

DRAFT ENGAGEMENT LETTER

July 15, 2015

Ref: 000/00/ABC/00000/2015

To,
[Appointing / Controlling Office Address]
[Appointing / Controlling Office Address]
[Appointing / Controlling Office Address]
[Appointing / Controlling Office Address]

Dear Sir / Madam,

Sub: Audit Engagement Letter for agreed upon procedures in case of Stock Audit of [Name of Borrower] account with your [Name of Branch].

Ref: Your Letter No. [Ref No of Appointment Letter] dated [Date of Letter]

This is in reference to your letter dated [Date of Letter], appointing us to perform agreed upon procedures in respect of STOCK AUDIT of [Name of Borrower] account with your [Name of Branch].

This letter is to confirm our understanding of the terms and objectives of our engagement and the nature and limitations of the services that we will provide.

Our engagement will be conducted in accordance with the Standards on Related Services (SRS) 4400 "Engagements to Perform Agreed – upon Procedures regarding Financial Information", issued by the Institute of Chartered Accountants of India and we will indicate so in our report.

We have agreed to perform the following procedures and report to you the factual findings resulting from our work based on terms of reference of your appointment letter:

(Write all terms and Conditions as accepted from Appointment Letter received from Bank)

The above procedures are possible only if the borrower makes available all the necessary records, statements and documents along with books of account maintained upto date.

The information required for conducting stock audit shall be obtained from [Name of Bank], [Name of Branch] and from the office of borrower [Name of Borrower]. The time required for completion of the stock audit shall depend on the fact that proper coordination between us, branch and borrower takes place.

The procedures that we will perform are solely to assist you in STOCK AUDIT of borrower. Our report is not to be used for any other purpose and s solely for your information and / or for use by other consortium members.

The procedures that we will perform will not constitute an audit or a review made in accordance with the generally accepted auditing standards in India and consequently, no assurance will be expressed.

Our professional fees of Rs. (As per Appointment Letter) (plus service tax @ applicable rates, subject to deduction of TDS) will be billed on submission of report. The cost of travel, stay, local conveyance and other out of pocket expenses should be reimbursed to us on actual basis.

We look forward to your full cooperation and trust that you will make available to us whatever records, documentation and other information requested in connection with our engagement.

Please sign and return the copy of this letter to indicate that it is in accordance with your understanding of the terms of the engagement including the specific procedures, which we have agreed will be performed.

For [Name of the CA Firm]
Chartered Accountants

Acknowledged on behalf of
[Name of Bank]

[Name of Partner]
Partner
Place: Mumbai
Date:

Authorised Signatory
Place: Mumbai
Date:

DRAFT STOCK AUDIT REPORT

CONFIDENTIAL

Report of Factual Findings in Connection with Agreed Upon Procedures Assignment Related To Stock Audit of _____ Account with [Name of Bank], [Name of the Branch].

To,
Address of Bank/Branch
Address of Bank/Branch
Address of Bank/Branch
Address of Bank/Branch

Dear Sir,

We have performed the procedures agreed with you and enumerated below with respect to the Stock Audit of **[Name of Borrower]** for the period 01.04.2015 to 31.07.2015 set forth in the accompanying schedules (Stock Audit Report). Our engagement was undertaken in accordance with the Standard on Related Services (SRS) 4400 "Engagement to Perform Agreed upon Procedures regarding Financial Information", issued by the Institute of Chartered Accountants of India. The procedures were performed solely to assist you in evaluating the validity of the Stocks and Book Debts summarized as follows:

1. We obtained and checked the Stock Records and accounts receivables (Debtors) as at 31.07.2015 prepared by **[Name of Borrower]** and we compared the same with the general ledger account.
2. We compared the Stock Statements submitted to [Name of Bank] [Name of Branch] as at 31.07.2015 with the related particulars with the books of accounts maintained by the borrower.
3. We compared the stock statements with the physical verification of stock carried out by us at Factory / Godown Premises at [Address of Factory / Godown] on 05.08.2015.

As informed to us, the stock held at Warehouse – [Address of Warehouse] is not significant; hence we have not visited the same. We have also not visited the new factory location at [Address of Factory] since we were informed that the factory project is yet to be completed.

The deviations of items of stock were reconciled with purchases and consumptions, records for the period 31.07.2015 till date of our physical verification in case of Raw Material and with the Sales Records in case of Finished Goods.

We report our findings below:

- (a) The stock statements and the physical stock as on 31.07.2015 were matching as per our verification on respective dates of visit at both factories.
- (b) The amount of stock and book debts as shown in stock statement as on 31.07.2015 to be correct as per books of account produced before us and our subsequent physical verification of the same.

Our detailed observations are attached in the **STOCK AUDIT REPORT** and annexure, if any, to the said report given along with this report.

We have carried out physical verification of stock on selective basis.

Because the above procedures do not constitute either an audit or a review made in accordance with the generally accepted auditing standards in India, we do not express any assurance on the Stock and Book Debts as at 31.07.2015.

Had we performed additional procedures or had we performed an audit or review of the financial statements in accordance with the generally accepted auditing standards in India, other matters might have come to our attention that would have been reported to you.

Our report is solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose or to be distributed to any other parties.

This report relates only to Stock and book debts as specified above and does not extend to any financial statements of **[Name of Borrower]** taken as a whole.

We have discussed the draft stock audit report with the officials of [Name of Bank], [Name of Branch] and with the representative of Borrower on [Date of Discussion].

**For [Name of CA Firm]
Chartered Accountants**

**[Name of Partner]
Partner
Membership No. _____
Firm Registration No. _____**

Place: Mumbai
Date: 09.08.2015

Contents of Stock Audit Report

1. Executive Summary
2. Report Format as Suggested by Respective Bank
3. Copy of Insurance Policy of Primary / Collateral Security
4. Photographs of Unit Visit
5. Any other material which has reference in Audit Report

Executive Summary

Sr.	Particulars of Stock Audit	Shortcomings observed by the Auditors, if any

STOCK AUDIT REPORT

DATE OF VISIT AT BRANCH	
AT OFFICE	
AT UNIT	
DATE OF SUBMISSION OF REPORT	

Name of the Account	
Constitution	
Name of the Branch	
Name of the CA firm	
Name of the person who inspected the account	
Name of the person from the branch who accompanies CA	
Name of the person/s contacted at borrowers site:	

POSITION OF ACCOUNT AS ON 31.07.2015

[Rs. In Lacs]

Nature of facility	Limit sanctioned	O/s as on 31.07.2015
Fund Based Limits:-		
A. CC Hypothecation of Book Debts (upto 90 days)		
i.EPC		
ii.FBP/FBN		
B. Maximum (i +ii)		
I. Total WCFBL (A+B)		
II. Non Reducible – Overdraft against property		
III. Term Loan		
Total Fund Based limit (I+II+III)		

Non Fund Based Limits		
i. L/C Import DA 180 days		
ii. L/C Import DP		
A. Maximum (i+ii)		
B. BG (inland)		
Total Non Fund Based (A+B)		
Aggregate Limits(FB +NBF)		