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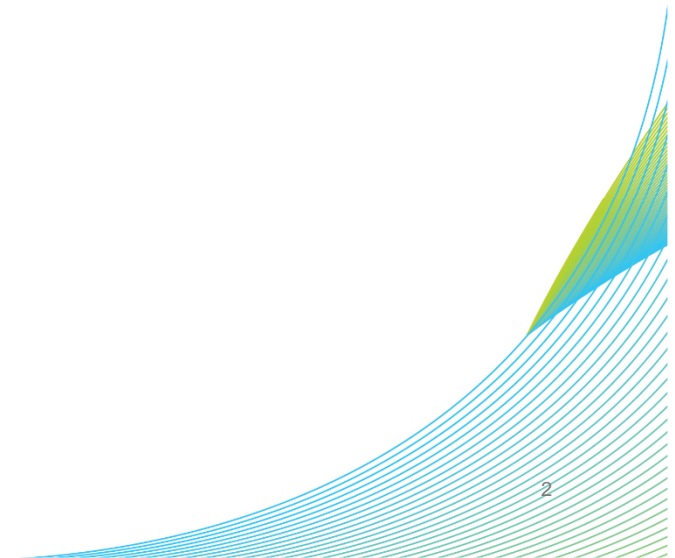
Making the most of engagement letters

Presented by

Debra Anderson, Board Member, Tax Practitioners Board

What we will cover today

- ✓ What is an engagement letter?
- ✓ Why we recommend using an engagement letter
- ✓ What to include in an engagement letter
- ✓ When to use engagement letters
- ✓ Scenarios
- ✓ Questions.



Meet your presenter

Debra Anderson

- > Board Member
- > Tax Practitioners Board



ENGAGEMENT LETTERS

What is an engagement letter?



An engagement letter is the starting point in the ongoing communication between you and your client. An engagement letter:

- provides a mutual understanding
- clarifies the responsibilities of the tax practitioner and the client
- confirms the appointment of the tax practitioner.



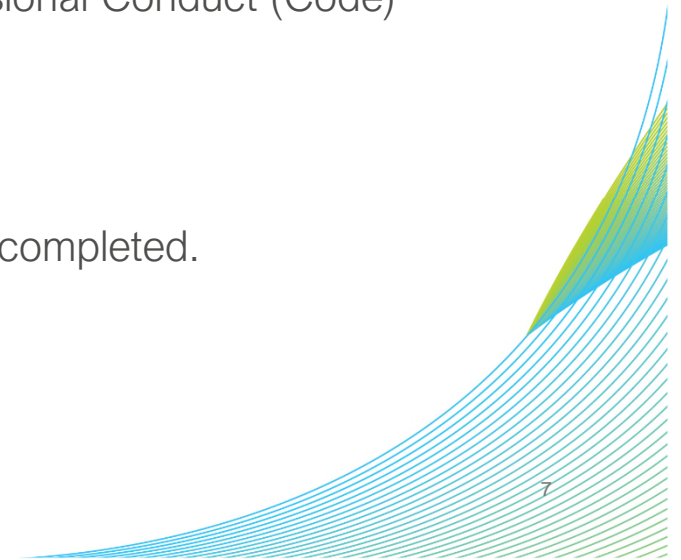
WHY USE ENGAGEMENT LETTERS

Why use an engagement letter?



Engagement letters are not compulsory, but they can assist you to:

- establish a clear understanding of the engagement
- comply with your obligations under the Code of Professional Conduct (Code)
- maintain an ethical practice
- ensure you provide professional service
- avoid disputes about fees and the scope of work to be completed.



Poll 1

Are you currently using engagement letters for your clients?

1. Yes, I use them for all my clients
2. Yes, but I only use them for some of my clients
3. No, I don't use engagement letters for any of my clients.



