

_____, 2020

To,

_____,(Proprietor/ Designated Partner of Firm/LLP/Individual/Karta of HUF)

Dear Sir,

Sub: Engagement letter for Tax Audit of Assessment Year (AY) 2020-2021

Ref: Your letter dated _____

Following our appointment as Tax Auditors of your Proprietor concern/Firm/LLP/HUF business under section 44AB / 44AD / 44ADA of the Income Tax Act, 1961 (“the Act”) for the previous year ending on 31st March, 2020 i.e. relevant to Assessment Year 2020-2021, we are pleased to confirm our acceptance by means of this Engagement Letter. The Engagement letter will remain in force till our continuous appointment as tax auditor of your Proprietor concern/Firm/LLP/HUF.

Our audit will be carried out in accordance with the applicable authoritative pronouncements of the Institute of Chartered Accountants of India with the object of our expressing an opinion on the financial statements in accordance with the provisions of compulsory audit of accounts for the tax purposes under **Section 44AB / 44AD / 44ADA** of the Act.

The basic objective of our audit is to express an opinion on the truth and fairness of profit and loss account for the year ended 31st March 2020 and balance sheet as at that date, and to comment on the matters U/s. 44AB / 44AD / 44ADA of the Act read with Rule 6G(1)(b) and Form No. 3CB / 3CD of the Income Tax Rules, 1962 (“the Rules”).

Auditor’s Responsibilities and Limitations:

1. We will conduct our audits in accordance with auditing standards generally accepted in India. Those standards require that we obtain reasonable, rather than absolute, assurance that the financial statements are free of material misstatement whether caused by error or fraud. However, having regard to the test nature of an audit, persuasive rather than conclusive nature of audit evidence together with any inherent limitations of any accounting and internal control system, there is an unavoidable risk that even some material misstatements of financial statements, resulting from fraud, and to a lesser extent error, if either exists, may remain undetected. Also, an audit is not designed to detect error or fraud that is immaterial to the financial statements.
2. As part of our audits, we will consider, solely for the purpose of planning our audit and determining the nature, timing, and extent of our audit procedures, the Assessee’s internal control system. This consideration will not be sufficient to enable us to provide assurance on internal control or to identify all reportable conditions.

Assessee’s Responsibilities and Representations:

3. The financial statements are the responsibility of the assessee, which is also responsible for establishing and maintaining effective internal control, for properly recording transactions in the accounting records, for safeguarding assets, for prevention and detection of fraud and error, for complying with accounting standards, for selection and consistent application of accounting policies, for preparing accounts on a going concern basis where the business of assessee is a going concern and for the overall fair presentation of the financial statements. Assessee is also responsible for providing proper explanation on material departures from accounting standards. Assessee is responsible for identifying and ensuring that the assessee complies with the laws and regulations applicable to its activities. The assessee is also responsible for making judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the entity at the end of the financial year and of the profit or loss of the entity for the period.
4. The Act requires the assessee to maintain such accounting records as will enable the assessee to prepare and furnish timely and correctly the prescribed particulars in Form 3CD. Therefore, it is necessary for the assessee to prepare timely and correctly the prescribed particulars in the form 3CD for us. As part of our audit process, we will request the assessee for the representation in this behalf and written confirmation that no information has been omitted or withheld from us.
5. Assessee is responsible for adjusting the financial statements to correct material misstatements and for affirming to us in its representation letter that the effects of any unadjusted audit differences accumulated by us during the current audits and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.
6. As required by auditing standards generally accepted in India, we will make specific inquiries of assessee about the representations contained in the financial statements and other reports as may be applicable and the effectiveness of internal control over financial reporting. Auditing standards generally accepted in India also require that, at the conclusion of the audit, we obtain representation letters from certain members of assessee about these matters. The responses to those inquiries, the written representations, and the results of our audit tests comprise the evidential matter we will rely upon in forming an opinion on the financial statements or other reports. Because of the importance of assessee's representations to an effective audit and review, the assessee agrees to release _____ and its personnel / Partner from any liability and costs relating to our services under this letter attributable to any misrepresentations by assessee. Assessee is responsible for providing us with all financial records and related information on a timely basis and its failure to do so may cause us to delay our report, modify our procedures, or even terminate our engagement.
7. If you intend to publish or otherwise reproduce the financial statements or other reports together with our report (or otherwise make reference to our firm) in a document that contains other information, you agree to (a) provide us with a draft of the document to read, and (b) obtain our approval for inclusion of our report, before it is printed and distributed. The assessee of the assessee is responsible for such document and our responsibility is restricted only to the documents that have been issued under our name.

8. We shall have unrestricted access to whatever records, documentation and other information requested in connection with the engagement.
9. The working papers prepared in conjunction with our audits constitute confidential information and are the property of our firm, and will be retained by us in accordance with our Firm's policies and procedures. However we hereby acknowledge that the details or data received from you for preparation of these working papers are confidential information of the assessee and will not be disclosed by us to any third party, without the prior written consent from the assessee, except as set out in paragraph 10 below or when required by legislation.
10. In accordance with the Statement on Peer Review issued by the Institute of Chartered Accountants of India, our attestation services may be subject to a peer review to be conducted by an independent reviewer who can inspect, examine or take abstract of our work papers including those provided by you.

Fees and Billings:

11. The fees for our services, as described in paragraph 1 of this letter, will be an amount which would be decided with the management plus out-of pocket expenses and Good and Services Tax, as applicable. In subsequent years, we will provide you with a similar estimate of our fees and expenses prior to the commencement of our audit work. Our bills are payable promptly on presentation.
12. Except to the extent finally determined to have resulted from _____'s gross negligence or willful misconduct, _____'s maximum liability to the assessee, for any reason, relating to the services under this letter shall be limited to the fees paid to _____ for the services or work product giving rise to liability. The assessee will indemnify and hold harmless _____ and its personnel from any claims, liabilities, costs and expenses relating to our services under this letter.
13. In the event we are requested or authorized by the assessee or are required by government regulation, or other legal process to produce our documents or our personnel as witnesses with respect to our engagements for the assessee, the assessee will reimburse us for our professional time and expenses, as well as the fees and expenses of our counsel, incurred in responding to such requests.

Other Matters:

14. Any additional services or any work for advisory services that you may request, and that we agree to provide, will be the subject of separate written arrangements.

15. Should conditions not presently anticipated preclude us from completing our audit or issuing a report as contemplated, we will advise you promptly and take such action as we deem appropriate under the circumstances.
16. If any portion of this letter is held to be void, invalid, or otherwise unenforceable, in whole or part, the remaining portions of this letter shall remain in effect.

If these arrangements are acceptable, please sign one copy of this letter and return it to us. We very much appreciate the opportunity to serve you and would be pleased to furnish any additional information you may request concerning our responsibilities and functions. We trust that our association will be a long and mutually beneficial one.

Yours faithfully,
For _____
Chartered Accountants

(Name of the Proprietor / Partner)
Proprietor / Partner
Date: _____, 2020
Place: _____

Acceptance:

For _____

Proprietor/Partner
Date: _____, 2020