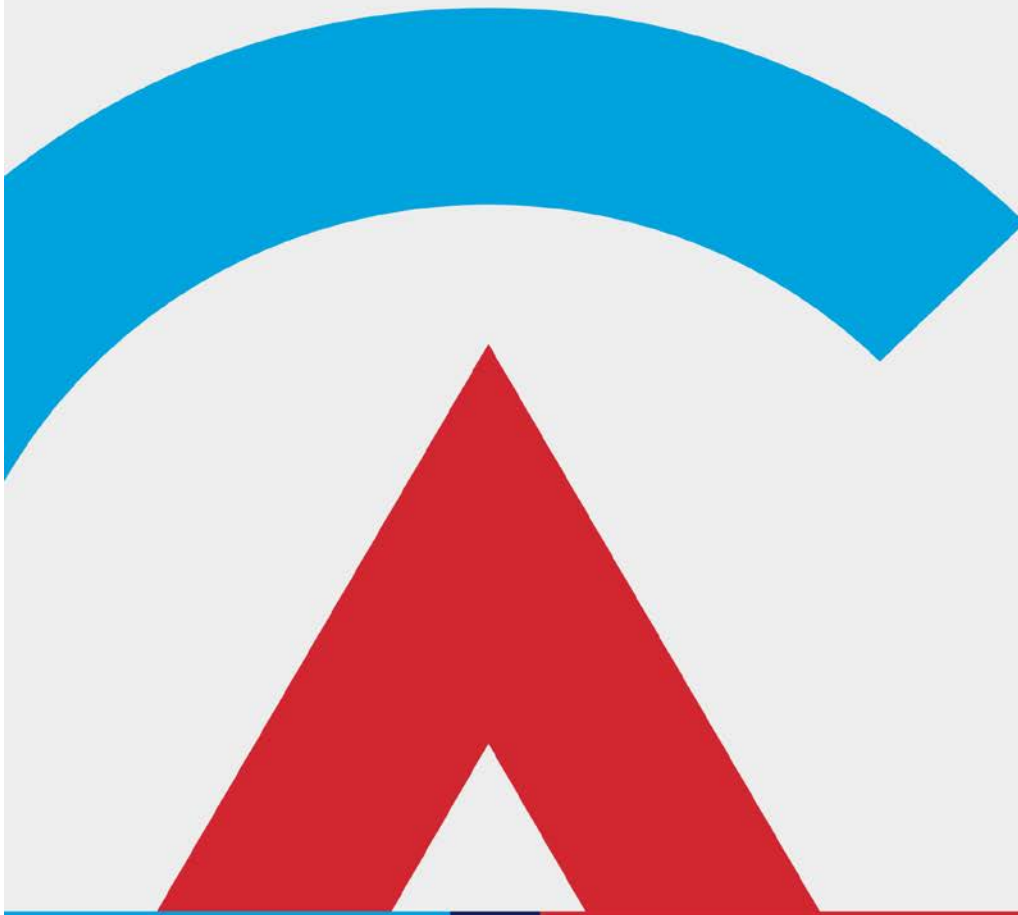


# Engagement letter tool

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*Australia (February 2020)*



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# Engagement letter tool

Welcome to CA ANZ's engagement letter tool, designed to assist members in practice to prepare engagement documents for use with their clients in Australia. It is important you read the information below before you get started.

CA ANZ has created this tool in response to requests from members, to assist in drafting engagement documents by providing sample letter clauses, sample terms & conditions, and guidance on where these could be used, or where tailored wording is appropriate.

The content of this tool is consistent with APES 305 *Terms of Engagement* issued in August 2019.

## IMPORTANT INFORMATION

- This tool is not suitable for use in relation to providing financial services, or tax (financial) advice, nor for any client in any jurisdiction other than Australia.
- This tool was prepared in February 2020. Laws, practices and regulations may have changed since that time.
- This tool is provided to you on a general basis only and must not be relied on by you or any other person as a substitute for appropriate professional and other advice tailored to your specific circumstances. You should seek independent legal advice to confirm that any proposed letter is suitable.

➤ Please send any feedback on this tool to [Tools&Resources@charteredaccountantsanz.com](mailto:Tools&Resources@charteredaccountantsanz.com) so we can continue to improve our services for members.

### Use of this tool and disclaimer

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This tool provides general information only and is not intended to provide or substitute legal or professional advice on a specific matter. Before using this tool, you should read it in full, consider its effect and determine whether it is appropriate for you and your client's needs and circumstances. You should also seek independent advice about its use and any modifications to any terms required for your practice.

This tool was prepared in February 2020. Laws, practices and regulations may have changed since that time. You should make your own inquiries as to the currency of relevant laws, practices and regulations.

