



Promoting Professionalism in Accountancy

INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF UGANDA

GUIDELINES ON PROFESSIONAL ENGAGEMENT AND DISENGAGEMENT

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Disclaimer

The Guidelines are designed to provide practitioners with guidance on agreeing with clients the terms of engagement and disengagement in order not to contravene with ICPAU's regulations and standards on the same but they are not intended to be a substitute for the regulations and standards. Furthermore, a practitioner should utilize the Manual in light of his or her professional judgment and the facts and circumstances involved in their firm and each particular engagement. ICPAU disclaims any responsibility or liability that may occur, directly or indirectly, as a consequence of the use and application of the Guidelines.

ABOUT ICPAU

The Institute of Certified Public Accountants of Uganda (ICPAU) is established under the Accountants Act, 2013. The functions of the Institute, as prescribed by the Act, are to regulate and maintain the standard of accountancy in Uganda and to prescribe and regulate the conduct of accountants in Uganda. Under its legal mandate, the Institute prescribes professional standards to be applied in the preparation and auditing of financial reports in Uganda.

Vision

To be a world class professional accountancy institute.

Mission

To develop and promote the accountancy profession in Uganda and beyond.

Core Values

- 1) Professional Excellence.
- 2) Integrity.
- 3) Commitment.
- 4) Good Governance.
- 5) Social Responsiveness.

International Affiliations

The Institute is a member of the International Federation of Accountants (IFAC) and the Pan African Federation of Accountants (PAFA).

1.0 INTRODUCTION

The purpose of this document is to provide practitioners with guidance on agreeing with clients the terms of engagement and disengagement.

A firm shall agree to act for a client only if, in doing so, it does not contravene ICPAU's regulations, standards and guidance.

When considering new client appointments, firms are strongly advised to exercise due caution and assess the risks involved. The decision to accept a new appointment should be based on a thorough, risk-based critical assessment of the proposed engagement.

2.0 CLIENT ACCEPTANCE

Before a firm accepts a client the firm shall be able to demonstrate that:

- There is no threat to the firm's integrity or objectivity that cannot be managed by appropriate safeguards;
- The firm has access to adequate resources and expertise to provide the services required;
- The firm has made adequate enquiries to ensure that there are no other reasons to prevent it from providing the services, including those related to the law and regulations on money laundering; and
- The terms of engagement are clear and unequivocal.

It is also important that the above conditions are maintained throughout the duration of the engagement

A checklist of client acceptance considerations to be made is provided as **Appendix 1**.

2.1 Integrity, Objectivity and Independence

Integrity and objectivity are essential in the exercise of professional judgement. Threats to integrity and objectivity arise most frequently when there is a conflict of interest between a firm and its client or where different clients have conflicting interests.

Situations that may threaten a firm's integrity, objectivity or independence include, but are not limited to:

- the relative size of an individual fee;
- a mutual or conflicting business interest between the firm (or persons with close connections with the firm) and a client;
- loans to or from clients;
- the receipt of goods, services or hospitality from a client; and
- a beneficial interest in shares or other investments in clients.

Appropriate reference shall made to the ICPAU and IESBA Code of Ethics in regard to integrity, objectivity and independence.

2.2 Resources and Expertise

Resources and expertise should be adequate for the services to be provided. A firm should not take on a new client unless it has access to appropriate staff to deal with the increase in work. Firms should guard against creating unmanageable pressures for themselves that could adversely affect their services to clients.

It is important that a firm only undertakes work that it is competent to perform. The staff dealing with the assignment should have the necessary technical knowledge. Particular care should be taken to ensure that the relevant expertise is available, within the firm or from external sources, to deal with specialist areas.

All technical staff should receive appropriate on-going training. In particular, all professionally qualified staff and principals should comply with the CPD requirements of their professional body. All staff should have access to appropriate technical material and resources.

2.3 Professional Enquiries Prior To Acceptance

The ICPAU Code of Ethics requires an incoming auditor or adviser to communicate with the existing auditor or adviser, and for the latter to reply promptly as to any considerations which might affect the prospective auditor or adviser's decision whether or not to accept appointment.

A sample letter of professional inquiry is provided as **Appendix 2**.

When an outgoing auditor or adviser receives a letter of professional enquiry he/she shall:

- Obtain the client's permission (preferably in writing) to communicate with the proposed new accountant.
- Consider disclosure issues before passing over any confidential information to the incoming adviser/auditor.
- Respond promptly.

If there are no matters of which the new adviser should be aware, the outgoing auditor or adviser shall write to say that this is the case.

If there are such matters, he/she shall inform their proposed successor and give details. It is not sufficient simply to state that unspecified matters exist. If the client refuses to allow the outgoing auditor or adviser to discuss their affairs and such matters exist, the proposed successor shall be informed that matters exist but the client has refused to allow disclosure.

It is common practice to combine a professional enquiry with a request for information and documents. However, while this is acceptable, the auditor should remember that he/she has a responsibility to satisfy themselves that it is proper to act before accepting or commencing an engagement.

A Specimen Letter From the Successor Requesting Access to Working Papers is provided as **Appendix 6**. A Specimen Letter from Predecessor Responding to the Successor's Request For Access is provided as **Appendix 7**.

2.4 Terms of Engagement & Disengagement

Many disputes with clients result from a misunderstanding or misinterpretation of the nature or scope of a firm's terms of engagement.

A clear statement of the terms and conditions of engagement before starting work can help to avoid misunderstandings over the scope of the work to be completed. This could be particularly important for professional indemnity insurance purposes and could help avoid disputes or enable them to be resolved more easily.

There have also been instances where the same piece of work has been carried out by both the client's new accountant and their previous one. To avoid these issues, firms are advised to agree terms of disengagement at the appropriate time, identifying the work to be completed and the terms on which this will be done

3.0 DECISION TO ACCEPT THE ENGAGEMENT

When you are approached by a prospective client or asked to tender for an engagement held by another accountant you should determine whether there are any reasons for not accepting the engagement. An important part of that process is to communicate with the existing accountant to establish the facts and circumstances behind the proposed change. This will enable you to make an informed decision whether or not it is appropriate to accept the engagement.

