

.....  
«AddresseeMailingName»  
«MailingName»  
«Address1»  
«Address2»  
«Address3»  
«Town»

Dear «Salutation»

Thank you for discussing your business and tax requirements with us, and we look forward to working with you. As you are a new client to us, and in order for us to comply with the recommendations issued by the New Zealand Institute of Chartered Accountants (NZICA), we advise the following -

### **RANGE OF SERVICES**

We provide a full range of service options, some of which you may wish to consider for the future -

- ✓ To work with you on developing and growing your business so that it reaches your objectives and longer term goals. This may include business coaching, helping with developing business and marketing plans, setting regular financial or production bench marks, preparing cash flow and trading budgets, and assisting in monitoring your progress.
- ✓ The preparation of financial statements on an annual basis for the calculation of your taxable income.
- ✓ Preparation of GST return calculations and trading results on a regular monthly, two monthly or six monthly period.
- ✓ Keeping you informed on significant changes to tax and other business related legislation.
- ✓ Advising methods and ownership structures that will legally minimise your taxation payable.
- ✓ Completing your tax return from information provided by you.
- ✓ Assisting and advising on the appropriate type of accounting recording system that is suitable to your business.
- ✓ We provide support for **Xero** Accounting Software (Silver Partner), **MYOB** accounting systems, **BankLink**, **Crystal**, **Smart** and **ACE Payroll**.
- ✓ Assisting you in deciding the size and future of your business so that when you decide to no longer work in it, you can obtain the best possible value.

### **FINANCIAL STATEMENTS**

All Chartered Accountants are legally bound to prepare financial statements to a defined standard, and we will forward a Check List at the end of the 31<sup>st</sup> March financial year to ensure we collect all the relevant information. Please also note that if your business is the subject of an income tax audit, the Check List will be reviewed by the Inland Revenue Department. Financial Statements to be prepared for your company will be Special Purpose Reporting which is tailored to meet the specific information needs of you as the user with the primary purpose being for taxation purposes. We are required to advise you of the basis upon which we undertake this work, which is as follows –

1. Our procedures will not include an audit or verification of all matters, and we will not be expressing any assurances.
2. Financial statements will be compiled from information provided by you, for which you are responsible, and which should be accurate and complete.
3. Your financial statements will be prepared in accordance with the Service Engagement Standard No 2 for Compilation of Financial Statements Standards issued by the New Zealand Institute of Chartered Accountants, and will include the following report and disclaimer -

**SCOPE**

*On the basis of information you provided we have compiled, in accordance with Service Engagement Standard No. 2: Compilation of Financial Information, the special purpose financial statements of your entity for the year ended 31 March XXXXXX. These financial statements have been prepared in accordance with the policies as detailed in Notes to the Financial Statements.*

**RESPONSIBILITIES**

*You are solely responsible for the information contained in the financial statements and supporting schedules and have determined that the accounting policies used are appropriate to meet your needs and for the purpose that the financial statements were prepared.*

*The financial statements were prepared exclusively for your benefit. We do not accept responsibility to any other person for the contents of the financial statements.*

**NO AUDIT OR REVIEW ENGAGEMENT UNDERTAKEN**

*Our procedures use accounting expertise to undertake the compilation of the financial statements from information you provided. Our procedures do not include verification or validation procedures. No audit or review engagement has been performed and accordingly no assurance is expressed.*

**DISCLAIMER**

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

4. We will prepare a tax return for the entity and check tax assessments received in our office. We will advise you of tax commitments, but the responsibility for paying the correct tax at the due dates rests with you, including any penalties and interest.
5. We will endeavour to reconcile your GST returns and wage records to your financial statements, and advise you of any apparent discrepancies.
6. If you trade as a company it is your responsibility to comply with all aspects of the Companies Act 1993. We will maintain your Minute Book file your annual return with the Companies Office for an annual fee of \$110 plus GST.
7. There may be times when we need to consult with a tax specialist for an opinion. In this event, our liability is limited to the work we undertake, and we are not responsible for any consequences arising from acting on the specialist's advice.
8. Our fees will be based on the amount of work involved, where staff and partners are charged on the basis of time taken at hourly rates. The current hourly rates are \$260 for partners and \$160 for experienced staff, exclusive of GST. You will be invoiced monthly for work undertaken, or on an interim billing basis.
9. We can offer to estimate your annual fees and allow you to pay by monthly instalments with a "wash" up when the annual work is completed. If this is a suitable option, please call and we will discuss this further.
10. Information we obtain in the course of completing your work is subject to confidentiality under the Privacy Act 1993. We will not disclose information to other parties without your expressed consent except as is required by law or on professional obligations.

Our files are subject to practice review rules of the New Zealand Institute of Chartered Accountants which checks we are complying with set professional standards. These rules require us to disclose our files and workpapers to the Institute's reviewers. While the review process is based upon a sample of our files yours may be selected. By agreeing to this engagement letter you acknowledge this, and if requested our files relating to this engagement will be made available to the reviewer. We are advised by the Institute that the same ethical standards and confidentiality will apply to their reviewers.

**INDEPENDENCE**

Independence is not required for a compilation engagement. If we are aware that we are not independent of your business or entity this fact will be stated in our report. However, we will not conduct a comprehensive review to determine whether we are, or are not, independent.

