

STATEMENT 3.270
AUDITING GUIDELINE
ENGAGEMENT LETTERS

(Issued February 1986; reviewed August 1989; revised March 1993)

Introduction

1. This Guideline gives guidance on one of the procedures to be followed before the commencement of an audit. It is supplementary to, and should be read in conjunction with, Auditing Standards 3.101 and 3.102 and the Explanatory Foreword to Auditing Standards and Guidelines.
2. The principles contained in this Guideline should also be followed in the case of non-audit engagements although such engagements are not specifically addressed. In such a case, if purely accounting services are being provided to a client such as a sole trader or partnership, the engagement letter should make it clear that these services will be performed without any audit work being carried out.
3. The purpose of an engagement letter is to define clearly the extent of the auditor's responsibilities and so minimise the possibility of any misunderstanding between the client and the auditor.
4. Further, the engagement letter provides written confirmation of the auditor's acceptance of his appointment, the scope of the audit and the form of his report. If an engagement letter is not sent to clients, both new and existing, there is scope for argument about the precise extent of the respective obligations of the client and its directors and the auditor.
5. The contents of this Guideline and the specimen engagement letter in Appendix 1 is designed to be specifically relevant in the context of a statutory audit. Whilst the underlying principles of the Guideline will also be appropriate in relation to the audit of an unincorporated client, the auditor will need to ensure that the specific terms of his engagement are detailed in an engagement letter and that the client confirms that this letter agrees with his understanding of his contractual relationship with the auditor.

Procedures

6. The agreement of an engagement letter is in the interest of both the auditor and the client. Therefore the contents of an engagement letter should be discussed and agreed with management before it is sent and preferably prior to the audit appointment.

In the case of a company incorporated under the Companies Ordinance, the term management should be taken as meaning the directors of the company and persons acting with similar authority.

7. The auditor should send an engagement letter to all new clients preferably before or at the same time as he accepts his appointment as auditor but, in any event, before the commencement of the first audit assignment. The auditor should always send written confirmation of his intention to accept an appointment as auditor and this letter should refer to, and be subject to, the terms of appointment embodied in an engagement letter which will either already have been discussed or will be submitted at a later date.
8. The auditor should also consider sending an engagement letter to existing clients to whom no letter has previously been sent. It should be noted, however, that the terms of this letter may not be binding until the auditor is reappointed for the following year.
9. Where an auditor is engaged by a client that has subsidiary companies, a separate letter should be sent by the auditor to the board of directors of each company which he is auditing. However, if the terms of the engagements are common, one letter may be sent relating to the group as a whole. In the latter case, the auditor's letter should identify the group companies for which he is appointed auditor, and the directors of the holding company should be requested to forward the letter to the boards of directors of the subsidiary companies concerned. The directors of the holding company should be asked to confirm that the directors of all such subsidiary companies have agreed and confirmed their acceptance of this engagement letter. Where more than one firm of auditors is involved in the audit of the group, the respective responsibilities of the holding company auditor and the subsidiary company auditors should be clearly defined.
10. Where there are joint auditors, the audit engagement should be explained in similar terms by each auditor. The auditors should agree whether joint or separate letters should be sent to the client. Separate letters would normally need to be sent where other services are provided.

11. Once it has been agreed by the client, an engagement letter will, if it so provides, remain effective from one audit appointment to another until it is replaced. However, the engagement letter should be reviewed annually to ensure that it continues to reflect the client's circumstances. If a change has taken place, including a significant change in management, which materially affects the scope or understanding of the audit, the auditor should discuss the matter with management and where appropriate send a revised engagement letter. The auditor should also consider whether, during the course of an audit, there has been any deviation from or waiver of any terms set out in the engagement letter. If so, the auditor cannot assume that those provisions will continue to have effect in respect of a subsequent audit.