If, having considered the response, you are satisfied that you can properly act for the new client, and are prepared to accept nomination or appointment, you should let the client know. However where the predecessor notifies you that the client refused permission to communicate with you, careful consideration should be given to the possible reason(s) for this.

If there has been a difference of opinion between the predecessor and your prospective client, you should satisfy yourself that you can accept as reasonable the client's position. Alternatively, you should satisfy yourself that the issue is not so significant as to prevent you from acting and that the client accepts your right to a contrary opinion. In making this judgement it is important to bear in mind that the information given to you by the outgoing accountant has been given in confidence. When seeking to satisfy yourself about such differences of opinion, you should not simply copy the letter to the client.

- **Matters which should affect the decision to act**
 - Fraud
 - Accounting irregularities
 - Tax evasion
 - Client has demonstrably misled predecessor

- **Matters which might affect the decision to act**
 - Client fails or refuses to permit predecessor permission to discuss his/her affairs
 - Predecessor fails to respond to correspondence
 - Predecessor subject of complaint by client
 - Work obtained by improper means
- **Matters which should not affect the decision to act but which might be helpful information**
 - Fee dispute
 - Client willing but unable to settle outstanding fees
 - Client has been economical with the truth in the past
 - Non-professional client traits (e.g. religious beliefs contrary to your own)

4.0 ENGAGEMENT LETTERS

On accepting an appointment, the client shall be issued with a suitably worded Engagement Letter.

The engagement letter protects the firm by provide a record of the contract between your firm and the client. The client, by signing, dating and returning a copy of this letter, demonstrates their acceptance of the contract as summarised including details of the work and the terms and conditions applying to it.

The engagement letter is, in many ways, the foundation of a successful and mutually rewarding engagement. But while it may provide valuable reassurance to the client, for the practitioner it is an essential document, as it clarifies obligations and the client's expectations.

Agreeing an engagement letter with a client helps to avoid misunderstandings over the scope of the work to be done. It can provide a firm with protection in any dispute and is important for professional indemnity insurance purposes.

4.1 Principal Contents of an Engagement Letter

A. Addressee

Where the letter is not addressed to an individual client it should be addressed as appropriate to the senior management i.e. directors of a company, partners in a partnership, trustees of a trust, and members of a limited liability partnership.

For clients other than individuals, it is important to be clear who within the client's organisation has the authority to give instructions for work to be undertaken and who is the authorised signatory.

B. Scope

To minimise the risk of disputes about the scope of the work, the schedule of services attached to the engagement letter should state clearly what services are to be carried out.

The objective is to set out clearly the scope of the work to be undertaken by the practitioner together with the client's responsibilities. Misunderstandings sometimes arise over whether a service is included in any 'standard package' or annual fee arrangement.

Provided in this section is a brief description of the nature of the particular service. Other services that are planned for the audit (e.g. evaluation of internal control, preparation of regulatory reports) are also identified in this section.

To document your understanding regarding the services, the engagement letter should clearly state the professional services that will be provided. Thus, an audit client won't expect tax returns to be filed or consulting to be provided. The engagement letter should enumerate the related deliverables for the audit, including an evaluation of internal controls, and the preparation of the audit report and opinion letter at the conclusion of the engagement.

C. Responsibilities of the Auditor

This section refers to the specific professional standards and responsibilities of the auditor.

D. Disclaimer

Typically this expresses that an audit is not designed to detect all forms of fraud or illegal acts; rather, an audit checks the financial position of a client. To limit professional liability, the engagement letter should state that the audit is limited to professional standards and GAAP purposes, and is not a comprehensive investigation regarding potential illegal activities, such as fraud detection.

E. Responsibilities of Management

For scheduling purposes the engagement letter should identify the time frame in which it will be completed, since conducting certain audit procedures may require the staff's cooperation and the availability of corporate records. Also, the timeline should be specifically referenced in the engagement letter to avoid misunderstandings about audit-related regulatory deadlines.

F. Fees and Payment Terms

Fee arrangements are a matter for commercial negotiation by practitioners and should be agreed in writing.

Due regard should be given to the nature of the engagement and client relationship when setting fees. Possible arrangements include:

1. Time and expenses - where the charges are determined by reference to time spent and the level of expertise of the personnel involved;
2. Fixed fees - where a fixed amount is charged for an agreed assignment. In such cases the fees should be based upon a careful costing of the work. When the arrangement is to run on, say beyond one year, a clause in the engagement letter should enable additional work to be charged and cost escalation to be recouped;
3. Contingent or success fees - these should be used with care and should not be offered if there is a risk that professional independence and integrity will be impaired in the conduct of work.

Fees should be stated as being exclusive of VAT. Where fees are stated in a contract for services without reference to VAT the fees will be treated as inclusive of VAT.

Reference should be made to ICPAU Guidelines on Professional Fees.

4.2 Application of Engagement Letters

Engagement letters should be issued to the client at the outset of an engagement. It is strongly recommended that they are reviewed annually and also when the scope of services changes significantly to avoid misunderstandings with respect to the engagement.

It is advisable that separate engagement letters are prepared to distinguish clearly the statutory audit from other services.

Each engagement requires a tailored engagement letter that takes the specific parameters of the work into account. Relying too heavily on standardised letters may lead to important terms being omitted and/or inappropriate matters being included.

4.3 Recurring Engagements

In addition, a separate engagement letter should be issued for each client to whom a service is provided unless the service is recurring and it is agreed that a letter applicable to one year, for example, will roll forward to the next.

And even in such a case, a new engagement letter is required in the following circumstances;

1. In case of any indication that the client misunderstands the objective and scope of the assignment.
2. Change in Management, Board of Directors or Audit committee.
3. A significant change in ownership.
4. A significant change in nature of business.
5. Any relevant change in legal or professional requirements.

Terms of engagement should only be varied by written agreement.

If the status of the practitioner or client changes (for example through a merger) then a new engagement letter should be issued.

