TERMS OF ENGAGEMENT

# General template

## CPA Australia has created this standard Terms of Engagement Template that you can use and tailor to suit your needs.

## The following version control information has been included to assist you monitor changes to the template to ensure you are using the latest version.

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| **Document Title** | Terms of Engagement General Template | **Version #** | 9 |
| **Effective Date** | April 2022 |
| **Version #** | **Change Description** | **Introduced** |
| 1 | Original document | 2019 |
| 2 | Amendments to clause 6 | Jan 2020 |
| 3 | For Quality Review purposes add clause 10.4 and 11.2 and add ‘except as otherwise specified in this clause’ to clause 11.1 | Jun 2020 |
| 4 | Added references to client trust monies at clauses 3.1, 8.1 & 11.3 and added a Trust Account authority letter template | Sept 2020 |
| 5 | Change the title to clause 3, removing references to the scope of work at clause 3.1, removing clauses in 5 and 6 that related to taxation and financial reporting, deleting clause 11.3 | 23 Sept 2020 |
| 6 | Additional terms for clause 7 for Outsourced Services, updating clause 11 | Jan 2021 |
| 7 | Merged NOCLAR clause to clause 5  | Aug 2021 |
| 8 | Add AML clause in 5.5, Update clause 10 and clause 11.2. | Sep 2021 |
| 9 | Update privacy clause 10.3 and confidentiality clause 11.2 | Apr 2022 |

<Insert date>

<Insert client name>

<Address line 1>

<Address line 2>

Dear <Insert name>,

**Terms of Engagement – Professional Accounting Services**

Thank you for selecting us to conduct your professional accounting needs. We look forward to working with you.

We realise how important it is to understand your needs and we have prepared the attached Terms of Engagement (**TE**) to clarify the scope of work and other important terms. It is important that you read the TE and understand the contents before you indicate that you agree, which you can do by letting us know that you are happy to proceed.

If you want to clarify anything in the TE please call us on <insert contact number>

Yours sincerely,

<Insert your name>

<Insert Firm name>

# TERMS OF ENGAGEMENT FOR PUBLIC ACCOUNTING SERVICES

Between <insert practices name> (**us** or **we** or **our**) and <insert client name> (**you** or **your**) for the Term specified.

1. **Purpose**

 This Terms of Engagement for Public Accounting Services (TE) confirms our understanding of the engagement and the nature and limitations of services provided.

1. **Term**

2.1 This TE will commence at the time you indicate acceptance and will continue <until revoked by us or you> / <insert a date> / <the conclusion of the scope of work
output >.

1. **Objectives and Scope of work**

3.1 We will provide you with professional accounting services in compliance with APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* **(the** **Code)**, including: <insert applicable services>

* accounting services,
* bookkeeping services,
* transactional accounting,
* etc.

3.2 We will provide you with the following output <insert details of output for e.g.: accounting reports, Business Activity Statement submission reports, Financial Statement Reports, Taxation Return submission report, Audit & Assurance Report, Valuation Report, Financial Planning Recommendations, or other as specified> within the agreed time frames.

3.3 We will provide the scope of work output within the specified timeframe or within a reasonable period considering the context of the services.

3.4 Unless otherwise specified in this TE or letter of engagement, audit and assurance or review are not included in this engagement.

1. **Our Promise**
	1. We will perform procedures (guided by the APES suite of standards) required that are directly related to the engagement consistent with our fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, professional behaviour, and identifying, avoiding and dealing with conflicts of interests (Fundamental Principles).
	2. We will seek to understand your requirements and provide you services confidentially and professionally.
	3. We will document sufficient and appropriate records of the procedures performed for the TE, which may be subject to the CPA Best Practice Program under APES 320 *Quality Control for Firms*.
2. **Our obligations**
	1. <Member to insert the relevant obligation in accordance with the stated scope of work>.
	2. We are obliged to consider whether our clients create any threats to compliance with our Fundamental Principles and where we cannot reduce the risk to an acceptable level we are obliged to cease the TE under the Code (section 320) to decline or cease the client engagement.
	3. We have a duty to act in your best interests, unless this duty is inconsistent with our duty to act in the public interest.
	4. We are responsible for maintaining records for a period of <insert at least five-year period> unless otherwise required by legislation.
	5. We have a duty to conduct customer due diligence under the Anti-Money Laundering and Countering Financing of Terrorism Act 2009 (AML/CFT Act) for specific services provided. Accordingly, before providing these services we may ask you for records to verify your identity. Where you are representing a company or trust, we may also request information regarding previous transactions, including details of where money has come from and third parties involved. We also have a duty to monitor and report suspicious transactions or activity.
	6. During the course of our engagement, if we identify or suspect that Non-Compliance with Laws or Regulations (NOCLAR) has occurred or may occur, which may have a direct effect on material amounts or disclosures in the financial statements or compliance and may be fundamental to <*insert client’s name*>’s ability to continue its business or to avoid material penalty, we may:
		1. discuss the matter with the appropriate level of management, those charged with governance or the internal auditor, as appropriate
		2. communicate the non-compliance or suspected non-compliance with <*insert client’s name*>’s external auditor, unless prohibited by law or regulation
		3. disclose the matter to an appropriate authority even when there is no legal or regulatory requirement to do so; and/or
		4. withdraw from the engagement and the professional relationship where permitted by law or regulation
	7. Where appropriate we will inform you of our intention to disclose the matter to an appropriate authority before disclosing the matter. However, if we have reason to believe that the actual or intended conduct would constitute an imminent breach of a law or regulation that would cause substantial harm to the general public, we may immediately disclose the matter to an appropriate authority in order to prevent or mitigate the consequences of such imminent breach of law or regulation.
3. **Your obligations**
	1. <Insert the relevant obligation in accordance with the stated scope of work>
	2. You are responsible for full disclosure of all relevant information.
	3. You are responsible for your own record keeping relating to your affairs.
	4. You provided us with <insert details of information or paperwork provided> records relating to your affairs.
	5. You are responsible for the reliability, accuracy and completeness of the particulars and information provided to us.
	6. You are responsible for retaining paperwork for as long as legally required.
4. **Third Party Involvement**

