



Trading name for the separate practices of:
Ian Waters Accounting Limited
Pauling Limited

HEWITT SCALETTI WATERS CHARTERED ACCOUNTANTS

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Dear

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 are authorised **BankLink** providers, and support and sell the **EasyBooks** cashbook software, the Xero Accounting Software, the **MYOB** accounting systems 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 31st 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. 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 provided by you, we have compiled, in accordance with the NZ Institute of Chartered Accountants Service Engagement Standard No.2: Compilation of Financial Information, the financial statements and supporting schedules of your entity, for the year ended 31 March XXXX, as set out in the following pages. These have been produced in accordance with New Zealand Generally Accepted Accounting Practice, and the Financial Reporting Act 1993.

RESPONSIBILITIES

You are solely responsible for the information contained within the financial statements and supporting schedules and have determined that the New Zealand Generally Accepted Accounting Practice and the Financial Reporting Act 1993 used are appropriate to meet your needs and for the purpose that the financial statements and supporting schedules are prepared.

NO AUDIT OR REVIEW UNDERTAKEN

Our procedures use accounting expertise to undertake the compilation of the financial statements and supporting schedules 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

In addition to the statements reported above, the financial statements were prepared exclusively for your benefit. We do not accept any responsibility to any other person, and disclaim any responsibility and liability to any other person including third parties for the contents of the financial statements and supporting schedules”.

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 \$60 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 \$235 for partners and \$135 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 NZICA 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 NZICA 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 Accident Compensation Corporation on 0800 222 776 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.

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.

AUTHORITY TO DEDUCT

We authorise Hewitt Scaletti Waters 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.

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.

Please give us a call if you wish to discuss any of the above. If I am unavailable, please call Pushpa Kanji or any other of our trained staff.

Yours sincerely

MAREE PAULING
Hewitt Scaletti Waters
 Trading Name of –
 Pauling Limited

I accept the above terms of engagement –

.....Signed

.....Date