**OWNERSHIP OF WORKPAPERS**

If your work is to be handled by another accountant in the future we will make available information required by the New Zealand Institute of Chartered Accountants Code of Ethics to enable your new advisor to provide the services we previously provided. Material you provide remains yours, and workpapers we create remain our property. We will store tax records being held on your behalf for a period of seven years after the applicable balance date. Unless you ask us to return the records, we will have them securely destroyed after this time.

**ACCIDENT COMPENSATION - COMPULSORY**

This is a government controlled scheme whereby a premium is payable by all self employed persons, shareholder-employees in companies, and for any staff working for you. The premium is normally payable in advance, but in the first year, it will not be assessed until you have filed your first income tax return.

As it is often difficult to establish the level of earnings in the first year, ACC offer a **CoverPlus Extra** policy that allows you to nominate an agreed earnings amount which will be paid out in the event of a claim. If you want this option, please telephone us for an application form.

The ACC cover is only for accidents, and we recommend you consider taking out an independent loss of earnings insurance to provide a more comprehensive cover.

You authorise our organisation to act as your agent for ACC levy purposes for all associated entities. This authorisation allows our organisation to query and change information on your ACC levy account(s) through ACC staff, and through ACC Online Services. This authority will also allow our organisations main representative discretion to delegate access to your ACC information to other members of our organisation. Other delegated members of our organisation will also be able to query and change information on your ACC levy account. It also acknowledges your agreement allowing us to undertake the accounting and tax work on the basis of the terms stated above.

**PAYMENT TERMS**

As we will primarily be undertaking annual work for you, we will invoice you monthly for work undertaken, or on an interim billing basis. Payment is expected by the 20th of the month following the invoice date. Any fees outstanding beyond these payment terms will attract an administration charge at the rate of 2% per month.

Any funds received will be applied to the oldest invoices first.

We reserve the right to place any outstanding fees in the hands of our solicitors or a debt collection agency for collection. In those circumstances the client, the undersigned consent to Waters & Pauling providing its solicitors or debt collection agency with such details relating to the client, its associated entities and the undersigned as may be necessary to collect such outstanding fees. In the event that an outstanding fee or fees are placed with our solicitor or debt collection agency all fees and/or Court costs incurred in the recovery action will be added to the amount owing and will be recoverable from the client and/or the undersigned.

**LIMITATION OF LIABILITY**

Our liability for loss or damage that you suffer caused by our breach of contract, tort (including negligence), breach of fiduciary duty or other actionable wrong of any kind shall be limited as follows: we shall have no liability for any consequential or indirect loss of profit; our liability will be reduced to take into account any contributory negligence on your part pursuant to the Contributory Negligence Act 1947; in the event that more than one person caused or contributed towards your loss, our liability to you will be limited to the proportion of the loss that the court would apportion to us under Section 17 of the Law Reform Act 1936, based on an assessment of our degree of responsibility and the responsibility of others who contributed to the loss (whether or not those other persons are able to meet any liability they have). Notwithstanding the foregoing, our liability for loss shall in no circumstances exceed the amount of three times the fees paid for the specific assignment(s) that resulted in the loss of damage.

You agree that all claims against us whether in contract, negligence or otherwise, must be formally commenced within one year after the party bringing the claim becomes aware (or ought reasonably to have become aware) of the fact which gave rise to the action and in any event no later than two years after any alleged breach of contract, negligence, or other cause of action arises.

**AUTHORITY TO DEDUCT**

We authorise Waters & Pauling to deduct from funds received by them on our behalf sufficient funds to settle all outstanding fees.

**PERSONAL GUARANTEE**

Attached please find a letter that grants a Personal Guarantee for accounting fees unpaid by your related entities. Please sign, have it witnessed, and return this along with the copy of this letter.

**SIGNING COPY LETTER**

Unless you have further queries, we ask that you sign a copy of this letter and return it to us. This gives us authority to act as your agent when dealing with the Inland Revenue Department on all tax matters by various mediums including correspondence, telephone, fax and internet, as well as authority to contact your bank, solicitor, and any other party to obtain information necessary to prepare your tax returns.

Please give us a call if you wish to discuss any of the above. If I am unavailable, please call ..... **(FOR MP TAKE OUT NAME)** or any other of our trained staff.

Yours sincerely

IAN D WATERS  
MAREE PAULING  
**Waters & Pauling**  
Trading Name of –  
Ian Waters Accounting Limited  
Pauling Limited

<p>I accept the above terms of engagement –</p> <p>.....Signed</p> <p>.....Date</p>
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«Address1»  
«Address2»  
«Address3»  
«Town»

.....

**Waters & Pauling**  
Ian Waters Accounting Limited  
Pauling Limited  
P O Box 76 270  
Manukau City  
AUCKLAND 2241

Dear Ian/Maree

**ACCOUNTANCY FEES FOR:**

- .....
- ..... and
- .....

We the undersigned guarantee that any accountancy fees in respect of preparing Financial Statements and Income Tax Returns as completed by Waters & Pauling will be paid by us personally if either ..... Limited or ..... Limited do not pay their accountancy fees.

We also acknowledge that any accountancy fees in respect of preparing Financial Statements and Tax Returns are due on the 20th of the month following the date of invoice and any amounts outstanding after that period will incur an administration fee of 2% per month if charged by Waters & Pauling.

**SIGNED** by:

.....  
NAMES

.....  
NAMES

In the presence of:

Witness Signature:

Witness Name:

Occupation:

Address:

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.....  
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