7.1 We may from time to time engage third party specialist professionals and other public practitioners, where warranted to obtain the advice you need or to assist us to provide our service to you. These may include cloud service providers and outsourced service providers.

7.2 We will seek your consent if third party involvement is likely to exceed the fixed price (if applicable).

7.3 We have outsourcing arrangements with <insert the third party> in <insert location> whom we engage from time to time to assist us. The nature and extent of the services that we utilise are as follows: <insert the relevant activities>.

7.4 Acceptance of our services in conjunction with this engagement document indicates your acceptance of the use of outsourced services as described above.

1. **Fees, Billing & Trust Monies**
	1. If the engagement involves the use of trust monies, we will manage those funds in accordance with APES 310 *Client Monies* and as authorised by you in the Trust Account Authority Letter (if applicable) or as otherwise instructed by you.
	2. Our professional fees will be calculated on a <delete as appropriate <fixed fee> <time-cost basis>>, which will be specified in the letter of engagement. If no method is specified, our fees will be calculated on a time-cost basis at a rate of <insert rate including GST> per hour.
	3. Our invoices may also include disbursements paid by us. These may include photocopying charges, telephone and facsimile transmission charges, travel fares and expenses, stamp duty and fees paid to third parties such as couriers, registration fees or fees for other professionals. These may be in addition to the fixed price (if applicable).
	4. Unless other payment terms are agreed, each invoice is payable within 30 days of receipt.
2. **Ownership of materials**
	1. You own all original materials given to us.
	2. We own all materials produced by us that resulted from our skill and attention to the extent that the materials produced by us incorporate any original materials you give to us.
	3. We may exercise a lien of your documents in our possession in the event of a dispute, which will be handled in accordance with our firm’s dispute resolution process.
	4. Subject to the payment of all outstanding professional fees and disbursements owing to us, we will provide you with materials produced by us for you in the event you engage the services of another practitioner and the materials are required by your new practitioner.

1. **Privacy**
	1. Our collection use and disclosure of your personal information (**PI**) may be subject to the *Privacy Act 2020* and accordingly we will only collect PI about you that relates to the TE. We may disclose PI about you for the primary purpose of this TE or to third parties by express consent or as required by law. This PI may be stored overseas in <insert the overseas server location> (if applicable). If you would like to access any PI we might hold about you contact us on <insert number>.
	2. We may collect PI about you, your representatives, your clients and others when we provide services to you. If we do, you agree to work with us to ensure that we both meet our respective obligations under the *Privacy Act 2020*. Your obligations may include ensuring your privacy policy and contracts include a reference to your collection practices, how you will use the PI and that you may disclose the PI to an agent for public accounting services.
	3. Where an outsourced service requires the disclosure of PI to an overseas recipient, we take care to ensure that other third parties outside New Zealand to whom we disclose PI are subject to contractual obligations relating to privacy and the handling of your personal information and can only use the information for the purposes stipulated by us
	4. In providing our services to you, we utilise <insert relevance system> using cloud computing provided by <insert the provider> which is based in <insert location> and we rely on their security measures. We also store client information in a data server managed in <insert location, e.g. Australia>, which may subject to <insert country, e.g. Australian> privacy law.
	5. If your PI is disclosed to CPA Australia for the purpose of conducting a CPA Australia Best Practice Program assessment on the services provided, your personal information will be handled by CPA Australia as outlined in the [CPA Australia Privacy Policy](https://www.cpaaustralia.com.au/privacy-policy-and-statement).
2. **Confidentiality**
	1. We have an ethical duty of confidentiality, which means we must not share or disclose your details of this TE to anyone, except as otherwise specified in this clause, without your consent unless required to by law.
	2. We may disclose your personal and confidential information details, as part of our working papers of the services provided to you, to CPA Australia Ltd, (if requested) for the purposes of conducting a CPA Australia Best Practice Program assessment aimed at maintaining high industry professional standards.  Any such disclosure of confidential information does not change any of our commitments to safeguard your information, and the information remains subject to any existing confidentiality obligations. We advise you by signing this letter you acknowledge, our engagement files relating to this assessment will be made available under this program.
3. **Professional Indemnity Insurance (PII)**
	1. We hold professional indemnity insurance of at least the minimum amount prescribed in the CPA Australia Ltd By-Laws or as required by law. Our PII cover at the time of this TE is <insert cover>.
4. **Other**

This letter will be effective for future years unless we advise you of its amendment or replacement, or the engagement is terminated.

<INSERT CLIENT NAME> has read, understood and agrees to the provisions of this Terms of Engagement <delete as appropriate <and has directed their duly authorised representative to execute this Terms of Engagement>>.

<INSERT CLIENT NAME>

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| --- | --- |
| **Signature:** |  |
| **Printed name:** |  |
| **Title:** |  |
| **Date:** |  |