Contents and form of the letter

Responsibilities and scope of the audit

12. The letter should explain the principal statutory responsibilities of the client and the statutory and professional responsibilities of the auditor.
13. In the case of a company, it should be indicated that it is the statutory responsibility of the client to maintain proper books of account, and to prepare financial statements which comply with the Companies Ordinance and other relevant legislation. It should also be indicated that the auditor's statutory responsibilities include making a report to the members stating whether in his opinion the financial statements give a true and fair view of the profit or loss and the state of affairs of the company and whether they comply with the Companies Ordinance.
14. Furthermore, it should be indicated that the auditor has a professional responsibility to report if the financial statements do not comply in any material respect with Statements of Standard Accounting Practice, unless in his opinion the non-compliance is justified in the circumstances.
15. The scope of the audit should be explained. In this connection, it should be pointed out that the audit will be conducted in accordance with approved Auditing Standards and have regard to relevant Auditing Guidelines. It should be indicated that:
 - a. the auditor will obtain an understanding of the accounting system in order to assess its adequacy as a basis for the preparation of the financial statements;

- b. the auditor will expect to obtain relevant and reliable evidence sufficient to enable him to draw reasonable conclusions therefrom;
 - c. the nature and extent of the tests will vary according to the auditor's assessment of the accounting system and, where he wishes to place reliance upon it, the system of internal control; and
 - d. the auditor will report to management any significant weaknesses in, or observations on, the client's systems which come to his notice and which he thinks should be brought to management's attention.
16. Where appropriate, reference should be made to recurring special arrangements concerning the audit. These could include arrangements in respect of internal auditors, divisions, overseas subsidiaries, other auditors and (in the case of a small business managed by directors who are the major shareholders) significant reliance on supervision by the directors.

Representations by management

17. Where appropriate it should be indicated that, prior to the completion of the audit, the auditor will seek written representations from management on matters having a material effect on the financial statements. In order to inform the client of the range of matters which might appropriately be included amongst these written representations, the auditor may wish to enclose a specimen letter of representation with the engagement letter. Where this procedure is adopted the auditor should emphasise that this is a specimen letter only and that its contents may need to be adjusted as a result of matters arising during the audit.

Irregularities and fraud

18. The responsibility for the prevention and detection of irregularity and fraud rests with management and this responsibility is fulfilled mainly through the implementation and continued operation of an adequate system of internal control. The engagement letter should make this clear. Furthermore, it should explain that the auditor will endeavour to plan his audit so that he has a reasonable expectation of detecting material misstatements in the financial statements resulting from irregularities or fraud, but that the examination should not be relied upon to disclose irregularities and fraud which may exist. If a special examination for irregularities or fraud is required by the client, then this should be specified in the engagement letter, but not in the audit section.

Accounting and taxation services

19. The auditor may undertake, for the company, services in addition to carrying out his responsibilities as auditor. An engagement letter should adequately describe the nature and scope of those services. In the case of accounting services, the letter should distinguish the accountant's and the client's responsibilities in relation to them and to the day-to-day bookkeeping, the maintenance of all books of account and the preparation of financial statements. Preferably this should be done in a separate letter but such services may form the subject of a section in the audit engagement letter.
20. In the case of the provision of taxation services, the responsibilities for the various procedures such as the preparation of tax computations and the submission of returns to the relevant authorities should be clearly set out, either in a section of the main letter or preferably in a separate letter. Appendix 2 gives additional guidance in respect of tax engagements and also contains an example tax engagement letter.
21. Where accounting, taxation or other services are undertaken on behalf of an audit client, information may be provided to members of the audit firm other than those engaged on the audit. If this is the case, it may be appropriate for the audit engagement letter to indicate that the auditor is not to be treated as having notice, for the purposes of his audit responsibilities, of the information given to such people.

Fees

22. Mention should normally be made of fees and of the basis on which they are computed, rendered and paid.

Agreement of terms

23. An auditor cannot treat his client's failure to respond to an engagement letter as a binding acceptance of its terms. Accordingly, unless the letter has been discussed and agreed prior to despatch, it should include a request to management that they confirm in writing their agreement to the terms of the engagement by counter-signing and returning a copy of the letter and every effort should be made to ensure that the client responds. The letter should, however, specify the date on which its terms will become effective in the event of the client failing to respond. It should be clearly understood that when agreed the letter will give rise to contractual obligations and its precise content must therefore be carefully considered. In the case of a company, the auditor

should request that the letter of acknowledgement be signed on behalf of the board.

Form of the letter

24. The Appendix sets out a form of letter generally appropriate for company clients. It is not intended to be used in relation to every company, as it must be tailored to specific circumstances. It can also be used as the basis of an engagement letter in respect of an unincorporated client. In that case, as mentioned in paragraph 5 above, the auditor should ensure that the details of his contractual relationship with the client are included in the letter.

APPENDIX 1

An example of an engagement letter

This form of letter is generally appropriate for client companies. It is not intended to be used in relation to every company, as it must be tailored to specific circumstances.

