the rate of xxx from the date of issue to the date of payment.”

## *Investment advice (including insurance mediation services)*

During the provision of tax advice, aspects of investment advice or insurance mediation services might be touched on. Whether or not such services are ‘regulated’ can be a complex area and this guidance note does not deal with such matters. Some activities can be undertaken by a firm that is not licensed by a designated professional body (DPB) or authorised by the Financial Conduct Authority (FCA). Other activities require a DPB licence or FCA authorisation.

This guidance does not cover wording for investment business and related issues such as insurance mediation and referrals to third parties. However, some paragraphs relating to investment services for inclusion in the standard terms and conditions are included for firms that are not regulated or which are licensed by a DPB, but not for those that are authorised by the FCA. A practitioner who is so licensed or authorised should refer to the DPB requirements in the [*Rulebook*](https://bit.ly/ACCA-rulebook) or the FCA handbook.

## *Lien*

This clause, based on case law, highlights a practitioner’s right to retain documents belonging to the client that a practitioner has used in the performance of work for the client for which the fee has not been paid. However, the exercise of a lien is not straightforward and may conflict with other professional duties to the client. It is preferable to try to resolve disputes without recourse to the lien. Practitioners should refer to ACCA’s factsheet on [Legal ownership of, and rights of access to, books, files, working papers and other documents](http://www.accaglobal.com/content/dam/acca/global/PDF-members/2012/2012l/Legal_ownership.pdf).

## *Liability of third-party rights*

It is in a practitioner’s interest to exclude liability to third parties and also to seek an indemnity from the client against any liability to a third party to whom the client has disclosed advice or information.

The test of reasonableness where liability to third parties is to be excluded is less strict than in the case of the client under a contract. However, its reasonableness will be assessed in regard to all the circumstances surrounding when the liability arose or would have arisen but for the notice, rather than at the time of entering into the engagement letter. So, the disclaimer should be in clear terms and the client should be made aware of the importance of not permitting a third party to rely on the advice.

The simplest way to exclude contractual liability to third parties is to provide expressly that the terms of the contract shall not be enforceable by anyone other than the parties (save for any named exceptions).

The standard terms and conditions include clauses relating to limitation of third-party rights (and unauthorised disclosure). If a professional wishes to reduce the risk of non-contractual liability (eg in negligence) to third parties, they may seek to do so by notice, eg by clearly stating on a piece of written advice that it is not intended to be relied upon by anyone except the addressee and that no duty of care to anyone other than the addressee is assumed by the professional.

### *Money laundering regulations*

Example paragraphs are included in the terms and conditions letter. However, you may decide not to refer to the act and regulations, and instead rely on their contents.

## *Reliance on advice*

Confirming advice in writing offers the greatest protection to both practitioner and client. There is a much lower risk of there being any misunderstanding over the facts upon which the advice is based or on the advice given if it is in writing. However, clients are often reluctant to bear the additional cost of written advice. A practitioner may delete this standard term if they are willing to accept the increased risk. Irrespective of which approach is adopted, it is important to keep a record of advice given to clients, whether this is a meeting note, note of telephone call or some other method. If advice is given orally and the client does not wish to pay for it to be confirmed in writing, a short letter or email written to the client confirming the gist of the oral advice is strongly recommended.

## *Retention of papers*

A practitioner should decide whether, as a matter of routine practice, to return all original documents or only those requested by the client. If records are retained by a practitioner, it will be important to ensure that these can be accessed if required for production to HMRC or a successor tax practitioner. Practitioners should consider Section B6 within the [*Rulebook*](http://www.accaglobal.com/uk/en/member/standards/rules-and-standards/rulebook.html). The length of time documents in the possession of a practitioner should be preserved is suggested as seven years in the standard terms and conditions. This has also been referred to in the privacy notice.

A practitioner should consider access to cloud accounting software by them and their clients following the termination of an engagement, and make appropriate arrangements with the client. This is therefore referred to in standard terms and conditions.

## *The Provision of Services Regulations 2009 (‘Services Directive’)*

The Provision of Services Regulations 2009 require a practitioner to provide details of the firm’s insurer on request and, if asked, the response should be limited to the wording below:

“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 USA or Canada, and excludes any action for a claim brought in any court in the USA or Canada.”

The details should **not** be included in a practitioner’s engagement letter as the information may change. Note that the limit of a firm’s insurance **must not** be given without the insurer’s express consent.

*Cancellation of contracts and distance selling*Under the Consumer Contracts (Information Cancellation and Additional Charges) Regulations 2013 (‘the regulations’), which affect contracts agreed on or after 13 June 2014, a practitioner must provide specific information to the client before the contract is agreed if the client is a ‘consumer’. In some circumstances the client has the right to cancel. The information that the practitioner must provide depends on the type of contract.

A consumer is an individual acting for purposes that are wholly or mainly outside that individual’s trade, business, craft or profession. In practice, this includes:

* private clients, trustees and individuals administering deceased’s estates, and
* where a practitioner provides services such as personal tax return preparation, either to directors of company clients or to sole traders or partners, the individuals for whom a practitioner prepares the accounts or partnership tax returns.

If the practitioner acts for a consumer, then the regulations envisage three types of contract:

* an off-premises contract
* a distance contract
* an on-premises contract.

The contract type is determined by factors such as where the contract was made and whether, when and where the client had met the practitioner in person before the contract was agreed. As in practice, it can be difficult to distinguish between the three types of consumer contract (as set out above); this guidance has been drafted to give every consumer the right to cancel within 14 days.

If a practitioner does not wish to adopt this approach because they do not want a consumer with an on-premises contract to be given cancellation rights when they do not need to be, then please refer to the [legislation](http://www.legislation.gov.uk/uksi/2013/3134/made) ([bit.ly/gov-cons-13](https://bit.ly/gov-cons-13)) and if necessary seek specialist advice.

A practitioner who is unsure as to whether and how the regulations apply in a specific matter should take specialist legal advice.

A practitioner should consider including a checklist to establish whether a client is a ‘consumer’, so as to ensure that the appropriate notice is sent, thereby preserving the enforceability of the contract terms – and recovery of fees.

### *Limitation of liability clause*

A practitioner may wish to consider if it is appropriate that any sections covering limitation of liability are in bold font to draw the client’s attention to them.

Members wishing to consider limitation of liability clauses within non-audit engagement letters or audit engagement letters where they have complied with the provisions within sections 534 to 538 of the Companies Act 2006 may wish to consider inserting an appropriate paragraph such as:

“The terms and conditions contained within this engagement letter set out the respective responsibility of all parties. In respect of the work detailed within this engagement letter we limit our liability to Insert name to a maximum of £ fixed amount or [ ] times our fee relating to this assignment.”

It is permissible to take appropriate steps to reduce exposure to the claims of third parties. By way of illustration, such steps might include:

1. identifying the purpose for which the advice is given or document is prepared
2. identifying and limiting the audience of the advice or document: for example, including the notice “CONFIDENTIAL. This report (statement) has been prepared for the private use of X (the client) only and on condition that it must not be disclosed to any other person without the written consent of Y (the accountant).”
3. including a disclaimer: for example, “While every care has been taken in the preparation of this document, it may contain errors for which we cannot be responsible” or “This report is prepared for the use of X (the client) only. No responsibility is assumed to any other person.”
4. where a document is prepared in the first instance for discussion with or approval by the client or others, and is liable to be altered before it appears in its final form, by over-stamping the document on each page: “Unrevised draft”
5. where accounts are prepared on behalf of a client, identifying that the source of the information set out in the accounts is the client and not the accountant, and confirming that the client has checked the document. It is a sensible precaution in such a case for the accountant to draw the attention of the client to the need to check the document before submitting it.

Before inserting a clause within any letter, you will have to ensure its reasonableness under the [Unfair Contract Terms Act 1977](https://www.legislation.gov.uk/ukpga/1977/50) ([bit.ly/gov-unfair77](https://bit.ly/gov-unfair77)) (UFTA 1977). Where the contract is made “between a trader and a consumer for the trader to supply goods, digital content or services”, there are also implications that may limit the effectiveness of a limitation of liability clause following the enactment of the [Consumer Rights Act 2015](http://www.legislation.gov.uk/ukpga/2015/15/contents/enacted) ([bit.ly/gov-cons-15](https://bit.ly/gov-cons-15)) (CRA 2015). It is important to consider these pieces of legislation when framing limitation of liability clauses and standard terms, and to understand the extent to which the limitation of liability clauses may be effective. It is recommended that you seek legal advice and advice from your professional indemnity insurers before inserting any clause.

You should, however, be aware that disclaimers may be inappropriate or ineffective. Disclaimers will be inappropriate in circumstances where their use will tend to impair the status of practising accountants by indicating a lack of confidence in their professional work. By way of illustration, it would not, for example, be proper to endorse copies of accounts filed in accordance with sections 367-370 and 415-418 Companies Act 2006 with a disclaimer by the auditor of liability to persons other than shareholders.

When amending the letters, a practitioner should ensure that any sections covering limitation of liability are in bold font to draw the client’s attention to them.

This section of the terms and conditions identifies a number of limitations to a practitioner’s liability. Where a practitioner wishes to limit their liability to their client, they should include the relevant clauses.

A liability cap will only apply to those clients who have agreed the terms and conditions of the engagement letter. For example, personal tax work for the director of a corporate tax client would not be covered by the liability cap contained in the engagement letter for the corporate client, unless, unusually, the engagement letter specifically referred to personal tax work for the directors, and those directors have agreed explicitly by signing the engagement letter in a personal capacity or their implied agreement otherwise obtained in that personal capacity.

The law is in a state of evolution, and it is strongly recommended that independent legal advice is taken by a tax practitioner before including limits of liability in their engagement letters or standard terms and conditions. That is important where the amount at risk may be very large or the work involved is of particular difficulty. The advice should be checked from time to time to ensure that the wording used does not conflict with recent judicial decisions on reasonableness.

There is a risk that the limitation may be set aside by a court under UFTA 1977 or CRA 2015 (where the services are being provided by a trader to a consumer). It is therefore important to establish the difference between a trader and a consumer:

* “Trader” is defined in s. 2(2) CRA 2015 as “a person acting for purposes relating to that person’s trade, business, craft or profession, whether acting personally or through another person acting in the trader’s name or on the trader’s behalf”. A practitioner is therefore a trader when engaged in provision of their professional services.
* “Consumer” is defined in s. 2(3) CRA 2015 as “an individual acting for purposes that are wholly or mainly outside that individual’s trade, business, craft or profession”. It is for a trader to prove that an individual was not acting for purposes wholly or mainly outside their trade business, craft or profession: see s. 2(4) CRA 2015. It is likely that at least some, and perhaps many, clients of a practitioner will be consumers.

If a court finds a limitation of liability term in a contract to be unfair, it is likely that all elements of that term of the contract will be held to be invalid, in which case a practitioner’s liability will be treated as unlimited. To withstand a challenge under this legislation, it is advisable to discuss the limitation with the client and ensure that it is reasonable in the context of the scale and nature of both the assignment and the practice. A practitioner must be able to demonstrate that the limit of the liability is fair and reasonable.

Under CRA 2015:

* The trader must perform the service with reasonable care and skill (s.49).
* Every contract to supply a service is to be treated as including as a term of the contract anything that is said or written to the consumer, by or on behalf of the trader, about the trader or the service, if (a) it is taken into account by the consumer when deciding to enter into the contract, or (b) it is taken into account by the consumer when making any decision about the service after entering into the contract (s.50).

CRA 2015 limits the extent to which traders can restrict their liability to consumers.

Under clause 2(2) of UFTA 1977, a professional cannot “so exclude or restrict his liability for negligence except insofar as the term satisfies the requirement of reasonableness”. Section 3 also requires any standard term excluding or restricting liability in respect of breach of contract to satisfy the test of reasonableness. The same limitation applies where dealing with a party who is to be treated as a “consumer”. In practice, most individual clients and many businesses will be so treated.