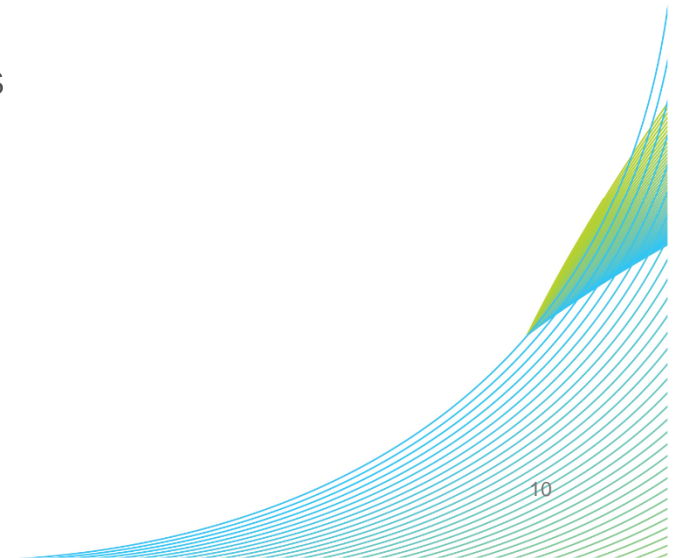
WHAT TO INCLUDE IN AN ENGAGEMENT LETTER

What to include in an engagement letter



An engagement letter may include:

- a description of the work to be done
- how much it will cost
- confidentiality and disclosing information to third parties
- record keeping and storage arrangements
- your responsibilities as the tax practitioner
- how you manage tax refunds
- your name and registration number.

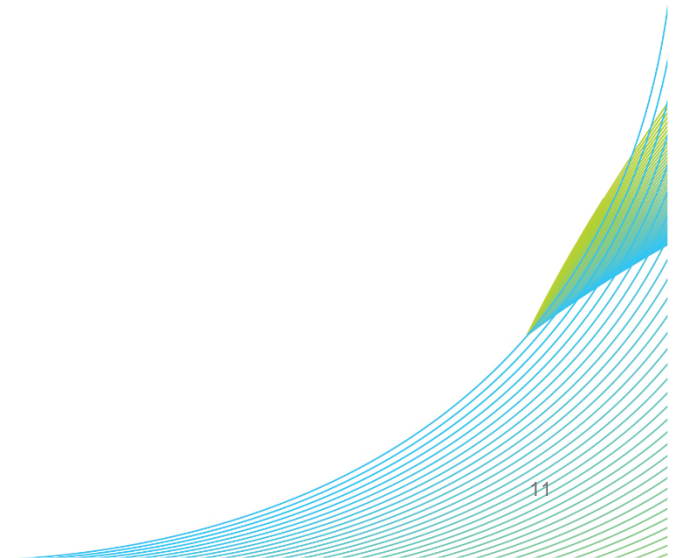


Other information to include



An engagement letter should also include:

- client responsibilities
- your duty to act lawfully
- conflict of interest arrangements
- the rights and obligations of the client.





WHEN TO USE ENGAGEMENT LETTERS

Issuing engagement letters



- Engagement letters should be issued at the start of an engagement.
- A new engagement letter should be issued where there are any significant changes.
- Separate engagement letters should be issued for each client.
- Engagement letters should be reviewed annually.

Updating engagement letters



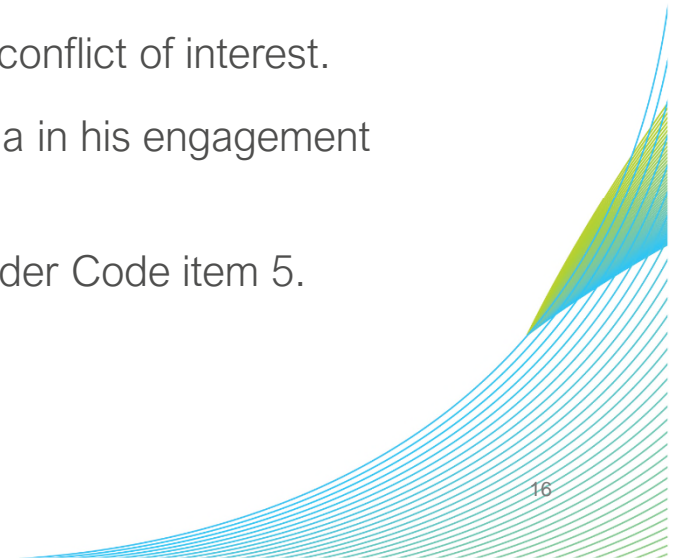
- It's important that clients understand the terms of an engagement at all times to avoid any misunderstanding.
- By doing this annually you can:
 - reinforce the terms of your engagement
 - accommodate any changes in the business relationship over time; and
 - strengthen the legal standing of the document.
- It also reminds your clients of the scope of your engagement and can assist with 'scope creep.'

