



Producing a Formal Letter of Engagement

The absence of written terms of engagement does not mean that a contract has not been created. Any formal professional relationship between a bookkeeper and the client with the contemplation of some form of payment is, prima facie, enough to establish the existence of some form of contractual relations.

If the agreement is oral, the court will look to the overall relationship and dealings between the parties to assess its scope and terms. Of course, if there is no written record of that agreement, it is so much harder for a bookkeeper to prove the terms that were agreed with the client. To avoid this, many bookkeepers write a letter of engagement. In practice, this evidences the contract that will govern the provision of bookkeeping services. The terms of an accepted engagement letter will be seen as the terms of the contract.

A letter of engagement reads something like this: -

[Date]

[Client Contact]

[Client Name]

[Client Address]

Dear [Client Contact]:

This letter is to confirm our understanding of the terms and objectives of our engagement and the nature and limitations of the services we will provide.

Scope of engagement

Our engagement extends to the following services:

- . Preparation of (**weekly/fortnightly/monthly/quarterly**) Financial Statements
- . Preparation of the financial year end Accountants Pack
- . Preparation of (**weekly/fortnightly/monthly**) payroll
- . Preparation of Payment Summaries and Annual ATO Payment Summary Statement
- . Acting as your BAS Agent including the preparation of Business Activity Statements/Instalment Activity Statements
- Posting of receipts and payments to manual bookkeeping system, reconciliation of bank account
- Posting of receipts and payments to computerized general ledger system, reconciliation of bank account posting of necessary journal entries
- Accounts Payable Services
- Accounts Receivable Services
- Provision of bookkeeping training
- Cash Flow Statements, Profit & Loss Forecasts and Budgets
- Supply of computerized accounting software
- Provision of telephone support

Our engagement is limited to the period and the accounting services indicated above. We will not audit or review your financial statements, or any other accounting documents and information you provide, in accordance with generally accepted auditing standards. Accordingly, we ask that you not in any manner refer to this as an audit or review. Nor will we otherwise verify the data you submit for accuracy or completeness. Rather, we will rely on the accuracy and completeness of the documents and information you provide to us. Accordingly, our engagement cannot be relied upon to disclose errors, fraud, or other illegal acts that may exist. However, it may be necessary to ask you for clarification of some of the information you provide, and we will inform you of any material errors, fraud or other illegal acts that come to our attention, unless they are clearly inconsequential. In addition, we have no responsibility to identify and communicate significant deficiencies or material weaknesses in your internal controls as part of this engagement, and our engagement cannot, therefore be relied upon to make disclosure of such matters.

You are responsible for adopting sound accounting policies, for maintaining an adequate and efficient accounting system, for safeguarding assets, for authorizing transactions, for retaining supporting documentation for those transactions, and for devising a system of internal controls that will, among other things, help assure the preparation of proper financial statements. Furthermore, you are responsible for management decisions and functions, for designating a competent employee to oversee any of the services we provide, and for evaluating the adequacy and results of those services.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the Company involving (a) management (b) employees who have significant roles in internal control, and (c) others where the fraud could have a material effect on the financial statements.

Prior to preparation and execution of this engagement letter, we discussed with you the fact that we provide clients with levels of service higher than bookkeeping, such as audit, review, and compilation services, and we explained to you the manner in which such levels of service differ from bookkeeping. We also explained to you that we provide clients with services specifically focused on identifying and addressing weaknesses in internal controls (based on a review). We further explained the additional costs associated with such higher and different levels of service. After consideration of such services, you have informed us that you wish to retain us to perform only the bookkeeping services described in this letter.

In order for us to complete this engagement, and to do so efficiently, we require unrestricted access to the following documents and information concerning your company:

1. Copies of basic documents reflecting your financial transactions, bank statements, summaries of cash receipts and sales (cash and charge), listings of accounts receivable and accounts payable, and documentary support of property and equipment transactions-purchases, trades, sales, and other dispositions;
2. Information concerning any mortgage or pledge of business assets on business debts, any personal guarantees or debt, leases, or other information that effects or may effect the results of operations of the business;
3. Any other financial information necessary for purpose of reflection on your accounting records, trial balance and tax returns;
4. Identification of all cash receipts as to source (i.e., loans, sales, etc.), and information concerning all transactions that are consummated with cash.

You agree to accept responsibility for any effect on your accounting records and financial statements of basic financial information or transaction documents not submitted to us for processing and entry, or losses that may result from their absence.

Prior to commencing our services, we require that you provide us with a retainer in the amount of _____. The retainer will be applied against our final invoice, and any unused portion will be returned to you upon our collection of all outstanding fees and costs related to this engagement. Our fees and costs will be billed monthly at the fixed rate of _____, and are payable upon receipt. We reserve the right to suspend our services or to withdraw from this engagement in the event that any of our invoices are deemed delinquent. In the event that any collection action is required to collect unpaid balances due us, you agree to reimburse us for our costs of collection, including attorneys' fees.

In connection with this engagement, we may communicate with you or others via email but we cannot guarantee or warrant that emails from us will be properly delivered and read only by the addressee. Therefore, you agree that we shall have no liability for any loss or damage to any person or entity resulting from the use of email transmissions, including any consequential, incidental, direct, indirect, or special damages, such as loss of revenues or anticipated profits, or disclosure or communication of confidential or proprietary information.

In the event that we are or may be obligated to pay any cost, settlement, judgment, fine, penalty, or similar award or sanction as a result of a claim, investigation, or other proceeding instituted by any third party, and if such obligation is or may be a direct or indirect result of any inaccurate or incomplete information that you provide to us during the course of this engagement, you agree to indemnify us, defend us, and hold us harmless as against such obligation.

You agree that any dispute (other than our efforts to collect an outstanding invoice) that may arise regarding the meaning, performance or enforcement of this engagement or any prior engagement that we have performed for you, will, prior to resorting to litigation, be submitted to mediation, and that the parties will engage in the mediation process in good faith once a written request to mediate has been given by any party to the engagement. The results of any such mediation shall be binding only upon agreement of each party to be bound. The costs of any mediation proceeding shall be shared equally by the participating parties.

If, after full consideration you agree that the foregoing terms shall govern this engagement, please sign the copy of this letter in the space provided and return the original signed letter to me, keeping a fully-executed copy for your records.

Thank you for your attention to this matter, and please contact me with any questions that you may have.

Your truly,
[Firm Contact]
[Title]

ACCEPTED AND AGREED:

[CLIENT NAME]

By: [Name of Signatory] Date

[Title]