The test of reasonableness is laid down by section 11 of the act and requires consideration of whether the term was “a fair and reasonable one to be included having regard to the circumstances which were, or ought reasonably to have been, known to or in the contemplation of the parties when the contract was made”. Schedule 2 of the act sets out guidelines for application of the reasonableness test but these are not exclusive. If the limitation is to be effective, it is important that a practitioner considers and takes account of the likely strength of their and their client’s relative bargaining positions, including other sources of tax advice, the extent to which the term will be drawn to the attention of the client, the resources available to each party to meet the liability and the extent to which each party could protect themselves by insurance. It is advisable to record that consideration on file to evidence the position.

Section 62 of CRA 2015 provides that an “unfair term” is not binding on the consumer. The question of whether a term is “unfair” is to be assessed in light of all the circumstances, and includes such factors as whether the term is common in such contracts, and whether there is an objective justification for it. A key consideration is “whether the seller or supplier, dealing fairly and equitably with the consumer, could reasonably assume that the consumer would have agreed to such a term in individual contract negotiations”.

Section 63 CRA 2015 and schedule 2 provide an indicative and non-exhaustive list of terms which may be regarded as “unfair”.

If a term is unenforceable by virtue of UCTA 1977 or CRA 2015, a court will not rewrite the term to make it reasonable/fair and therefore enforceable. Thus, for example, if a limitation clause imposes a cap of £50,000 on liability, and the court considers that £100,000 is the lowest cap that would have been fair/reasonable, the court will not substitute a £100,000 cap. The clause will simply be unenforceable and the liability of the person relying on it unlimited.

Thus, a practitioner should consider the limit to be applied in any individual case by reference to such matters as the amount at stake, the assets likely to be available to the client to meet any liability or to meet any loss if a practitioner’s liability is limited, and the insurance cover available to a practitioner. Before imposing a limit, a tax practitioner should clearly explain it to the client. The effect and the reasons for limiting liability should be made clear and the client should have the opportunity to consider the limit, to negotiate the limit if they think fit and to take independent advice before agreeing the limit. Where a relatively standard limit is applied, it is unlikely that much further negotiation will be practicable or desirable, and it is therefore important that the term is clear to the client. It is sensible for a practitioner to show that the limit has been considered – for example, circling the limit figure in the engagement letter. It is also prudent to make and retain a note of any discussion either with the client or internally.

Professional indemnity insurance cover is generally provided on a claims-made basis and any claims arising out of the engagement in question may not be made for several years, by which time insurance limits of indemnity may be significantly different. When working out the liability cap to include, a practitioner may therefore reasonably stipulate levels of the limit of their liability that are lower than their own current maximum cover per claim. Note that each service provided/each schedule is a separate contract and the pro forma letters therefore give members the option of considering a separate liability cap in relation to each service together with an overall liability cap. Generally, insurance cover limits include sums payable to the claimant for their costs, and claims may be aggregated where similar errors are made on more than one occasion for the same or, depending on the policy wording, for different clients. Where a limit of liability required by the client is greater than the professional indemnity cover available, a practitioner should consider carefully whether to accept the engagement. Alternatively, it may be appropriate to seek increased levels of insurance cover, but it should be remembered that any increase will need to be maintained for at least six years, as policies are written on a claims-made basis.

If a practitioner decides to include a liability cap per schedule, they can state in the covering letter that despite the individual caps there is an overall cap of £x. For example, they might have a claim cap of £500,000 but a cap of, say, £300,000 could be included per schedule but with an overall maximum of £450,000. A practitioner might therefore state the following in their covering letter:

**Example where a firm has cover of £500,000:**

The liability in respect of each service as set out in the final paragraphs of relevant schedules is: £

Sole traders 150,000

Trusts and estates 250,000

VAT returns 150,000

Specialist tax advisory services 250,000

While individual liability caps have been set out, you agree the overall liability to you will not exceed £450,000.

Note that the total of all the amounts set out on the schedules exceeds £500,000 but the practitioner has stated that overall the maximum liability is limited.

It may also be advisable to discuss this matter with the practice’s professional indemnity insurers.

### Accountants conducting business via a limited liability partnership (LLP)

Care will need to be exercised when issuing engagement letters to ensure the recipient is clear that the letters are issued by the LLP.

In law, the LLP has ‘members’ rather than ‘partners’. Parliament’s rationale for using the former term rather than the latter was to emphasise that the LLP is not, technically, a partnership but a corporate body. By virtue of this fact, the persons who control the affairs of the LLP and who act on its behalf have a different relationship with their firm than do partners in a partnership. While partners in a partnership act on behalf of each of their fellow partners, members of an LLP act only as agents of their firm as a corporate body, in exactly the same way as company directors do. In the case of companies, however, this limitation of personal responsibility may be overridden if directors, by their conduct, give their company’s clients the impression that they are assuming a personal duty of care in respect of their advice. The courts are highly likely to treat LLP members in the same way as company directors in this area. This means that, where an LLP member, by an objective assessment of their actions, assumes a personal duty of care to a client of the firm, that member may be sued personally by the client for any loss incurred as a result of relying on the member’s advice. To minimise the risk of this happening, LLPs and their members should ensure, wherever possible, that they make clear to clients that members are advising them as members of the LLP and not in any personal capacity. Although clients may be more comfortable with the terms ‘partner’ or ‘principal’, rather than the correct term ‘member’, the use of those terms in the LLP context risks giving clients a wrong impression of the member’s legal status and should be avoided.

### APPENDIX Aa: COVERING LETTER

### COVERING LETTER FOR SERVICES

[To be printed on the practice headed notepaper. See guidance notes for each paragraph before using this letter. Also delete/amend sections highlighted in red.

This letter may require amendment if an existing engagement letter, schedules and terms and conditions are in place and an additional schedule is being sent or the letter is being renewed.]

To [name]

Dear [name]

**Engagement letter**

Thank you for engaging us as your accountants. I will be your main point of contact and will have primary responsibility for this assignment; [the manager responsible for the ongoing work will be [name]]. This letter, including the attached schedule[s] of services together with our standard terms and conditions, sets out the basis on which we will act.

**Who we are acting for**

We are acting for [client name]/you] only. [Where you would like us to act for anyone else such as your spouse/a partnership/a limited company, we will issue a separate engagement letter to them].

**[Nominated persons**

[For the avoidance of doubt, [insert name] has agreed to act and is acting as [nominated partner/nominated director/nominated member/nominated trustee/other nominated person].

By signing this engagement letter, you confirm and warrant that the nominated person set out above is authorised to give instructions and information to us on your behalf, and to receive our advice and work produced on behalf of you.

Any change to the nominated person should be notified to us in writing and will not be effective until acknowledged by us in writing.]

**[Group companies**

[You have engaged us to act for [the following companies] within your group of companies].

*[Insert or attach list]*

By signing this engagement letter, you confirm and warrant that the nominated director set out above is authorised to bind all of those companies listed, to give instructions and information to us on their behalf and to receive our advice and work produced on behalf of those companies.]

**Period of engagement**

This engagement will start/starts/started on [ ].

**Scope of services**

We have listed below the work that you have instructed us to carry out, the detail of which is contained in the attached schedule(s). This/these state[s] 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. Only the services that are listed in the attached schedule[s] 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 schedule[s], please let us know and we will discuss with you whether they can be included in the scope of our work. [The first period for which we will be responsible is [tax year ending/accounts period ending etc]. We will not deal with earlier years unless you specifically ask us to do so and we agree.]

**Fees** [*This section may need to be tailored to indicate where fixed or capped fees have been agreed or a separate schedule can be used as supplied*].

Our fees will be charged in accordance with our attached standard terms and conditions. Please review these to ensure that you understand the basis of our charges and our payment terms.

[By way of summary, we estimate that our fees for [*insert period*] will be as follows:

[Service one]

£xxx [plus VAT]

[Service two]

£xxx [plus VAT]

Total ]

[Travel and accommodation disbursements will be added to this fee.]

[Any additional work provided will be charged at our normal hourly rate – current rates are available on request.]

[We anticipate issuing our first fee note for [£xxx] in [month/year] after we have [completed the first element of the work involved in service one.]

[*Where more detailed information is required relating to fees, a practitioner may wish to use the following wording instead, together with the attached schedule*: Our fee arrangements are detailed on the attached fee schedule, which forms part of this letter of engagement. Your agreement to this letter also signifies agreement to the fees schedule.]

*[Name of practice]*

[*A practitioner may choose to use this schedule if more complex fee arrangements need to be set out*

**Fee terms schedule**

The following fee terms apply from [*insert date*] and will continue to apply until otherwise advised.

This letter must be read in conjunction with the following engagement letter(s), terms and conditions and schedules:

* Engagement letter [*insert date*]
* Terms and conditions [*insert date*]
* Schedules of services: [insert details of all schedules provided – for example:

Service one – insert date

Service two – insert date

Fixed fees

Our fixed fee for [*insert period*] will be in relation to each service:

[Service one]

£xxx [plus VAT]

[Service two]

£xxx [plus VAT]

Total ]

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Fees based on time spentOur fees are based on time spent. Our hourly rates are:

|  |  |
| --- | --- |
| **Grade** | **Hourly rate/range of rates** |
| Partner | £[ ] to £[ ] |
| Senior manager | £[ ] |
| Consultant | £[ ] |

These will be updated annually on [insert date] each year or by notice to you. Hourly rates are quoted net of VAT and are subject to the addition of disbursements.ORA full list of the time spent and the charge-out rates used is available on request.We can provide you with an estimate for each assignment before it commences if you so wish. ORBy way of summary we estimate that our fees for [*insert period*] will be as follows: [Service one] £xxx [plus VAT] [Service two] £xxx [plus VAT] Total £xxx |

OR

OR

Fees (fixed and other) [*section to be tailored using standard paragraphs above – this is an example of one possibility*]

Our fixed fee for state-specific work will be £ [*insert amount*.]

Our fees for all other work are based on time spent.

[By way of summary, we estimate that our fees for [*insert period*] will be as follows:

[Service one]

£xxx [plus VAT]

[Service two]

£xxx [plus VAT]

Total

£xxx [plus VAT]

If it is necessary to carry out work outside the agreed work outlined in this letter it will involve additional fees. These fees will be computed on the basis of time spent by principals and our staff, and on the levels of skill and responsibility involved. A full list of the time spent and the charge-out rates used is available on request.

**Limitation of liability**

**We specifically draw your attention to paragraph 18 of our standard terms and conditions and the final paragraph of each schedule, which sets out the basis on which we limit our liability to you and to others. You should read this in conjunction with paragraph 19 of our standard terms and conditions, which excludes liability to third parties. These are important clauses, and you should read them and ensure you are happy with them.**

[There are no third parties that we have agreed should be entitled to rely on the work done pursuant to this engagement letter] *[Where this paragraph is chosen then paragraph X below should be deleted].*

OR

[We have agreed that the following third parties should be entitled to rely on our work pursuant to this engagement: [*delete as appropriate*].

**[The following paragraphs may be inserted into the engagement covering letter where a practitioner wishes to include a limitation of aggregate liability clause.]**

**[We have discussed with you the extent of our liability to you in respect of the professional services described in this engagement letter (the professional services). Having considered both your circumstances and our own, we have reached a mutual agreement that £[A] represents a fair maximum limit to our liability to you.]**

*[Paragraph X]*

[The total liability we will owe to you and to any third party we have agreed may rely on our work, and whether in contract or otherwise of this [firm], its [partners], employees and agents for any losses in any way connected with any of the services provided to you under the terms of this letter of engagement (and including interest), shall not exceed the sum of £[B].]

**[In agreeing these figures with you, we have taken into account the nature of the engagement, the availability to us of insurance cover and other options available to you.**

**By agreeing the engagement letter, you agree that you have given proper consideration to this limit and accept that it is reasonable in all the circumstances. If you do not wish to accept it you should contact us to discuss it before signing the engagement letter.**

**We would advise you to take independent advice before signing this engagement letter since, by doing so, you will agree to its terms including the limitations on our liability.]**

**Requirements of the Data Protection Act (DPA) 2018 and the General Data Protection Regulation (GDPR)**

The DPA 2018 and GDPR set out a number of requirements in relation to the processing of personal data.