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# Engagement letter tool: FAQs

- Read these FAQs before moving to the engagement letter and terms & conditions clauses

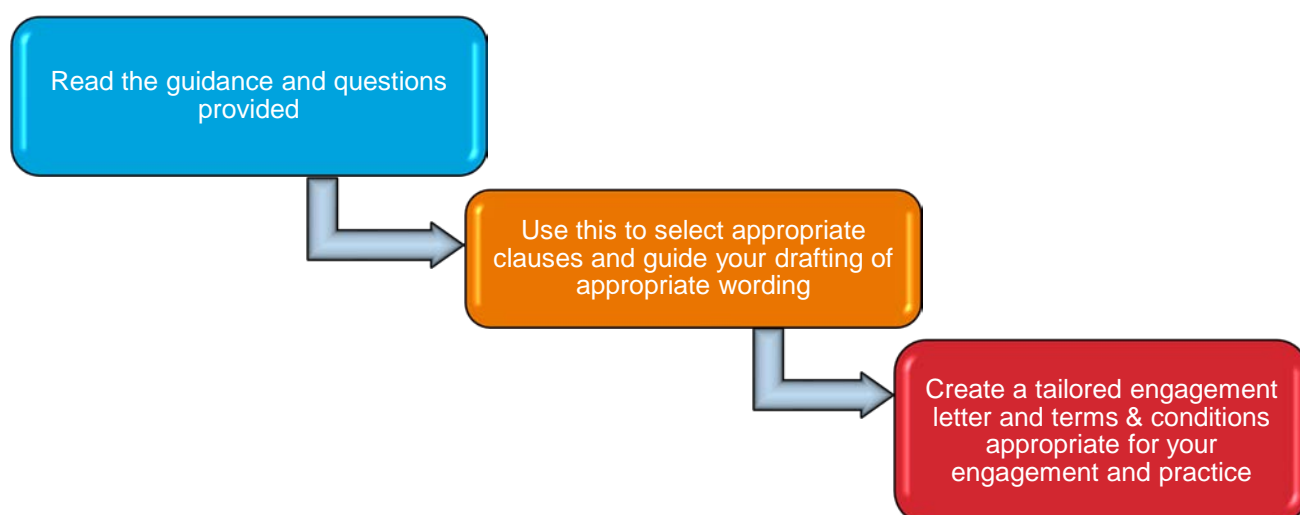
## Why do I need an engagement document?

Your engagement document is the written contract with your client, facilitating a clear understanding between you/your practice and your client regarding the terms of the engagement. Providing clear terms of engagement can assist you to avoid disputes or confusion at a later date, as well as satisfying your professional obligations.

Written engagement documents are required by professional standards and may also be required by legislation or regulators. This guidance is written in the format of an engagement letter incorporating terms & conditions as CA ANZ recommends this as best practice.

## How does this tool work?

This tool is designed to assist you to write an engagement document by prompting you to consider key issues, and providing standard clauses and terms you may use for common situations. It is designed to be used as follows:



## Why a letter plus terms & conditions?

This tool helps you to prepare an engagement document in the form of:

- an engagement letter; plus
- terms & conditions.

This is now common practice in professional engagements, to address the many clauses that need to be included to comply with regulations, professional standards, relevant legislation and other guidance. Together these documents will, when adapted by your practice, address content required by [APES 305 Terms of Engagement](#), plus other standards, legislative or commercial issues relevant to many accounting practices and engagements.

- The engagement letter will include information specific to the engagement.
- The terms & conditions are generic clauses which will be common across many engagements and clients.

## What about template clauses for specific types of engagements?

Specific clauses are required or recommended by legislation and/or standards including:

- APES 315 *Compilation of Financial Information*. APES 315 contains example compilation engagement letter wording, which CA ANZ recommends is inserted into the engagement letter for compliance engagements, in the section called Scope of services.
- ASA 210 *Agreeing the Terms of Audit Engagements* or other relevant Auditing and Assurance standards. ASA 210 contains example audit engagement letter wording, which CA ANZ recommends is inserted into the engagement letter, in the section called Scope of services. Similarly, a number of other AUASB standards contain sample wording for specific assurance engagements, which can be inserted into the engagement letter when relevant.
- APES 225 *Valuation Services*. For further guidance on a valuation engagement document refer to <https://www.charteredaccountantsanz.com/member-services/technical/business-valuation>
- APES 220 *Taxation Services*. APES 220 requires certain information to be communicated to the client, which can be included in the engagement document.
- [Tax Practitioners' Board](#). Tax agents should also have regard to the Tax Practitioners Board (TPB) guidance at <https://www.tpb.gov.au/tpb-practice-note-tpbnp-32019-letters-engagement>.

As this engagement letter tool is not designed to be used in relation to providing financial services or tax (financial) advice, no guidance is provided here in relation to APES 230 *Financial Planning Services*.

### Learn more:

- You can find a summary of engagement letter requirements in professional standards in [Appendix 1](#).

## What do I need to include in the engagement document if I deal with client monies, (including operating a trust account and/or deducting fees from client tax refunds)?

APES 310 *Client Monies* and APES 220 both contain specific requirements on what and how you must communicate with your client prior to dealing with client monies. This communication can be incorporated into an engagement document although the standards do not require this.

The sample clauses in this engagement document do **not** address these requirements.

### Learn more:

- You can find a summary of client monies requirements in [Appendix 2](#).

## When do I need to issue a new or amended engagement document to my client?

### New engagements

You need to document and communicate the terms of engagement with all new clients to comply with APES 305. CA ANZ recommends this is in the form of an engagement letter with terms & conditions.

For some engagements such as audit engagements an engagement letter is mandatory for all new clients.

### Recurring engagements

Open ended engagement documents are common for recurrent accounting compilation, tax compliance and assurance services engagements. If you have issued an open-ended document, you need to be alert to any changes or factors that indicate you need to reissue or amend it. Therefore, it is important to regularly review whether circumstances have changed. CA ANZ recommends best practice is to review engagement documents annually. In any event it would seem unlikely that circumstances would remain unchanged for a period exceeding five years.

