

OUR ENGAGEMENT WITH YOU

THIS DOCUMENT IS YOUR UNDERSTANDING OF THE TERMS AND OBJECTIVE OF OUR ENGAGEMENT WITH YOU AS WELL AS THE NATURE AND LIMITATIONS OF THE SERVICES WE WILL PROVIDE TO YOU, AND OR YOUR COMPANY/BUSINESS.

1. PREPARATION AND DRAFTING OF ALL SECRETARIAL DUTIES,

This include:

- 1) Drafting all statutory documentation as required by the Close Corporations Act,
- 2) Not later than three months after completion of the annual financial statements-
 - (i) subject to the provisions of section 58(2)(d), determine whether the annual financial statements are in agreement with the accounting records of the corporation,
 - (ii) review the appropriateness of the accounting policies represented to the accounting officer as having been applied in the preparation of the annual financial statements; and [Para (b) substituted by sec 27(a) of Act 8 of 1994.]
 - (iii) report in respect of paragraphs (a) and (b) to the corporation.
- 3) If during the performance of his duties an accounting officer becomes aware of any contravention of a provision of this Act, he shall describe the nature of such contravention in this report.
- 4) Where an accounting officer is a member or employee of a corporation or is a firm of which a partner or employee is a member or employee of the corporation, his report shall state that fact.
- 5) If an accounting officer of a corporation-
 - a) at any time knows, or has reason to believe, that the corporation is not carrying on business or is not in operation and has no intention of resuming operations in the foreseeable future;
 - or
 - b) during the performance of his duties finds-
 - (i) that any change, during a relevant financial year, in respect of any particulars mentioned in the relevant founding statement has not been registered;
 - (ii) that the annual financial statements indicate that as at the end of the financial year concerned the corporation's liabilities exceed its assets; or
 - (iii) that the annual financial statements incorrectly indicate that as at the end of the financial year concerned the assets of the corporation exceed its liabilities, or has reason to believe that such an incorrect indication is given, he shall forthwith by certified post report accordingly to the Registrar. If an accounting officer of a corporation has in accordance with subsection (3)(b)(ii) or (iii) reported to the registrar that-
 - c) the annual financial statements of the corporation concerned indicate that as at the end of the financial year the corporation's liabilities exceed its assets;
 - d) the annual financial statements incorrectly indicate that as at the end of the financial concerned the assets of the corporation exceed its liabilities; or
 - e) he or she has reason to believe that such an incorrect indication given, and he or she finds than any subsequent financial statements of the corporation concerned indicate that the situation has changed or has been rectified and that assets concerned then exceed liabilities or that they no longer incorrectly indicate that

the assets exceed the liabilities or that he or she no longer has reason to believe that such an incorrect indication is given, as the case may be, he or she shall report to the registrar accordingly. [Subsection (4) added by sec 27(b) of Act 8 of 1994.]

2. IN ADDITION, WE WILL SUPPLY YOU WITH THE FOLLOWING. *

(*Charges may apply)

- 2.1 Any bookkeeping and processing of documents*
- 2.2 Reconcile checking account with the bank statement each month for proper account balance and to identify any errors. We will make correcting entries directly to and identify the source of each adjustment. We will tell you of these adjustments and make you aware of any corrections. *
- 2.3 Review, analyse and reconcile general ledger accounts for accuracy and confer with you regarding any items not fully understood.*
- 2.4 Prepare and record all necessary journal entries to reflect correct accounting records.*
- 2.5 Prepare and present Financial Statements.*
- 2.6 Prepare Income Tax Returns.*
- 2.7 Review Sales Journal and prepare Sales Tax Returns.*
- 2.8 Review and reconcile Payroll records and corresponding Tax Returns.*
- 2.9 Prepare and process Annual Tax Returns *
- 2.10 Setup, Install accounting system/ program and basic training.