To the Directors of

The purpose of this letter is to set out the basis on which we (are to) act as auditors of the company (and its subsidiaries, as listed in the attached appendix) and the respective areas of responsibility of the company and of ourselves.

Audit

- 1.1 As directors of the above company, you are responsible for maintaining proper books of account and preparing financial statements which give a true and fair view of the profit or loss and state of affairs of the company and comply with the Companies Ordinance. You are also responsible for making available to us, as and when required, all the company's books of account and all other records and related information, including minutes of all management and shareholders' meetings.
- 1.2 We have a statutory responsibility to report to the members whether in our opinion the financial statements give a true and fair view of the state of the company's affairs and of the profit or loss for the year and whether they comply with the Companies Ordinance (or other relevant legislation). In arriving at our opinion, we are required to consider the following matters, and to report on any in respect of which we are not satisfied:
 - a. whether proper books of account have been kept by the company and proper returns adequate for our audit have been received from branches not visited by us;
 - b. whether the company's balance sheet and profit and loss account are in agreement with the books of account and returns; and
 - c. whether we have obtained all the information and explanations which we think necessary for the purpose of our audit.

In addition, there are certain other matters which, according to the circumstances, may need to be dealt with in our report. For example, where the financial statements do not give full details of directors' remuneration or of loans to officers, the Companies Ordinance requires us to disclose such matters in our report.

- 1.3 We have a professional responsibility to report if the financial statements do not comply in any material respect with Statements of Standard Accounting Practice, unless in our opinion the non-compliance is justified in the circumstances.
- 1.4 Our audit will be conducted in accordance with the Auditing Standards issued by the Hong Kong Society of Accountants and will have regard to relevant Auditing Guidelines. Furthermore, it will be conducted in such manner as we consider necessary to fulfil our responsibilities and will include such tests of transactions and of the existence, ownership and valuation of assets and liabilities as we consider necessary. We shall obtain an understanding of the accounting system in order to assess its adequacy as a basis for the preparation of the financial statements and to establish whether proper books of account have been maintained. We shall expect to obtain such relevant and reliable evidence as we consider sufficient to enable us to draw reasonable conclusions therefrom. The nature and extent of our tests will vary according to our assessment of the company's accounting system and, where we wish to place reliance on it, the system of internal control and may cover any aspect of the business operations. We shall report to you any significant weaknesses in, or observations on, the company's systems which come to our notice and which we think should be brought to your attention.
- 1.5 As part of our normal audit procedures, we will request you to provide written representations on matters having a material effect on the financial statements.
- 1.6 In order to assist us with the examination of your financial statements, we shall request sight of all documents or statements, including the chairman's statement and the directors' report, which are due to be issued with the financial statements. We are also entitled to attend all General Meetings of the company and to receive notice of all such meetings.
- 1.7* We appreciate that the present size of your business renders it uneconomic to create a system of internal control based on the segregation of duties for different functions within each area of the

business. In the running of your company we understand that the directors are closely involved with the control of the company's transactions. In planning and performing our audit work we shall take account of this supervision. Further, we may ask additionally for confirmation in writing that all the transactions undertaken by the company have been properly reflected and recorded in the books of account, and our audit report on your company's financial statements may refer to this confirmation.

- 1.8 The responsibility for the prevention and detection of irregularities and fraud rests with yourselves. However, we shall endeavour to plan our audit so that we have a reasonable expectation of detecting material misstatements in the financial statements or books of account resulting from irregularities or fraud, but our examination should not be relied upon to disclose irregularities and fraud which may exist.
- 1.9* We shall not be treated as having notice, for the purposes of our audit responsibilities, of information provided to members of our firm other than those engaged on the audit (eg. information provided in connection with accounting, taxation and other services).

Group accounts*

2. As auditors of the holding company we are required to report, in similar terms to those outlined in paragraph 1.2 above, on the group accounts, which comprise the financial statements of the holding company and its subsidiary and associated companies. In order to express an opinion on group accounts which include the financial statements of subsidiary or associated companies of which we are not the auditors, it will be necessary for us to communicate directly with the other auditors concerned to satisfy ourselves that:
- a. so far as is practicable, there is uniformity within the group in the application of accounting policies;
 - b. the group accounts give the information required by the Companies Ordinance, Hong Kong accounting standards and any other legislation or non-statutory requirements affecting the presentation of financial statements; and
 - c. all material aspects of the group accounts have been subjected to an audit examination, the nature and extent of which is adequate and reasonable, in our view, for the purpose of forming an opinion on the group accounts.