APES 305 and other relevant standards include a list of the factors you need to consider when determining whether you need to reissue or amend an engagement document.

## How does this fit in with my practice's client acceptance or continuance relationship policies and procedures?

Issuing and re-issuing engagement documents should be part of your practice's policies and procedures for accepting and continuing client relationships. Together with your decision to accept or continue your relationship with your client, the decision to issue or re-issue an engagement document should be documented annually.

### Learn more:

- You can find a sample policy, together with a client acceptance checklist and client retention checklist in the CA ANZ Quality Control Guide at [https://survey.charteredaccountantsanz.com/quality\\_control/system/relationship.aspx](https://survey.charteredaccountantsanz.com/quality_control/system/relationship.aspx)

# Build your engagement document

## IMPORTANT INFORMATION




This tool has been prepared by CA ANZ for use by its members in Australia in relation to providing accounting services to clients in Australia.




This tool is not suitable for use in relation to providing financial services, or tax (financial) advice, nor for any client in any jurisdiction other than Australia.

- This tool was prepared in February 2020. Laws, practices and regulations may have changed since that time.
- This tool is provided to you on a general basis only and must not be relied on by you or any other person as a substitute for appropriate professional and other advice tailored to your specific circumstances. You should seek independent legal advice to confirm that any proposed letter is suitable.



When using this tool you must tailor the wording to your circumstances. Wording highlighted in yellow must be tailored, and you may also need to tailor throughout the document depending on your circumstances.

## Part 1: Letter

User instructions and guidance	Suggested content/wording
<b>Guidance:</b> ➤ If you have more than one practice entity, use the appropriate letterhead for the engagement. If not, use your practice letterhead.	<b>[Letterhead of practice]</b>  <b>[Date]</b>
 Insert name and address of the client, and the person you are writing to.  <b>Guidance:</b> Consider whether the party you are contracting with has the authority to enter into a commitment with you.	<b>[Name and address]</b> Dear <b>[salutation]</b>
 Amend this paragraph if the signatory to the letter is NOT the main point of contact for the client.	<b>Engagement letter</b> Thank you for engaging us. <b>[I]</b> will be your main point of contact and will have primary responsibility for assisting you. This engagement letter, including the attached terms and conditions, sets out the basis of our engagement.
 Where there is more than one client, insert the name of all clients that are covered by the engagement letter. This may be individuals, family members including spouses and children, partnerships, trusts, companies (including group companies) etc. Create a bullet-point list or attachment if necessary.  <b>Guidance:</b> This letter is your contract with the client, so ensure the client(s) is specified in the letter especially where it is a legal entity or there are multiple clients. ➤ Ensure the party you are contracting with has the authority to enter into a commitment with you (including on behalf of any other person, e.g. husband or wife).	<b>Who we are acting for</b> We are acting for <b>[clients/you]</b> only. Where you would like us to act for anyone else, we will issue a separate engagement letter to them.  [(For multiple clients) Each signatory to this letter authorises us to act on the instructions of <b>[insert name(s)]</b> on their behalf.]



User instructions and guidance	Suggested content/wording
<p> Insert any background information necessary to ensure common understanding by all parties</p>	<p><b>Background</b> We understand that: [Description of client's facts]; [Description of transaction background]; and [Other facts and circumstances relied upon].</p>
<p> Amend this paragraph so it is suitable for period of the engagement</p> <p><b>Guidance:</b></p> <ul style="list-style-type: none"> <li>➤ The start date should be on or after the client returns the signed and dated engagement letter.</li> <li>➤ If there is an end date for the engagement, amend the paragraph to specify the end date.</li> <li>➤ If the period is defined, for example for a consulting arrangement, amend the paragraph to clarify the period of the engagement.</li> <li>➤ Open ended contracts are common for recurrent accounting compilation, tax compliance and assurance services engagements. If you have issued an open-ended document, you need to be alert to any changes or factors that indicate you need to reissue or amend it. Therefore, it is important to regularly review whether circumstances have changed. CA ANZ recommends best practice is to review engagement documents annually. In any event it would seem unlikely that circumstances would remain unchanged for a period exceeding five years.</li> <li>➤ Refer to APES 305 section 5 to identify circumstances when a new letter, or amendment, is required.</li> </ul>	<p><b>Period of engagement</b> This engagement will start on [date]/starts on the date that you sign and return this document to us. The first period for which we will be responsible is [tax year ending/accounts period ending etc]. Previous [tax years/account periods] are not included as part of this engagement unless specifically agreed by us.</p> <p>The terms of this engagement letter will continue to apply for future engagements unless otherwise agreed.</p>
<p> Amend this paragraph as necessary to include information required by APES 305, and other information required by specific regulations, legislation and/or standards applicable to the engagement.</p> <p><b>Guidance:</b></p> <ul style="list-style-type: none"> <li>➤ Consider whether specific clauses are required or recommended by legislation and/or standards and/or other factors in the engagement letter.</li> <li>➤ <a href="#">Appendix 1</a> provides more information on what other professional standards require.</li> </ul> <p>Note: In addition to the scope of services included here, some of the content required by APES 305 and other standards is included in the terms and conditions.</p>	<p><b>Scope of services</b> You have requested that we provide the following services: [insert description of the services to be provided, at a minimum (APES 305):</p> <ul style="list-style-type: none"> <li>• objectives of the engagement;</li> <li>• reference to relevant legislation, regulations, and/or standards where the engagement involves the performance of services covered by legislation or standards;</li> <li>• details of any information to be provided by the client</li> <li>• details of any anticipated work outputs, including timing and the intended use and distribution of reports</li> <li>• any reliance to be placed upon the work of another firm; and</li> <li>• any scope limitations.]</li> </ul> <p>If we agree to provide additional services to you, we may provide you with a new or amended engagement letter. If we do not, those additional services will be provided under this engagement letter.</p>