4.4 Provision of Services to a Group of Companies

When acting for a group of companies it may be more practical to send a single engagement letter to the parent company of the group. The letter should specify clearly that services to all the member companies of the group are covered. If this approach is adopted, the practitioner should check that the parent company has the authority to bind all members of the group. It is important to define and list the members of the group and to put the onus on the client to advise promptly changes in the membership of the group.

The following factors influence the decision whether or not to agree a separate engagement letter with a component of the group;

1. Whether a separate report is to be issued on the component.
2. Whether the terms of each component are the same.
3. Legal and regulatory requirements.

The example wording for inclusion in engagement letters included in this helpsheet needs to be tailored to each individual situation. It is not intended to provide comprehensive advice for the preparation of engagement letters and you should refer to additional sources of information where appropriate, including legal advice if necessary.

5.0 STANDARD TERMS AND CONDITIONS OF BUSINESS

These should include, but not limited to the following:

5.1 Applicable Law

Practitioners should insert the name of the legal jurisdiction under which their practice operates.

5.2 Client Identification

Under the anti-money laundering legislation practitioners must have identification procedures in place to confirm the identity of their clients. These procedures should be satisfied before a practitioner agrees to act for a new client.

5.3 Complaints

All new clients should be informed in writing of the name of a person who can be contacted to receive complaints about the services provided. Clients should also be informed of their right to complain to the practitioner's professional body.

- A firm must ensure that all new clients are made aware in writing of the principal to be contacted in the event of their wishing to complain about the firm's services and of their right to complain to the Institute;
- If a firm receives a complaint concerning the services it has provided or failed to provide to a client or former client, it must immediately cause the complaint to be investigated by a principal; and
- If, following such an investigation, the firm is of the opinion that the complaint is justified in whole or in part, it must do whatever is appropriate to resolve the complaint, whether by way of remedial work, apology, the provision of information, the return of books or documents, the reduction or repayment of fees, or otherwise.

It is in the interests of the practice that complaints should be investigated promptly and courteously. Where the person investigating the complaint finds it wholly or partly justified the practice should take steps to ensure that the complaint is resolved as soon as possible.

5.4 Confidentiality

Practitioners are obliged to keep client information confidential and to take all reasonable steps to preserve confidentiality. However practitioners may be required by law, by regulatory bodies or by insurers to disclose information about their clients.

Practitioners should be aware that they remain responsible for client information remaining confidential even where work has been subcontracted or outsourced to third parties who should also be placed under an obligation of confidentiality.

6.0 TERMS OF DISENGAGEMENT

Complaints are often made to the Institute when a firm ceases to act and the client misunderstands the extent of the work the firm has agreed to complete. To avoid this, a firm is advised to agree terms of disengagement at the appropriate time, identifying the work to be completed and the terms on which this will be done.

A disengagement letter helps to manage an ex-client's expectations and to provide some protection to the practitioner against potential claims by the ex-client. See **Appendix 4** for example disengagement letter wording.

A disengagement letter will normally address the following:

1. A summary of services provided up to the date of ceasing to act;
2. A note of any further action to be taken by the practitioner;
3. A note of any outstanding matters that either the ex-client or the new advisers will need to address;
4. Details of any impending deadlines and the action required;
5. The practitioner's willingness or otherwise to:
 - a) Assist the new advisers in resolving outstanding issues with HMRC or others;
 - b) Provide copy papers to the new advisers;
6. Details of any outstanding fees.

A checklist is provided as Appendix 5 to help assess and record the reasons underlying the client disengagement, highlighting any issues requiring further clarification or action and to help establish procedures to mitigate any risk of subsequent complaint.

Appendix 1 Checklist of Client Acceptance Considerations

1. Have the circumstances surrounding the firm's introduction to the prospective client been considered?
2. Have you considered all relevant issues concerning:
 - independence?
 - possible conflicts of interest?
 - legislative requirements?
 - regulatory demands, both legal and professional?
3. Have you identified the following:
 - type of person, business, entity or organisation seeking services?
 - services required?
 - timescales involved?
 - level of anticipated fees?
4. Does the firm have the resources necessary to perform the work within appropriate timeframes?
5. Does the firm have the competence necessary to undertake the work?
6. Is the timescale within which the proposed engagement is to be completed sufficient for the firm to do the work satisfactorily?
7. Has a business review been undertaken to consider:
 - nature of the ownership?
 - trading links?
 - geographical territories where business is undertaken?
 - solvency/profitability?
 - strength of internal controls exercised over the business?
8. Has a detailed assessment of the risks inherent in the engagement been carried out?
9. Has this assessment included:
 - nature of the work to be carried out?
 - quality of instructions received?
 - identity of third parties who might be involved with the client and who might subsequently claim to have relied on the work to be carried out under the proposed engagement?
 - level of cooperation by the client and/or others necessary to complete the work in a timely and accurate manner?
 - reliability and completeness of accounting and business records maintained?
 - availability of necessary data and the extent and quality of accounting, financial and management controls exercised over such data?
 - reliability of any assurances or representations given by the client?
 - general/financial circumstances of the client?
10. Has this assessment considered:
 - whether the client appears to adopt an aggressively litigious attitude to relatively minor setbacks?
 - whether the client has changed accountants regularly or recently, and why?
 - the reason for approaching the firm and whether this is unusual either because of the client type or size?
 - the firm's exposure to legal action in the event of error or failure of the service?

- whether the client's income tax affairs are up to date and copies of previous tax returns available?
- whether VAT affairs are up to date and appropriate?
- whether PAYE and employment compliance are up to date and appropriate?
- whether there is any outstanding tax, VAT and PAYE and why?
- the nature, value and number of cash transactions typically undertaken?
- the nature, value and portability of items of stock?
- the incidence of fraud and/or error in the business?
- any substantial, sudden and unexplained growth in the business?
- whether there are any other risk factors that need to be considered?

11. Have all professional enquiries been made?

12. Did these include:

- enquiry of the previous accountant?
- enquiry of other professionals?
- credit rating enquiries?

13. Have satisfactory responses been received to all professional enquiries?

14. Has a money laundering risk review been completed?

Were the results of this review acceptable to the firm?