Accounting and other services*

(This section may be included here or in a separate letter.)

- 3.1 It was agreed that we should carry out the following services as your agents and on the basis that you will make full disclosure to us of all relevant information.
- 3.2 We shall:
 - a. prepare the financial statements based on books of account maintained by yourselves;
 - b. provide assistance to the company secretary by preparing and lodging returns with the Registrar of Companies;
 - c. investigate irregularities and fraud upon receiving specific instructions.

Taxation services*

(This section may be included here or preferably in a separate letter, see Appendix 2.)

- 4.1 It was agreed that we should carry out the following taxation services on your behalf (with effect from) and on the basis that you will make full disclosure to us of all the relevant information.
- 4.2 We shall in respect of each accounting period prepare on your behalf a computation of profits, based upon the general interpretation and application of the relevant provisions of the Inland Revenue Ordinance prevailing at the time of preparation of the returns. Subject to your approval, this will then be submitted to the Inland Revenue Department, together with such statutory forms and information as may be required. We shall on your behalf lodge objections against excessive or incorrect assessments to profits tax where notice of such assessments is received by us. Where appropriate, we shall also make formal application for postponement of tax in dispute and shall advise as to appropriate payments on account.
- 4.3 We shall be pleased to advise you on matters relating to the company's profits tax liability, the implications of particular business transactions and on any other taxation matters which you refer to us.

Fees

5. Our fees are computed on the basis of the time spent on your affairs by the partners and our staff, and on the levels of skill and responsibility involved. Unless otherwise agreed, our fees will be charged separately for each of the main classes of work described above, will be billed at appropriate intervals during the course of the year and will be due on presentation.

Agreement of terms

- 6.1 Once it has been agreed, this letter will remain effective, from one audit appointment to another, until it is replaced. We shall be grateful if you could confirm in writing your agreement to the terms of this letter by signing and returning the attached copy, or let us know if they are not in accordance with your understanding of our terms of appointment. If within one month from the date of this letter we have not received the attached copy, duly signed by you, and we have not received any other communication from you concerning the contents of this letter, the provisions contained in it shall be deemed to have become effective.
- 6.2* Since the terms of our engagement as auditors of the subsidiaries listed in the attached appendix are the same, we will not send separate letters to the board of directors of each subsidiary. We would therefore be grateful if you would forward copies of this letter to the boards of directors of each such subsidiary and confirm that these boards have also agreed and confirmed their acceptance of this letter.

Yours faithfully,

..... (signed)

Agreed and accepted by

..... (signed)

Director, for and on behalf of the board of

..... Ltd.

* These sections should only be included where appropriate.

附件一 應聘書樣本

一般而言，此應聘書格式適合客戶公司之用。惟此應聘書必須配合特有情況所需，因此並不擬用於所有公司。

致 _____ 各董事：

此應聘書旨在闡釋本事務所（以下簡稱“本所”）出任為 貴公司（及附表列出之附屬公司）核數師之基準、與及 貴公司和本所之各自職責範圍。

核數

- 1.1 閣下作為上述公司董事，應負責紀錄及妥善保存帳簿、編製財務報告書。該等財務報告書須真實公正地反映 貴公司之盈虧及財政狀況，並須符合公司條例之規定。閣下亦應按照需要，負責為本所提供 貴公司之所有帳簿、紀錄及有關資料，包括所有行政人員會議及股東會議之會議紀錄。
- 1.2 本所有法定責任向股東報告：根據本所之意見，該等財務報告書是否已真實公正地反映 貴公司當年之損益及財政狀況，及是否已遵照公司條例（或其他適用法例）妥善編製。本所作出審核意見時，將考慮以下事項，並報告其中未感滿意之處：
 - a. 貴公司是否已妥善紀錄及保存帳簿；與及自本所未能親身視察之 貴公司分處接獲足以使本所進行審核之適當報表；
 - b. 貴公司之資產負債表及盈虧帳所載，是否與帳簿及報表相符；及
 - c. 本所是否已取得全部認為對進行核數所需之資料及解釋。

此外，本所之報告內可能按照實際情況所需，論及若干其他事項。例如，財務報告書內未有提供董事酬金或高級職員借貸詳情，根據公司條例規定，本所須於核數報告內透露該等事項。