User instructions and guidance	Suggested content/wording						
<p> Insert other relevant paragraphs here.</p> <p><b>Guidance:</b> Consider whether you need to add additional paragraphs to the engagement letter for circumstances such as, but not limited to:</p> <ul style="list-style-type: none"> <li>○ client responsibilities;</li> <li>○ disclosure and agreement of conflict of interest(s); and</li> <li>○ disclosure of commissions.</li> </ul> <p>➤ If the clients' interests no longer align (e.g. divorce), you must determine the action you need to take regarding the potential conflict of interest using the conceptual framework in APES 110. If, using the framework, you assess the threat to be at an "acceptable level", at a minimum, you should disclose the potential conflict of interest, suggest independent advice, and obtain each clients' consent to continue to act. In some situations, you will assess that you are unable to continue to act for one or both clients and disengagement will be necessary.</p>							
<p> Insert your fee summary based on your method and basis of billing. If you have agreed a billing schedule with the client this should be included.</p> <p><b>Guidance:</b> Ensure the fee structure, scope and terms are clear to both parties through this paragraph, and the terms and conditions, to avoid any disputes or confusion at a later date.</p> <p>➤ If your practice policy is to require the client to pay a fixed amount in advance or on set dates, include this information here. You may also like to include a mechanism to set up regular payments (e.g. request for the client to include credit card details when they accept the engagement letter/document).</p>	<p><b>Fees</b></p> <p>Our fees will be charged in accordance with the attached terms and conditions. Please review these to ensure you understand the basis of our charges and our payment terms. <b>[By way of summary, we estimate that our fees for [insert period] will be as follows:</b></p> <table> <tr> <td>[service item]</td> <td>\$[ ]</td> </tr> <tr> <td>[service item]</td> <td>\$[ ]</td> </tr> <tr> <td><b>Total</b></td> <td><b>\$[ ]</b></td> </tr> </table>	[service item]	\$[ ]	[service item]	\$[ ]	<b>Total</b>	<b>\$[ ]</b>
[service item]	\$[ ]						
[service item]	\$[ ]						
<b>Total</b>	<b>\$[ ]</b>						
<p><b>Guidance:</b> It is recommended you obtain confirmation of the terms of engagement from the client in writing (APES 305.4.10). The best way to do this is to have the client sign and return the letter.</p> <p>➤ If the engagement is with multiple clients, you must ensure that the engagement letter is signed by each of those clients to ensure appropriate authority.</p>	<p><b>Your agreement</b></p> <p>Please confirm your agreement to the terms of this engagement letter by signing and returning one copy of this letter to us. You will also be deemed to have accepted the terms of this engagement by providing instructions to us to provide services to you, but you must still provide a signed copy of this letter as soon as possible.</p>						



## Part 2: Terms and conditions


User instructions and guidance	Suggested content/wording
<p><b>Guidance</b></p> <ul style="list-style-type: none"> <li>➤ These terms and conditions are a guide to what you may need to include in your terms of engagement. You should consider the extent to which they apply to your practice, and whether you need to amend, delete or add to these terms to suit your own situation.</li> <li>➤ Where these terms and conditions align with the recommendations in APES 305, or other professional standards, this is indicated in the guidance.</li> <li>➤ Other terms and conditions in addition to those required to comply with professional standards are included, based on common commercial considerations or best practice. You may choose to include these in your engagement document.</li> </ul>	<p><b>Terms and conditions</b></p>
	<p><b>1. Who may instruct us</b></p> <p>You confirm that you, and any other person you nominate in writing from time to time (provided we have acknowledged such nomination), are authorised to give us instructions and information on behalf of all persons we are acting for and to receive our advice and documents on their behalf.</p> <p>If we are acting for a business, and we receive conflicting advice, information or instructions from different persons, we may refer the matter to the board of directors, partners or proprietors (as applicable) and act only as requested by them.</p>
<p> Include this clause only if you are providing services to a couple, and it is appropriate to this engagement.</p>	<p><b>2. You and your [spouse/partner]</b></p> <p>We will advise you and your [spouse/partner] on the basis that you are a family unit with shared interests. We may deal with either of you and may discuss with either of you the affairs of the other. If you wish to change these arrangements, please let us know.</p>
	<p><b>3. Know your customer</b></p> <p>We may be required to verify your identity for the purposes of the anti-money laundering laws. We may request from you such information as we require for these purposes and make searches of appropriate databases.</p>
<p> Include the section on audit (highlighted in yellow) if you are engaged to conduct an audit or assurance engagement.</p> <p><b>Guidance</b></p> <p>Client records provided for the purpose of the engagement are likely to be relied upon without verification and this should be explicitly stated.</p> <p>Although not undertaking an audit, members are reminded of their professional responsibility to apply critical assessment to information provided by the client.</p>	<p><b>4. Your responsibilities</b></p> <p>You must provide us with all information necessary for dealing with your affairs including information which we reasonably request, in sufficient time to enable our services to be completed before any applicable deadline. We will rely on such information being true, correct and complete and will not audit the information [except to the extent we are specifically engaged to provide audit-related services];</p> <p>You authorise us to approach such third parties as may be appropriate for information that we consider necessary to deal with your affairs.</p> <p>You must keep us informed on a timely basis of changes in your circumstances that may affect our services.</p>


