

Technical factsheet

Audit-exempt companies: ACCA accounts preparation report

This replaces the previous Technical factsheet 163

Contents

Introduction	2
Objective of an accounts preparation engagement	2
General principles of an accounts preparation engagement	3
Defining the terms of the engagement	3
Planning	4
Documentation	4
Procedures	5
Reporting on an accounts preparation engagement	7
Appendix 1: example engagement letter	8
Appendix 2: example standard terms and conditions	13
Appendix 3: example accounts preparation report	22

INTRODUCTION

This factsheet provides practising members of the Association of Chartered Certified Accountants (ACCA) with guidance on engagements to prepare financial statements for limited companies and other incorporated entities. The guidance outlines the minimum requirements for an accounts preparation engagement, and it is not exhaustive of any additional work or procedures that the practitioner might consider appropriate in the context of a specific engagement or that have been agreed with the client. In particular, the factsheet primarily deals with the ACCA accounts preparation report, which is a cross-profession report agreed by the Consultative Committee of Accountancy Bodies (CCAB) aimed at the preparation of accounts of incorporated entities. In this guidance, references to accounts preparation engagements can be considered interchangeable with references to compilation engagements. The guidance covers entities that are exempt from the requirement to have their accounts audited under relevant legislation.

Although this factsheet is not designed for accounts preparation engagements of unincorporated entities, the general principles and the example reports included in the document can be appropriately adapted and applied in the performance of such engagements.

ACCA recommends that the ACCA accounts preparation report should be given where the practitioner's or firm's name is associated in any way with the financial statements that have been prepared by them.

ACCA also strongly recommends that a copy of the ACCA accounts preparation report be included with the financial statements filed at Companies House, as such a report would increase the credibility of the financial information placed on public record and would differentiate the accounts from those prepared by firms and individuals who are not members of one of the CCAB bodies. The recommendation to include a copy of the ACCA accounts preparation report is also applicable to filleted accounts filed at Companies House.

The guidance in this factsheet draws upon International Standard on Related Services 4410, *Compilation Engagements*, issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC).

In performing financial statements preparation engagements, practitioners should pay particular attention to the fundamental principles and ethical requirements contained in the ACCA's Code of Ethics and Conduct, particularly those contained in section 300 of Part 3 and in section B9 (Professional liability of accountants and auditors) of the ACCA Rulebook.

OBJECTIVE OF AN ACCOUNTS PREPARATION ENGAGEMENT

The objective of an accounts preparation engagement is for the accountant to use accounting expertise, as opposed to auditing expertise, to collect, classify and summarise financial information. This ordinarily entails reducing detailed data to a manageable and understandable form without a requirement to test the assertions underlying that information. The procedures employed are not designed, and do not enable the accountant, to express any assurance on the financial information. However, users of the information that has been prepared derive some benefit as a result of the accountant's involvement because the service has been performed with professional competence and due care.

The starting point for an accounts preparation engagement may be at any stage – from incomplete records, for example, through to a trial balance or management accounts

generated by a computerised bookkeeping system. The end 'product', on the other hand, is a finished set of accounts prepared according to generally accepted accounting principles, adapted as necessary to meet disclosure requirements set out in laws and other requirements applicable to the sector in which the client operates. The accountant does not provide any assurance on the truth and fairness of the information they contain.

GENERAL PRINCIPLES OF AN ACCOUNTS PREPARATION ENGAGEMENT

The accountant should comply with the Code of Ethics and Conduct issued by ACCA. Ethical principles governing the accountant's professional responsibilities for this type of engagement are:

- integrity
- objectivity
- professional competence and due care
- confidentiality
- professional behaviour.

Independence in the strict sense applicable to audit assignments is not essential, provided that the accountant is not also providing assurance services to the client and that any relevant relationships and conflicts of interest are appropriately disclosed. There are nevertheless certain factors affecting independence, which, by their nature, are a threat to objectivity in any professional role. Practitioners' attention is drawn to Part 4B of the ACCA Rulebook, which provides examples of the most common threats to objectivity in performing accounts preparation engagements.

In all circumstances when a practitioner's or firm's name is associated with financial information that they have prepared, it is recommended that they issue a report. This is because, as stated above, users of the financial information derive some benefit from the involvement of a qualified accountant in the preparation of the accounts. It is also important to make it clear to users what work has been undertaken by the accountant, the professional requirements they have to fulfil and the standard to which the work has been carried out, as well as, if considered appropriate, underlining the respective responsibilities of the proprietors/directors ('management') and the practitioner.

