

LETTER OF ENGAGEMENT

Date:

Dear Sir/Madam,

In accordance with the recommendations of our professional body, the Association of Accounting Technicians, this letter confirms the basis on which we provide services to you so as to avoid any misunderstandings of our respective responsibilities.

Nature of services

	ANNUAL ACCOUNTS – SOLE TRADERS/PARTNERSHIPS
	ANNUAL ACCOUNTS – LIMITED COMPANIES
	MANAGEMENT ACCOUNTS
	MAINTAINING ACCOUNTING RECORDS

Anti-money laundering legislation

All accountants must comply with onerous duties imposed by the Proceeds of Crime Act 2002, the Terrorism Act 2000 and the Money Laundering Regulations 2007 (the “Anti Money Laundering Legislation”), which are intended to inhibit the activities of terrorists and other criminals by denying them access to technical expertise. If we fail to perform these duties, we risk imprisonment.

Before we accept your instructions, we may need to obtain ‘satisfactory evidence’ to confirm your identity. In certain circumstances, we may need to obtain evidence confirming the identities of third parties, the source of any funds or other property, the purpose of any instructions or any other matter. We may also need to obtain such evidence after we have begun to act on your instructions.

We assume that our clients are honest and law abiding. However, if at any time, there appear to be grounds to suspect (even if we do not actually suspect) that your instructions relate to ‘criminal property’, we are obliged to make a report to the National Crime Agency (“NCA”), but we are prohibited from telling you that we have done so.

In such circumstances, we must not act on your instructions without consent from NCA. If NCA do not refuse consent within 7 working days we may continue to act. If NCA issue a refusal within that time, we must not act for a further 31 days from the date of the refusal.

‘Criminal property’ is property in any legal form, whether money, real property, rights or any benefit derived from criminal activity. It does not matter who carried out the criminal activity or how removed the property is from the original crime. Even if you are honest in your dealings, if your property represents a benefit from someone else’s crime, we must still make a report.

Activity is considered 'criminal' if it is a crime under UK law, no matter how trivial. For example, tax evasion is a criminal offence but an honest mistake is not. We will assume that all discrepancies are mistakes unless there is contrary evidence.

Client monies

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.

If the total sum of money held on your behalf exceeds £2,000 for a period of more than 2 months, or such sum is likely to be held for more than 2 months, then the money will be placed in an interest-bearing client bank account. All interest earned on such money will be paid to you. Subject to any tax legislation, interest will be paid gross.

If there are grounds to suspect (even if we do not actually suspect) that any monies held in a client account is derived directly or indirectly from any criminal activity whatsoever, we may not release such monies until we receive permission to do so from NCA.

Fees

Our fees are computed on the basis of time spent on your affairs and the responsibility and skill involved by the partners and staff of this firm. Unless otherwise agreed, our fees will be charged separately for each main class of work mentioned above and will be billed at appropriate intervals during the course of the year.

Unless specifically agreed, payment of our invoices is due within 30 days from the date of the invoice.

Our terms relating to payment of amounts invoiced and not covered by standing orders, where appropriate, are strictly 30 days net. Prompt payment discounts may only be taken if the payment is received by us within 14 days of the issue of any invoice. Interest will be charged on all overdue debts at the rate stated on the invoice, which is currently the rate for the time being applicable under the Late Payment of Commercial Debts (Interest) Act 1998.

Client that is a limited company: In the event that the company is unable to meet its liability in respect of our outstanding fees as and when they fall due then the company's directors would be personally, jointly and severally liable in respect of our outstanding fees.

Commissions or other benefits

In some circumstances, commissions or other benefits may become payable to us in respect of introductions to other professionals or transactions we arrange for you, in which case you will be notified in writing of the amount, the terms of payment and receipt of any such commissions or benefits. Any commission received will be paid to you.

Ownership of records

In the event of non-payment of our fees for services rendered, we may exercise a particular right of lien over the books and records in our possession and withhold the documents until such time as payment of our invoice is received in full.

File destruction

Whilst certain documents may legally belong to you, unless you tell us not to, we intend to destroy correspondence and other papers that we store, which are more than seven years old, other than documents which we think may be of continuing significance. If you require the retention of any document, you must notify us of that fact in writing.

Ethical guidelines

We will observe the ethical guidelines of the Association of Accounting Technicians and accept instructions to act for you on the basis that we will act in accordance with those guidelines. A copy of these guidelines will be supplied to you on request.

