

Limiting the Scope of Engagement

In addition to preparing a written engagement agreement at the outset of an accountant-client relationship, accountants should be cautious not to inadvertently expand the scope of the engagement later.

Engagement creep occurs when the accountant agrees to perform tasks outside of the scope of the engagement. An example of this is when a CPA is engaged to prepare a year-end compilation, but decides to spot-check a month or two of reconciliations while at the office. This could create a potential liability issue if the spot-check reveals no issues, but later internal theft becomes known to the client.

By providing services beyond the scope of the initial engagement, the CPA may have taken on more responsibility than initially agreed. To protect against such expanded liability, an accountant should take care to provide services only within the agreed-upon scope of engagement, and to amend and update the engagement agreement when additional services are provided.