DEFINING THE TERMS OF THE ENGAGEMENT

Paragraph 5 in section B9 of the ACCA Rulebook requires that "members must record in writing and send to their client a letter of engagement which sets out the terms under which they are agreeing to be engaged by their client before any work is undertaken or, if this is not possible, as soon as practicable after the engagement commences. The member must ensure that at the time he/she agrees to perform certain work for the client a letter of engagement is prepared which clearly defines the scope of his/her responsibilities and the terms of his/her contract with his/her client. The letter of engagement should set out in detail the actual services to be performed, the fees to be charged, or the basis upon which fees are calculated, and the terms of the engagement should be accepted by the client so as to minimise the risk of disputes regarding the duties assumed."

Matters to be considered in agreeing the terms of the engagement include:

- the respective responsibilities of the client and the accountant. Whatever the nature of the entity, its proprietors or directors are responsible for preparing accounts that comply with applicable requirements
- the directors are responsible for the completeness and accuracy of the information supplied to the accountant and for the completeness and accuracy of the accounts that the accountant prepares
- the nature of the engagement, including the fact that neither an audit nor a review will be carried out and that, accordingly, no assurance will be expressed
- the fact that the engagement cannot be relied upon to disclose errors, illegal acts or other irregularities – for example, fraud or defalcations that may exist
- the basis of accounting on which the financial information is to be prepared
- the form of the report to be issued by the accountant
- the nature of the information, including any accounting schedules, to be supplied by the client
- the intended use and distribution of the financial information, once prepared
- additional services to be provided – for example, analytical procedures, assistance with VAT returns, PAYE or periodic management accounts.

An engagement letter is in the interests of both the accountant and the entity. It confirms the accountant's acceptance of the appointment and helps avoid misunderstanding regarding matters such as the objectives and scope of the engagement, the respective responsibilities of the client and the accountant, and the form of reports to be issued. An engagement letter is useful in planning the accounts preparation work, and can avoid unnecessary or duplicated work on the part of the accountant or client staff by establishing the extent of client assistance in accounts preparation work.

An example of an appropriate extract from an engagement letter for an accounts preparation assignment for a limited company is given in Appendix 1; this will need to be tailored to the circumstances of each client. Appendix 2 also contains an example of standard terms and conditions of business that would need to be tailored and issued to each client. Further information on drafting letters for a variety of engagements can be found in the [Technical Activities section](#) of the ACCA website.

PLANNING

Planning of procedures to meet the objectives of the accounts preparation assignment will help to ensure that the engagement is carried out efficiently. The discipline of a formal plan makes commercial sense. An assessment of the work involved enables the accountant to ensure that the fee will be acceptable to the client as well as generating a fair income for the accountant. While a written plan is not mandatory for accounting assignments, it provides a useful record and reference point, and is recommended where the work is delegated to subordinates or subcontractors.

DOCUMENTATION

It is recommended for the accountant to document accounts preparation procedures that provide evidence that the engagement was carried out in accordance with the technical guidance included in this factsheet and with the terms of the engagement. In the event of a subsequent dispute – for example, about the quality of the work carried out or a query from a public official (such as from HRMC) about some aspect of the financial information – clear working papers can be invaluable to protect the accountant's interests.

PROCEDURES

The accountant is not ordinarily required to perform the following procedures:

- make any enquiries of management to assess the reliability and completeness of the information provided
- assess the control environment, accounting systems and risk
- verify any matters
- consider whether the directors have taken adequate steps to assure themselves that the going concern basis of accounts preparation is appropriate
- make enquiries concerning the existence of any undisclosed related parties with which there may have been transactions
- verify any explanations.

Professional scepticism, however, will lead the accountant to consider undertaking some or all of the above procedures to avoid the risk of association with misleading accounts. That would be particularly the case if the accountant becomes aware that information provided by the directors is incorrect, incomplete or otherwise unsatisfactory. In such circumstances the accountant should also request the directors to provide additional information.

Knowledge of the business

The starting point for an accounts preparation engagement is to obtain a general knowledge of the business and of the operations of the entity, and an understanding of the accounting principles and practices of the industry in which it operates.