- 1.3 倘財務報告書於任何重要事項未有遵守會計實務準則之規定，本所有專業責任就此作出報告，除非本所認為在實際情況下有適當理由不遵守該等準則。
- 1.4 本所將按照香港會計師公會發出之核數準則，並參考核數指引之有關條文進行核數工作。此外，將會以本所認為需要完全履行責任所需之方式進行。倘本所認為有所需要，核數工作將包括查核各項交易，及檢定資產債務之存在、其所有權及估值等情形。本所須對會計系統取得瞭解，目的為評估其是否足以作為編製財務報告書之根據，並為證實帳簿有否妥為紀錄及保存。本所預期取得足夠有關及可靠之證據，以便本所從中作出合理之結論。本所所進行審查之性質及範圍，會根據本所對貴公司會計系統及內部管制系統之評估（倘本所擬信賴內部管制系統）而作適當調整，並可能包括業務經營之各方面。倘本所發覺 貴公司各系統有任何重大缺點或事情，而本所認為應提醒 閣下者，將會向 閣下報告。
- 1.5 本所會就財務報告書有重大影響之事項，要求 閣下提供書面陳詞，此舉乃本所進行核數之正常步驟。
- 1.6 為協助本所審核 貴公司之財務報告書起見，本所須要求查閱與財務報告書一併發表之所有文件及報告書，其中包括主席報告書及董事局報告。本所亦有權出席 貴公司股東大會，並有權收到所有該等會議之開會通告。
- 1.7* 本所瞭解到：鑑於 閣下現有業務規模之故，如在各不同功能職責下分設內部管制系統，殊不經濟。本所亦瞭解到在 貴公司經營方面，各董事均密切參與監管公司各項交易。在策劃及進行核數工作時，本所會顧及此監管關係。本所亦可能另外要求取得確認書以證明 貴公司從事之各項交易，在帳簿內已妥

為反映及紀錄。本所就 貴公司之財務報告書而作出之核數報告，可能會以該確認書作為參考及引據。

- 1.8 防範和查明違法行為及詐騙行為乃 閣下之責任；惟本所將盡力策劃核數工作，冀能查出由違法行為或詐騙行為所引致之財務報告書或帳冊內之嚴重錯誤報導。此類審核工作，不應被依賴用以揭發可能存在之違法行為及詐騙行為。
- 1.9* 就本所之核數責任而言，對本所非負責核數工作人員提供資料（例如：有關會計、稅務及其他服務之資料），不得作為已對本所提供核數資料論。

集團帳目*

2. 按照上文 1.2 段列出之同等條款，本所作為控股公司之核數師須負責就 貴集團帳目作出報告，而 貴集團帳目乃由控股公司與其附屬及聯營公司各自之財務報告書組成。倘本所並非貴集團的附屬及聯營公司之核數師，則本所為表達對 貴集團帳目之意見，將須直接與其他有關之核數師聯絡，以便本所徹底瞭解：
 - a. 貴集團應用的會計政策在可能的情況下已取得一致；
 - b. 貴集團帳目提供的資料符合公司條例、香港會計準則、其他對財務報告書陳述方面有所影響之法例或非法定要求；及
 - c. 貴集團帳目內之所有重要帳目，均已按本所認為足夠及合理之性質及範圍審核，以便本所能歸納對 貴集團帳目之意見。

會計及其他服務*

(此部份可載於應聘書內，或另函載述。)

- 3.1 貴公司與本所已有協議，基於閣下將向本所透露全部有關資料，本所作為貴公司之代理人，應提供下列服務。
- 3.2 本所將：
 - a. 根據貴公司紀錄及保存之帳簿，編製財務報告書；
 - b. 協助貴公司秘書編製申報表，以便提交予公司註冊官；
 - c. 在取得明確指示後，對違法行為及詐騙行為展開調查。

稅務服務*

(此部份可載於應聘書內，或另函載述更佳，詳見附件二。)

- 4.1 貴公司與本所已有協議：本所應基於貴公司提供予本所的全部有關資料，自_____開始，為貴公司提供下述稅務服務。
- 4.2 本所會依據編製報稅表時稅務條例的一般解釋及應用準則，為貴公司計算每段會計結算期的應課稅溢利。計算結果經貴公司批准後，將連同所需之法定文件及資料呈交稅務局。倘本所接獲超額評稅或錯誤評稅之利得稅評稅單，則本所會為貴公司就該等超額或錯誤評稅提出反對。本所亦會在適當時，正式申請延遲繳交有爭議之稅項，並告知貴公司應繳稅項的金額。
- 4.3 本所會就貴公司利得稅責任之有關事項、某項商業交易引起之稅務影響、及其他由閣下轉交本所之稅務事宜，向閣下提出建議。