SCENARIOS

Scenario 1 – Conflict of interest

Marital break-up

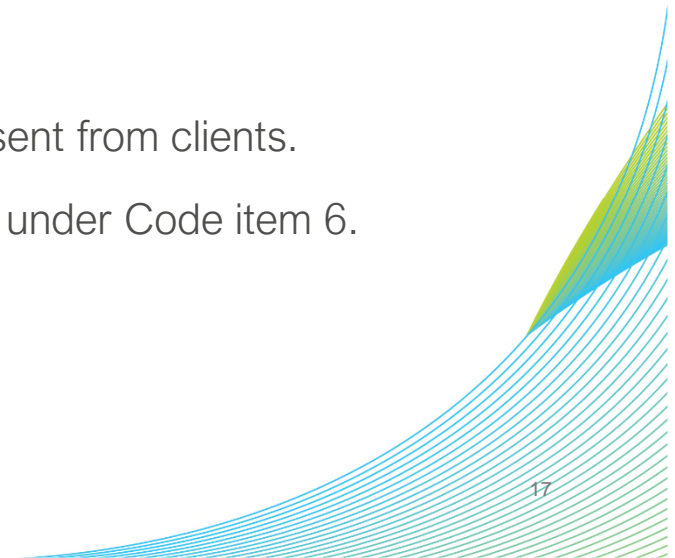
- Mario and Daniella have recently divorced. They both use Jim as their registered tax agent.
- In preparing their income tax returns, Jim determines a conflict of interest.
- Jim discloses his conflict of interest to Mario and Daniella in his engagement letters.
- In this situation Jim has complied with his obligations under Code item 5.



Scenario 2 – Confidentiality

Cloud computing

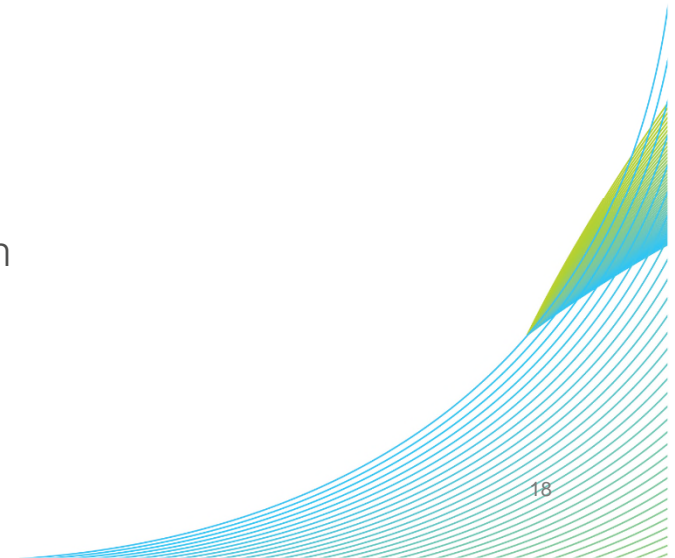
- Diana is a registered BAS agent and is engaged to prepare business activity statements.
- Diana uses cloud computing.
- Prior to using the cloud, she obtains signed written consent from clients.
- In this situation Diana has complied with her obligations under Code item 6.



Scenario 3 – Client rights and obligations

Advise clients of their rights and obligations

- Sarah engages a new client.
- She issues an engagement letter, including the:
 - nature of self-assessment
 - client's obligations
 - client's responsibility to provide accurate information
 - application of the safe harbour provisions
 - client's rights.



Poll 2

- Mark, a registered tax agent, receives a tax refund on behalf of his client, Amanda.
- The money is deposited directly to Mark's trust account.
- In past years, Mark had deducted his professional fees from the refund money and then forwarded the balance to Amanda.
- Mark has not discussed the arrangement with Amanda this financial year, but they have an implied agreement based on previous dealings.
- Do you think Mark should have asked Amanda to sign an engagement letter?
 1. Yes
 2. No
 3. Unsure





Questions

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