It is reasonable to keep the information about the business up to date, as circumstances in the sector, or for the entity itself, change. It will be useful for planning the accounts preparation work in the future for knowledge of the client to be documented and readily accessible, and added to as new information is gathered. The accountant normally obtains information about the client through experience with the entity or enquiry of the entity's personnel. Information that could be relevant to accounts preparation includes details of the nature of business operations and of the entity's accounting system.

Going concern

The accountant is not required to consider the entity's ability to continue as a going concern when preparing the financial statements. This means that there is no requirement for the accountant to look for evidence that the going concern basis of accounting is appropriate, having been subject to proper consideration by the entity's directors.

However, if the accountant becomes aware of evidence that the entity may not be able to continue in operational existence for the foreseeable future, the following course of action is taken:

- The matter causing the accountant to suspect that the going concern basis may not be appropriate is drawn to the directors' attention.
- The accountant explains the consequences for the directors, should they be found to have continued to trade, knowing that the entity would be unable to meet its liabilities as they fell due.
- The accountant discusses with the directors the implications of the going concern issue for the true and fair view of the accounts, and additional disclosures that might be necessary.

If the directors are aware of material uncertainties about the entity's ability to continue as a going concern, they are required to disclose those uncertainties or to apply a different basis of accounting if their assessment has shown that the going concern basis is not appropriate. The Financial Reporting Council has issued guidance on making a going concern assessment in its April 2016 [Guidance on the going concern basis of accounting and reporting on solvency and liquidity risks](#), which also includes some practical examples of disclosures relating to material going concern uncertainties.

If the accountant has requested additional information or has considered verifying any explanations or evidence in respect of significant doubts about the going concern basis and the directors refuse to provide the information, the accountant considers withdrawing from the engagement. Furthermore, if the accountant considers that disclosures in the accounts in respect of going concern uncertainties are not adequate and that additional disclosures are required, the accountant should try to agree appropriate amendments with the client. If the directors do not authorise the accountant to include such additional disclosures as considered necessary in order for the financial statements to show a true and fair view, the accountant considers withdrawing from the engagement.

Misleading accounts

An important professional principle is that members of ACCA should not produce accounts, or allow their names to be associated with accounts, that they consider to be misleading. If, therefore, the accountant becomes aware at any stage of the assignment that the information supplied by management is incorrect, incomplete or otherwise unsatisfactory, they will wish to raise the matter with management. One way of doing this would be for the accountant to set the matter out in writing, explaining the difficulty, and ask for a written reply with further or revised information as necessary, and confirmation of any oral representations made. In addition, the accountant should consider performing further enquiry and verification procedures.

If the client refuses to provide the necessary information, the accountant considers withdrawing from the engagement, informing the entity of the reasons for the withdrawal. Depending on the terms of the engagement, the accountant who withdraws from an engagement because the client has not fulfilled its side of the agreement (for example, by failing to provide adequate information and explanations) is entitled to recover costs of the work carried out up to the point of withdrawal. Clearly, it will be less easy to recover fees for work done where there is no engagement letter, or where the letter does not set out clearly the respective responsibilities of the directors and accountant.

Where the accounts are required by law or similar authority to make specified disclosures in a particular format, it is recommended that the accountant prepares them using a relevant, current accounts disclosure checklist or having regard to a model set of accounts. This will help to ensure that the disclosure requirements of the identified financial reporting framework are correctly applied. It will also help the accountant to check that all relevant disclosures are made in respect of the information made available by the directors, and that any departures from applicable requirements are properly described.

If the accountant becomes aware of material misstatements, he should try to agree appropriate amendments with the directors. If such amendments are not made and the financial information is considered to be misleading, or the accountant considers that it would be professionally unwise for the firm's name to be associated with the financial statements, the accountant should consider withdrawing from the engagement. The question of recovery of fees for the work done to the date of withdrawal is the same as discussed above.

Responsibility of the directors

Accountants should consider obtaining an acknowledgement by the directors of their responsibility for the appropriate presentation of the financial information and of their approval of the financial information. In the case of a limited company, it is recommended that a formal letter or copy of a board minute is obtained, which both acknowledges the directors' responsibilities and sets out any matters involving the directors' subjective judgments, such as stock valuation or going concern. The document would also normally cover points such as the accuracy and completeness of the underlying accounting data and the completeness of information provided to the accountant. It should also confirm any explanations given in the course of the work.