Here at [firm’s name] we take your privacy and the privacy of the information we process seriously. We will only use your personal information and the personal information you give us access to under this contract to administer your account and to provide the services you have requested from us.

We attach our privacy notice setting out our approach to handling your information. In signing one copy of this letter, you will be indicating that you have read and agreed the terms under which we operate as set out in this notice. In addition, please note that we require your agreement on several specific points, which are also included in the acceptance section below:

[(**a) Continuity arrangements**

Please note that we have arrangements in place for an alternate to deal with matters in the event of permanent incapacity or illness. This provides protection to you in the event that I cannot act on your behalf, and in signing this letter you agree to the alternate having access to all of the information I hold in order to make initial contact with you and agree the work to be undertaken during my incapacity. You can choose to appoint another agent at that stage if you wish].

**(b) Secure communications and transfer of data**

We will communicate or transfer data using the following [name as appropriate]:

Post/hard-copy documents [by recorded delivery]

Password-protected emails

Encrypted emails

Portals [*name the applications/software*]

Cloud-based software [*name the applications/software*]

Emails\*

Other [list here]

\* If you require us to correspond with you by email that is not encrypted or password protected, you also accept the risks associated with this form of communication.

**[(c) Other services**

From time to time we would like to contact you with details of other services we provide. If you consent to us contacting you for this purpose, please tick to say how you would like us to contact you on the acceptance statement:

**Post** ☐ **Email** ☐ **Telephone** ☐ **Text message** ☐ **Automated call** ☐]

**Your agreement**

Please confirm your agreement to:

* the terms of this letter
* the attached schedule(s) of services
* the privacy notice and associated data protection matters
* the standard terms and conditions

by signing and returning one copy of this letter.

***[INSERT THE FOLLOWING ONLY IF THE CLIENT IS A CONSUMER]***

**[Your right to cancel**

You have the right to cancel this contract within 14 days without giving any reason. The cancellation period will expire after 14 days from the day of the conclusion of the contract, ie when we receive your written agreement to this engagement.

To exercise the right to cancel, you must inform us of your decision to cancel this contract by a clear statement – for example, a letter sent by post, fax or email to the address/fax number above.

You may use the attached model cancellation form but it is not obligatory.

To meet the cancellation deadline, it is sufficient for you to send your communication concerning your exercise of the right to cancel before the cancellation period has expired.

***Effects of cancellation***

If you cancel this contract under your right to cancel, we will reimburse to you all payments received from you.

We will make the reimbursement without undue delay and not later than 14 days after the day on which we are informed about your decision to cancel this contract.

We will make the reimbursement using the same means of payment as you used for the initial transaction, unless you have expressly agreed otherwise; in any event, you will not incur any fees as a result of the reimbursement.]

**[WE WILL PROVIDE SERVICES DURING THE CANCELLATION PERIOD ONLY IF YOU INSTRUCT US TO START WORK BEFORE THE EXPIRY OF THE CANCELLATION PERIOD BY TICKING THE BOX BELOW:**

**I hereby instruct you to start work before the expiry of the cancellation period** ☐

**If you have asked us to begin the performance of services during the cancellation period, you shall pay us an amount in accordance with the services carried out during this period.]**

Yours sincerely

[signature box]

###### **Attachments**

1. Model cancellation form [DELETE IF CLIENT IS NOT A CONSUMER]
2. The following schedules are attached to this engagement letter and should be read in conjunction with it:

[INSERT LIST OF SCHEDULES]

1. Privacy notice
2. Standard terms and conditions of business

**Acceptance**

I acknowledge receipt of your letter dated [ ], the attached schedule[s] of services, the privacy notice and standard terms and conditions, which fully record the agreement between us concerning your appointment to carry out the work described in those documents.

I also confirm the following in relation to data protection:

I have read, understand and accept the basis on which my information will be dealt with as set out in the privacy notice provided.

[I agree to your appointed alternate having access to my records in the event of your illness or permanent incapacity.]

I understand that you will communicate or transfer data with me using the following [name as appropriate]:

Post/hard-copy documents [by recorded delivery]

Password-protected emails

Encrypted emails

Portals [name the applications/software]

Cloud-based software [name the applications/software]

Emails\*

Other [list here]

\* I accept the risks of you corresponding with me by email that is not encrypted or password protected.

[I agree/do not agree to you contacting me with details of other services you provide. Where relevant you may contact me by:

**Post** ☐ **Email** ☐ **Telephone** ☐ **Text message** ☐ **Automated call** ☐]

Name………………………………….

Signed………………………………………

Date…………………….. for and on behalf of [company/companies listed/partnership/trust/limited liability partnership]

You consent to your personal data being used for the work outlined within our agreed schedule of services. We will not unless we agree separately with you use your data for any other services.

Name…………………………………. Signed………………………………………

Date…………………….. for and on behalf of [company/companies listed/partnership/trust/limited liability partnership]

**Model cancellation form** [DELETE IF CLIENT IS NOT A CONSUMER]

To [*practitioner’s name, geographical address and, where available, fax number and email address are to be inserted by the practitioner*]:

I/We [\*] hereby give notice that I/We [\*] cancel my/our [\*] contract for the supply of the following services as set out in our engagement letter dated [date]

Client name

Client address

Signature of client (only if this form is supplied on paper)

Date

[\*] *Delete as appropriate*

**APPENDIX Ab: PRIVACY NOTICE**

**[This sample privacy notice is intended as an outline guide to the form that a privacy notice issued to a client might take. Any practitioner who intends to draw upon this sample text should note that it will ALWAYS require modification to suit the particular circumstances in which it is to be used. It is therefore essential that practitioners familiarise themselves with their obligations under the GDPR and other relevant legislation, and consider in every case what information they must provide. Practitioners who are in doubt as to their obligations should obtain legal advice.]**

**PRIVACY NOTICE issued by [name of firm]**

**Introduction**

The Data Protection Act 2018 (DPA 2018) and the General Data Protection Regulation (GDPR) impose certain legal obligations in connection with the processing of personal data.

[Name of firm] is a data controller within the meaning of the GDPR, and we process personal data. The firm’s contact details are as follows: [contact details for the firm and, where applicable, name and contact details for data protection officer and contact details of the firm’s representative.]

We may amend this privacy notice from time to time. If we do so, we will supply you with and/or otherwise make available to you a copy of the amended privacy notice.

Where we act as a data processor on behalf of a data controller (for example, when processing payroll), we provide an additional schedule setting out required information as part of that agreement. That additional schedule should be read in conjunction with this privacy notice.

**The purposes for which we intend to process personal data**

We intend to process personal data for the following purposes [the items below are listed by way of illustration only – practitioners should delete any that do not apply, and add any additional purposes for which they intend to process personal data]:

* to enable us to supply professional services to you as our client
* to fulfil our obligations under relevant laws in force from time to time (eg the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (MLR 2017))
* to comply with professional obligations to which we are subject as a member of [name of body]
* to use in the investigation and/or defence of potential complaints, disciplinary proceedings and legal proceedings
* to enable us to invoice you for our services and investigate/address any attendant fee disputes that may have arisen
* to contact you about other services we provide which may be of interest to you if you have consented to us doing so
* [any other purposes.]

**The legal basis for our intended processing of personal data**

Our intended processing of personal data has the following legal bases [Practitioners should delete any of the bases that do not apply and add any further bases that are applicable. This section is particularly likely to require modification where personal data within the “special categories” (as defined by Article 9 of the GDPR) is to be processed]:

* At the time you instructed us to act, you gave consent to our processing your personal data for the purposes listed above [If consent is to be relied upon, it is important that the client’s free, specific, informed and unambiguous consent is obtained as part of the engagement process].
* The processing is necessary for the performance of our contract with you.
* The processing is necessary for compliance with legal obligations to which we are subject (eg MLR 2017).
* The processing is necessary for the purposes of the following legitimate interests which we pursue: [List ALL legitimate interests relied upon, eg investigating/defending legal claims].

It is a requirement of our contract with you that you provide us with the personal data that we request. If you do not provide the information that we request, we may not be able to provide professional services to you. If this is the case, we will not be able to commence acting or will need to cease to act.

**[Categories of personal data collected**

This must be included when the practitioner obtains the data from someone other than the data subject. If required, list out the categories of personal data concerned.]

**[Source of personal data collected**

This must be included when the practitioner obtains the data from someone other than the data subject. If required, list out the sources. If the data came from publicly accessible sources, this should be stated.]

**Persons/organisations to whom we may give personal data**

We may share your personal data with:

* Companies House, Charity regulators and HMRC
* any third parties with whom you require or permit us to correspond
* subcontractors
* an alternate appointed by us in the event of incapacity or death
* professional indemnity insurers
* our professional body [add details of professional body/bodies] and/or the Office for Professional Body Anti-Money Laundering Supervisors (OPBAS) in relation to practice assurance and/or the requirements of MLR 2017 (or any similar legislation)
* [any other recipients.]

If the law allows or requires us to do so, we may share your personal data with:

* the police and law enforcement agencies
* courts and tribunals
* the Information Commissioner’s Office (ICO)

We may need to share your personal data with the third parties identified above in order to comply with our legal obligations, including our legal obligations to you. If you ask us not to share your personal data with such third parties, we may need to cease to act.

**Transfers of personal data outside the European Economic Area (EEA)**

[Your personal data will be processed in the EEA only.] [Tailored changes will be required where data is to be transferred outside the EEA or to an international organisation.]

**Retention of personal data**

When acting as a data controller and in accordance with recognised good practice within the tax and accountancy sector, we will retain all of our records relating to you as follows:

* Where tax returns have been prepared, it is our policy to retain information for [for example, seven years] from the end of the tax year to which the information relates.
* Where ad hoc advisory work has been undertaken, it is our policy to retain information for [insert figure] years from the date the business relationship ceased.
* Where we have an ongoing client relationship, data that is needed for more than one year’s tax compliance (eg capital gains base costs and claims and elections submitted to HMRC) is retained throughout the period of the relationship, but will be deleted [insert figure] years after the end of the business relationship unless you as our client ask us to retain it for a longer period.

Our contractual terms provide for the destruction of documents after [insert figure] years and therefore agreement to the contractual terms is taken as agreement to the retention of records for this period, and to their destruction thereafter.

You are responsible for retaining information that we send to you (including details of capital gains base costs and claims and elections submitted), and this will be supplied in the form agreed between us. Documents and records relevant to your tax affairs are required by law to be retained by you as follows:

Individuals, trustees and partnerships

* with trading or rental income: five years and 10 months after the end of the tax year
* otherwise: 22 months after the end of the tax year.

Companies, LLPs and other corporate entities

* six years from the end of the accounting period.

Where we act as a data processor as defined in DPA 2018, we will delete or return all personal data to the data controller as agreed with the controller [monthly/annually/at the termination of the contract].

**Requesting personal data we hold about you (subject access requests)**

You have a right to request access to your personal data that we hold. Such requests are known as ‘subject access requests’ (SARs).

Please provide all SARs in writing marked for the attention of [contact name in the organisation].

To help us provide the information you want and deal with your request more quickly, you should include enough details to enable us to verify your identity and locate the relevant information. For example, you should tell us:

* your date of birth
* previous or other name(s) you have used
* your previous addresses in the past five years
* personal reference number(s) that we may have given you, for example your national insurance number, your tax reference number or your VAT registration number
* what type of information you want to know.

If you do not have a national insurance number, you must send a copy of:

* the back page of your passport or a copy of your driving licence and
* a recent utility bill.

DPA 2018 requires that we comply with a SAR promptly and in any event within one month of receipt. There are, however, some circumstances in which the law allows us to refuse to provide access to personal data in response to a SAR (eg if you have previously made a similar request and there has been little or no change to the data since we complied with the original request).