User instructions and guidance	Suggested content/wording
<p> Delete the section on audit (highlighted in yellow) if this is an audit or assurance engagement.</p> <p><b>Guidance</b> Clarify the services you are offering (APES 305.4.3).</p>	<p><b>5. Qualifications on our services</b></p> <p>To the extent our services involve the performance of services established by law, nothing in the engagement letter or these terms reduce our obligations under such law.</p> <p>You must not act on advice given by us on an earlier occasion without first confirming with us that the advice is still valid.</p> <p>Our services are limited exclusively to those you have engaged us to perform. Unless otherwise specified in the engagement letter, our services cannot be relied upon to disclose irregularities and errors, including fraud and other illegal acts, in your affairs. <b>[Neither an audit nor a review will be conducted and, accordingly, no assurance will be expressed.]</b></p> <p>Where our engagement is recurring, we may amend our engagement letter and these terms where we consider it is necessary or appropriate to do so. If you do not accept such amendments, you must notify us promptly in which case you may terminate our engagement in accordance with section 18 below and those amendments will not apply prior to such termination.</p>
	<p><b>6. Reliance on advice</b></p> <p>We will endeavour to record all advice on important matters in writing. Advice given verbally is not intended to be relied upon unless confirmed in writing. If we provide verbal advice (for example during a meeting or telephone conversation) that you wish to rely on, you must ask us to confirm the advice in writing.</p>
	<p><b>7. Investment and financial advisory advice</b></p> <p>We will not provide you with investment or financial advice regulated under the <i>Corporations Act 2001</i> (Cth) unless we have expressly agreed to do so in writing, specifying an applicable Australian Financial Services Licence number.</p>
<p><b>Guidance</b> Alert your client to your obligation to comply with APES 110 <i>Code of Ethics for Professional Accountants</i>.</p>	<p><b>8. Professional obligations</b></p> <p>We will comply with the professional and ethical standards of the Accounting Professional and Ethical Standards Board, available at <a href="http://apesb.org.au">apesb.org.au</a>. This includes APES 110 <i>Code of Ethics for Professional Accountants (including Independence Standards)</i>, which among other things contains provisions that apply if we become aware of any actual or potential 'non-compliance with governing laws or regulations' (NOCLAR). Where any such non-compliance poses substantial harm (such as serious adverse consequences to investors, creditors, employees, auditor, group auditor or the public), we may be required to disclose the matter to an appropriate authority.</p>

User instructions and guidance	Suggested content/wording
<p> Amend if you are aware of a conflict of interest, only if it is appropriate for you to continue to act.</p> <p> It may also be appropriate to describe the conflict in the body of the engagement letter.</p> <p><b>Guidance</b> You are required to take reasonable steps to identify circumstances that might create a conflict of interest before accepting a new client relationship or engagement, and remain alert to changes over time that might create a conflict of interest while performing an engagement (APES 110 R310.5 and R310.6).</p> <p>If the clients' interests no longer align (e.g. divorce) then you must consider the potential conflict of interest issues and, at the very minimum, obtain individual consents to continue to act from each individual. This may not always be sufficient to continue to act for one or both persons.</p>	<p><b>9. Conflicts of interest</b></p> <p>We will inform you if we become aware of any conflict of interest in our relationship with you (including between the various persons this engagement letter covers) or in our relationship with you and another client. Where conflicts are identified which cannot be managed in a way that protects your interests then we will be unable to provide further services to some or all of the persons to whom this engagement applies. If this arises, we will inform you promptly.</p> <p>We may act for other clients whose interests are not the same as or are adverse to yours, subject to the obligations of conflicts of interest and confidentiality referred to above.</p> <p>[Replace with appropriate wording if you are aware of a conflict of interest, only if it is appropriate for you to continue to act.]</p>
<p> Amend to reflect your billing terms.</p> <p><b>Guidance</b> This section contains information to supplement the detail you included in the body of the engagement letter, to clarify the basis of fees (APES 305.4.8).</p> <p>Amend to reflect your terms of trade, and GST status.</p>	<p><b>10. Fees and payment</b></p> <p>Our fees will be charged on the basis set out in the engagement letter and have been set based on the level of skill, responsibility, importance and value of the advice, as well as the level of risk.</p> <p>If we have provided you with an estimate of our fees for any specific work, this is an estimate only and our actual fees may vary.</p> <p>We may provide a fixed fee for the provision of specific services. If it becomes apparent to us, due to unforeseen circumstances, that a fixed fee is inadequate, we may notify you of a revised figure and seek your agreement to it.</p> <p>In some cases, you may be entitled to assistance with your professional fees, particularly in relation to any investigation into your tax affairs by the ATO. Assistance may be provided through insurance policies you hold or via membership of a professional or trade body. Other than where such insurance was arranged through us, you will need to advise us of any such insurance cover that you have. You will remain liable for our fees regardless of whether all or part are to be paid by someone else.</p> <p>We will bill [monthly]/ [quarterly]/ [half-yearly] and our invoices are due for payment [upon presentation/within [14]/ [30] days of issue]. Our fees set out in our engagement letter are exclusive of GST which will be added to our invoice where it is chargeable. Any disbursements and expenses we incur in the course of performing our services will be added to our invoices where appropriate.</p>

