



## **Letter of Engagement for a Non Audit Accounts Assignment for an Incorporated Company**

We are bound by the ethical guidelines of the Association of Chartered Certified Accountants, and accept instructions to act for you on the basis that we will act in accordance with those ethical guidelines.

### **Responsibilities**

As directors of the company, you are required by statute to prepare accounts (financial statements) for each financial year which give a true and fair view of the state of affairs of the company and of its profit or loss for that period. In preparing those accounts you must:

- (a) Select suitable accounting policies and then apply them consistently;  
Make judgements and estimates that are reasonable and prudent; and
- (b) Prepare the accounts on the going concern basis unless it is not appropriate to presume that the company will continue in business.

It is your responsibility to keep proper accounting records which disclose with reasonable accuracy at any particular time the financial position of the company. It is also your responsibility to safeguard the assets of the company and for taking reasonable steps for the prevention of and detection of fraud and other irregularities with an appropriate system of internal controls.

You are responsible for determining whether, in respect of the year concerned, the company meets the conditions for exemption from an audit set out in section 249A of the Companies Act 1985, and for determining whether, in respect of the year, the exemption is not available for any of the reasons set out in Section 249B of the Companies Act 1985.

You are also responsible for making available to us, as and when required, all the company's accounting records and all other relevant records and related information, including any minutes of management and shareholders' meetings. Any records **MUST** be provided to us in good time and in advance of respective deadlines that you should monitor. In cases of extreme lateness additional time costs may ensue and we will not be held responsible for any penalties ultimately arising where we have been unable to meet a deadline due to late incoming records.

The timing of our work in any event will therefore be dependant on the prompt supply of all information and documentation as and when required by us.

You will also be responsible for:

- (a) Maintaining records of all receipts and payments of cash;
- (b) Maintaining records of invoices issued and received;
- (c) Reconciling balances with the bank statements;
- (d) Ensuring the accounts are prepared on the basis of full disclosure to us of all sources of income and expenditure
- (e) Preparing details of the following at the year end:
  - 1) stocks and work in progress;

- 2) fixed assets;
- 3) amounts owing to suppliers;
- 4) amounts owing by customers; and
- 5) accruals and prepayments.

Our work will NOT be an audit of the accounts in accordance with Auditing Standards. Accordingly we shall not seek any independent evidence to support the entries in the accounting records, or to prove the existence, ownership or valuation of assets or completeness of income, liabilities or disclosure in the accounts. Nor shall we assess the reasonableness of any estimates or judgements made in the preparation of the accounts. Consequently our work will not provide any assurance that the accounting records are free from material misstatement, irregularities or error. As part of our normal procedures we may request you to provide written confirmation of any oral information and explanations given to us during the course of our work.

We have a professional duty to compile accounts that conform with generally accepted accounting principles. The accounts of a limited company are required to comply with the disclosure requirements of the Companies Acts and applicable Accounting Standards. Where we identify that the accounts do not conform to accepted accounting principles or standards we will inform you and suggest amendments be put through the accounts before being published. We have a professional responsibility not to allow our name to be associated with accounts that may be misleading. In extreme cases, where this matter cannot be resolved, we will withdraw from the engagement and notify you in writing of the reasons.

Should you instruct us to carry out any alternative report it will be necessary for us to issue a specific letter of engagement.

### **Our Service to You**

We will not be carrying out any audit work as part of this assignment and accordingly will not verify the assets and liabilities of the company, nor the items of expenditure and income. To carry out an audit would entail additional work to comply with generally accepted Auditing Standards so that we could report on the truth and fairness of the financial statements. We would also like to emphasise that we cannot undertake to discover any shortcomings in your systems or irregularities on the part of your employees.

If an audit of the accounts is required, you will need to notify us in writing. Should our work indicate that the company is not entitled to exemption from an audit of the accounts, we will inform you. If we decide to undertake an audit assignment at your request, a separate engagement letter will be required.

To ensure that anyone reading the accounts is aware that we have not carried out an audit, we will attach to the accounts a report stating this fact.

The intended users of the report are the directors. The report will be addressed to the directors.

Once we have issued our report we have no further direct responsibility in relation to the accounts for that financial year. However, we expect that you will inform us of any material event occurring between the date of our report and that of the annual general meeting that may affect the accounts.

### **Agreement of Terms**

You should ensure that you have read and understood the contents of this engagement letter and contact our office immediately in the event of query.

We also draw you to our Main Terms of Engagement and the contents therein

RWCo Limited