We will not charge you for dealing with a SAR.

You can ask someone else to request information on your behalf – for example, a friend, relative or solicitor. We must have your authority to respond to a SAR made on your behalf. You can provide such authority by signing a letter that states that you authorise the person concerned to write to us for information about you and/or receive our reply.

Where you are a data controller and we act for you as a data processor (eg by processing payroll), we will assist you with SARs on the same basis as is set out above.

**Putting things right (the right to rectification)**

You have a right to obtain the rectification of any inaccurate personal data concerning you that we hold. You also have a right to have any incomplete personal data that we hold about you completed. Should you become aware that any personal data that we hold about you is inaccurate and/or incomplete, please inform us immediately so we can correct and/or complete it.

**Deleting your records (the right to erasure)**

In certain circumstances, you have a right to have the personal data that we hold about you erased. Further information is available on the ICO website ([ico.org.uk](http://www.ico.org.uk)). If you would like your personal data to be erased, please inform us immediately and we will consider your request. In certain circumstances, we have the right to refuse to comply with a request for erasure. If applicable, we will supply you with the reasons for refusing your request.

**The right to restrict processing and the right to object**

In certain circumstances, you have the right to ‘block’ or suppress the processing of personal data or to object to the processing of that information. Further information is available on the ICO website ([ico.org.uk](http://www.ico.org.uk)). Please inform us immediately if you want us to cease to process your information or you object to processing so that we can consider what action, if any, is appropriate.

**Obtaining and reusing personal data (the right to data portability)**

In certain circumstances, you have the right to be provided with the personal data that we hold about you in a machine-readable format, eg so that the data can easily be provided to a new professional adviser. Further information is available on the ICO website ([ico.org.uk](http://www.ico.org.uk)).

The right to data portability only applies:

* to personal data an individual has provided to a controller
* where the processing is based on the individual’s consent or for the performance of a contract
* when processing is carried out by automated means.

We will respond to any data portability requests made to us without undue delay and within one month. We may extend the period by a further two months where the request is complex or a number of requests are received but we will inform you within one month of the receipt of the request and explain why the extension is necessary.

**Withdrawal of consent**

Where you have consented to our processing of your personal data, you have the right to withdraw that consent at any time. Please inform us immediately if you wish to withdraw your consent.

Please note:

* the withdrawal of consent does not affect the lawfulness of earlier processing
* if you withdraw your consent, we may not be able to continue to provide services to you
* even if you withdraw your consent, it may remain lawful for us to process your data on another legal basis (eg because we have a legal obligation to continue to process your data).

**Automated decision-making**

We do not intend to use automated decision-making in relation to your personal data. [Specific advice should be sought by any practitioner who intends to use automated decision-making.]

**Complaints**

If you have requested details of the information we hold about you and you are not happy with our response, or you think we have not complied with the GDPR or DPA 2018 in some other way, you can complain to us. Please send any complaints to [contact details].

If you are not happy with our response, you have a right to lodge a complaint with the ICO ([ico.org.uk](http://www.ico.org.uk)).

**APPENDIX B: SCHEDULES OF SERVICES**

**[Name of practice]**

**NON-AUDIT ACCOUNTS ASSIGNMENT FOR AN INCORPORATED COMPANY**

**SCHEDULE OF SERVICES**

This schedule should be read in conjunction with the engagement letter and the standard terms and conditions.

**Our service to you**

You have engaged us to prepare the accounts (financial statements) on your behalf for your approval based on the accounting records, the information and explanations that you give us and in accordance with [FRS 102] [FRS102 Section 1A] [the accounting framework agreed and applicable to you].

[You have engaged us to prepare abridged accounts under The Small Companies and Groups (Accounts and Directors’ Report) Regulations 2008 as amended by The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015. By instructing us, you confirm that you have obtained the necessary consents from all shareholders and for delivering the required statement to the registrar.]

You have engaged us to prepare a non-statutory report as detailed below that will be attached to the accounts.

We will not be carrying out any audit work as part of this assignment and accordingly will not verify the assets and liabilities of the company, nor the items of expenditure and income. To carry out an audit would entail additional work to comply with International Standards on Auditing so that we could report on the truth and fairness of the financial statements. We would also like to emphasise that we cannot undertake to discover any shortcomings in your systems or irregularities on the part of your employees.

If an audit of the accounts is required, you will need to notify us in writing. Should our work indicate that the company is not entitled to exemption from an audit of the accounts, we will inform you. If we decide to undertake an audit assignment at your request, a separate engagement letter will be required.

We will attach to the accounts a report developed by the Consultative Committee of Accountancy Bodies (CCAB), which explains what work has been done by us, the professional requirements we fulfil and the standard to which the work has been carried out. You can obtain further information from the Association of Chartered Certified Accountants about:

1. the technical guidance for the work
2. the related ethical and other professional requirements.

To ensure that anyone reading the accounts is aware that we have not carried out an audit, we will attach to the accounts a report stating this fact.

The intended users of the report are the directors. The report will be addressed to the directors.

Once we have issued the report, we have no further direct responsibility in relation to the accounts for that financial year. However, we expect that you will inform us of any material event occurring between the date of our report and that of the annual general meeting that may affect the accounts.

**Our responsibility to you**

We have set out the agreed scope and objectives of your instructions within the letter of engagement. Any subsequent changes will be discussed with you and, where appropriate, a new letter of engagement will be agreed. We shall proceed on the basis of the instructions we have received from you and will rely on you to tell us as soon as possible if anything occurs which renders any information previously given to us as incorrect or inaccurate. We shall not be responsible for any failure to advise or comment on any matter that falls outside the specific scope of your instructions. We cannot accept any responsibility for any event, loss or situation unless it is one against which it is the expressed purpose of these instructions to provide protection.

**Your responsibility to us**

The advice that we give can only be as good as the information on which it is based. In so far as that information is provided by you, or by third parties with your permission, your responsibility arises as soon as possible if any circumstances or facts alter, as any alteration may have a significant impact on the advice given. If the circumstances change, therefore, or your needs alter, advise us of the alteration as soon as possible in writing.

**Statutory responsibilities**

As directors of the company, you are required by statute to prepare accounts for each financial year, which give a true and fair view of the state of affairs of the company and of its profit or loss for that period.

You must not approve the accounts 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.

In preparing those accounts you must:

1. Select suitable accounting policies and then apply them consistently.
2. Make judgements and estimates that are reasonable and prudent.
3. Prepare the accounts on the going concern basis unless it is not appropriate to presume that the company will continue in business.

It is your responsibility to keep proper accounting records that disclose with reasonable accuracy at any particular time the financial position of the company. It is also your responsibility to safeguard the assets of the company and to take reasonable steps for the prevention of and detection of fraud and other irregularities with an appropriate system of internal controls.

You are responsible for determining whether, in respect of the year concerned, the company meets the conditions for exemption from an audit set out in section 477, 479A or 480 of the Companies Act 2006, and for determining whether, in respect of the year, the exemption is not available for any of the reasons set out in section 478 of the Companies Act 2006.

You are also responsible for making available to us, as and when required, all the company’s accounting records and all other relevant records and related information, including minutes of management and shareholders’ meetings.

You will also be responsible for:

1. maintaining records of all receipts and payments of cash
2. maintaining records of invoices issued and received
3. reconciling balances monthly/annually with the bank statements
4. preparing details of the following at the year-end: stocks and work in progress; fixed assets; amounts owing to suppliers; amounts owing by customers; and accruals and prepayments.

Our work will not be an audit of the accounts in accordance with International Standards on Auditing. Accordingly, we shall not seek any independent evidence to support the entries in the accounting records, or to prove the existence, ownership or valuation of assets or completeness of income, liabilities or disclosure in the accounts. Nor shall we assess the reasonableness of any estimates or judgements made in the preparation of the accounts. Consequently, our work will not provide any assurance that the accounting records are free from material misstatement, irregularities or error.

As part of our normal procedures we may request you to provide written confirmation of any oral information and explanations given to us during the course of our work.

We have a professional duty to compile accounts that conform with generally accepted accounting principles. The accounts of a limited company are required to comply with the disclosure requirements of the Companies Act 2006 and applicable accounting standards. Where we identify that the accounts do not conform to accepted accounting principles or standards, we will inform you and suggest amendments be put through the accounts before being published. We have a professional responsibility not to allow our name to be associated with accounts that may be misleading. In extreme cases, where this matter cannot be resolved, we will withdraw from the engagement and notify you in writing of the reasons.

Should you instruct us to carry out any alternative report, it will be necessary for us to issue a separate letter of engagement.

**Limitation of liability**

**Our services as detailed above are subject to the limitations on our liability set out in the engagement letter and in paragraph 18 of our standard terms and conditions of business. These are important provisions, which you should read and consider carefully.**

[There are no third parties that we have agreed should be entitled to rely on the work done pursuant to this engagement letter.]

OR[We have agreed that the following third parties should be entitled to rely on our work pursuant to this engagement: insert details of third parties.]

**Other services**

You may request that we provide other services from time to time. If these services will exceed £insert value, we will issue a separate letter of engagement and scope of work to be performed accordingly.

Because rules and regulations frequently change, you must ask us to confirm any advice already given if a transaction is delayed or a similar transaction is to be undertaken.

[Date:

Name of practice:]

**[Name of practice]**

**NON-AUDIT ACCOUNTS ASSIGNMENT FOR A MICRO ENTITY**

**SCHEDULE OF SERVICES**

This schedule should be read in conjunction with the engagement letter and the standard terms and conditions.

**Our service to you**

You have engaged us to prepare the accounts on your behalf for your approval based on the accounting records, the information and explanations that you give us and in accordance with FRS105.

We will not be carrying out any audit work as part of this assignment and accordingly will not verify the assets and liabilities of the company, nor the items of expenditure and income. To carry out an audit would entail additional work to comply with International Standards on Auditing so that we could report on the truth and fairness of the financial statements. We would also like to emphasise that we cannot undertake to discover any shortcomings in your systems or irregularities on the part of your employees.

If an audit of the accounts is required, you will need to notify us in writing. Should our work indicate that the company is not entitled to exemption from an audit of the accounts, we will inform you. If we decide to undertake an audit assignment at your request, a separate engagement letter will be required.

We will not issue a report on the accounts.

**Our responsibility to you**

We have set out the agreed scope and objectives of your instructions within this letter of engagement. Any subsequent changes will be discussed with you and where appropriate a new letter of engagement will be agreed. We shall proceed on the basis of the instructions we have received from you and will rely on you to tell us as soon as possible if anything occurs that renders any information previously given to us as incorrect or inaccurate. We shall not be responsible for any failure to advise or comment on any matter that falls outside the specific scope of your instructions. We cannot accept any responsibility for any event, loss or situation unless it is one against which it is the expressed purpose of these instructions to provide protection.

**Your responsibility to us**

The advice that we give can only be as good as the information on which it is based. In so far as that information is provided by you, or by third parties with your permission, your responsibility arises as soon as possible if any circumstances or facts alter, as any alteration may have a significant impact on the advice given. If the circumstances change, therefore, or your needs alter, advise us of the alteration as soon as possible in writing.

**Statutory responsibilities**

As directors of the company, you are required by statute to prepare accounts for each financial year, which give a true and fair view of the state of affairs of the company and of its profit or loss for that period.

You must not approve the accounts 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.

In preparing those accounts you must:

1. Select suitable accounting policies and then apply them consistently.
2. Make judgements and estimates that are reasonable and prudent.
3. Prepare the accounts on the going concern basis unless it is not appropriate to presume that the company will continue in business.

You have engaged us to prepare the micro accounts on your behalf.

It is your responsibility to keep proper accounting records that disclose with reasonable accuracy at any particular time the financial position of the company. It is also your responsibility to safeguard the assets of the company and for taking reasonable steps for the prevention of and detection of fraud and other irregularities with an appropriate system of internal controls.

