



UNDERSTANDING A NEW CLIENT: THE INITIAL INTERVIEW

Before accepting a new engagement, the practitioner should obtain an understanding of the client to assess whether the practitioner should accept the engagement. Interviewing the client gives the practitioner an opportunity to speak directly with key staff members of the client and the business owners or managers. In this way the practitioner will be able to assess skill levels and personalities.

Factors to consider and discuss include:

- The reasons why the client wants the tax service to be performed. All tax engagements should have a rational purpose and be based on rational business models and methods. A rational purpose means an understanding of the business model and how this relates to the amounts as reflected in a tax return.
- The nature of the entity.
- The limitation, if any, the client may impose on the practitioner.
- The history of the client including detail about the key personnel and management team.
- Staff turnover (including finance staff).
- Pending or threatened litigation.
- Determination if there are any conflicts of interest between the client and the practitioner.
- The size and complexity of the entity and its operations.
- The ownership, financing and governance structure and significant related parties.
- Whether the entity is a component of a group of entities, or an associate entity of another entity.
- Significant or unusual transactions of the entity.
- The level of complexity of the client's taxes.
- Whether there are events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.
- The level of development of the entity's management and governance structure regarding management and oversight of the entity's accounting records and the financial reporting systems that underpin preparation of the tax returns.
- The "tone at the top" and the entity's control environment through which the entity addresses risks relating to financial reporting and compliance with the entity's financial reporting obligations
- The degree of complexity of the entity's financial accounting and reporting systems, and resulting financial statements
- The level of development and proper design or relative sophistication of the entity's accounting systems and related controls through which the entity's accounting records and related information is maintained and from which the entity's financial statements are derived.

After considering the above matters the practitioner can:

1. Accept the engagement by signing an engagement letter. The engagement letter should be amended to include any matters of concern identified during the interview,
2. Decline the engagement, or
3. Refer the engagement.