收費

5. 本所之收費計算標準，乃根據本所合夥人及職員在處理 貴公司事務上所花費之時間、與涉及之技巧及責任程度而定。除非另有協議，本所之收費將按照上述各主要工作類別分別徵收；帳單將於年內按時寄上， 貴公司於接獲帳單後應即時繳付。

條款協議

- 6.1 此應聘書一經 貴公司及本所同意，即行對以後各次核數任命維持有效，直至此應聘書被取代為止。本所謹請 閣下簽署附上之文本及交回本所，以作為 閣下贊同此應聘書之條款。倘此應聘書條款與 閣下理解之委任條件不符，則請告知本所。倘此應聘書發出後一個月內，本所仍未接獲 閣下簽署之文本，亦未接獲 閣下提出洽商有關此應聘書內容的信息，則此應聘書所載之條款應視作有效論。
- 6.2* 由於本所應聘為附錄內所列的附屬公司之核數師之應聘條款與此應聘書所載相同，因此本所將不再另行向各附屬公司董事局呈遞應聘書。本所謹請 閣下向 貴公司屬下各附屬公司董事局轉達此應聘書複本，並請 閣下確認各董事局均已贊同及確認接受此應聘書條款。

謹此

_____ 謹上

承 _____ 公司董事局命，由以下董事簽署以示贊同及接受此應聘書條款：

_____ (簽署)

備註：有 * 號部份只於適當時載入此應聘書內。

APPENDIX 2

Tax engagement letter

The need for a tax engagement letter

1. A tax engagement letter provides written confirmation of the tax practitioner's acceptance and scope of his appointment. If an engagement letter is not sent to clients, both new and existing, there is scope for uncertainty about the precise extent of the respective obligations of the client and the tax practitioner in relation to the client's tax affairs.

Contents and form of a tax engagement letter

2. When a member prepares a tax return or tax computations for a taxpayer, he is acting in an agency capacity. This has an important bearing on his responsibilities.
3. A member should ensure that every client understands that work can only be undertaken on the basis that the client will supply all relevant information. This is usually best dealt with in a tax engagement letter.
4. A member may undertake services for clients in addition to carrying out his responsibilities as auditor. Some appointments may only require the handling of client's tax affairs and/or the preparation of financial statements. It is recommended that the nature and scope of taxation services should be adequately recorded in a separate tax engagement letter rather than as an add-on to the audit engagement letter.
5. The letter should explain the respective responsibilities of the client and the practitioner in connection with returns of information to the Inland Revenue Department (IRD) in relation to employees, the preparation of taxation computations and the submission of returns of the business, dealing with enquiries from the IRD and agreeing the tax liability with the IRD.

Procedures

6. The agreement of a tax engagement letter is in the interests of both the practitioner and the client. Therefore the contents of a tax engagement letter should be discussed and agreed with management (the sole

trader, partners or directors as the case may be) before it is sent and preferably before or at the same time as he accepts his appointment.

7. The practitioner should also consider sending a tax engagement letter to existing clients to whom no similar letter has previously been sent.
8. Where a practitioner is engaged by a client that has subsidiary companies, it is preferable that a separate letter is sent to the board of directors of each company for which he is acting.
9. A practitioner should not normally treat his client's failure to respond to a tax engagement letter as a binding acceptance of its terms. Accordingly, the letter should include a request to management that they confirm in writing their agreement to the terms of the tax engagement by counter-signing and returning a copy of the letter and every effort should be made to ensure that the client responds. It should be clearly understood that when agreed the tax engagement letter will give rise to contractual obligations and its precise content must therefore be carefully considered. In the case of a company, the practitioner should request that the letter of acknowledgment be signed on behalf of the board.
10. Once it has been agreed by the client, a tax engagement letter will, if it so provides, remain effective until it is replaced. However, the tax engagement letter should be reviewed regularly to ensure that it continues to reflect the actual circumstances of the client. If a change has taken place, including a significant change in management, which materially affects the scope or understanding of the appointment, the practitioner should discuss the matter with management and where appropriate send a revised tax engagement letter.
11. The following is an example of a tax engagement letter.