You are responsible for determining whether, in respect of the year concerned, the company meets the conditions for exemption from an audit set out in section 477, 479A or 480 of the Companies Act 2006, and for determining whether, in respect of the year, the exemption is not available for any of the reasons set out in section 478 of the Companies Act 2006.

You are also responsible for confirming that the company meets the qualifying conditions as a micro entity set out in the Small Companies (Micro-Entities’ Accounts) Regulations.

You are also responsible for making available to us, as and when required, all the company’s accounting records and all other relevant records and related information, including minutes of management and shareholders’ meetings.

You will also be responsible for:

1. maintaining records of all receipts and payments of cash
2. maintaining records of invoices issued and received
3. reconciling balances monthly/annually with the bank statements
4. preparing details of the following at the year end: stocks and work in progress; fixed assets; amounts owing to suppliers; amounts owing by customers; and accruals and prepayments.

Our work will not be an audit of the accounts in accordance with International Standards on Auditing. Accordingly, we shall not seek any independent evidence to support the entries in the accounting records, or to prove the existence, ownership or valuation of assets or completeness of income, liabilities or disclosure in the accounts. Nor shall we assess the reasonableness of any estimates or judgements made in the preparation of the accounts. Consequently, our work will not provide any assurance that the accounting records are free from material misstatement, irregularities or error.

As part of our normal procedures we may request you to provide written confirmation of any oral information and explanations given to us during the course of our work.

We have a professional duty to compile accounts that conform with generally accepted accounting principles. The accounts of a micro entity limited company are required to comply with the disclosure requirements of the Small Companies (Micro-Entities’ Accounts) Regulations. Where we identify that the accounts do not conform to accepted accounting principles or standards, we will inform you and suggest amendments be put through the accounts before being published. We have a professional responsibility not to allow our name to be associated with accounts that may be misleading. In extreme cases, where this matter cannot be resolved, we will withdraw from the engagement and notify you in writing of the reasons.

Should you instruct us to carry out any alternative report, it will be necessary for us to issue a separate letter of engagement.

**Limitation of liability**

**Our services as detailed above are subject to the limitations on our liability set out in the engagement letter and in paragraph 18 of our standard terms and conditions of business. These are important provisions, which you should read and consider carefully.**

There are no third parties that we have agreed should be entitled to rely on the work done pursuant to this engagement letter.
OR
We have agreed that the following third parties should be entitled to rely on our work pursuant to this engagement: [insert details of third parties].

**Other services**

You may request that we provide other services from time to time. If these services will exceed £[insert value], we will issue a separate letter of engagement and scope of work to be performed accordingly.

Because rules and regulations frequently change, you must ask us to confirm any advice already given if a transaction is delayed or a similar transaction is to be undertaken.

[Date:

Name of practice:]

 **[Name of practice]**

**SOLE TRADER ACCOUNTS PREPARATION**

**SCHEDULE OF SERVICES**

This schedule should be read in conjunction with the engagement letter and the standard terms and conditions

**Our service to you**

[We will prepare your business accounts in accordance with generally accepted accounting practice from your books and records, and from information and explanations provided by you.]

OR

[We will prepare your business accounts in accordance with cash basis from your books and records, and from information and explanations provided by you.]

We will not be carrying out any audit work as part of this assignment and accordingly will not verify the assets and liabilities of the business, nor the items of expenditure and income. To carry out an audit would entail additional work so that we could report on the truth and fairness of the accounts. We would also like to emphasise that we cannot undertake to discover any shortcomings in your systems or irregularities on the part of your employees.

We have a professional duty to compile accounts that conform with generally accepted accounting principles. Where we identify that the accounts do not conform to accepted accounting principles, nor to the specific rules relating to the cash accounting regime, we will inform you and suggest amendments be put through the accounts before being published. We have a professional responsibility not to allow our name to be associated with accounts that may be misleading. In extreme cases, where this matter cannot be resolved, we will withdraw from the engagement and notify you in writing.

To ensure that anyone reading the accounts is aware that we have not carried out an audit, we will attach to the accounts a report stating this fact.

We will attach to the accounts a report developed by the Consultative Committee of Accountancy Bodies (CCAB), which explains what work has been done by us, the professional requirements we fulfil and the standard to which the work has been carried out. You can obtain further information from the Association of Chartered Certified Accountants about:

1. the technical guidance for the work
2. the related ethical and other professional requirements.

The intended user of the report is the proprietor. The report will be addressed to the proprietor.

**Our responsibility to you**

We have set out the agreed scope and objectives of your instructions within this letter of engagement. Any subsequent changes will be discussed with you and, where appropriate, a new letter of engagement will be agreed. We shall proceed on the basis of the instructions we have received from you and will rely on you to tell us as soon as possible if anything occurs which renders any information previously given to us as incorrect or inaccurate. We shall not be responsible for any failure to advise or comment on any matter that falls outside the specific scope of your instructions. We cannot accept any responsibility for any event, loss or situation unless it is one against which it is the expressed purpose of these instructions to provide protection.

**Your responsibility to us**

The advice that we give can only be as good as the information on which it is based. In so far as that information is provided by you, or by third parties with your permission, your responsibility arises as soon as possible if any circumstances or facts alter, as any alteration may have a significant impact on the advice given. If the circumstances change, therefore, or your needs alter, advise us of the alteration as soon as possible in writing.

**Responsibilities**

Our function as accountant is to act as agent on your behalf in preparing the accounts of your business for the year ended insert year end and subsequent years. This may involve:

[Writing up your books and records from the information and vouchers provided and preparing draft accounts for your approval.]

OR

[Completing the writing up of your books and records in so far as they are incomplete when presented to us, and preparing from the records the draft accounts for your approval.]

We have agreed that you will be responsible for:

1. maintaining records of all receipts and payments of cash
2. maintaining records of invoices issued and received
3. reconciling balances monthly/annually with the bank statements
4. preparing a record of business mileage undertaken in the year
5. preparing a record of hours per month worked at home if you wish to claim for business use of your home
6. preparing details of any loan interest paid
7. preparing details of the following at the year-end: stocks and work in progress; fixed assets; amounts owing to creditors; amounts owing by customers; and accruals and prepayments.

Our report will be based on information gained from you, and we accept no responsibility for any losses arising out of implementing our report. Further, our report requires us to rely substantially on your representations. Therefore, we can accept no responsibility for any losses for issues not addressed in our report.

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

**Limitation of liability**

**Our services as detailed above are subject to the limitations on our liability set out in the engagement letter and in paragraph 18 of our standard terms and conditions of business. These are important provisions, which you should read and consider carefully.**

[There are no third parties that we have agreed should be entitled to rely on the work done pursuant to this engagement letter.]

OR[We have agreed that the following third parties should be entitled to rely on our work pursuant to this engagement: insert details of third parties.]

**Other services**

You may request that we provide other services from time to time. If these services will exceed £insert value, we will issue a separate letter of engagement and scope of work to be performed accordingly.

Because rules and regulations frequently change, you must ask us to confirm any advice already given if a transaction is delayed or a similar transaction is to be undertaken.

[Date:

Name of practice:]

**[Name of practice]**

**NON-AUDIT ACCOUNTS ASSIGNMENT FOR PARTNERSHIP**

**SCHEDULE OF SERVICES**

This schedule should be read in conjunction with the engagement letter and the standard terms and conditions.

**Our service to you**

[We will prepare your business accounts in accordance with generally accepted accounting practice from your books and records, and from information and explanations provided by you.]

OR

[We will prepare your business accounts in accordance with cash basis from your books and records, and from information and explanations provided by you.]

We will not be carrying out any audit work as part of this assignment and accordingly will not verify the assets and liabilities of the partnership, nor the items of expenditure and income. To carry out an audit would entail additional work so that we could report on the truth and fairness of the accounts. We would also like to emphasise that we cannot undertake to discover any shortcomings in your systems or irregularities on the part of your employees.

To ensure that anyone reading the accounts is aware that we have not carried out an audit, we will attach to the accounts a report stating this fact.

We will attach to the accounts a report developed by the Consultative Committee of Accountancy Bodies (CCAB), which explains what work has been done by us, the professional requirements we fulfil and the standard to which the work has been carried out. You can obtain further information from the Association of Chartered Certified Accountants about:

1.the technical guidance for the work

2.the related ethical and other professional requirements.

The intended users of the report are the partners. The report will be addressed to the partners.

We will communicate with the partnership at its place of business, this being insert business address. Any alteration to these instructions will require notification in writing and agreement by all partners.

**Our responsibility to you**

We have set out the agreed scope and objectives of your instructions within this letter of engagement. Any subsequent changes will be discussed with you and, where appropriate, a new letter of engagement will be agreed. We shall proceed on the basis of the instructions we have received from you and will rely on you to tell us as soon as possible if anything occurs which renders any information previously given to us as incorrect or inaccurate. We shall not be responsible for any failure to advise or comment on any matter that falls outside the specific scope of your instructions. We cannot accept any responsibility for any event, loss or situation unless it is one against which it is the expressed purpose of these instructions to provide protection.

**Your responsibility to us**

The advice that we give can only be as good as the information on which it is based. In so far as that information is provided by you, or by third parties with your permission, your responsibility arises as soon as possible if any circumstances or facts alter, as any alteration may have a significant impact on the advice given. If the circumstances change, therefore, or your needs alter, advise us of the alteration as soon as possible in writing.

**Responsibilities**

Our function as accountant is to act as agent on your behalf in preparing the accounts of your partnership for the year ended insert the year concerned and subsequent years. This may involve

[writing up your books and records from the information and vouchers provided and preparing draft accounts for your approval.]

OR

[completing the writing up of your books and records in so far as they are incomplete when presented to us, and preparing from the records the draft accounts for your approval.]

We have agreed that you will be responsible for:

1. maintaining records of all receipts and payments of cash
2. maintaining records of invoices issued and received
3. reconciling balances monthly/annually with the bank statements
4. preparing a record of business mileage for all partners undertaken in the year
5. preparing a record of hours per month worked at home for all partners if you wish to claim for business use of your home
6. preparing details of any loan interest paid
7. preparing a record of capital introduced by the partners
8. advising us via the nominated partner of any changes to the profit-sharing arrangements of the partnership
9. preparing details of the following at the year end: stocks and work in progress; fixed assets; amounts owing to creditors; amounts owing by customers; and accruals and prepayments.

Our report will be based on information gained from you, and we accept no responsibility for any losses arising out of implementing our report. Further, our report requires us to rely substantially on your representations. Therefore, we can accept no responsibility for any losses for issues not covered in our report.

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

We will prepare the accounts from the information and explanations that the partnership provides to us. After obtaining the approval and signature of the nominated partner, we will submit these accounts to you.

We have a professional duty to compile accounts that conform with generally accepted accounting principles. Where we identify that the accounts do not conform to accepted accounting principles or the specific rules relating to the cash accounting regime, we will inform you and suggest amendments be put through the accounts before being published. We have a professional responsibility not to allow our name to be associated with accounts that may be misleading. In extreme cases, where this matter cannot be resolved, we will withdraw from the engagement and notify you in writing.

**Limitation of liability**

**Our services as detailed above are subject to the limitations on our liability set out in the engagement letter and in paragraph 18 of our standard terms and conditions of business. These are important provisions, which you should read and consider carefully.**

[There are no third parties that we have agreed should be entitled to rely on the work done pursuant to this engagement letter.]

OR

[We have agreed that the following third parties should be entitled to rely on our work pursuant to this engagement: insert details of third parties.]

**Other services**

You may request that we provide other services from time to time. If these services will exceed £insert value, we will issue a separate letter of engagement and scope of work to be performed accordingly.

Because rules and regulations frequently change, you must ask us to confirm any advice already given if a transaction is delayed or a similar transaction is to be undertaken.

[Date:

Name of practice:]

**[Name of practice]**

**INDEPENDENT EXAMINER’S REPORT FOR AN UNINCORPORATED CHARITY (RECEIPTS AND PAYMENTS BASIS FOR ACCOUNTS PREPARATION)**

### SCHEDULE OF SERVICES

This schedule must be read in conjunction with the engagement letter and the standard terms and conditions.