The accountant is entitled to accept written directors' representations if they are plausible. Obtaining a letter of representation is not a professional requirement, but the accountant may find such a document useful in certain circumstances, as explained in the previous paragraph.

REPORTING ON AN ACCOUNTS PREPARATION ENGAGEMENT

The name of the accountant who has prepared the financial information is normally associated with that information – for example, by means of printed covers in which the information is bound. The guidance above outlines the principle that, where an accountant's name is associated with accounts, the accountant should issue a formal report, explaining the nature of the engagement.

As stated above in this guidance, ACCA recommends that the cross-profession accounts preparation report, developed by the CCAB, is used. The ACCA accounts preparation report comprises core paragraphs and optional paragraphs. Core paragraphs broadly describe the extent and relevance of the involvement of professional accountants in the preparation of those accounts, and make reference to the professional requirements they have to fulfil and to the standard to which the work has been carried out. The core paragraphs should be present in all ACCA accounts preparation reports. The use of optional paragraphs is left to the practitioner's professional judgement. The ACCA accounts preparation report uses web links to enable a clear and concise report.

ACCA also strongly recommends that a copy of the ACCA accounts preparation report be included with the financial statements filed at Companies House, in order to increase the credibility of the financial information placed on public record and to differentiate the accounts from those prepared by firms and individuals who are not members of one of the CCAB bodies. The recommendation to include a copy of the ACCA accounts preparation report is also applicable to accounts filed at Companies House.

Where the financial statements of a company are filed electronically with Companies House, the copy of the ACCA accounts preparation report filed with such accounts will not require a physical signature from the professional accountant or from the accounting firm. In such circumstances, the report will need to be suitably modified to include the typed name of the accountant or firm only.

Appendix 3 contains copies of the ACCA cross-profession accounts preparation reports.

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ACCA LEGAL NOTICE: This technical factsheet is for guidance purposes only. It is not a substitute for obtaining specific legal advice. While every care has been taken with the preparation of the technical factsheet, neither ACCA nor its employees accept any responsibility for any loss occasioned by reliance on the contents.

APPENDIX 1

Example of an engagement letter for a limited company

The Directors¹ of Insert company name Ltd

Dear Insert name

We are pleased to accept the instruction to act as accountants for your company and are writing to confirm the terms of our appointment outlined below.

The purpose of this letter, together with the attached terms and conditions, is to set out our terms for carrying out the work and to clarify our respective responsibilities.

We are bound by the ethical requirements of the Association of Chartered Certified Accountants, and accept instructions to act for you on the basis that we will act in accordance with those ethical requirements. A copy of these requirements can be viewed at our offices on request or can be seen at accaglobal.com/rulebook².

1 Period of engagement

- 1.1 This letter is effective from insert date.
- 1.2 It replaces our letter dated insert date. The previously agreed commencement date for this engagement still applies.
- 1.3 We will deal with matters arising in respect of periods prior to the above period as appropriate.

OR

We will not be responsible for earlier periods. The company's previous accountants, insert name of accountants, will deal with outstanding returns, assessments and other matters relating to earlier periods and will agree the position with the relevant authorities.

2 Our responsibility to you

- 2.1 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 which 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.

¹ Delete as applicable

² It should be noted that the Rulebook is regularly updated, and it is the member's responsibility to ensure that their work and conduct is compliant with the rules and regulations at all times

3 Your responsibility to us

3.1 The advice that we give can only be as good as the information upon which it is based. Insofar 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.

4 Responsibilities

4.1 As directors of the 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 company and of its profit or loss for that period. In preparing those accounts you must:

- (a) Select suitable accounting policies and then apply them consistently;
- (b) Make judgements and estimates that are reasonable and prudent; and
- (c) Prepare the accounts on the going concern basis unless it is not appropriate to presume that the company will continue in business.

4.2 It is your responsibility to keep proper accounting records which 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.

4.3 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 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.

4.4 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.

4.5 You will also be responsible for:

- (a) Maintaining records of all receipts and payments of cash
- (b) Maintaining records of invoices issued and received
- (c) Reconciling balances monthly/annually³ with the bank statements
- (d) Preparing details of the following at the year end:
 - 1) stocks and work in progress³
 - 2) fixed assets³
 - 3) amounts owing to suppliers³
 - 4) amounts owing by customers³

³ Delete as applicable

- 5) accruals and prepayments³
- 6) amounts recoverable under contracts.³

4.6 Our work will not be an audit of the accounts. 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.

4.7 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.