An example of a tax engagement letter

Below is an example of a tax engagement letter where the practitioner has been instructed to undertake tax work in addition to his audit appointment. It is not intended to be used in relation to every client, as tax engagement letters must be tailored to specific circumstances.

To the proprietor/partners/directors¹ of

The purpose of this letter is to set out the basis on which we are to act as tax representatives of the business/partnership/company¹ and the respective areas of responsibility of the business/partnership/company¹ and of ourselves.

Taxation services

- 1.1 As the taxpayer, you have the primary responsibility to submit a correct and complete tax return or profits tax computation and supporting schedules. Similarly, when any additional information is provided, whether arising out of correspondence with the Inland Revenue Department or otherwise, you are ultimately responsible for ensuring that to the best of your knowledge and belief, after making appropriate enquiries, such information is correct and complete.
- 1.2 We shall be responsible for preparing on your behalf for your consideration and agreement, [your/the firm's/the company's]¹ tax computation and tax returns and for the proper presentation and disclosure therein of all known relevant facts. We shall then submit the computation and signed returns to the Inland Revenue Department and deal with the agreement thereof [and the allocation of the adjusted profit/loss amongst the partners]² on your behalf. In cases where additional correspondence or information is required this may result in additional fees being charged.
- 1.3 We shall base our computation on the general interpretation and application of the relevant provisions of the Inland Revenue Ordinance prevailing at the time of preparation of the returns. It must be emphasised that in some cases a position has to be taken as regards deductibility or chargeability of particular transactions. These will be fully discussed and decided with you.
- 1.4 In carrying out the above work, we must stress that we shall be dealing with your tax affairs on your behalf as your agent, and on the basis that you make full disclosure to us of all relevant information. There is no requirement for us to, and therefore we shall not, perform any audit or

independent verification work on any information provided by you to us for the purposes of preparing the tax return and forwarding it to the Inland Revenue Department [except to the extent required for the statutory audit. Our responsibilities as your auditors are already clearly set out in the audit engagement letter. Our roles as your auditors and your tax representative are different. Therefore, the appointments should be treated as separate engagements]³. You are responsible for ensuring that the accounting records faithfully reflect the nature of transactions.

[Other assignment eg. tax planning, employer's returns, etc.]²

- 1.5 We shall be pleased to advise on any other taxation matters if requested. These will be regarded as separate assignments.
- 1.6 The Inland Revenue Department has special procedures for the examination of business accounts. Cases which exhibit certain characteristics may trigger a field audit examination or a full investigation by the Inland Revenue Department. These examinations may not be restricted to the books and records of the business.
- 1.7 You will appreciate therefore the necessity of maintaining accurate and complete records of all your business transactions. Once a taxpayer is selected for this in-depth examination a considerable amount of information will be requested by the Inland Revenue Department which may involve us, and you, in substantial additional time and cost, unless the information is readily available.
- 1.8 We should also emphasise that the due date for the submission for your Profits Tax Returns is [1 May/31 July/31 October]². If the returns are not submitted by this due date, penalties up to three times the tax unpaid may be charged. Therefore, we urge that [the books and records of the business, duly completed to include all transactions of the accounting year/draft financial statements/audited financial statements]¹, be made available to us at least ___ months [period to be agreed with the client]² before this due date.

Fees

2. Our fees are computed on the basis of the time spent on your affairs by the partners and our staff, and on the levels of skill and responsibility involved. Unless otherwise agreed, our fees will be charged separately for the basic taxation services described above and any other assignments [each of the main classes of work described above]², will

be billed at appropriate intervals during the course of the year and will be due on presentation.

Agreement of terms

3. Once it has been agreed, this letter will remain effective, from one tax year to another, until it is replaced. We shall be grateful if you could confirm in writing your agreement to the terms of this letter by signing and returning the attached copy, or let us know if they are not in accordance with your understanding of our terms of appointment.

Yours faithfully,

_____ (signed)

Agreed and accepted by

_____ (signed)

Footnotes:

1. Delete as appropriate.
2. Insert as appropriate.
3. Only applicable where the member acts as both auditor and tax representative.