15. Will suitable quality-control procedures be applied to the work, eg, critical reviews of working papers?

16. Has the practice's existing professional indemnity insurance cover been reviewed to ensure that:

- the level of cover is sufficient?
- all aspects of the work will be covered by the policy?
- all personnel (partners, staff, consultants and subcontractors) are covered?

17. Have likely results from the engagement been considered and compared with the firm's own target performance in respect of the following commercial measures:

- time commitments?
- charging rates?
- recovery levels?
- credit terms?

18. Has a decision to accept appointment been made subject to the confirmation of engagement terms and satisfactory completion of the firm's customer due diligence procedures?

19. Does the client fit the firm's profile of a desirable client?

20. Has the client confirmed acceptance of our engagement terms?

Appendix 2: Sample letter of Professional Enquiry

Our ref:

Dear Sirs

I/We have been approached by (name of prospective client) to act as(auditors/professional advisers/tax consultants, etc.) (for the year ended/from the tax year, etc.).

I/We would be grateful if you would provide me/us with details of any circumstances or information which I/we need to consider when deciding whether or not to formally accept this appointment.

If there are no circumstances that I/we need to be aware of please confirm this to me/us and in addition, would you please supply the following information:

.....

I/we enclose a letter from your (previous) client/the prospective client authorising you to release the above information to me/us.

Thank you for your assistance in these matters.

Yours faithfully

Appendix 3a: Engagement Letter (Sole Practitioner)

This letter should be amended according to local circumstances and other factors

Dear (name),

We are pleased to accept the appointment as your accountants and are writing to confirm the matters discussed at our meeting (with you) on The purpose of this letter and the attached Standard Terms of Business is to set out the basis on which we will act and to clarify our respective responsibilities.

Your spouse is legally responsible for [his/her] own tax affairs and should be dealt with independently. [However, if both spouses sign this letter you agree that we can disclose to your spouse such details of your financial affairs as are required to consider your combined tax position.]

We are bound by the Code of Ethics of The Institute of Certified Public Accountants of Uganda and accept instructions to act for you on the basis that we will act in accordance with that Code.

1 Accounting

1.1 We understand that you require us to prepare your accounts for the year(s) ended and subsequent years. It was agreed that we should carry out the following accounting and other services:

- (a) write up your accounting records insofar as they are incomplete when presented to us;
- (b) complete the postings to the nominal ledger; and
- (c) prepare the accounts for approval by yourselves.

1.2 We understand that you have agreed that your staff will:

- (a) keep the records of receipts and payments;
- (b) reconcile the bank balances monthly with the bank statements;
- (c) post and balance the purchase and sales ledgers;
- (d) extract a detailed list of ledger balances;
- (e) prepare details of the annual stocktaking, suitably priced and extended in a form which will enable us to verify the prices readily by reference to supplier invoices.

Or

- (e) provide us with a copy of the valuation produced by your independent stocktakers;
- (f) prepare details of work-in-progress at the accounting date and make available to us the documents and other information from which the statement is compiled.

1.3 You acknowledge your responsibility for the reliability, accuracy and completeness of the accounting records.

1.4 You have agreed to make available to us, as and when required, all your accounting records and related financial information, necessary to carry out our work. You will provide us with all information and explanations relevant to the purpose and preparation of accounts.

1.5 We will not be carrying out an audit and accordingly will not verify the assets and liabilities of the business, nor the items of expenditure and income. To carry out an audit

would require additional work to comply with Uganda Standards on Auditing so that we could report on the truth and fairness of the accounts.

- 1.6 We would emphasise that we cannot undertake to discover any shortcomings in your systems or any irregularities on the part of your employees, although we will advise you of any such circumstances that we encounter in preparing your accounts.
- 1.7 We have a professional duty to prepare accounts that conform with generally accepted accounting principles appropriate to the purpose for which the information is prepared. The accounting basis on which the information has been prepared, its purpose and limitations will be disclosed in an accounting policy note to the accounts and will be referred to in the accountants' report.
- 1.8 We also have a professional responsibility not to allow our name to be associated with accounts which we believe may be misleading. Therefore, although we are not required to search for such matters, should we become aware, for any reason, that the accounts may be misleading, we will discuss the matter with you with a view to agreeing appropriate adjustments and/or disclosures in the financial information. In circumstances where adjustments and/or disclosures that we consider appropriate are not made or where we are not provided with appropriate information, and as a result we consider that the financial information is misleading, we will withdraw from the engagement. In these circumstances, you agree that we have a right to invoice you for our time spent preparing and discussing the accounts with you and for time spent on any other work that is not completed as a result of our resignation.
- 1.9 To ensure that anyone reading the accounts is aware that we have not carried out an audit we will annex to the accounts a short report. This report must remain attached to any accounts shown to any other parties.
- 1.10 You will approve and sign the accounts thereby acknowledging responsibility for it, including the appropriateness of the accounting basis on which it is compiled, and for providing us with all information and necessary explanations.
- 1.11 (Where appropriate) Accounts need to be completed prior to submission of your tax return. Failure to submit the return on time will result in penalties and is likely to result in interest and surcharges. In order to avoid this, we must have your accounting records by, and queries raised on those accounting records must be answered promptly. Otherwise we cannot guarantee the completion of the accounts to ensure the tax return's timely submission.

2 Income tax

- 2.1 This engagement will commence with your tax return for the year to [...].
- 2.2 (Where appropriate) We will prepare the computation of adjusted profit/loss based on the accounts of your business from the accounting records and other information and explanations provided by you. We will advise you as to the adequacy of your records for this purpose.
- 2.3 We shall assist you with the reporting of your 2 line (or 4 line) statement on your Individual Tax Return
- 2.4 We will send you your tax return [business accounts, tax computations] [sole traders] and supporting schedules [in duplicate] [optional] for you to approve and sign and by signing you will take responsibility for its content. We will then submit it[, with the accounts and computations,] to Uganda Revenue Authority (the URA). [You authorise us to file the return electronically.]

