

# Terms of Engagement

## Financial Statements and Reports

We will compile your financial statements from information provided by you in accordance with Service Engagement Standard No 2 (SES-2) *Compilation of Financial Statements* issued by the New Zealand Institute of Chartered Accountants (NZICA).

It is understood and agreed that:

- a) You will provide us with accurate and complete information necessary to compile such statements:
  - § This information will be given to us on a timely basis
  - § The responsibility for the accuracy and completeness of the assertions in the financial statements remains with you
  - § You accept responsibility for all records and information supplied to us
  - § You accept responsibility for any failure to supply us with all relevant records and information
- b) Candy Gillespie Ltd will not undertake an audit or review engagement and accordingly no assurances will be expressed by us. Each page of the financial statements will be conspicuously marked as being unaudited;
- c) You will attach our disclaimer when distributing the financial statements to third parties;
- d) The financial information will be prepared  
EITHER  
in accordance with generally accepted accounting practice in New Zealand  
OR  
in accordance with the Financial Reporting Act 1993 (Exempt Company)  
OR  
as a special purpose report in accordance with the Income Tax Act 2007 and this will be disclosed as part of the financial information. If this does not represent a true and fair view of the financial information, this will be explained in the reports and any departures from this practice will be disclosed in the financial reports;
- e) Due to the limited scope of the work performed in compilation, Candy Gillespie Ltd cannot be relied upon to prevent or detect fraud, internal control weaknesses, errors, illegal acts or other irregularities. Of course, if anything of this nature does come to our attention during preparation of the financial information, we will inform you of this;
- f) Candy Gillespie Ltd will prepare the financial information and reports knowing that the intended use of these is for yourselves and IRD taxation purposes. You will need to advise us of any changes to the intended recipients of any financial reports. If you distribute any financial report to any person without attaching to them our statement disclaiming liability, then you will indemnify us against all claims, actions, damages, liabilities, costs and expenses (including but not limited to reasonable legal costs and expenses) incurred by us and arising out of or in connection with any action, claim or proceeding brought by any third party in connection with the services provided by us to you;
- g) Independence is not a requirement for a compilation engagement such as this. However, the NZICA Code of Ethics requires us to act objectively and to be, or seen

to be, independent. If we are aware that our independence may be compromised for whatever reason, we will disclose this in the financial report;

- h) Any working papers that we prepare while working on your information will remain the property of this firm. Access to your records and information held by us may be required by NZICA as part of their quality assurance procedures; and
- i) For any Financial Statements or reports that we prepare a Compilation Report and Disclaimer will be attached – this will be in the format specified in Appendix 1 to this document.

### **Other Services**

In addition to compiling the financial reports we will also be performing services as defined in Appendix 2.

### **Timetable for completion**

We will provide you with an efficient and timely service and a completion date can be discussed if required.

### **Guarantee**

We undertake to complete your requirements as efficiently as possible. If at any time you are not happy with our approach or the quality of work we guarantee to review the work undertaken for you. A partner not directly involved in the matter will undertake this review. The result of this review will be discussed openly and frankly with you. The review will be at no cost to you.

### **Price and Payment**

Fees rendered by our firm are based on the value of time spent on each assignment.

Payment is required on or by the 20<sup>th</sup> of the month following invoice. The Directors of Candy Gillespie Ltd reserve the right to charge interest of 2% monthly on late payments.

### **Confirmation**

It is appreciated that from time to time you may desire a change in the scope of work to be undertaken by us, in which case your timely advice would be appreciated.

The arrangements outlined in this document will continue in effect from year to year unless we agree to change them. Any alteration to these terms will be confirmed in writing.

If you have any questions concerning any part of this document please contact us.

## **Appendix 1**

The following Compilation Report and Disclaimer will appear on the financial information we prepare

### **Disclaimer of Liability**

We have compiled the Financial Statements of [CLIENT NAME] for the year ended [DATE]. A compilation is limited primarily to the collection, classification and summarisation of financial information supplied by the client, and does not involve the verification of that information.

These Financial Statements have been prepared using [GENERALLY ACCEPTED ACCOUNTING PRINCIPLES] OR [SPECIAL PURPOSE FINANCIAL REPORTING], as stated in the attached Accounting Policies. We have not audited or reviewed the Financial Statements and therefore neither we nor any of our employees accept any responsibility for the accuracy of the materials from which the Financial Statements have been prepared.

Further, the Financial Statements have been prepared at the request of and for the purpose of the client only and neither we nor any of our employees accept any responsibility on any ground whatsoever, including liability in negligence, to any other person. We are not independent of [CLIENT NAME] because [REASON] OR We have no involvement with this client, other than the preparation of Financial Statements.

Candy Gillespie Ltd  
[DATE]

## **Appendix 2**

### **Registered Office**

Our office is the registered office of the company **OR** We understand that the registered office of the company is: [Client's Registered Office Address]

### **Company Minutes/Directors' Annual Report**

We will prepare annual company resolutions for shareholders and directors, together with the annual report, as required by the Companies Act 1993.