**My service to you**

My examination will be carried out in accordance with the directions and guidance produced by the [Charity Commission/Office of the Scottish Charity Regulator/The Charity Commission for Northern Ireland /other regulator.]

My examination will involve comparing the accounts with the accounting records and making limited enquiries of the charity’s officers. In certain circumstances I shall look for independent evidence to support entries in the accounting records or in the presentation of the accounts.

The responsibility for safeguarding the assets of the charity and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with the trustees. My examination should not be relied on to disclose all such material misstatements or fraud, errors or instances of non-compliance as may exist.

As part of my normal procedures, I may request you to provide formal representations concerning certain information and explanations I have received from you during the course of my examination.

In order to assist me with my examination of your accounts, I will request sight of any documents or statements that will be issued with the accounts. This will include the trustees’ report. I am also entitled to attend all general meetings of the charity, and to receive notice of all such meetings.

It is not the purpose of my examination to identify all significant weaknesses in the charity’s systems, but if any such weaknesses come to my attention, I shall report them to you. If this situation occurs, the report should not be provided to any third party without my consent.

Once I have issued my report, I have no further direct responsibility in relation to the accounts for that financial year. However, I expect that you will inform me of any material event occurring between the date of my report and that of the annual general meeting that may affect the accounts.

**My responsibility to you**

I have set out the agreed scope and objectives of your instructions within this engagement letter. Any subsequent changes will be discussed with you and, where appropriate, a new letter of engagement will be agreed. I shall proceed on the basis of the instructions I have received from you and will rely on you to tell me as soon as possible if anything occurs that renders any information previously given to me as incorrect or inaccurate. I shall not be responsible for any failure to advise or comment on any matter that falls outside the specific scope of your instructions. I cannot accept any responsibility for any event, loss or situation unless it is one against which it is the expressed purpose of these instructions to provide protection.

**Your responsibility to me**

The advice that I give can only be as good as the information on which it is based. In so far as that information is provided by you, or by third parties with your permission, your responsibility arises as soon as possible if any circumstances or facts alter, as any alteration may have a significant impact on the advice given. If the circumstances change, therefore, or your needs alter, advise me of the alteration as soon as possible in writing.

**Statutory responsibilities**

As trustees of the above charity, you are required by statute to prepare receipts and payments accounts for each financial year, which present the receipts and payments of the charity for the period and its assets and liabilities at the end of the period, together with a trustees’ annual report in accordance with the section 133 of the [Charities Act 2011/ section 44 of the Charities and Trustee Investment (Scotland) Act 2005/ section 64 of the Charities Act (Northern Ireland) 2008], as amended and regulations thereunder. In preparing those accounts you must:

1. select suitable accounting policies and then apply them consistently
2. make judgements and estimates that are reasonable and prudent
3. prepare the accounts on the going concern basis unless it is not appropriate to presume that the charity will continue in operation.

As trustees of the charity, you are responsible for maintaining proper accounting records and an appropriate system of internal control for the charity. You are also responsible for preparing the annual report and financial statements, which give a true and fair view and have been prepared in accordance with applicable accounting standards and the Companies Act 2006 and regulations thereunder. It is also your responsibility to safeguard the assets of the charity, and hence to take reasonable steps for the prevention of and detection of fraud and other irregularities with an appropriate system of internal controls.

You are also responsible for making available to me, as and when required, all the charity’s accounting records and all other relevant records and related information, including minutes of all trustees’ meetings along with access to all staff.

In accordance with [section 133 of the Charities Act 2011/section 44 of the Charities and Trustee Investment (Scotland) Act 2005/section 64 of the Charities Act (Northern Ireland) 2008], where the charity’s income in any financial year does not exceed £250,000, and if permitted by the charity’s governing document, the charity’s trustees may elect to prepare a receipts and payments account(s), a statement of assets and liabilities and trustees’ report as its annual statement of accounts. You have elected to prepare such an account and statement.

The intended users of the report are the trustees. The report will be addressed to the trustees.

My legal and professional duty is to state in my report whether any matters have come to my attention, which, in my opinion, attention should be drawn to in order to enable a proper understanding of the accounts to be reached, and to report whether or not any matter has come to my attention in connection with the examination which gives me reasonable cause to believe:

1. Proper accounting records have not been kept by the charity in accordance with [section 130 of the Charities Act 2011/section 44 of the Charities and Trustee Investment (Scotland) Act 2005/section 63 of the Charities Act (Northern Ireland) 2008.]
2. The accounts and statement are not in agreement with the accounting records.
3. [That my examination of the trust’s accounts was carried out under section 145 of the 2011 Act and, in carrying out my examination, I have followed the applicable directions given by the Charity Commission under section 145(5)(b) of the act.]

We have a statutory duty to report to the [Charity Commission/Office of the Scottish Charity Regulator/The Charity Commission for Northern Ireland/other regulator] such matters (concerning the activities or affairs of the charity or any connected institution or body corporate) of which we become aware during the course of our examination which are (or are likely to be) of material significance to the regulator in the exercise of their powers of inquiry into, or acting for the protection of, charities.

There are certain other matters that, according to the circumstances, may need to be dealt with in my report: for example, material breaches of trust or information not provided to me.

Under directions issued by the [Charity Commission/Office of the Scottish Charity Regulator/The Charity Commission for Northern Ireland/other regulator], I am obliged to report to it any matters that I become aware of during the course of my examination, which give me reasonable cause to believe that one or more of the trustees has been responsible for deliberate or reckless misconduct in the charity’s administration.

Should you instruct me to carry out an alternative report then it will be necessary for me to issue a separate letter of engagement.

If, as a result of the work I perform, I arrive at the conclusion that the charity is not entitled to exemption from an audit of the accounts, or if I am unable to reach a conclusion on this matter, I will not issue any report. I will provide you with written notification of the reasons for this.

I am also required to report any of the following matters that have become apparent during the course of the independent examination:

1. whether there has been any material expenditure or action that appears not to be in accordance with the trusts of the charity
2. whether any information or explanation to which we are entitled has not been afforded to us
3. whether any information in the trustees’ statutory annual report is inconsistent in any material respect with that in the financial statements.

As trustees of a charity, you are under a duty to prepare an annual report for each financial year complying in its form and content with the [Charities Act 2011/the Charities and Trustee Investment (Scotland) Act 2005/Charities Act (Northern Ireland) 2008]. You should also have regard to *Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities* issued by the Charity Commission and the Office of the Scottish Charity Regulator in their role as the joint SORP-making body, recognised by the Financial Reporting Council.

As trustees, you are required to report as to whether you have given consideration to the major risks to which the charity is exposed, and to the systems designed to mitigate these risks. Compliance with the SORP requires you to confirm that these risks have been reviewed and that systems have been established to mitigate those risks. I am not required to audit this statement, or to form an opinion on the effectiveness of the risk management and control procedures.

**Limitation of liability**

**Our services as detailed above are subject to the limitations on our liability set out in the engagement letter and in paragraph 18 of our standard terms and conditions of business. These are important provisions, which you should read and consider carefully.**

[There are no third parties that we have agreed should be entitled to rely on the work done pursuant to this engagement letter.]

OR[We have agreed that the following third parties should be entitled to rely on our work pursuant to this engagement: insert details of third parties.]

**Other services**

You may request that I provide other services from time to time. If these services will exceed £insert value, I will issue a separate letter of engagement and scope of work to be performed accordingly.

Because rules and regulations frequently change, you must ask me to confirm any advice already given if a transaction is delayed or a similar transaction is to be undertaken.

[Date:

Name of practice:]

**[Name of practice]**

### INDEPENDENT EXAMINATION ASSIGNMENT FOR AN INCORPORATED CHARITY

### SCHEDULE OF SERVICES

This schedule must be read in conjunction with the engagement letter and the standard terms and conditions.

**My service to you**

I will conduct my engagement by following the procedures laid down in the general directions given by [the Charity Commission/Office of the Scottish Regulator/The Charity Commission for Northern Ireland/other regulator] under section [145(5)(b) of the Charities Act 2011/section 44 of the Charities and Trustee Investment (Scotland) Act 2005/section 65 of the Charities Act (Northern Ireland) 2008], and making such limited enquiries of the officers of the charitable company as I may consider necessary for the purposes of my report.

I will not be carrying out any audit work as part of this assignment. To carry out an audit would entail additional work to comply with International Standards on Auditing so that I could report on the truth and fairness of the accounts. I would also like to emphasise that I cannot undertake to discover any shortcomings in your systems or irregularities on the part of your employees.

As part of my normal procedures, I may request you to provide formal representations concerning certain information and explanations I have received from you during my examination.

In order to assist me with my examination of your accounts, I will request sight of any documents or statements that will be issued with the accounts. This will include the trustees’ report. I am also entitled to attend all general meetings of the charitable company, and to receive notice of all such meetings.

Once I have issued my report, I have no further direct responsibility in relation to the accounts for that financial year. However, I expect that you will inform me of any material event occurring between the date of my report and that of the annual general meeting that may affect the accounts.

I have a professional responsibility not to allow my name to be associated with accounts that I consider may be misleading. Therefore, although I am not required to search for such matters, should I become aware, for any reason, that the accounts may be misleading, and the matter cannot be adequately dealt with by means of modification of my report, I will not issue any report and will withdraw from the engagement, and will notify you in writing of the reason.

I do not have any responsibility to report whether any member of the charitable company has notified the charitable company that they require an audit; consequently, I have no responsibility to carry out any work in respect of this matter.

**My responsibility to you**

I have set out the agreed scope and objectives of your instructions within this letter of engagement. Any subsequent changes will be discussed with you and, where appropriate, a new letter of engagement will be agreed. I shall proceed on the basis of the instructions that I have received from you, and will rely on you to tell me as soon as possible if anything occurs that renders any information previously given to me as incorrect or inaccurate. I shall not be responsible for any failure to advise or comment on any matter that falls outside the specific scope of your instructions. I cannot accept any responsibility for any event, loss or situation unless it is one against which it is the expressed purpose of these instructions to provide protection.

**Your responsibility to me**

The advice that I give can only be as good as the information on which it is based. In so far as that information is provided by you, or by third parties with your permission, your responsibility arises as soon as possible if any circumstances or facts alter, as any alteration may have a significant impact on the advice given. If the circumstances change, therefore, or your needs alter, please advise me of the alteration as soon as possible in writing.

**Statutory responsibilities**

As trustees/directors of the charitable company, you are required by statute to prepare accounts (financial statements) for each financial year, which give a true and fair view of the state of affairs of the charitable company and of its surplus or deficit for that period. In preparing those accounts you must:

1. select suitable accounting policies and then apply them consistently
2. make judgements and estimates that are reasonable and prudent
3. prepare the accounts on the going concern basis unless it is not appropriate to presume that the charitable company will continue in operation.

It is your responsibility to keep proper accounting records that disclose with reasonable accuracy at any particular time the financial position of the charitable company and to enable me to ensure that the accounts comply with [the Companies Act 2006/the Charities and Trustee Investment (Scotland) Act 2005/Charities Act (Northern Ireland) 2008]. It is also your responsibility to safeguard the assets of the charitable company and hence to take reasonable steps for the prevention of and detection of fraud and other irregularities with an appropriate system of internal controls.

You are responsible for determining that:

1. an examination is required under [section 145 of the Charities Act 2011, and that section 144 (audit) of the Charities Act 2011 does not apply to the charitable company/section 44 of the Charities and Trustee Investment (Scotland) Act 2005/section 65 of the Charities Act (Northern Ireland) 2008.]
2. [the charitable company is exempt from audit in accordance with section 477 of the Companies Act 2006.]