- 2.5 We will tell you how much tax you should pay and when. If appropriate we will initiate repayment claims when tax has been overpaid.
- 2.6 We will deal with the URA regarding any amendments required to your return and prepare any amended returns that may be required.
- 2.7 We will advise as to possible claims and elections arising from the tax return and from information supplied by you. Where instructed by you, we will make such claims and elections in the form and manner required by the URA.
- 2.8 We will deal with all communications relating to your return addressed to us by the URA or passed to us by you. However, if the URA choose your return for enquiry this work may need to be the subject of a separate assignment in which case we will seek further instructions from you.
- 2.9 Other tax related services may be added in here.
- 2.11 We will observe the professional rules and practice guidelines of our professional institute and accept instructions to act for you on the basis we act in accordance with these guidelines. In particular, you give us authority to correct the URA errors, even if doing so results in correction of an error made in your favour.

Excluded Services

[Adapt as appropriate]

- 2.15 You will continue to deal with other matters required by law, such as:
- Payroll taxes including year end returns and matters relating to your employees;
 - VAT returns.
- 2.16 We will be pleased to advise on any of these tax matters if so requested.

Your Responsibilities: Provision of Information by You

- 2.17 You are legally responsible for making correct returns by the due date and for payment of tax on time. Failure to meet the deadlines may result in automatic penalties, surcharges and/or interest.
- 2.18 To enable us to carry out our work you agree:
- (a) that all returns are to be made on the basis of full disclosure of all sources of income, charges, allowances and capital transactions;
 - (b) to provide full information necessary for dealing with your affairs: we will rely on the information and documents being true, correct and complete and will not audit the information or those documents;
 - (c) that we can approach such third parties as may be appropriate for information that we consider necessary to deal with your affairs;
 - (d) to provide us with information in sufficient time for your tax return to be completed and submitted by the [due date]/[selected date] of [...] following the end of the tax year. In order that we can do this, we need to receive all relevant information by [...].
 - (e) to forward on to us receipt copies of all the URA statements of account, notices of assessment, letters and other communications received from the URA to enable us to deal with them as may be necessary within the statutory time limits; and

- (f) to keep us informed about significant changes in your circumstances if they are likely to affect your tax position.
- 2.19 We will be pleased to assist you generally in tax matters [including VAT] if you advise us in good time of any proposed transactions and request advice. We would, however, warn you that because tax rules change frequently you must ask us to review any advice already given if a transaction is delayed, or if an apparently similar transaction is to be undertaken.
- 2.20 It is our policy to confirm in writing advice upon which you may wish to rely.
- 2.21 This section provides the opportunity to enclose any form of mandate which the firm or the URA requires the taxpayer to execute to grant authorisation for the agent to deal with the client's tax affairs

Or

- 2.1 You have not asked us to become involved in your tax affairs with regard to income tax. Should you require it we can offer advice on the operation of all aspects of income tax.
- 2.2 We will be pleased to advise on any other taxation matters referred to us.

3 Payroll and year end returns (if not excluded)

- 3.1 This engagement will commence with your payroll period beginning [.....].
- 3.2 We will maintain your payroll records, supply you with completed [weekly/monthly] [wages/salary] payslips for you to pass to employees [with their wages/salary payments which you will draw], supply you with all completed URA documentation as appropriate (this section can be tailored to detail the precise service provided and documentation required).
- 3.3 In order to do this we need to comply with the URA guidance: we will consider with you the detailed information that is required and the form in which it is to be provided.
- 3.4 We cannot guarantee to have the returns etc. completed in time to meet this deadline, unless we have all the relevant information within working days of the end of the tax year.
- 3.6 We will submit your payroll information online where possible. [Please sign and return the enclosed form XXX which authorises us to use URA online services and to receive information over the internet on your behalf.]

4 VAT

- 4.1 You have asked us to assist you with the completion of your VAT returns commencing with the return period ending We cannot be held responsible for any penalties or default surcharges arising from the late submission of VAT returns. However, we will endeavour to meet the relevant deadlines if we receive all the company's VAT records within x days of the end of the VAT return period. You have undertaken that you/your staff will ensure that:
 - (a) insert a list of what has been agreed with the client to ensure that each party knows its responsibilities
- 4.2 Insert a paragraph detailing the operation of registration as an approver, using EASY; the firm's responsibilities and disclaiming any liability for any sums due by the client.
- 4.3 Further, as the returns are prepared solely on the basis of information provided by you, we can accept no responsibility for any VAT liability arising due to inaccuracies or omissions in your

accounting procedures which may lead to a misdeclaration whether or not it is one on which penalties and interest may arise.

Or

4.1 You/your staff will be responsible for completing and submitting VAT returns. We will not be responsible for checking the VAT treatment of supplies made, i.e. between positive and zero rates, and exempt supplies unless specifically requested in writing to make a detailed review. However, we will ensure that the sales figure in your accounts is reconciled to your VAT returns submitted, provided you:

- (a) let us have copies of, or access to, all returns submitted;
- (b) complete our VAT return form which we will let you have on request .

Or

4.1 At the time of this letter you are not VAT registered. If registration becomes necessary, we will endeavour to ensure that you register in time provided that:

- (a) you notify us in writing within x days of the end of each month of the total value of supplies you have made in that month; and
- (b) you notify us immediately in writing if the value of taxable supplies that you will make in the next 12 months will exceed the annual registration limit then in force.

5 Other services

5.1 We have also agreed to [insert as appropriate]

5.2 However, there are many other areas where we can be of assistance and we shall be pleased to discuss any matters with you. These other services include:

- (a) reports in support of returns or claims, e.g. insurance company certificates, government claims, etc. ;*
- (b) advice on financial matters;*
- (c) management accounting, including such matters as cash flow statements, costing systems etc., and advice on management;*
- (d) advice on the selection and implementation of computer systems;*
- (e) investigations for special purposes, e.g. acquisitions of other businesses, or examination of specific aspects of your business; and*
- (f) advice on the selection and recruitment of staff.*

** Only include services not already shown.*

5.3 [We enclose a copy of our brochure which explains more fully the services that we can provide.]