4.8 We have a professional duty to compile accounts that conform with generally accepted accounting principles (GAAP). 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 to 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.

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

5 Our service to you

5.1 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 Auditing Standards 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.

5.2 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.

5.3 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 have to fulfil and the standard to which the work has been carried out. Web links are provided in the report so that you can obtain further information from the Association of Chartered Certified Accountants about:

- The technical guidance for the work, and
- The related ethical and other professional requirements.

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

5.5 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.

6 Limitation of liability

6.1 We specifically draw your attention to our standard terms and conditions which set out the basis on which we limit our liability to you and to others.

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

Or⁴

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.

7 Other services

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

7.2 As 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.

8 Agreement of terms

8.1 This letter supersedes any previous engagement letter. Once it has been agreed, this letter will remain effective until it is replaced.

8.2 We shall be grateful if you could confirm your agreement to the terms of this letter by signing the enclosed copy and returning it to us immediately.

8.3 If this letter is not in accordance with your understanding of the scope of our engagement or your circumstances have changed, please let us know.

8.4 This letter should be read in conjunction with the firm's standard terms and conditions.⁵

Yours sincerely

Insert firm name

⁴ Delete as appropriate

⁵ Delete where applicable – where a single engagement letter is sent with terms and conditions included, this sentence will not be necessary

I/We⁴ confirm that I/we⁴ have read and understood the contents of this letter and related terms and conditions and agree that it accurately reflects my/our⁴ fair understanding of the services that I/we⁴ require you to undertake.

Signed Date

For and on behalf of

Insert company name

APPENDIX 2

Terms and conditions for Insert firm name

1 Introduction

1.1 These terms and conditions set out the general terms under which we undertake our business. The specific conditions relating to particular assignments will be covered in a separate letter/letters⁴ of engagement.

2 Ethical requirements

2.1 We are bound by the ethical requirements of the Association of Chartered Certified Accountants (ACCA) and accept instructions to act for you on the basis that we will act in accordance with those ethical requirements. A copy of these requirements can be viewed at our offices on request or can be seen at accaglobal.com/rulebook⁶. We will not be liable for any loss, damage or cost arising from our compliance with statutory or regulatory obligations.

3 Fees⁷

3.1 Our fees may depend not only upon the time spent on your affairs but also on the level of skill and responsibility and the importance and value of the advice that we provide, as well as the level of risk.

3.2 If we provide you with an estimate of our fees for any specific work, then the estimate will not be contractually binding unless we explicitly state that that will be the case.

3.3 Where requested we may indicate a fixed fee for the provision of specific services or an indicative range of fees for a particular assignment. It is not our practice to identify fixed fees for more than a year ahead as such fee quotes need to be reviewed in the light of events. If it becomes apparent to us, due to unforeseen circumstances, that a fee quote is inadequate, we reserve the right to notify you of a revised figure or range and to seek your agreement thereto.

3.4 In some cases, you may be entitled to assistance with your professional fees, particularly in relation to any investigation into your tax affairs by HMRC. Assistance may be provided through insurance policies you hold or via membership of a professional or trade body. Other than where such assurance 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.

3.5 Our normal hourly rates are set out below. These will be increased insert period eg annually.

3.6 We will bill insert period eg annually and our invoices will be due for payment insert terms eg on presentation. 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.

⁶ It should be noted that the Rulebook is regularly updated and it is the member's responsibility to ensure that their work and conduct is compliant with the rules and regulations at all times

⁷ This is an example wording. If fees are calculated on an alternative basis, for example fixed fee, alternative wording should be used. If a separate fees and terms letter is being sent then you may wish to delete this paragraph entirely and only keep paragraph 3.1

- 3.7 Unless otherwise agreed to the contrary our fees do not include the costs of any third party, counsel or other professional fees.
- 3.8 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.⁸
- 3.9 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.⁸
- 3.10 We reserve the right to charge interest on late paid invoices at the rate of 8% above bank base rates under the Late Payment of Commercial Debts (Interest) Act 1998. We also reserve the right to suspend our services or to cease to act for you on giving written notice if payment of any fees is unduly delayed. We intend to exercise these rights only where it is fair and reasonable to do so.
- 3.11 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.
- 3.12 If a client company, trust or other entity is unable or unwilling to settle our fees we reserve the right to seek payment from the individual (or parent company) giving us instructions on behalf of the client and you agree that we shall be entitled to enforce any sums due against the Group Company or individual nominated to act for you.
- 3.13 In the case of a dispute over the level of fees charged we reserve the right to require that the matter is dealt with through arbitration. We recommend that arbitration is undertaken by the fee arbitration service provided by ACCA for members. The fee arbitrator will be appointed by ACCA; the fee will be as negotiated with the ACCA arbitrator.