You are also responsible for establishing if the exemption is not available for any of the reasons set out in section 478, 479A or 480 of the Companies Act 2006. If in respect of the year, the availability of the exemption from an audit of the accounts is conditional on your causing a report in respect of these accounts to be prepared for the purposes of section 477, you are responsible for deciding whether that report shall be made and for appointing me as independent examiner to make that report to the members of the charitable company.

You are responsible for making available to me, as and when required, all the charitable company’s accounting records and all other relevant records and related information, including minutes of trustees’ and directors’ meetings.

The intended users of the report are the [directors/trustees]. The report will be addressed to the directors/trustees.

As [directors/trustees] of the charitable company, you have a duty to prepare an annual report for each financial year. You should also be aware that the charitable company’s accounts and accounting practices should comply in full with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities, [the Charities Act 2011/the Charities and Trustee Investment (Scotland) Act 2005/the Charities Act (Northern Ireland) 2008], appropriate accounting policies and the Companies Act 2006.

I have a statutory duty to report to [the Charity Commission/Office of the Scottish Charity Regulator/The Charity Commission for Northern Ireland/other regulator] such matters (concerning the activities or affairs of the charitable company or any connected institution or body corporate) of which I become aware during the course of my work which are (or are likely to be) of material significance to the [commission/regulator] in the exercise of its powers of inquiry into, or acting for the protection of, charities.

My function as independent examiner under [the Charities Act 2011/the Charities and Trustee Investment (Scotland) Act 2005/the Charities Act (Northern Ireland) 2008] is to prepare a report for the purposes of [section 145 of the Charities Act 2011/section 44 of the Charities and Trustee Investment (Scotland) Act 2005/section 65 Charities Act (Northern Ireland) 2008] in accordance with section [145/44/65] of the act], and the respective responsibilities of the trustees and of me as independent examiner.

As independent examiner it is my statutory responsibility to report to the trustees of the charitable company whether in my opinion:

1. The accounts are in agreement with the accounting records kept by [the charitable company/charity] under [section 386 of the Companies Act 2006/section 130 of the Charities Act 2011/section 44 of the Charities and Trustee Investment (Scotland) Act 2005/section 63 of the Charities Act (Northern Ireland) 2008].
2. The accounts comply with the accounting requirements of [section 396 of the Companies Act 2006 section 130 of the Charities Act 2011/section 44 of the Charities and Trustee Investment (Scotland) Act 2005/ section 63 of the Charities Act (Northern Ireland) 2008], and with the methods and principles of the SORP.
3. I also have an obligation to consider whether the information in the trustees’ report is materially consistent with that in the accounts.
4. [That my examination of the accounts was carried out under section 145 of the 2011 Act and in carrying out my examination, I have followed the applicable directions given by the Charity Commission under section 145(5)(b) of the act.]

I shall review the accounting policies adopted and consider their consistency with the SORP and their appropriateness to the activities of the charitable company.

There are certain other matters that, according to the circumstances, may need to be dealt with in my report: for example, material breaches of trust or information not provided to me.

I am also required to report any of the following matters that have become apparent during the course of the independent examination:

1. whether there has been any material expenditure or action that appears not to be in accordance with the trusts of the charity
2. whether any information or explanation to which we are entitled has not been afforded to us
3. whether any information in the trustees’ statutory annual report is inconsistent in any material respect with that in the financial statements

If an audit on the accounts is required, you will need to notify me in writing. Should my work indicate that the charitable company is not entitled to exemption from an audit of the accounts, I will inform you. Should you instruct me to carry out any alternative report, then it will be necessary for me to issue a separate letter of engagement.

**Limitation of liability**

**Our services as detailed above are subject to the limitations on our liability set out in the engagement letter and in paragraph 18 of our standard terms and conditions of business. These are important provisions, which you should read and consider carefully.**

[There are no third parties that I have agreed should be entitled to rely on the work done pursuant to this engagement letter.]

OR

[I have agreed that the following third parties should be entitled to rely on my work pursuant to this engagement: insert details of third parties.]

**Other services**

You may request that I provide other services from time to time. If these services exceed £insert value, I will issue a separate letter of engagement and scope of work to be performed accordingly.

Because rules and regulations frequently change, you must ask me to confirm any advice already given if a transaction is delayed or a similar transaction is to be undertaken.

[Date:

Name of practice:]

**[Name of practice]**

### NON-AUDIT ACCOUNTS ASSIGNMENT FOR A LIMITED LIABILITY PARTNERSHIP (LLP)

### SCHEDULE OF SERVICES

This schedule must be read in conjunction with the engagement letter and the standard terms and conditions.

**Our service to you**

You have engaged us to prepare the accounts (financial statements) on your behalf for your approval based on the accounting records, the information and explanations that you give us and in accordance with [FRS 102/FRS102 Section 1A/the accounting framework agreed and applicable to you].

[You have engaged us to prepare abridged accounts under The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 as amended by The Limited Liability Partnerships, Partnerships and Groups (Accounts and Audit) Regulations 2016. By instructing us, you confirm that you have obtained the necessary consents from all members and for delivering the required statement to the registrar.]

You have engaged us to prepare a non-statutory report as detailed below that will be attached to the accounts.

We will not be carrying out any audit work as part of this assignment and accordingly will not verify the assets and liabilities of the LLP, nor the items of expenditure and income. To carry out an audit would entail additional work to comply with International Standards on Auditing so that we could report on the truth and fairness of the financial statements. We would also like to emphasise that we cannot undertake to discover any shortcomings in your systems or irregularities on the part of your employees.

If an audit of the accounts is required, you will need to notify us in writing. Should our work indicate that the LLP is not entitled to exemption from an audit of the accounts, we will inform you. If we decide to undertake an audit assignment at your request, a separate engagement letter will be required.

To ensure that anyone reading the accounts is aware that we have not carried out an audit, we will attach to the accounts a report stating this fact.

We will attach to the accounts a report developed by the Consultative Committee of Accountancy Bodies (CCAB), which explains what work has been done by us, the professional requirements we fulfil and the standard to which the work has been carried out. You can obtain further information from the Association of Chartered Certified Accountants about:

1. the technical guidance for the work
2. the related ethical and other professional requirements.

To ensure that anyone reading the accounts is aware that we have not carried out an audit, we will attach to the accounts a report stating this fact.

The intended users of the report are the members. The report will be addressed to the members.

Once we have issued our report, we have no further direct responsibility in relation to the accounts for that financial year. However, we expect that you will inform us of any material event occurring between the date of our report and that of the annual general meeting that may affect the accounts.

**Our responsibility to you**

We have set out the agreed scope and objectives of your instructions within this letter of engagement. Any subsequent changes will be discussed with you and, where appropriate, a new letter of engagement will be agreed. We shall proceed on the basis of the instructions we have received from you and will rely on you to tell us as soon as possible if anything occurs that renders any information previously given to us as incorrect or inaccurate. We shall not be responsible for any failure to advise or comment on any matter that falls outside the specific scope of your instructions. We cannot accept any responsibility for any event, loss or situation unless it is one against which it is the expressed purpose of these instructions to provide protection.

**Your responsibility to us**

The advice that we give can only be as good as the information on which it is based. In so far as that information is provided by you, or by third parties with your permission, your responsibility arises as soon as possible if any circumstances or facts alter, as any alteration may have a significant impact on the advice given. If the circumstances change, therefore, or your needs alter, advise us of the alteration as soon as possible in writing.

**Statutory responsibilities**

As members, you are required by statute to prepare accounts (financial statements) for each financial year, which give a true and fair view of the state of affairs of the LLP and of its profit or loss for that period.

You must not approve the accounts unless you are satisfied that they give a true and fair view of the assets, liabilities, financial position and profit or loss of the LLP.

In preparing those accounts you must:

1. select suitable accounting policies and then apply them consistently
2. make judgements and estimates that are reasonable and prudent
3. prepare the accounts on the going concern basis unless it is inappropriate to presume that the LLP will continue in business.

You have engaged us to prepare the accounts on your behalf.

It is your responsibility to keep proper accounting records that disclose with reasonable accuracy at any particular time the financial position of the LLP. It is also your responsibility to safeguard the assets of the LLP, and to take reasonable steps for the prevention of and detection of fraud and other irregularities with an appropriate system of internal controls.

You are responsible for determining whether, in respect of the year concerned, the LLP meets the conditions for exemption from an audit set out in section 477, 479A or 480 of the Companies Act 2006, and for determining whether, in respect of the year, the exemption is not available for any of the reasons set out in section 478 of the Companies Act 2006.

You are also responsible for making available to us, as and when required, all the LLP’s accounting records and all other relevant records and related information, including minutes of members’ meetings.

You will also be responsible for:

1. maintaining records of all receipts and payments of cash
2. maintaining records of invoices issued and received
3. reconciling balances [monthly/annually] with the bank statements
4. preparing details of the following at the year end: stocks and work in progress; fixed assets; amounts owing to suppliers; amounts owing by customers; and accruals and prepayments
5. preparing a record of capital introduced by the partners
6. advising us via the nominated partner of any changes to the profit-sharing arrangements of the partnership.

Our work will not be an audit of the accounts in accordance with International Standards on Auditing. Accordingly, we shall not seek any independent evidence to support the entries in the accounting records, or to prove the existence, ownership or valuation of assets or completeness of income, liabilities or disclosure in the accounts. Nor shall we assess the reasonableness of any estimates or judgements made in the preparation of the accounts. Consequently, our work will not provide any assurance that the accounting records are free from material misstatement, irregularities or error.

As part of our normal procedures we may request you to provide written confirmation of any oral information and explanations given to us during the course of our work.

We have a professional duty to compile accounts that conform with generally accepted accounting principles. The accounts of an LLP are required to comply with the disclosure requirements of the Limited Liability Partnership Act 2000, Limited Liability Partnership Regulations, FRS 102, Statement of Recommended Practice and Companies Act 2006. Where we identify that the accounts do not conform to accepted accounting principles or standards, we will inform you and suggest amendments be put through the accounts before being published. We have a professional responsibility not to allow our name to be associated with accounts that may be misleading. In extreme cases, where this matter cannot be resolved, we will withdraw from the engagement and notify you in writing of the reasons.

Should you instruct us to carry out any alternative report, it will be necessary for us to issue a separate letter of engagement.

**Limitation of liability**

**Our services as detailed above are subject to the limitations on our liability set out in the engagement letter and in paragraph 18 of our standard terms and conditions of business. These are important provisions, which you should read and consider carefully.**

[There are no third parties that we have agreed should be entitled to rely on the work done pursuant to this engagement letter.]

OR

[We have agreed that the following third parties should be entitled to rely on our work pursuant to this engagement: insert details of third parties.]

**Other services**

You may request that we provide other services from time to time. If these services will exceed £insert value, we will issue a separate letter of engagement and scope of work to be performed accordingly.

Because rules and regulations frequently change, you must ask us to confirm any advice already given if a transaction is delayed or a similar transaction is to be undertaken.

[Date:

Name of practice:]

**APPENDIX C**

**STANDARD STATEMENT OF TERMS AND CONDITIONS**

 [Name of practice]

### STANDARD TERMS AND CONDITIONS OF BUSINESS

**These terms and conditions should be read alongside the privacy notice**

**[Please read the guidance notes before using this appendix]**

[To be adapted as appropriate to suit a practitioner’s business and then printed on the practice headed notepaper. Apply or delete the words in square brackets as necessary]

# Applicable law

Our engagement letter, the schedule of services and our standard terms and conditions of business are governed by, and should be construed in accordance with, the law and practice of [England and Wales/Scotland/Northern Ireland]. Each party agrees that the courts of [England and Wales/Scotland/Northern Ireland] will have exclusive jurisdiction in relation to any claim, dispute or difference concerning this engagement letter and any matter arising from it. 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 inappropriate forum, or to claim that those courts do not have jurisdiction.

# Client identification and verification

# As with other professional services firms, we are required to identify and verify our clients for the purposes of the UK anti-money laundering legislation. Save for exceptional circumstances, we cannot start work until this requirement has been met. We may request from you, and retain, such information and documentation as we require for these purposes and/or make searches of appropriate databases including ID verification software.