6 Limitation of liability

6.1 We have discussed with you the extent of our liability to you in respect of the professional services set out in this letter. Having considered both your circumstances and our own we have agreed that this firm's aggregate liability, whether to *[insert name of client]* or *[insert name of third party]* or any other party, of whatever nature, whether in contract, delict/tort* or otherwise, of this firm for any losses whatsoever and howsoever caused arising from or in any

way connected with this engagement *[and this transaction]* shall not exceed *[insert amount or basis]*.

6.2 We acknowledge that the limit in respect of our total aggregate liability will not apply to any acts, omissions or representations that are in any way criminal, dishonest or fraudulent on the part of this firm, its principals or employees.

7 Agreement of terms

7.1 The terms set out in this letter and our attached Standard Terms of Business (last revised *[insert date]*) shall take effect immediately upon your countersigning this letter and returning it to us or upon the commencement of the accounts,* and tax return* for the accounting period ended *[.....]*, whichever is the earlier.

7.2 *[These terms will also apply to any matter dealt with in respect of periods prior to the period ended *[.....]*, namely period(s) ended *[...]* to *[...]*, *[complete as appropriate].]* *[We will not be responsible for earlier periods. Your previous advisers, *[...]* *[insert name of previous advisers]*, will deal with the accounts,* and outstanding returns,* assessments,* and other matters* relating to earlier periods and will agree the position with the relevant authorities.] *[Delete/amend as appropriate.]***

7.3 Once it has been agreed, this letter and the attached Standard Terms of Business will remain effective until they are replaced. We shall be grateful if you could confirm your agreement to these terms by signing the enclosed copy of this letter and returning it to us immediately.

Yours faithfully,

I/We* confirm that I/we* have read and understood the contents of this letter and the attached Standard Terms of Business dated *[Insert date]* and agree that they accurately reflect the services that I/we* have instructed you to provide.

Signed Dated

Signed* Dated

Encl: Standard Terms of Business.

Appendix 3b: Standard Terms of Business

These terms should be amended according to local circumstances and other factors

The following standard terms of business apply to all engagements accepted by *[Insert name of firm]*. All work carried out is subject to these terms except where changes are expressly agreed in writing.

1 Professional obligations

- 1.1 We will observe the Rules and Regulations of The Institute of Certified Public Accountants of Uganda and its Code of Ethics. We accept instructions to act for you on the basis that we will act in accordance with those guidelines. Copies of these requirements are available for inspection in our offices.
- 1.2 Where you give us confidential information we shall at all times keep it confidential, except as required by law or as provided for in regulatory, ethical or other professional pronouncements applicable to this engagement.
- 1.3 We reserve the right to act during this engagement for other clients whose interests may be adverse to yours. We will notify you immediately should we become aware of any conflict of interest to which we are subject in relation to you.

2 Commissions or other benefits

- 2.1 Commissions or other benefits may sometimes become payable to us in respect of introductions to other professionals or transactions we arrange for you, in which case you will be notified in writing of the amount, the terms of payment and receipt of any such commissions or benefits. You consent to such commissions or other benefits being retained by us without our being liable to account to you for any such amounts *[amend as appropriate]*.

Clients should be given examples of likely commissions that may be received and the likely amounts, before agreeing to a clause such as that suggested above. A suitable format for an example disclosure is given below:

*For example, if we *[insert nature of service or referral]* then we would likely receive an initial commission of £... payable in the first month but relating to the first 24 months *[amend the commission terms as appropriate]*. After the first 24 months we would receive a renewal commission of ...% for the next ... years.*

3 Client monies

- 3.1 We may, from time to time, hold money on your behalf. Such money will be held in trust in a client bank account, which is segregated from the firm's funds.
- 3.2 In order to avoid an excessive amount of administration, interest will only be paid to you where the amount of interest that would be earned on the balances held on your behalf in any calendar year exceeds UGX20,000. Any such interest would be calculated using the prevailing rate applied by *[Insert name of bank]* for small deposits subject to the minimum period of notice for withdrawals. Subject to any tax legislation, interest will be paid gross.
- 3.3 If the total sum of money held on your behalf exceeds UGX100m for a period of more than 30 days, or such sum is likely to be held for more than 30 days, then the money will be placed in a separate interest-bearing client bank account designated to you. All interest earned on such money will be paid to you. Subject to any tax legislation, interest will be paid gross.

4 Alternates

- 4.1 [Sole practitioners only] As best practice, we have appointed an alternate to manage the practice in the event of the death or incapacity of the principal. The alternate appointed by this firm is of

5 Fees

- 5.1 Our fees are computed on the basis of time spent on your affairs by the principals and our staff, and on the levels of skill and responsibility involved. Disbursements represent travel, accommodation and other expenses incurred in dealing with your affairs.
- 5.2 If it is necessary to carry out work outside the responsibilities outlined in this letter it will involve additional fees. Accordingly we would like to point out that it is in your interests to ensure that your records etc. are completed to the agreed stage.
- 5.3 Invoices are payable in full at the time the engagement to which these terms and conditions related has been completed or an agreed interim stage reached.
- 5.4 It is our normal practice to request that clients make arrangements to pay a proportion of their fee on a monthly standing order. These standing orders will be applied to fees arising from work agreed in this letter of engagement for the current and ensuing years. Once we have been able to assess the amount of work and time involved we would be grateful if you would agree to pay an amount to us on a regular basis.
- 5.5 Our terms relating to payment of amounts invoiced and not covered by standing orders, where appropriate, are strictly 30 days net. Prompt payment discounts may only be taken if we receive the payment within 14 days of the date of issue of any invoice. At the firm's discretion interest [*and compensation for recovery costs**] may be charged on all overdue debts at the rate stated on the invoice, which is currently% (APR%)

6 Retention of and access to records

- 6.1 During the course of our work we will collect information from you and others acting on your behalf and will return any original documents to you following the completion of the work to which these terms and conditions relate. You should retain these records for at least seven years from the end of the accounting year to which they relate.
- 6.2 Whilst certain documents may legally belong to you, we intend to destroy correspondence and other papers that we store which are more than seven years old, other than documents which we consider to be of continuing significance. If you require retention of any document you must notify us of that fact in writing.