User instructions and guidance	Suggested content/wording
	<p>Unless otherwise agreed to the contrary, our fees do not include the costs of any counsel, or other professionals or third parties engaged with your approval.</p> <p>We may charge interest on late paid invoices at the rate of [x%] above the RBA cash rate. We may also suspend our services or to cease to act for you on giving written notice if payment of any fees is unduly delayed.</p> <p>We intend to exercise these rights only where it is fair and reasonable to do so.</p>
<p>✎ Include this clause if you intend to claim a lien.</p> <p><b>Guidance</b></p> <ul style="list-style-type: none"> <li>➤ For more guidance refer to <a href="#">N1: Books and Records</a>.</li> <li>➤ If you intend to claim a lien, the engagement document should disclose this (APES 305. 4.9).</li> <li>➤ If your practice partners with an accounting software provider, you may need to amend this paragraph to have regard to any specific requirements which are part of your partnership agreement.</li> </ul>	<p><b>11. Lien</b></p> <p>If permitted by law or professional guidelines, we may exercise a lien over all materials or records in our possession relating to all engagements for you until all outstanding fees and disbursements are paid in full.</p>
<p>✎ Include this clause if you maintain, or intend to, a trust account for this client.</p> <p><b>Guidance</b></p> <p>If you intend to operate a trust account in relation to the client, or where a member is a signatory on a client bank account you will need to comply with the requirements of APES 310 <i>Client Monies</i>. This requires that client monies be dealt with only through a trust account or client bank account, and only in accordance with a client's instructions. Paragraph 4.3 states that those instructions should be in writing.</p> <ul style="list-style-type: none"> <li>➤ If you intend to use this engagement letter to also satisfy the client communication requirements of APES 310 you will need to add all the paragraphs required by APES 310.</li> <li>➤ You can find a summary of client monies requirements in <a href="#">Appendix 2</a>.</li> </ul>	<p><b>12. Client money</b></p> <p>We maintain a trust account for dealing with client monies on their behalf. We can only accept money into our trust account on your behalf if you have provided us with a written trust account authority letter which details the authority given to us in relation to that trust money.</p>
<p>✎ Insert other bodies if you are subject to other review programs.</p> <p>✎ Insert client monies auditor.</p> <p><b>Guidance</b></p> <p>This clause clarifies your confidentiality obligations, and how this relates to the quality review program (APES 305.4.6).</p>	<p><b>13. Confidentiality</b></p> <p>We will take all reasonable steps to keep your information confidential, except where:</p> <ul style="list-style-type: none"> <li>• we need to disclose your information to our service providers (including auditors of client monies if applicable) or regulatory bodies in performing the services, our professional advisers or insurers or as part of an external peer review from time to time. Our files</li> </ul>



User instructions and guidance	Suggested content/wording
	<p>may also be subject to review as part of the quality review program of Chartered Accountants Australia and New Zealand [and insert other bodies as appropriate]. By accepting this engagement you acknowledge that, if requested, our files relating to this engagement will be made available under this program. We will take reasonable steps to ensure any such recipient (other than a regulatory body) keeps such information confidential on the same basis;</p> <ul style="list-style-type: none"> <li>• we are required by law, regulation, a court of competent authority, or those professional obligations referred to in section 8 above, to disclose the information; or</li> <li>• you give us permission to disclose the information.</li> </ul> <p>We may retain your information during and after our engagement to comply with our legal requirements or as part of our regular IT back-up and archiving practices. We will continue to hold such information confidentially.</p> <p>We may mention that you are a client for promotional purposes.</p>
<p> You must seek further advice on this clause if personal information of non-Australian residents will be disclosed to you (even if the client is Australian) as there may be additional laws and regulations applying to personal information of individuals in other jurisdictions (e.g. GDPR for EU residents)</p> <p><b>Guidance</b> For more information, refer to the website of the Office of the Australian Information Commissioner <a href="https://www.oaic.gov.au/">https://www.oaic.gov.au/</a></p>	<p><b>14. Privacy</b> You must make all necessary notifications and obtain any necessary consents for us to process personal information you provide to us. We collect and use that personal information for the purposes of providing the services described in the engagement letter to you and we will comply with the <i>Privacy Act 1988</i> (Cth) when processing that personal information. Our privacy policy provides further details of our privacy practices.</p>
<p><b>Guidance</b> This clause clarifies ownership of documents produced as a result of the engagement or supplied by the client (APES 305.4.9).</p>	<p><b>15. Ownership of materials</b> We own the copyright and all other intellectual property rights in everything we create in connection with this engagement. Unless we agree otherwise, anything we create in connection with this agreement may be used by you only for the purpose for which you have engaged us.</p> <p>All working papers prepared by us (in any form whatsoever, including physical and electronic) remain our property. We will retain these papers in accordance with our normal record keeping practices in accordance with our professional and legal obligations.</p> <p>You agree we can use your logos and trade marks for the sole purpose of providing advice to you in connection with the engagement, unless you tell us otherwise.</p>
<p><b>Guidance</b> This clause clarifies how your liability is limited (APES 305.4.5).</p>	<p><b>16. Limitation of liability</b> Our liability is limited by a scheme approved under Professional Standards Legislation.</p>