4 Client monies

- 4.1 We may, from time to time, 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 the Clients' Monies Rules of ACCA. These rules can be found within Section 350 of the [ACCA Code of ethics and conduct](#).
- 4.2 Fees paid by you in advance for professional work to be performed and clearly identifiable as such shall not be regarded as clients' monies.

5 Internal disputes

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

⁸ Delete if not applicable

6 Investment services

- 6.1 Investment business is regulated under the Financial Services and Markets Act 2000.
- 6.2 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.⁹

OR¹⁰

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 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 you¹¹. Such services may include specify the nature of any exempt regulated activities the firm undertakes.

OR

We are not authorised by the Financial Conduct Authority. However, we are included on the Register maintained by the Financial Conduct Authority so that we can carry on insurance mediation activity, which is broadly the advising on, selling, and administration of insurance contracts. This part of our business, including arrangements for complaints or redress if something goes wrong, is regulated by ACCA. The register can be accessed via the Financial Conduct Authority website at register.fca.org.uk.¹²

OR

Should you require advice on investment business which we are unable to give as we are not authorised by the Financial Conduct Authority we can introduce you to [Insert name] [who are a PTP authorised by the Financial Conduct Authority] [a suitable independent PTP].¹³ [Insert name is an associated business to the practice and one in which we have a financial interest].¹⁴

The PTP will issue you with his own terms and conditions letter, will be remunerated separately for their services and will take full responsibility for compliance with the requirements of the Financial Services and Markets Act 2000. [We will act as introducers but would be pleased to comment on, or explain any advice received [and if required attend any meetings with you]].¹³

[We will receive [an introductory fee] [commission] which is based on Insert rate% of the commission received [or the fee charged] by the PTP and of which they will advise

⁹ If not authorised by the Financial Services Authority or licensed by a Designated Professional Body

¹⁰ Delete as applicable

¹¹ If licensed by a Designated Professional Body

¹² If as Insurance mediation: Designated Professional Body licensed firms

¹³ Delete as applicable

¹⁴ Note: Where the firm identifies the Permitted Third Party (PTP) to whom business is referred in an engagement letter or terms of business, the PTP must be asked to approve the wording as a financial promotion. Referral to a PTP: Designated Professional Body licensed firms and FSA authorised firms

you directly]. [We will inform you when any [introductory fee] [commission] is received and agree with you how this is to be dealt with at that time].¹³

7 Commissions or other benefits

7.1 In some circumstances, commissions or other benefits may become payable to us in respect of transactions which we arrange for you. Where this happens, we will notify you in writing of the amount and terms of payment. The same will apply where the payment is made to or the transactions are arranged by a person or business connected with ours.¹³ We will reduce the fees we would otherwise charge 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 concession which allows VAT to be calculated on the net fee after deduction of the commission.¹³

8 Retention of records

8.1 During the course of our work we may collect information from you and others relevant to your affairs. We will return any relevant documents to you if requested. Documents and records relevant to your 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

- six years from the end of the accounting period;

8.2 Whilst 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. You must tell us if you require the return or retention of any specific documents for a longer period.

9 Notification

9.1 We shall not be treated as having notice, for the purposes of our audit/accounts/tax¹⁵ responsibilities, of information provided to members of our firm other than those engaged on the specific assignment (for example, information provided in connection with accounting, taxation and other services).

10 Timetable

10.1 The services we undertake to perform for you will be carried out on a timescale to be determined between us on an ongoing basis.

10.2 The timing of our work will in any event be dependent on the prompt supply of all information and documentation as and when required by us.

11 Third parties

11.1 Any advice we give you will be supplied on the basis that it is for your benefit only and shall not be disclosed to any third party in whole or part without our prior written consent. It may not be used or relied upon for any other purpose or by any other person other than you without our prior written consent. If our advice is disclosed to any third party (with or without our consent), then we accept no responsibility or liability to that third party for any consequences that may arise to them, should they rely on the advice.