[If you are undertaking business that requires you to be supervised by an appropriate supervisory authority to follow anti-money laundering regulations, including if you accept or make high value cash payments of €10,000 or more (or equivalent in any currency) in exchange for goods, you must inform us.]

# Client money

If we hold money on your behalf, such 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 ACCA client money rules.

1. **Commissions and other benefits**

In some circumstances we may receive commissions and/or other benefits for introductions to other professionals or in respect of transactions that 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 will [not] be reduced by the amount of the commissions or benefits.] [When we reduce the fees that we would otherwise charge by the amount of commission retained, we will apply the HMRC concession, which allows VAT to be calculated on the net fee after deduction of the commission].

# Complaints

We are committed to providing 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 [insert name]. [Where your complaint relates to that person, you should instead please contact [insert name]] .We agree to look into any complaint carefully and promptly, and do everything reasonable to try and resolve it. If you are still not satisfied, you can refer your complaint to our professional body, ACCA.

1. **Confidentiality**

Communication between us is confidential. We shall take all reasonable steps not to disclose your information except where we are required to and as set out in our privacy notice. Unless we are authorised by you to disclose information on your behalf, this undertaking will apply during and after this engagement.

We may, on occasion, subcontract work on your affairs to other tax or accounting professionals. The subcontractors will be bound by our client confidentiality and security terms.

1. **Conflicts of interest**

If there is a conflict of interest in our relationship with you or in our relationship with you and another client that is capable of being addressed successfully by the adoption of suitable safeguards to protect your interests, then we will adopt those safeguards.

Where conflicts are identified that 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. We reserve the right to act for other clients whose interests are not the same as or are adverse to yours, subject, of course, to the obligations of confidentiality referred to above.

1. **Data protection**

[If consent is to be relied upon as a basis for the processing of personal data, the issue of consent should be expressly and specifically addressed in the engagement letter/acceptance.]

You acknowledge that we will act in accordance with the privacy notice we have supplied to you.

1. **Disengagement**

Should we resign or be requested to resign, we will normally issue a disengagement letter to ensure that our respective responsibilities are clear.

Should we have no contact with you for a period of [insert period] or more, we may issue to your last known address a disengagement letter and thereafter cease to act.

We reserve the right following termination for any reason to destroy any of your documents that we have not been able to return to you after a period of six months unless other laws or regulations require otherwise.

1. **Electronic and other communication**

As instructed, we will communicate with you and with any third parties you instruct us to as set out in our covering letter and privacy notice via email or by other electronic means. The recipient is responsible for virus-checking emails and any attachments.

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 or loss caused by viruses, nor for communications that are corrupted or altered after despatch. Nor can we accept any liability for problems or accidental errors relating to this means of communication, especially in relation to commercially sensitive material. These are risks you must accept 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 hard copy, other than where electronic submission is mandatory.

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.

When accessing information held electronically by HMRC, we may have access to more information than we need and will only access records reasonably required to carry out the contract.

You are required to keep us up to date with accurate contact details at all times. This is important to ensure that communications and papers are not sent to the incorrect address.

**11. Fees and payment terms**

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.

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.

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.

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.

We will bill [monthly]/[quarterly]/[half-yearly] and our invoices are 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.

Unless otherwise agreed to the contrary, our fees do not include the costs of any third party, counsel or other professional fees.

[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.]

[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.]

[You authorise us to settle our agreed fees from any money held on your behalf in the client account.]

Where this contract exists between us and a purchaser acting in the course of a business, we reserve the right to charge interest on late-paid invoices at the rate of 8% above the Bank of England base rate 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.

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.

On termination of the engagement you may appoint a new adviser. Where a new adviser requests professional clearance and handover information, we reserve the right to charge you a reasonable fee for the provision of handover information.

**12. Implementation**

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

**13. Intellectual property rights**

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. Interpretation**

If any provision of this engagement letter, schedules of services or standard terms and conditions is held to be void, then that provision will be deemed not to form part of this contract and the remainder of this agreement shall be interpreted as if such provision had never been inserted.

In the event of any conflict between these standard terms and conditions and the engagement letter or schedules of services, the relevant provision in the engagement letter or schedules will take precedence.

**15.** **Internal disputes within a client**

If we become aware of a dispute between the parties who own or are in some way involved in the ownership and management of a business client, it should be noted that where our client is the business, 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 [registered office/normal place of business] for the attention of the [directors/proprietors]. If conflicting advice, information or instructions are received from different directors/principals in the business, we will refer the matter back to the board of directors/the partnership/the LLP and take no further action until the board/partnership/LLP has agreed the action to be taken.

**16. Investment advice (including insurance mediation services)**

Investment business is regulated under the Financial Services and Markets Act 2000.

*[If not authorised by the Financial Conduct Authority or licensed by a designated professional body]*

If, during the provision of professional services to you, you need advice on investments, including insurances, we may have to refer you to someone who is authorised by the Financial Conduct Authority or licensed by a designated professional body as we are not authorised to give such advice.

*[If licensed by a designated professional body]*

If, during the provision of taxation services to you, you need advice on investments, we may have to refer you to someone who is authorised by the Financial Conduct Authority. However, as we are licensed by the Association of Chartered Certified Accountants (ACCA), we may be able to provide certain investment services that are complementary to, or arise out of, the professional services we are providing to you. Such services may include [specify the nature of any exempt regulated activities the firm undertakes].

**17. Lien**

# Insofar as we are permitted to do 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.

# 18. Limitation of liability

We will provide our services with reasonable care and skill. Our liability to you is limited to losses, damages, costs and expenses directly caused by our negligence, fraud or wilful default.

*Exclusion of liability for loss caused by others*

We will not be liable if such losses, penalties, interest or additional tax liabilities are caused by the acts or omissions of any other person, or due to the provision to us of incomplete, misleading or false information, or if they are caused by a failure to act on our advice or a failure to provide us with relevant information.

In particular, where we refer you to another firm whom you engage with directly, we accept no responsibility in relation to their work and will not be liable for any loss caused by them.

*Exclusion of liability in relation to circumstances beyond our control*

We will not be liable to you for any delay or failure to perform our obligations under this engagement letter if the delay or failure is caused by circumstances outside our reasonable control.

*Exclusion of liability relating to non-disclosure or misrepresentation*

We will not be responsible or liable for any loss, damage or expense incurred or sustained if information material to the service we are providing is withheld or concealed from us or misrepresented to us.

This exclusion shall not apply where such misrepresentation, withholding or concealment is or should (in carrying out the procedures that we have agreed to perform with reasonable care and skill) have been evident to us without further enquiry beyond that which it would have been reasonable for us to have carried out in the circumstances.

*Indemnity for unauthorised disclosure*

You agree to indemnify us and our agents in respect of any claim (including any claim for negligence) arising out of any unauthorised disclosure by you or by any person for whom you are responsible of our advice and opinions, whether in writing or otherwise. This indemnity will extend to the cost of defending any such claim, including payment at our usual rates for the time that we spend in defending it.

[*Limitation of aggregate liability*

Where the engagement letter specifies an aggregate limit of liability, then that sum shall be the maximum aggregate liability of this [firm, company or LLP], its [principals, partners, directors or members] agents and employees to all persons to whom the engagement letter is addressed and also any other person that we have agreed with you may rely on our work.]

You have agreed that you will not bring any claim of a kind that is included within the subject of the limit against any of our [principals] [partners] [directors] [members] or [employees] on a personal basis.

**19. Limitation of third-party rights**

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 that 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.

# 20. Period of engagement and termination

Unless otherwise agreed in the engagement letter, our work will begin when we receive your implicit or explicit acceptance of that letter. Except as stated in that letter, we will not be responsible for periods before that date.

Each of us may terminate this 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.

In the event of termination of this 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.

If you engage us for a one-off piece of work (for example, advice on a one-off transaction or preparation of a tax return for one year only), the engagement ceases as soon as that work is completed. The date of completion of the work is taken to be the termination date, and we owe you no duties and we will not undertake further work beyond that date.

Where recurring work is provided (for example, ongoing compliance work such as the completion of annual tax returns), the engagement ceases on the relevant date in relation to the termination as set out above. Unless immediate termination applies, in practice this means that the relevant termination date is:

* 21 days after the date of notice of termination or
* a later agreed date.

We owe you no duties beyond the date of termination and will not undertake any further work.

**21. Professional body rules**

We will observe and act in accordance with the bye-laws, regulations and ethical guidelines of the Association of Chartered Certified Accountants (ACCA) and will accept instructions to act for you on this basis.

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

In particular, you give us the authority to correct errors made by HMRC where we become aware of them. In addition, we will not undertake tax planning that breaches Professional Conduct in Relation to Taxation. We will therefore comply with the general anti-abuse rule and the targeted anti-avoidance rule. 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 at our offices.

The requirements are also available online at [bit.ly/ACCA-rules-standards](https://bit.ly/ACCA-rules-standards).

The implications of professional body membership as it relates to GDPR are set out in the privacy notice, which should be read alongside these standard terms and conditions of business.

# 22. Reliance on advice

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. However, bear in mind that advice is only valid at the date it is given.

# 23. Retention of papers

You have a legal responsibility to retain documents and records relevant to your tax affairs. During the course of our work, we may collect information from you and others relevant to your tax affairs. We will return any original documents to you [if requested].

When we cease to act for you, we will seek to agree the position on access to cloud-accounting records to ensure continuity of service. This may require you to enter direct engagements with the software providers and pay for that service separately. 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: five years and 10 months after the end of the tax year
* otherwise: 22 months after the end of the tax year.

Companies, LLPs and other corporate entities

* six years from the end of the accounting period.

While certain documents may legally belong to you, we may destroy correspondence and other papers that we store, electronically or otherwise, which are more than seven years old. This includes your documents if they have not been reclaimed by you within the seven-year period. You must tell us if you require the return of any specific document or their retention for a longer period.

You should retain documents that are sent to you by us as set out in the privacy notice, which should be read alongside these terms and conditions.

**24. The Provision of Services Regulations 2009 (‘Services Directive’)**

In accordance with our professional body rules, we are required to hold professional indemnity insurance. Details about the insurer and coverage can be found at our offices or by request from us.

**APPENDIX D**

**DISENGAGEMENT LETTER WORDING**

[Practitioners are also referred to guidance on disengagement].

 [The following wording is given as an example. It may not be applicable in every case or be in line with the method of operation of your practice and may, consequently, require addition or amendment.]

ADDRESSEE

To: the board of directors of [business name}

To: [Mr] [Mrs] [Ms] [name]

To: [Business/client name]

Dear……………………….

**1. Purpose**

The purpose of this letter is to set out matters connected with [our decision to cease acting as your accountant\*] [your decision to replace us as your accountant\*] with immediate effect except to the extent provided for under paragraph 3 of this letter.

**2. Summary of services provided**

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

*\* insert 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 the services, were set out in our letter of engagement to you dated [date]. The advice that was provided to you during the course of our professional engagement was for your sole use and did not constitute advice to any third party to whom you might have communicated it. We accept no responsibility to third parties for any aspect of our professional services or work that has been or may be made available to them.

**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 [set out below]/[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 [details] service we have agreed to continue with our responsibilities in respect of this service alone and the arrangements as set out in our engagement letter continue to apply to this service until [insert end date of service].]

1. **Respective responsibilities**

With respect to our resignation as accountants, our responsibilities to you, with the exception of the specific matters referred to in paragraph 3 (above) will cease [with immediate effect]/[after 21 days]/[agreed date of [ ]]. 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 paragraph 3 (above).

Our responsibilities, on resignation as accountants, 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].

1. **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 may return these documents to your last notified address and/or destroy them without further notice unless other laws or regulations require otherwise.

Our policy on retention of records is set out in the attached privacy notice.[Attach your firm’s privacy notice]

1. **Fees**

With reference to our fees, we calculate that an amount of £[insert figure]. 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 paragraph 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. 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, 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 name]