3. SCOPE AND LIMITATION OF OUR SERVICES

- 3.1 Our engagement is limited to the period and the accounting services indicated above.
- 3.2 This engagement does not include business management. We will not review the payment of any invoices or bills. If an amount appears unusual or out of the ordinary, we will call it to your attention, but we do not take any responsibility in the discovery of any errors, irregularities, or fraud.
 - 3.2.1 Any payments made from your bank account should reflect:
 - (a) The **SUPPLIER** name and the Invoice Number eg. MIKON 123456 should it be a suppliers' payment,
 - (b) The **EMPLOYEE NAME** should this be a wage or salary payment,
 - (c) **DRAWINGS** should it be a payment to a member or a members' loan.
- 3.3 This engagement will not audit or review your financial statements, or any other accounting documents and information you provide, in accordance with generally accepted auditing standards. Accordingly, we ask that you not in any manner refer to this as an audit or review.
- 3.4 We will not verify the data you submit for accuracy or completeness. Rather, we will rely on the accuracy and completeness of the documents and information you provide to us. Accordingly, our engagement cannot be relied upon to disclose errors, fraud, or other illegal acts that may exist. However, it may be necessary to ask you for clarification of some of the information you provide, and we will inform you of any material errors, fraud or other illegal acts that come to our attention, unless they are clearly inconsequential.
- 3.5 We have no responsibility to identify and communicate significant deficiencies or material weaknesses in your internal controls as part of this engagement, and our engagement cannot, therefore be relied upon to make disclosure of such matters.

4. COMPANY RESPONSIBILITY

You, the Company, or the Member/Owner, are :

- 4.1 Responsible for adopting sound accounting policies, for maintaining an adequate and efficient accounting system, for safeguarding assets, for authorizing transactions, for retaining supporting documentation for those transactions, and for devising a system of internal controls that will, among other things, help assure the preparation of proper financial statements. Furthermore, you are responsible for management decisions and functions, for designating a competent employee to oversee any of the services we provide, and for evaluating the adequacy and results of those services.
- 4.2 Responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the Company involving
 - (a) Management
 - (b) employees who have significant roles in internal control, and
 - (c) others where the fraud could have a material effect on the financial statements.
- 4.3 You are also responsible for informing us of your knowledge of any allegations of fraud or suspected fraud affecting the Company received in communications from employees, former employees, regulators, or others.
- 4.4 In addition, you are responsible for identifying and ensuring that the entity complies with applicable laws and regulations.

5. YOUR RESPONSIBILITY (IN TERMS OF BOOKKEEPING) – THIS WILL BE CHARGED SEPARATELY ON YOUR INVOICE, APART FROM OUR MONTHLY ACCOUNTING FEE.

- (A) to provide us the following documents:
 - 5.1 Cash receipt reports and deposit slips.
 - 5.2 Cash disbursements, bank statements.
 - 5.3 Check register, prior year's tax return.
 - 5.4 Articles of incorporation, partnership agreements.
 - 5.5 Copies of purchase/lease contracts and load agreements.
 - 5.6 Detailed list of company assets (description, date of acquisition, original cost, and current value).
 - 5.7 Annual Duties and Secretarial services as required by the Close Corporations Act
 - 5.8 Other documents necessary for correct account reporting.
- (B) In order for us to complete this engagement, and to do so efficiently, we require unrestricted access to the following documents and information concerning your company:
- (C)
 - 5.9 Copies of basic documents reflecting your financial transactions, including
 - 5.10 Cheque stubs,
 - 5.11 summaries of cash receipts and sales (cash and credit),
 - 5.12 bank statements and cancelled cheques
 - 5.13 listings of accounts receivable and accounts payable, and
 - 5.14 documentary support of property and equipment transactions-purchases,
 - 5.15 trades, sales, and other dispositions;
 - 5.16 Information concerning any mortgage or pledge of business assets on business debts,
 - 5.17 any personal guarantees or debt,
 - 5.18 leases, or other information that effects or may effect the results of operations of the business;
 - 5.19 any other financial information necessary for purpose of reflection on your accounting records, trial balance and tax returns;
 - 5.20 Identification of all cash receipts as to source (i.e., loans, sales, etc.), and information concerning all transactions that are consummated with cash.