¹⁵ Delete as applicable

11.2 If it is proposed that any documents or statement which refer to our name, are to be circulated to third parties, please consult us before they are issued.

12 Contracts (Rights of Third Parties) Act 1999

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

13 Confidentiality

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

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

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

14 Quality of service

14.1 We aim to provide a high quality of service at all times. If you would like to discuss with us how our service could be improved or if you are dissatisfied with the service that you are receiving please let us know by contacting Insert name of relevant partner.

14.2 We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. If we do not answer your complaint to your satisfaction you may take up the matter with the Association of Chartered Certified Accountants.

15 Communication

15.1 Unless you instruct us otherwise we may, where appropriate, communicate with you and with third parties via email or by other electronic means. The recipient is responsible for virus checking emails and any attachments.

15.2 With electronic communication there is a risk of non-receipt, delayed receipt, inadvertent misdirection or interception by third parties. We use virus-scanning software to reduce the risk of viruses and similar damaging items being transmitted through emails or electronic storage devices. However, electronic communication is not totally secure and we cannot be held responsible for damage or loss caused by viruses nor for communications which 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 bear in return for greater efficiency and lower costs. If you do not wish to accept these risks please let us know and we will communicate by paper mail.

15.3 Any communication by us with you sent through the post or DX¹⁶ system is deemed to arrive at your postal address two working days after the day that the document was sent.

16 Applicable law

16.1 This engagement letter, the schedule of services and our standard terms and conditions of business are governed by, and should be construed in accordance with Insert relevant country law. Each party agrees that the courts of Insert relevant country 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.

17 Data Protection Act (DPA) 2018

17.1 We confirm that we will comply with the provisions of the Data Protection Act (DPA) 2018 when processing personal data about you and your family. In order to carry out the services of this engagement and for related purposes such as updating and enhancing our client records, analysis for management purposes and statutory returns, legal and regulatory compliance and crime prevention we may obtain, process, use and disclose personal data about you.

18 Money Laundering Regulations

18.1 In accordance with the Proceeds of Crime Act 2002 and The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 you agree to waive your right to confidentiality to the extent of any report made, document provided or information disclosed to the National Crime Agency (NCA).

18.2 You also acknowledge that we are required to report directly to NCA without prior reference to you or your representatives if during the course of undertaking any assignment the person undertaking the role of Money Laundering Reporting Officer becomes suspicious of money laundering.

18.3 As a specific requirement of the Money Laundering Regulations we may require you to produce evidence of identity. Copies of such records will be maintained by us for a period of at least five years after we cease to act for the business.

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

19 Implementation

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

20 Intellectual property rights

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

21 Interpretation

21.1 If any provision of the engagement letter or schedules is held to be void, then that provision will be deemed not to form part of this contract.

¹⁶ Delete as applicable

21.2 In the event of any conflict between these terms of business and the engagement letter or appendices, the relevant provision in the engagement letter or schedules will take precedence.

22 Lien

22.1 Insofar as permitted to do so by law or professional requirements, 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.

23 Limitation of liability

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

23.2 Exclusion of liability for loss caused by others

We will not be liable if such losses, penalties, surcharges, interest or additional tax liabilities are due to 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 due to a failure to act on our advice or a failure to provide us with relevant information.

23.3 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.

23.4 Exclusion of liability relating to the discovery of fraud etc

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 wrongly misrepresented to us or from fraudulent acts, misrepresentation or wilful default on the part of any party to the transaction and their directors, officers, employees, agents or advisers. This exclusion shall not apply where such misrepresentation, withholding or concealment is or should (in carrying out the procedures which we have agreed to perform with reasonable care and skill) have been evident to us without further enquiry.

23.5 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 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.

23.6 Limitation of aggregate liability

We have discussed and agreed a limitation in our aggregate liability to you and any third parties which we both regard as fair and reasonable in the circumstances of this assignment. The aggregate liability, to you and any third party and whether in contract, tort 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 amount stated in the engagement covering letter.

24 Reliance on advice

24.1 We will endeavour to record all advice on important matters in writing. Advice given orally is not intended to be relied upon unless confirmed in writing. Therefore, if we provide oral advice (for example during the course of a meeting or a telephone

conversation) and you wish to be able to rely on that advice, you must ask for the advice to be confirmed by us in writing.

