

# **1D – PREPARATION OF MANAGEMENT ACCOUNTS**

## **SCHEDULE OF SERVICES**

This schedule should be read in conjunction with the engagement letter and the terms of business.

### **1. RESPONSIBILITIES AND SCOPE FOR MANAGEMENT ACCOUNTS PREPARATION SERVICES**

#### **1.1. Your responsibility for the provision of information**

- 1.1.1. You have undertaken to make available to us, as and when required, all the accounting records and related financial information, including minutes of management meetings, which we need to do our work. You will provide us with all information and explanations relevant to the purpose, preparation and maintenance of the accounting records, and you will disclose to us all relevant information in full.
- 1.1.2. You are responsible for ensuring that, to the best of your knowledge and belief, financial information, whether used by the business or for the accounting records, is accurate and complete. You are also responsible for ensuring that the activities of the business are conducted honestly, and for safeguarding the assets of the business and for taking reasonable steps to prevent and detect fraud and other irregularities.
- 1.1.3. You are responsible for ensuring that the business complies with the laws and regulations that apply to its activities, and for preventing non-compliance and detecting any that occurs.

#### **1.2. Preparation of management accounts**

##### **Our responsibilities**

- 1.2.1. We will prepare the management accounts for your approval based on the accounting records you maintain. We will also rely on any information and explanations you give us.
- 1.2.2. We will not be carrying out an audit on the management accounts. This means that we will not produce a report that verifies the assets, liabilities, income or expenditure of your business. To carry out an audit would require us to carry out considerable additional work complying with Auditing Standards.
- 1.2.3. We will include a report in the accounts. This report will point out that we have not carried out an audit but have compiled the management accounts from the accounting records and information and explanations supplied to us.
- 1.2.4. We would like to emphasise that we cannot undertake to discover any shortcomings in your systems or any irregularities on the part of your employees. However, we will advise you if we come across anything of this nature in the course of preparing the management accounts.

## **Your responsibilities**

- 1.2.5. Even if we have not directly requested it, you agree to disclose to us in full any information that is relevant to the management accounts.
  - 1.2.6. You will approve and sign the management accounts thereby acknowledging responsibility for them, including providing us with all information and explanations necessary for their preparation.
  - 1.2.7. We have a professional responsibility to not allow our name to be associated with accounts that we believe may be misleading. We are not required to search for such matters, but if we become aware that information in the management accounts may be misleading we will discuss this with you so that appropriate adjustments or disclosures can be made. Where the adjustments or disclosures we consider appropriate are not made and we consider that the accounts remain 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 as well as time spent on any other work that is not completed as part of our resignation.
- 1.3. **Form of the accountants' report.**
- 1.3.1. We will report to you as appropriate that, in accordance with this engagement letter, we have not carried out an audit but have compiled the financial statements from the accounting records and from the information and explanations supplied to us.
  - 1.3.2. Our report and the management accounts are prepared solely for your confidential use. They must not be made available, copied or recited to any other party without our express written permission. Hugh Davies & Co neither owes nor accepts any duty to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by their reliance on them.