- (D) Any failure to provide such documents and information, and to do so on a timely basis, will impede our services, and may require us to suspend our services or withdraw from the engagement. You agree to accept responsibility for any effect on your accounting records and financial statements of basic financial information or transaction documents not submitted to us for processing and entry, or losses that may result from their absence.
- (E) For purposes of entry of the financial information from your basic transaction documents, classification according to the agreed-upon chart of accounts will be performed by you or your employees. As business conditions change, we may mutually agree to change/modify this arrangement.
- (F) Client agrees that these documents should be forwarded to our office on a periodic basis, such as monthly, as this will enable us to provide you with a current, meaningful and useful financial statement.

6. RETENTION POLICY:

In conformity with the FIA requirements, we suggest that you adopt a 10 years policy to keep all the accounting records and work papers related to the engagement. When records are returned, it is your responsibility to retain and protect them for future use, potential examination by any government or regulatory agency, prospective buyers of your business, acquiring business loans, etc

7. OUR FEE POLICY:

Our fees for bookkeeping services will normally be per hour plus out of pocket expenses or a fixed monthly fee (this is excluding our Monthly Accounting Fee, Including provision of company secretarial duties and the maintaining of statutory records) stated on your invoice, whichever we agree upon in writing. Income Tax Returns and Annual Financial Statements and or Management Accounts/Reports will be billed separately. A minimum deposit is normally required and will be settled at the end of the engagement.

8. ONGOING BOOKKEEPING SERVICES WILL BE BILLED ON A MONTHLY BASIS.

- 8.1 Any additional accounting services requested will be billed separately. This may include, but is not limited to, any compliance services including handling license, cost reporting for Government agencies, audit representation or filing renewals
- 8.2 All invoices are due and payable upon presentation. Billings become delinquent if not paid within 15 days of the invoice date. If billings past due in excess of 45 days, we will stop all work until your account is brought current, or you withdraw from the engagement.
- 8.3 By this engagement, signed or not you the holder of the account automatically authorised us to collect by direct debit any amounts overdue after 30 days if not paid. Should the payment be unsuccessful, the account will be handed over for debt collecting. All cost including collecting fees will be for your account.
- 8.4 The client acknowledges and agrees that we are not required to continue work in the event of failure to pay on a timely basis for services rendered as required by any engagement. The client further acknowledges and agrees that in the event we stop work or withdraw from this engagement as a result of the client's failure to pay on a timely basis for services rendered as required by this engagement, we shall not be liable for any damages that occur as a result of ceasing to render services.

9. TERMINATION OF SERVICE

Should you wish to terminate your service with us, the following is requested:

- 9.1 Letter of approach from the new accounting officer(s)
- 9.2 Letter of appointment from the new accounting officer(s)

Once we have received your letters of appointment, we will prepare our file to be transferred.

10. INDEMNITY

Upon our appointment, the client accepts and agrees to indemnify Paul Smit and/or Reed Business Consultants from any acts done and/or errors and/or omissions made by any previous bookkeeper and/or Accounting Officer relating to the processing of Sales and/or Tax Invoices, VAT and/or Tax Returns and/or Audits submitted to NAMRA and/or related work.

Upon our appointment, this letter indemnifies Paul Smit and/or Reed Business Consultants Close Corporation for and from any monetary losses suffered by him/her/it, including but not limited to legal fees caused in whole or part as a result of the negligence, dishonesty or any other unauthorised act performed by any previous Accounting Officers and/or Bookkeepers, and/or caused by a failure by the client to meet or fulfil the obligations imposed upon him/her/it as it appears in this engagement letter.

If the foregoing is in accordance with your understanding, please sign the Engagement in the space provided and return it to the undersigned.

11. LEGAL AND COMPLAINTS

In the case of a complaint in any matter, legal or otherwise, all correspondence should be lodged at our legal Department.

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