Customer service

We are committed to providing a high standard of customer service. If you have any ideas as to how our service to you could be improved, or if you are dissatisfied with the service you are receiving, please let us know. In the event that you have a complaint, we will look into this carefully and promptly and do all we can to explain the position to you or address your concerns. If you are still not satisfied you may of course make a complaint to the Association of Accounting Technicians.

Third parties

All accounts, statements and reports prepared by us are for your exclusive use within your business or to meet specific statutory responsibilities. They should not be shown to any other party without our prior consent. No third party shall acquire any rights pursuant to our agreement to provide professional services.

Applicable law

This engagement letter is governed by, and construed in accordance with, English law. The Courts of England will have exclusive jurisdiction in relation to any claim, dispute or difference concerning this engagement letter and any matter arising from it. Each party irrevocably waives any right it may have to object to any action being brought in those courts, to claim that the action has been brought in an inappropriate forum, or to claim that those courts do not have jurisdiction.

Disclaimer

We will not be liable for any loss suffered by you or any third party as a result of our compliance with the Anti-Money Laundering Legislation or any UK law or at all.

Agreement of terms

Once agreed, this letter will remain effective from the date of signature until it is replaced. Either party may vary or terminate our authority to act on your behalf at any time without penalty. Notice of termination must be given in writing.

Would you please confirm your agreement to the terms set out in this letter by signing and returning the enclosed copy. If anything is unclear to you or you require any further information please let me know.

Yours faithfully

John Skillman
Managing Director
Skillman Accountancy Limited

I/We* confirm that I/we* have read and understood the contents of this letter and agree that it accurately reflects the services that I/we* have instructed you to provide.

Signed: Print name Dated:

Signed: * Print name Dated: *
For and on behalf of the Board.*

LETTERS OF ENGAGEMENT – APPENDIX

NATURE OF SERVICES

A. ANNUAL ACCOUNTS – SOLE TRADERS/PARTNERSHIPS

Your responsibility for the preparation of accounts

1. You have undertaken to make available to us, as and when required, all the accounting records and related financial information necessary for the compilation of the accounts. You will make full disclosure to us of all relevant information. The accounts need to be approved by you before we are able to issue our report.
2. You are responsible for ensuring that, to the best of your knowledge and belief, financial information, whether used by the business or for the accounts, is reliable. You are also responsible for ensuring that the activities of the business are conducted honestly and that its assets are safeguarded, and for establishing arrangements designed to deter fraudulent or other dishonest conduct and to detect any that occur.
3. You are responsible for ensuring that the business complies with the laws and regulations applicable to its activities, and for establishing arrangements designed to prevent any non-compliance with laws and regulations and to detect any that occur.

Our responsibilities for the preparation of accounts

1. We will compile your annual accounts based on the accounting records [maintained by you] and the information and explanations given to us by you. We shall prepare draft annual accounts for your approval.
2. We will advise you as to the adequacy of your records for preparation of the annual accounts and make recommendations for improvements which we consider necessary. We shall not be responsible if, as a result of you not taking our advice, you incur losses or penalties.
3. We will use reasonable skill and care in the preparation of your accounts but will not be responsible for errors arising from incorrect information supplied by you.
4. We will report, with any variations that we consider may be necessary, that in accordance with your instructions and in order to assist you to fulfil your responsibilities, we have compiled, without carrying out an audit, the accounts from your accounting records and from the information and explanations supplied to us.
5. We have a professional duty to compile accounts which conform with generally accepted accounting principles. Where we identify that the accounts do not conform to accepted accounting principles, or if the accounting policies adopted are not immediately apparent, this will be made clear in our report, if it is not clear in the accounts.

B. ANNUAL ACCOUNTS – LIMITED COMPANIES

Responsibilities of Directors

As director of the company, under the Companies Acts you are responsible for:

- ensuring that the company maintains proper accounting records and for preparing accounts
- determining whether for any reason the exemption is not available in respect of the period.

You will keep records of sales invoices, purchase invoices, receipts and payments, together with any other documents relating to the company's transactions and activities. It will also be necessary for you to provide a record of stock at the company's year-end.