User instructions and guidance	Suggested content/wording
	<p>You agree not to bring any claim against any of our [principals] [partners] [directors] [shareholders] or [employees] in their personal capacity.</p> <p>To the maximum extent permitted by law, we are not liable to you for:</p> <ul style="list-style-type: none"> <li>indirect, special or consequential losses or damages of any kind; or</li> <li>liability arising due to the acts or omissions of any other person or circumstances outside our reasonable control, or your breach of these terms.</li> </ul>
	<p><b>17. Limitation of third party rights</b></p> <p>Our advice and information is for your sole use, and we accept no responsibility to any third party, unless we have expressly agreed in the engagement letter that a specified third party may rely on our work.</p>
	<p><b>18. Termination</b></p> <p>Each of us may terminate this agreement by giving not less than 21 days' notice in writing to the other party except where a conflict of interest has arisen, you fail to cooperate with us or we have reason to believe that you have provided us or any other person with misleading or factually inaccurate information, in which case we may terminate this agreement immediately. Termination will not affect any accrued rights.</p>
<p><b>Guidance</b></p> <p>While this does not specifically refer to providing promotional material, you should be aware of your obligations in relation to EU clients in relation to promotional material. Under the EU GDPR, you cannot provide promotional material to any EU client without your client's express "opt in" consent. This can be achieved through a checkbox that the Client must tick, for example:</p> <p>"We would like to send you promotional material and news about our firm. To join our mailing list, simply tick the box below. You can unsubscribe at any time.  <input type="checkbox"/> Yes, I would like to receive promotional material from [insert]"</p> <p>You will also need to ensure that a working unsubscribe facility or procedure is included.</p>	<p><b>19. Communication</b></p> <p>You must advise of any changes to your contact details. We may send any communications to the last contact details you have provided. Unless you instruct us otherwise we may, where appropriate, communicate with you and with third parties via email or by other electronic means. The recipient is responsible for virus checking emails and any attachments. There is a risk of non-receipt, delayed receipt, inadvertent misdirection or interception by third parties in any form of communication, whether electronic, postal or otherwise. We are not responsible for any such matters beyond our control.</p>
<p> Amend as applicable for your practice location.</p>	<p><b>20. Applicable Law</b></p> <p>Our engagement is governed by [insert name of Australian State/Territory] law. The courts sitting in that [State/Territory] will have non-exclusive jurisdiction in relation to any dispute between us.</p>



User instructions and guidance	Suggested content/wording
	<b>21. Interpretation</b> If any provision of the engagement letter or these terms is void, that provision will be severed and the remainder will continue to apply. If there is any conflict between the engagement letter and these terms, these terms prevail.
<b>Guidance</b> Your practice is required by CA ANZ regulations and APES 320: <i>Quality Control for Firms</i> to establish policies and procedures to deal appropriately with complaints and allegations from clients. A simple illustrative process is included in the CA ANZ <a href="#">Quality Control Manual</a> .  If you intend to claim a lien you should also disclose the dispute process (APES 305.4.9).	<b>22. Disputes and complaints</b> If you have any concerns about our costs or services, please speak to the person responsible for this engagement, who is identified in our engagement letter. To resolve your concerns we have policies and procedures in place to deal appropriately with complaints and will use best endeavours to resolve a complaint or dispute to the mutual satisfaction of the parties involved. We may require you to detail your complaint in writing to allow us to fully investigate any concerns that you raise.
<b>Guidance</b> If you outsource services it is important you disclose to the client the geographical location of the outsourced service provider and the nature and extent to which outsourced services are used in the delivery of the service ( <a href="#">APES GN 30 Outsourced Services</a> ). ➤ If your practice partners with an accounting software provider, you may need to amend this paragraph to have regard to any specific requirements which are part of your partnership agreement.	<b>23. Outsourcing</b> We may utilise the services of [insert name of third party and location] and other third parties from time to time and as separately notified to you to [insert description of third party services]. To perform the services, we provide these third parties with access to your data to the extent this is required to perform the services.  This [requires/does not require] information being sent overseas in accordance with our Privacy Policy.

## Appendix 1 Summary of engagement letter requirements

### **APES 315 *Compilation of Financial Information***

[APES 315 \*Compilation of Financial Information\*](#) paragraph 6.2 lists a number of matters that members should consider including in the terms of engagement, in addition to the general contents of an engagement document required by APES 305. The APES 315 requirements are:

- The nature of the engagement including the fact that neither an audit nor a review will be carried out by the member and that accordingly no assurance will be expressed;
- The fact that the engagement cannot be relied upon to disclose errors, illegal acts or other irregularities, for example, fraud or defalcations that may exist;
- The nature of the information to be supplied by the client;
- In respect of prospective financial information, the basis of forecasting and key assumptions provided by the client;
- Where the Member makes assumptions in forecasts that these assumptions will be brought to the client's attention;
- When undertaking a compilation engagement in respect of general purpose financial statements or special purpose financial statements, a statement that the client is responsible for:
  - the form and content of the financial information in accordance with an applicable financial reporting framework that is acceptable in view of the intended use and users of the financial information;
  - the reliability, accuracy and completeness of the accounting records and disclosures provided to the member; and
  - the judgements needed in the preparation and presentation of the financial information, including those for which the member may provide assistance in the course of the compilation engagement;
- The basis of accounting set out in the applicable financial reporting framework on which the financial information is to be compiled and the fact that it, and any known departures from it, will be disclosed to those charged with governance of the client;
- The requirement for general purpose financial statements to be prepared in accordance with Australian Accounting Standards;
- The form and content of any compilation report to be issued;
- The intended use and distribution of the compiled financial information, and any restrictions on either its use or its distribution;
- The nature of any disclaimer or limitation of liability clause between the member and the client or the member and any user of the compiled financial information; and
- The member's obligation to comply with relevant professional standards.