7 Quality control

- 7.1 As part of our ongoing commitment to providing a quality service, our files may be periodically subject to an independent regulatory or quality review. The reviewers would be highly experienced and professional people and are, of course, bound by the same requirements of confidentiality as our principals and staff.

8 Help us to give you the right service

- 8.1 If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, please let us know, by telephoning [*Insert name*] or [*Insert name*].

8.2 We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. If you feel that we have given you a less than satisfactory service, we undertake to do everything reasonable to address your concerns. If you are still not satisfied, you may of course take up matters with The Institute of Certified Public Accountants of Uganda.

8.3 In order for us to provide you with a high quality service on an ongoing basis it is essential that you provide us with relevant records and information when requested, reply to correspondence in a timely manner and otherwise follow the terms of the agreement between us set out in this Standard Terms of Business and associated engagement letters. We therefore reserve the right to cancel the engagement between us with immediate effect in the event of:

- your insolvency, bankruptcy or other arrangement being reached with creditors;
- failure to pay our fees by the due dates;
- either party being in breach of their obligations where this is not corrected within 30 days of being asked to do so.

9 Applicable law

9.1 This engagement letter is governed by, and construed in accordance with, The Laws of Uganda. The Courts of Uganda will have exclusive jurisdiction in relation to any claim, dispute or difference concerning this engagement letter and any matter arising from it. Each party irrevocably waives any right it may have to object to any action being brought in those courts, to claim that the action has been brought in an inappropriate forum, or to claim that those courts do not have jurisdiction.

9.2 If any provision in this Standard Terms of Business or any associated engagement letter, or its application, are found to be invalid, illegal or otherwise unenforceable in any respect, the validity, legality or enforceability of any other provisions shall not in any way be affected or impaired.

10 Internet communication

10.1 Internet communications are capable of data corruption and therefore we do not accept any responsibility for changes made to such communications after their despatch. It may therefore be inappropriate to rely on advice contained in an e-mail without obtaining written confirmation of it. We do not accept responsibility for any errors or problems that may arise through the use of internet communication and all risks connected with sending commercially sensitive information relating to your business are borne by you. If you do not agree to accept this risk, you should notify us in writing that e-mail is not an acceptable means of communication.

10.2 It is the responsibility of the recipient to carry out a virus check on any attachments received.

11 Third Parties

11.1 The advice that we give to you is for your sole use and does not constitute advice to any third party to whom you may communicate it. We accept no responsibility to third parties for any aspect of our professional services or work that is made available to them.

12 Limitation of liability

- 12.1 We will provide our professional services with reasonable care and skill. However, we will not be held responsible for any losses arising from the supply by you or others of incorrect or incomplete information, or your or others' failure to supply any appropriate information or your failure to act on our advice or respond promptly to communications from us or other relevant authorities.
- 12.2 You agree to indemnify us against liabilities and claims reasonably and properly incurred arising out of any representation, supplied to us orally or in writing in connection with this agreement. You have agreed that you will not bring any claim against any of our employees on a personal basis in connection with services provided to you by the firm.

Appendix 4: Disengagement Letter

[The following wording is given as an example. It may not be applicable in every case or be in line with the method of operation of your practice and may, consequently, require addition or amendment].

ADDRESSEE

To: the Board of Directors of

To: [Mr] [Mrs] [Miss].....

To:Business / client name

Dear.....

1. Purpose

The purpose of this letter is to set out matters connected with [our decision to cease acting as your with immediate effect.

2. Summary of Services Provided

During the course of our professional work for you we have provided the following services:

- a)
- b)

These services, together with a summary of the respective responsibilities of both yourselves and us relating to them, and the terms of business on which we provided our service, were set out in our Letter of Engagement to you dated

3. Current Status Report

To ensure that you are fully aware of the current status, including applicable dates by which aspects of these services are normally due, we attach to this letter a progress report. This report sets out, by service, information relating to the last completed service cycle, details of progress to date in respect of the current service cycle, and its applicable 'due date'. This report should assist the firm succeeding us to assume responsibility for this work.

[In view of the due date relating to service we have agreed to continue with our responsibilities in respect of this service alone.]

4. Respective Responsibilities

With respect to our resignation, our responsibilities to you, with the exception of the specific matters referred to in section 3 (above) will cease with immediate effect. You will be solely responsible for identifying another firm to take on these responsibilities or to satisfy the need for the services that we provided in other ways. To assist you and any successor, we have drawn your attention to relevant dates associated with the services provided in section 3 (above).

Our responsibilities, on resignation, include responding to the enquiry of any successor and disclosing, with your consent, any issues or circumstances relevant to their decision to accept or decline appointment. It is also common for practitioners to combine this initial professional enquiry with a request for information and documents relevant to the engagement. We will, unless significant additional work is entailed, be pleased to respond to these enquiries at no additional fee, and would be pleased if you would indicate your agreement to our satisfying these requests by signing and returning to us the authority attached to this letter.

5. Limitation of Third Party rights

We should remind you of the provisions limiting the rights of third parties to rely on our work set out in our Terms and Conditions of Business.

6. Retention of Records

During the course of our work we have collected information from you and other parties acting on your behalf. Some of these records and other items of documentation should be retained by you to satisfy your statutory obligations. We will be pleased to return any original documents or documents that legally belong to you on request. We should advise you, however, that if you fail to collect such records within six months of the date of this letter, we cannot be held responsible for their safekeeping and we may return any original documents to your last known address and destroy any other documents and records that we hold without further notice.

7. Fees

With reference to our fees, we calculate that an amount of Shs..... plus VAT, as set out on the attached invoice, remains due from you.

[A further fee will be due to us in respect of the additional work set out in section 3 (above) and] if it is necessary to carry out work outside the responsibilities outlined in this letter, we will advise you in advance.]

8. Confirmation of our Agreement

To confirm that you have read and understood the contents of this letter and agree that it accurately reflects your understanding of our disengagement, please sign and return the enclosed duplicate. If it is not returned to us within [21 days] of the date of this letter, we shall proceed as if you had provided such agreement

Yours sincerely

.....