稅務應聘書樣本

以下為一間會計師事務所受客戶委託核數任命外，並負責處理稅務工作時的稅務應聘書樣本。由於稅務應聘書必須配合特有情況所需，因此並不擬用於所有客戶。

致 _____ 公司東主／合夥人／董事¹：

此應聘書旨在闡釋本會計師事務所（以下簡稱“本所”）出任為 貴商行／合夥公司／公司¹稅務代表的基準，與及 貴商行／合夥公司／公司¹和本所各自的職責範圍。

稅務服務

- 1.1 作為納稅人， 貴公司的基本責任是向稅務局呈報一份正確及完整的報稅表、利得稅的計算表及有關附表。同時，倘呈報後因稅務局要求或其他原因，還需提交補充資料， 貴公司有絕對責任根據所知所信及查證，確保此等資料是正確和完整的。
- 1.2 本所將以 貴公司的稅務代表身份，負責編製〔閣下／貴商號／貴公司〕¹的應課稅計算表及報稅表，並將一切所知的有關事實該等計算表及報稅表內適當地列報及披露，以供 貴公司參詳和確定。然後本所將代表 貴公司把該計算表和已簽署的報稅表呈交稅務局，並代表 貴公司處理有關往後與稅務局商討應課稅溢利或虧損〔及按經調整後的溢利／虧損分配給各合夥人〕²的計算事宜。倘在此過程中需提供額外資料，或導致本所需提供額外服務，本所可能需要收取額外的費用。
- 1.3 在編製報稅表和計算稅項時，本所將依據當時稅務條例的一般解釋及應用準則來辦理。本所必須強調，在某些情況下， 貴公司需就某些交易是否可獲稅務減免或需要課稅採取立場，本所會就這些事項與 貴公司詳細討論及決定。

1.4 本所必須指出，在進行上述工作時，本所是以 貴公司的代理人身份處理 貴公司的稅務事宜，以及在 貴公司已向本所提供一切有關的資料的基礎上進行。對於任何由 貴公司提供而用作報稅的資料，本所毋須進行任何核數或獨立的審查工作〔屬於法定核數範圍者除外，本所作為核數師的責任已詳列於核數應聘書內。核數師和稅務代表各有職責，故此聘任的程序需分別進行〕³。 貴公司是有責任確保 貴公司的會計記錄能如實反映各項交易的狀況。

〔其他聘任工作，如稅務策劃、僱主填報的報稅表等。〕²

1.5 如有需要，本所樂意為 貴公司提供其他有關稅務的服務，但這些服務需視為另外聘任的工作。

1.6 稅務局有特別的程序去審查企業的帳目。過去的事例顯示，某些特別的徵象是會導致稅務局向企業進行實地審查或全面的稅務調查。這些審查的範圍可能並不局限於調查企業的帳簿及記錄。

1.7 由此可見，為 貴公司的所有商業交易編製正確和完整的記錄是必須的。納稅人一旦被稅務局選中作深入審查時，該公司便要提供相當詳盡的資料。除非資料已準備妥當，否則可能會耗用 貴公司及本所頗多時間和費用。

1.8 本所必須同時指出， 貴公司最後呈交利得稅報稅表的日期為〔五月一日／七月卅一日／十月卅一日〕¹。如到期仍未呈報，稅務局便可以徵收高達應繳稅款三倍的罰款。因此，本所敦促貴公司及早完成編製〔企業的帳簿及記錄，包括本會計年度的全部交易／財務報表草稿／已審核的財務報表〕¹，並需於呈交限期前的 ____ 個月〔與客戶議定〕² 交給本所辦理。

收費

2. 本所的收費是根據本所的合夥人及職員在處理 貴公司稅務上所花費的時間、與涉及的技巧及責任程度來釐定。除非另有協議，本所的收費將按照上述基本稅務服務和其他聘任的工作〔其他聘任服務的類別如上所述〕² 分別徵收，帳單於年內寄上， 貴公司於接獲帳單後應即時繳付。

條款協議

3. 此應聘書一經 貴公司及本所同意，即為聘任本所為每課稅年度的稅務代表，直至此聘任書被取代為止。本所謹請 閣下簽署附上的文本及交回本所，以作為 貴公司贊同此應聘書的條款。倘此應聘書條款與 貴公司理解的聘任條件不符，則請告知本所。

謹此

_____ 謹上

贊同及接受此應聘書條款：

_____ (簽署)

備註：

1. 請將不適用的部份刪去。
2. 祇於適當時載入此應聘書內。
3. 祇適用於兼任核數師的稅務代表。