The Companies Act 1993 requires that the annual financial statements are completed within [five or nine] months of the end of your Financial Year. It is the responsibility of the directors to ensure that information is provided to us on a timely basis in order that we may assist directors in achieving compliance with this requirement.

### **Trust Minutes and records**

We will be responsible for the preparation of the minutes of the Trustees' annual meeting.

We will maintain the Trust records including details of trustees, beneficiaries, and deeds completed, and liaise with your solicitor as required.

### **Maintenance of Statutory Records**

We understand that we are responsible for the maintenance of the following statutory records **OR** We understand that Messrs [Client Names] of [Client's Company Name] attend to the maintenance of the following statutory records:

- a) Register of Members
- b) Register of Directors
- c) Register of Directors' Shareholding
- d) Register of Directors' Interests
- e) Register of Charges - PPSR
- f) Minute book - Shareholders' Meetings/resolutions
- g) Minute book - Directors' Meetings/resolutions
- h) Other Statutory Records

Please note that the Companies Act 1993 imposes penalties on the Company and Directors if these records are not maintained.

### **Filing of Returns with Registrar of Companies**

We understand that our office is responsible for the preparation and lodgement of the annual return as required. On advice from you we will also update the Companies Office records for any changes to company details **OR** We understand that Messrs [Client Names] are responsible for the preparation and lodgement of all annual company returns when required as well as the maintenance of Companies Office records.

## **Income Tax Returns**

We will prepare income tax returns for [Client Name] and the following associated persons/entities from the Financial Statements you approve and from additional information you provide in writing.

We will assist you to understand the importance and risk of signing these income tax returns as being true and correct statutory records.

We will need you to complete an annual questionnaire to obtain all relevant information to assist in the preparation of your annual income tax returns. **It is your responsibility** to ensure the final tax returns are a complete and accurate representation of your income and financial position for the year.

We will also assist you with tax planning and discuss options with you in order that you are able to make an informed decision so you may decide upon the proper course of action. Where you elect to use the estimation provisions in relation to taxation payments, we will advise you of the effects of such an election. Any Use of Money Interest charge due to incorrect estimation would be your responsibility.

You authorise us to act as your tax agent with the Inland Revenue Department for all tax types and associated entities.

## **Tax Assessments**

Our service includes the following:

- a) The use of our firm's address for the IRD to serve notices.
- b) A tax advice letter informing you of the amounts and dates of tax due.
- c) Checking your assessment notices and advising you of any legitimate amendments.
- d) Assisting you to prepare any objections and advising you of the outcome.
- e) Checking penalties and/or use of money interest charges if made. We will check their accuracy and advise you of the amounts and dates due.

It will be your responsibility to ensure payments are made on time.

OR

We understand that your own address is used by the Inland Revenue Department for the serving of all notices and you receive and check assessment notices and ensure all taxes are paid before the penalty dates. No reminders are issued from this office.

## **Penalty Tax Regime**

The tax legislation imposes penalties as well as interest charges for tax short paid as a result of incorrect returns and late payments of tax. This legislation applies to all forms of tax – income tax, GST, FBT, PAYE, etc.

Generally the rules require a taxpayer to either have taken reasonable care or to have an acceptable interpretation if the penalties are not to apply. By using Candy Gillespie Ltd to prepare your returns, it could be said you have taken the firm step towards that level of care, but it must be emphasised your obligations will not be fully discharged unless you provide all relevant information to us.

We will provide guidance and assistance so please do not hesitate to discuss any concerns you may have on this matter.

### **Annual Imputation Return**

We will prepare and file the Annual Imputation Return in conjunction with the company's (if applicable) income tax return.

### **Goods and Services Tax Returns**

We will prepare the GST returns required [either monthly, two monthly or six monthly] from information supplied to us. We will be relying on you to obtain and keep all relevant GST tax invoices for the required period of time.

We will sign the GST Return on your behalf. If, for whatever reason, Candy Gillespie Ltd or any of our employees are exposed to penalties for doing this, you will indemnify us for these penalties.

OR

We understand that you are responsible for the preparation and filing by due dates of all returns.

We shall however endeavour to reconcile your GST returns to your annual financial statements and advise you of any apparent discrepancy.

### **PAYE**

We will prepare the PAYE returns required [either monthly, or twice monthly] from information supplied to us.

We will sign the PAYE Return on your behalf. If, for whatever reason, Candy Gillespie Ltd or any of our employees are exposed to penalties for doing this, you will indemnify us for these penalties.

OR

We understand that you are responsible for the preparation and filing by due dates of all returns.

### **Fringe Benefit Tax**

We will prepare quarterly returns based on information supplied to us.

We will sign the FBT Return on your behalf. If, for whatever reason, Candy Gillespie Ltd or any of our employees are exposed to penalties for doing this, you will indemnify us for these penalties.

OR

We understand that you are responsible for the preparation and filing of all Fringe Benefit Tax Returns.

### **Insurance**

We confirm our understanding that the adequacy and extent of your insurance covers are regularly reviewed by brokers/insurance companies and discussed with you by them and that we are not responsible, nor liable, for this function.

### **Department of Statistics Returns**

We are to prepare Department of Statistics Returns as required.