



Scope creep

Scope creep is defined as the extra work needed to be done for obtaining results best suited for you. Scope creep will be in addition to the audit fees mentioned above.

Less than 5% of engagements are exposed to scope creep, so we do not expect it in this audit. The intention of specifically mentioning it is to compensate us for excessive work that may arise in exceptional engagements. The intention is not to sneak in extra charges. Accordingly, if we notice an incidence of scope creep, we will inform you directly or indirectly. But, scope creep of the nature mentioned below will be charged without exception. The extra time required to develop your team for professional audit is a one-time exercise, which is also excluded from scope creep.

If scope creep is identified prior to commencing it, the fee quoted to you will be charged according to mutual agreement. Where it is not pre-decided, it will be charged per man hour at AED 250 for assistants and AED 500 for auditors **or** AED 500 per instance of scope creep, whichever is higher.

Instances of scope creep typically observed in audit engagements (and will be charged extra) are:

- a. *if data is required to be drawn from your system by our auditors instead of your accountants*
- b. *if extensive training (beyond the indicated audit period) is required to be provided to your accountants to compile / analyse / improve the data and reporting structure available with you*
- c. *if the auditors need to visit you more often than planned (either to obtain audit information or explain financial statements or for other reasons), including time spent waiting at your office*
- d. *if the previous year's closing balances in the accounting system have been changed by you and during the current year's audit our staff is required to identify that difference during or before commencing the audit, then the time spent in identifying and giving effect to the differences*
- e. *if trial balance is revised multiple times during the audit or information is provided in a piecemeal manner requiring the auditor to re-work the same task several times or the auditor is required to frequently provide a "list of pending information" after each batch of information*
- f. *if trial balance is revised after draft financials are issued, causing issuing a second draft report*
- g. *if the initial draft is qualified and the qualification is removed in a subsequent draft audit report – this covers any and all modifications to the draft audit report as a result of information or explanation received subsequent to issuing a draft report*
- h. *make calculations that should be available with you before trial balance is submitted for audit:*
 - *depreciation on more than 3 assets (property, plant and equipment)*
 - *gratuity for more than 3 employees (as per visa, not shareholders) for more than 3 years*
 - *separating interest component from installments paid on a loan*
 - *deriving concentration and product-wise / geographic / currency-wise / other classification of revenue generated, trade receivables, trade payables and other broad reporting heads*
 - *impairment (ageing and expected credit loss calculation) for trade receivables & inventories*
 - *separating or separately identifying the contributions by multiple shareholders*
- i. *reconciling the bank statement(s) or borrowings or working out the repayment schedule of borrowings (like splitting the interest and principal component to work out the interest for the period and amount due as at the end of the reporting period)*
- j. *reclassifying previous year's financial information due to information that was not made available (to us or the other previous independent auditor) during the previous year's audit*
- k. *re-explaining matters to your directors or shareholders after your accountant has understood it completely but is unable to explain to his management (this will be charged at double the hourly rate, because it involves joint participation from the auditor and his colleagues)*
- l. *explaining to the management / shareholders why information is required / report is qualified / matters are emphasised, presenting references to support the auditor's contentions, suggesting remedies, editing qualifications / audit remarks and all other actions with regards to resolving all the disagreements with them (these will be charged at thrice the hourly rate as this requires the involvement of the auditor, his senior and the signing partner, all together, or sometimes even discussions with mentors and third party peers / mentors / advisors)*



- m. explaining why the auditor has taken a particular stand – note that in spite of all our efforts, it might not always be possible to completely explain the reasons why we have formed an opinion, as the result of our at least half a decade of specialised education and more than double as long of practical experience cannot really be summarised over a couple of conversations adequately – and this will be charged per man hour if more people are involved*
- n. if subsequent to our appointment as auditors, it is revealed that we are component auditors and we are required to report to the auditors of the parent entity (the fee will be increased in proportion to the time spent and may even be doubled in entirety)*
- o. other instances – note that this list is inclusive, not exhaustive.*

In general, time spent beyond the allocated time due to the lack of documents or information from your side, all time spent to bring the accounts to an auditable position and special assignments or any other work or rework after the audit is completed are counted in scope creep.

We have not reviewed the trial balance and internal controls of your Company. However, on the basis of the information provided by you so far, we are of the opinion that scope creep will not be required for this engagement. This paragraph is mentioned as a safeguard and may not apply to you.

We have allocated a period of 6 days for audit, 3 day for preparation of report and a further 2 days for review of report by or manager and signatory, assuming the quality of accounting records and information available is satisfactory for our opinion. These days will be utilised over a period of 25 working days from the day the complete information required for the audit is made available to us. This period does not include time spent for additional information sought during the reviews.

Note: The scope creep clause is a part of our standard "letter of engagement" for audit and all other engagements.