25 Conflicts of interest

- 25.1 We will inform you if we become aware of any conflict of interest in our relationship with you or in our relationship with you and another client. Where conflicts are identified which cannot be managed in a way that protects your interests then we regret that we will be unable to provide further services.
- 25.2 If there is a conflict of interest that is capable of being addressed successfully by the adoption of suitable safeguards to protect your interests then we will adopt those safeguards. Where possible this will be done on the basis of your informed consent. We reserve the right to 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.

26 Period of engagement and termination

- 26.1 Unless otherwise agreed in the engagement covering 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.
- 26.2 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.
- 26.3 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.

27 Disengagement

- 27.1 Should we resign or be requested to resign a disengagement letter will be issued to ensure that our respective responsibilities are clear.
- 27.2 Should we have no contact with you for a period of insert period or more we may issue a disengagement letter and hence cease to act.

APPENDIX 3

ACCA accounts preparation report on the financial statements of a limited company (Core paragraphs)

Report to the directors on the preparation of the unaudited statutory accounts of XYZ Limited [for the year [/period] ended ...]

In order to assist you to fulfil your duties under the Companies Act 2006, we¹⁷ have prepared for your approval the accounts of XYZ Limited for the year [/period] ended [date] [as set out on pages x-x/which comprise of [insert statements]] from the Company's accounting records and from information and explanations you have given us.

As a practising member [/member firm of] of the Association of Chartered Certified Accountants, we are subject to its ethical and other professional requirements which are detailed at accaglobal.com/rulebook.

Our work has been undertaken in accordance with the requirements of the Association of Chartered Certified Accountants as detailed at

<https://www.accaglobal.com/gb/en/technical-activities/technical-resources-search/2009/october/factsheet-163-audit-exempt-companies.html>

[Explanatory paragraph: eg departure from generally accepted accounting practice etc.]¹⁸

Signature.....

Typed name of accountant¹⁹

Chartered Certified Accountants

Address

Date

¹⁷ Professional accountants use 'I' in place of 'we', 'my' in place of 'our' etc as appropriate

¹⁸ Explanatory paragraph may be positioned in other places in the report depending on the nature of the matter described

¹⁹ The report is signed in the name of the professional accountant or, where appropriate, in the name of the accounting firm

ACCA Accounts preparation report on the financial statements of a limited company (including optional paragraphs)

Report to the directors on the preparation of the unaudited statutory accounts of XYZ Limited [for the year [/period] ended ...]

In order to assist you to fulfil your duties under the Companies Act 2006, we²⁰ have prepared for your approval the accounts of XYZ Limited for the year [/period] ended [date] [as set out on pages x-x/which comprise of [insert statements]] from the company's accounting records and from information and explanations you have given us.

As a practising member [/member firm of] of the Association of Chartered Certified Accountants, we are subject to its ethical and other professional requirements which are detailed at accaglobal.com/rulebook.

[This report is made solely to the Board of Directors of XYZ Limited, as a body, in accordance with the terms of our engagement letter dated [date].] Our work has been undertaken [solely to prepare for your approval the accounts of XYZ Limited and state those matters that we have agreed to state to them/the Board of Directors of XYZ Limited, as a body, in this report] in accordance with the requirements of the Association of Chartered Certified Accountants as detailed at

<https://www.accaglobal.com/gb/en/technical-activities/technical-resources-search/2009/october/factsheet-163-audit-exempt-companies.html> [To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the XYZ Limited and its Board of Directors as a body for our work or for this report.]

[It is your duty to ensure that XYZ Limited has kept adequate accounting records and to prepare statutory accounts that give a true and fair view of the assets, liabilities, financial position and profit[/loss] of XYZ Limited. You consider that XYZ Limited is exempt from the statutory audit requirement for the year [/period].]

[We have not been instructed to carry out an audit or a review of the accounts of XYZ Limited. For this reason, we have not verified the accuracy or completeness of the accounting records or information and explanations you have given to us and we do not, therefore, express any opinion on the statutory accounts.]

[Explanatory paragraph: eg departure from generally accepted accounting practice etc.]²¹

Signature.....

Typed name of accountant²²
Chartered Certified Accountants

Address
Date

²⁰ Professional accountants use 'I' in place of 'we,' 'my' in place of 'our' etc as appropriate.

²¹ Explanatory paragraph may be positioned in other places in the report depending on the nature of the matter described.

²² The report is signed in the name of the professional accountant or, where appropriate, in the name of the accounting firm.