For financial years beginning on or after 06 April 2008, a private company is usually required to file its accounts at Companies House within 9 months of the year end. The company will be liable to a fine if it fails to do so. In order to avoid this we will produce statutory accounts, suitable for filing, within the required period, provided all your records are complete and presented to us within five months of the year end, and all subsequent queries are promptly and satisfactorily answered.

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

Responsibility of the accountants

In relation to the accounts, we will prepare the company's accounts on the basis of the information that is provided to us. We will also draft the accounts in accordance with the provisions of the Companies Act, and related Accounting Standards for approval by the Board.

Should our work lead us to conclude that the company is not entitled to exemption from an audit of the accounts, or should we be unable to reach a conclusion on this matter, then we will advise you of this.

B. Continued:

You have instructed us to prepare your financial statements for the year(s) ended **ADD DATE** and subsequent years. It was agreed that we should carry out the following accounting and other services:

- (a) write up the accounting records of the company insofar as they are incomplete when presented to us;
- (b) complete the postings to the nominal ledger; and
- (c) prepare the accounts for approval by yourselves.

You have agreed that you or your staff will:

- (a) keep the records of receipts and balances;
- (b) reconcile the balances monthly with the bank statements;
- (c) post and balance the purchase and sales ledgers;
- (d) extract a detailed list of ledger balances; and
- (e) prepare details of the annual stocktaking, suitably priced and extended in a form which will enable us to verify the prices readily by reference to suppliers' invoices.

You/your management are responsible for the detection of irregularities and fraud. We would emphasise that we cannot undertake to discover any shortcomings in your systems or any irregularities on the part of your employees or others, although we will advise you of any such circumstances that we encounter in preparing your accounts, unless prohibited from doing so by the Anti-Money Laundering Legislation.

We will report, with any variations that we consider may be necessary, that in accordance with your instructions and in order to assist you to fulfil your responsibilities, we have compiled, without carrying out an audit, the accounts from your accounting records and from the information and explanations supplied to us.

We have a professional duty to compile accounts which conform with generally accepted accounting principles. Furthermore, the accounts of a limited company are required to comply with the Companies Acts and applicable accounting standards. Where we identify that the accounts do not conform to accepted accounting principles, or if the accounting policies adopted are not immediately apparent, this will be made clear in our report, if it is not clear in the accounts.

C. MANAGEMENT ACCOUNTS

We understand that you require us to prepare the monthly management accounts of your business for the month ended **ADD DATE** and subsequent months.

This involves us in completing the writing up of your books and records, insofar as they are incomplete when presented to us, from the information and explanations supplied to us and preparing draft accounts therefrom for your approval.

We understand that you have agreed that your staff will be responsible for:-

- (a) Maintaining records of all receipts and payments of cash;
- (b) Reconciling cash book balances monthly with the bank statements;
- (c) Posting and balancing the purchase and sales ledgers; and
- (d) Extracting a detailed list of ledger balances.

You will also provide estimates of any stocks at the end of each period.

You understand that we will not be carrying out an audit 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 require additional work to comply with generally accepted auditing standards which we are not authorised to carry out.

We would emphasise that we cannot undertake to discover any shortcomings in your systems or any irregularities on the part of your employees or others, although we will advise you of any such circumstances that we encounter in preparing your accounts.

The accounts are prepared for your exclusive use within your business. They should not be shown to any other party without our prior consent. To ensure that anyone reading the accounts is aware that we have not carried out an audit, we will annex to the accounts a short report. This report must remain attached to any accounts shown to any other parties.

The accounts are not suitable for submission within the self-assessment tax return, or for summary thereon.

D. MAINTAINING ACCOUNTING RECORDS

It is agreed that we should carry out the following accounting and other services:

- (a) Reconcile the balances monthly with the bank statements;
- (b) Post and balance the purchase and sales ledgers;
- (c) Extract a detailed list of ledger balances;
- (d) Complete the postings to the nominal ledger;
- (e) Prepare the accounts for approval by yourselves.

You have agreed that you or your staff will:

- (f) Keep the records of receipts, payments and balances;
- (g) Prepare details of the annual stocktaking and work in progress, suitably priced and extended in a form which will enable us to verify the prices readily by reference to suppliers' invoices;

You/your management are responsible for the detection of irregularities and fraud. We would emphasise that we cannot undertake to discover any shortcomings in your systems or any irregularities on the part of your employees or others, although we will advise you of any such circumstances that we encounter.