APES 315 Appendix 3 contains example compilation engagement letter wording, which CA ANZ recommends is inserted into the engagement letter (in the section: Scope of services).

### **ASA 210 Agreeing the Terms of Audit Engagements**

[ASA 210 Agreeing the Terms of Audit Engagements](#) paragraph 10 requires that the agreed terms of the audit engagement shall be recorded in an audit engagement letter or other suitable form of written agreement and shall include:

- (a) The objective and scope of the audit of the financial report;
- (b) The responsibilities of the auditor;
- (c) The responsibilities of management;
- (d) Identification of the applicable financial reporting framework for the preparation of the financial report; and
- (e) Reference to the expected form and content of any reports to be issued by the auditor and a statement that there may be circumstances in which a report may differ from its expected form and content.

Further guidance is contained in paragraphs A23-A26.

ASA 210 contains example audit engagement letter wording, which CA ANZ recommends is inserted into the engagement letter (in the section: Scope of services). Other AUASB standards contain example engagement letter wording for other assurance engagements.

### **APES 225 Valuation Services**

[APES 225 Valuation Services](#) paragraph 4.2 requires that a member providing a valuation service includes the following within their terms of engagement:

- A statement as to which type of engagement the member has been engaged to perform;
- The definitions of a Valuation Engagement, a Limited Scope Valuation Engagement and a Calculation Engagement;
- For a Valuation Engagement, a statement that if the member becomes aware during the course of performing the valuation of a limitation or restriction that could have a material impact on the estimate of value, then the engagement will become a Limited Scope Valuation Engagement;
- For a Calculation Engagement, a statement as to which Valuation Approaches, Valuation Methods and Valuation Procedures the member has been engaged to perform;
- For a Valuation Service which requires independence or purports to be independent, a statement confirming the member's independence and the member's compliance with the independence requirements of APES 225; and
- A statement that the Valuation Service will be conducted in accordance with APES 225.

- You can access sample clauses for a Valuation engagement letter at <https://www.charteredaccountantsanz.com/member-services/technical/business-valuation>

## **APES 220 Taxation Services**

[APES 220 Taxation Services](#) paragraph 3.18 requires that a member in practice providing a taxation service shall provide a client with a statement in writing that:

- The responsibility for the accuracy and completeness of the particulars and information provided by the client rests with the client;
- Any advice given to the client is only an opinion based on the member's knowledge of the client's particular circumstances; and
- A taxpayer has obligations under self-assessment to keep full and proper records in order to facilitate the preparation of accurate returns.

APES 220 doesn't require that these matters be addressed in an engagement document. Members can choose whether to cover these issues in an engagement document or elsewhere.

## **Tax Agent Services**

Where members provide services as a registered tax agent they will need to address issues required by the *Tax Agent Services Act 2009*. Tax agents should also have regard to the TPB guidance at <https://www.tpb.gov.au/tpb-practice-note-tpbnp-32019-letters-engagement>.

CA ANZ is working to provide you with sample clauses for a tax agent engagement letter.

## Appendix 2: Client monies

If your practice deals with client monies, or deducts fees from a client tax refund before remitting the refund to the client, then there are additional requirements in relation to communicating with your client.

This information can be incorporated into an engagement document although the standard does not require this. The sample generic engagement document clauses do **not** address these specific requirements.

### **APES 310 *Client Monies***

Professional Standard [APES 310](#) requires:

- Client monies must be dealt with only through a client bank account or trust account and in accordance with a client's instructions (paragraph 4.2). For guidance refer to the Example of a Trust Account authority letter in APES 310 at <http://www.apesb.org.au/>.
- When you operate a trust account in your practice, at paragraph 5.5 that you inform a client in writing of the details of the financial institution at which the client monies are to be held.
- Where you operate a trust account or are a signatory on a client bank account, under APES 310 Section 7 you must ensure that your compliance with APES 310 is audited annually. To achieve this, paragraph 7.6 requires that the records pertaining to client monies should be accessible to the auditor or the Professional Body.
- Where you operate a trust account or are a signatory on a client bank account, APES 310 paragraphs 8.9 and 8.10 require the auditor of client monies to report client monies deficiencies and other non-compliance with APES 310 to the Professional Body.

You can access more guidance at:

[Client Monies: Guidance for practices and auditors applying APES 310 \*Client Monies\*](#)

### **APES 220 *Taxation Services***

Professional standard [APES 220](#) section 9 addresses client monies in the context of taxation services.

- If you withhold or otherwise appropriate tax refunds to settle fees, APES 220 paragraph 9.2 requires you to have the agreement of the client in writing
- Where you bank funds on behalf of a client in relation to taxation services, APES 220 paragraph 9.3 requires this is done in accordance with the requirements of APES 310 *Client Monies*.