

TAX TALKS

Australia's Tax News Podcast - The Podcast for Australian Tax Professionals

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162 | Engagement Letters

Engagement letters are a good indication how organised and stream-lined your practice is. If there is a clear process to issue these fast and efficiently, then your entire practice probably has clear processes for fast and efficient work flows.

Engagement Letters

Why should we bother with engagement letters? Why are they so important? This is the question we asked Tim Hoopmann of [Spin Business Solutions](#) in Sydney.

Here is what we learned but please listen in as Tim explains all this much better than we ever could.

To listen while you drive, walk or work, just access the episode through a podcast app on your mobile phone.

What You Will Do

When you run a business, you engage with many and varied clients. Every client is different and might need a different service or exactly the same. Whatever it is, each and every one of those needs to have a clearly defined letter of engagement. This letter should clearly set out the terms and conditions of how you are going to operate together. It should list what you will do and what you won't.

You might do payroll for some but not for others. Or payroll tax. Or FBT.

So the letter of engagement must clearly reflect tasks that you are doing for that client, the frequency for which you are doing them for them.

What Your Client Will Do

Just as important as listing what you will do, is listing what the client has to do. One side effect of automation is that more steps tend to go back to the client. Once the process is set up, the client can often cover areas that previously their bookkeeper used to do.

Packages

With a fixed fee, you will often offer packages to cover different scenarios. Tim had three different packages and it clearly stated what this covered and what not. You have to be incredibly clear and keep it really simple.

The key thing is to make it really, really easy. Your potentially new clients coming to your website must find it easy to understand what they would get and at what price.

Scope Creep

Many accountants are concerned about scope creep. Scope creep if you set out to do something for a set price, and suddenly you do a lot more for free. But it depends on how you have structured your letter of engagement. You need to be clear about what the fee covers and what happens if the engagement goes beyond the agreed scope.

If you have the conversation straight away, it takes the heat out of billing later on. Any business is about clear communication and transparency. And the engagement letter is an important part of that.

Engagement Letter Templates

Here are some links to engagement letters online:

Chartered Accountants in Australia and NZ

[Tools, Templates & Guidance page](#)

[Client services section.](#)

[SMSF compliance & accounting](#)

[Letter of engagement](#)

Acumen Accounting

[Letter Engagement SMSF audit](#)

ATO

[Business activity statements \(BAS\)](#)

[BAS agent lodgment program 2019–20](#)

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