Appendix 5: Disengagement Checklist

1.0 Has the decision to terminate the relationship been taken by the client?

2.0 Has this decision been influenced by the following:

- Client has ceased to require service
- Dissatisfaction with the service provided on the basis of:
- Disagreement concerning matters of professional judgement?
- Personal differences?
- Other? (please specify)

3.0 Has the client made a complaint to the firm?

3.1 Has this complaint been investigated by the firm?

3.2 Is the firm aware of a complaint being made to the ICPAU?

3.3 Has the client indicated, by word or action, any intention to make any professional indemnity claim against the firm?

3.4 Has the firm notified its professional indemnity insurers?

4.0 Has the decision to terminate the relationship been taken by the firm?

4.1 Has this decision been taken because:

- the practice is ceasing?
- a possible conflict of interest has been identified?
- concerns exist regarding independence?
- the client requires services that the firm does not provide or no longer provides?
- the assessment of the inherent professional, commercial, and professional indemnity risks?
- the demands placed on the firm's resources?
- The commercial returns (eg. profitability of work, length of credit taken, etc.)?
- there is a disagreement concerning matters of professional judgement?
- irreconcilable personal differences have emerged?
- other? (please specify)

5.0 Has a definitive and up-to-date status report been prepared, addressing all aspects of all services provided to the client and identifying those aspects of the service (or range of services) that have been completed and those that remain incomplete?

6.0 If it is the firm's decision to disengage, has the client been advised of that decision?

7.0 In the event of either party deciding to disengage, has the client been provided with a comprehensive summary of all services the firm provides, including any that are not reflected in the original engagement terms?

8.0 Have the following, if applicable, been discussed and agreed?

- return of client records
- payment of outstanding fees
- authority to respond to any professional enquiry letters from a successor accountant?
- willingness to co-operate with any successor accountant?

Appendix 6: Specimen Letter From the Successor Requesting Access

[Predecessor firm]

[Address]

For the attention of: [Name of Managing Partner]

Dear Sir/Madam,

Provision of Information Relating to the Audit of [Audit Client]

This firm was duly appointed as auditor on [date] to audit the financial statements of [audit client] ("the Company").

We request for the purposes of our audit work, access to the following information:

[Set out information necessary at this stage, noting that wherever possible a request framed simply as a request for "all relevant information held by the predecessor and concerning the audited entity" or "all relevant information held by the predecessor in relation to the office of auditor" should be avoided. The successor should strive to identify the information required, or the type of information required, as precisely as possible.]

- The working papers in respect of your audit report on the financial statements of the [Company] relating to [insert period between the beginning of the last financial statements on which the predecessor reported and the date of cessation of the predecessor's appointment].
- We may also request explanations from you in connection with our consideration of the above information, and on the same basis.

We look forward to receiving your confirmation letter in response to this request, which should be addressed for the attention of [name of successor engagement partner].

Yours faithfully

[Successor]

Appendix 7: Specimen Letter From Predecessor Responding To The Successor's Request

[Successor firm]

[Address]

Dear Sir/Madam,

Provision of Information Relating to the Audit of [Audit Client]

We refer to your letter dated [....] following your appointment as statutory auditors of [company] ("the Company").

We confirm we will provide access to the information requested, namely:

- a) The working papers in respect of our audit report on the financial statements of the [Company/] relating to [*insert period specified by the successor, such as the period between the beginning of the last financial statements on which the predecessor reported and the date of cessation of the predecessor's appointment*].
- b) We understand that you may also request explanations from us in connection with your consideration of the above information, and on the same basis.

Should you request or we provide any supplementary information to that set out above, such provision may be made at a reasonable cost.

The access is provided to you:

- (a) Solely in your capacity as duly appointed statutory auditor of the [Company];
- (b) Solely because we are required, under the ICPAU Code of Ethics, to give you access to the information. The provision of access does not and will not alter any responsibility that we may have accepted or assumed to the [Company] in accordance with the statutory requirements for audit, for our audit work, for our audit report or for the opinions we have formed in the course of our work as auditors.

To the fullest extent permitted by law we do not accept or assume responsibility to you or to anyone else:

- a) As a result of the access given;
- b) For the information to which we provide access;
- c) For any explanation given to you;
- d) In respect of any audit work you may undertake, any audit you may complete, and audit report you may issue, or any audit opinion you may give.

Where access is provided to audit [and interim review] working papers, those papers were not created or prepared for, and should not be treated as suitable for, any purpose other than the statutory audit that was the subject of our audit report. The statutory audit was planned and undertaken solely for the purpose of forming and giving the audit opinion required by the relevant statutory provision to the persons contemplated by that statutory provision. The statutory audit was not planned or undertaken, and the working papers were not created prepared, in contemplation of your appointment as statutory auditor or for the purpose of assisting you in carrying out your appointment as statutory auditor.

Neither you nor anyone else should rely on the information to which access is provided, or any explanations given in relation to that information. The information cannot in any way serve as a substitute for the enquiries and procedures that you should undertake and the judgments that you must make for any purpose in connection with the audit for which you are solely responsible as the auditor.

If notwithstanding this letter you rely on the information for any purpose and to any degree, you will do so entirely at your own risk.

Please note that:

- a) You should refuse to accept an additional engagement, such as to act as an expert witness or to review the quality of our audit work, where the engagement would involve the use of the information obtained by you from us;
- b) You should not comment on the quality of our audit work unless required to do so by a legal or professional obligation;
- c) The information should not be disclosed beyond persons who have a need to access the information where to do so is a necessary part of your audit work, nor should the information be disclosed to a third party
- d) In the event that access to information involves your having access to any intellectual property of ours or any material in which we have copyright, we do not grant permission to you to use or exploit that intellectual property or copyright and you must respect the same at all times.
- e) When in this letter we refer to ourselves, we include our partners, directors, members, employees and agents, who may each rely on and enforce in their own right all of the terms of this letter.

Yours faithfully

[Predecessor]

cc The Company