

## Engagement Letter

To, the Board of Directors of \_\_\_\_\_ **Limited**  
(Address)

Dear Sirs,

We refer to your letter dated \_\_\_\_\_ informing us about our appointment / reappointment / ratification of appointment as the auditors of the Company. You have requested that we audit the financial statements of the Company as defined in Section 2(40) of the Companies Act, 2013 ('2013 Act'), for the financial year beginning **April 1, \_\_\_\_\_ and ending March 31, \_\_\_\_**. The financial statements of the Company include, wherever applicable, consolidated financial statements of the Company and of all its subsidiaries, associate companies and joint ventures. We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter.

Our audit will be conducted with the objective of our expressing an opinion whether the aforesaid financial statements give the information required by the 2013 Act in the manner so required, and give a true and fair view in conformity with the applicable accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, \_\_\_\_\_, and its profit/loss and its cash flows for the year ended on that date which, *inter alia*, includes reporting in conjunction whether the Company has an adequate internal financial controls system over financial reporting in place and the operating effectiveness of such controls, where applicable. In forming our opinion on the financial statements, we will rely on the work of branch auditors, if any, appointed by the Company and our report would expressly state the fact of such reliance.

We will conduct our audit in accordance with the Standards on Auditing (SAs), issued by the Institute of Chartered Accountants of India (ICAI) and deemed to be prescribed by the Central Government in accordance with Section 143(10) of the 2013 Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances.

An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

Because of the inherent limitations of an audit, including the possibility of collusion or improper management override of controls, there is an unavoidable risk that material misstatements due to fraud or error may occur and not be detected, even though the audit is properly planned and performed in accordance with the SAs. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our audit will be conducted on the basis that the Management and those charged with governance (Audit Committee / Board) acknowledge and understand that they have the responsibility for:

- (a) The preparation of financial statements that give a true and fair view in accordance with the applicable Financial Reporting Standards and other generally accepted accounting principles in India. This includes:
  - Compliance with the applicable provisions of the 2013 Act;
  - Proper maintenance of accounts and other matters connected therewith;
  - The responsibility for the preparation of the financial statements on a going concern basis;
  - The preparation of the annual accounts in accordance with, the applicable accounting standards and providing proper explanation relating to any material departures from those accounting standards;
  - Selection of accounting policies and applying them consistently and 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 Company at the end of the financial year and of the profit and loss of the Company for that period;
  - Taking proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the 2013 Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
  - Laying down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively throughout the year; and
  - Devising proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively throughout the year.
- (b) Identifying and informing us of financial transactions or matters that may have any adverse effect on the functioning of the Company.
- (c) Identifying and informing us of :
  - All the pending litigations and confirming that the impact of the pending litigations on the Company's financial position has been disclosed in its financial statements;

- All material foreseeable losses, if any, on long term contracts including derivative contracts and the accrual for such losses as required under any law or accounting standards; and
  - Any delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.
- (d) Informing us of facts that may affect the financial statements, of which Management may become aware during the period from the date of our report to the date the financial statements are issued.
- (e) Identifying and informing us as to whether any director is disqualified as on March 31, \_\_\_\_ from being appointed as a director in terms of Section 164 (2) of the 2013 Act. This should be supported by written representations received from the directors as on March 31, \_\_\_\_ and taken on record by the Board of Directors.
- (f) Providing us, *inter alia*, with:
- (i) Access, at all times, to all information, including the books, accounts, vouchers and other records and documentation of the Company, whether kept at the Head Office or elsewhere, of which the Management is aware that are relevant to the preparation of the financial statements such as records, documentation and other matters. This will include books of account maintained in electronic mode;
  - (ii) Access, at all times, to the records of all the subsidiaries (including associate companies and joint ventures as per Explanation to Section 129(3) of the 2013 Act), if any, of the Company in so far as it relates to the consolidation of its financial statements, as envisaged in the 2013 Act;
  - (iii) Access to reports, if any, relating to internal reporting on frauds (e.g., vigil mechanism reports etc.), including those submitted by cost accountant or company secretary in practice to the extent it relates to their reporting on frauds in accordance with the requirements of Section 143(12) of the 2013 Act;
  - (iv) Additional information that we may request from the Management for the purposes of our audit;
  - (v) Unrestricted access to persons within the Company from whom we deem it necessary to obtain audit evidence. This includes our entitlement to require from the officers of the Company such information and explanations as we may think necessary for the performance of our duties as the auditors of the Company; and
  - (vi) All the required support to discharge our duties as the statutory auditors as stipulated under the Companies Act, 2013/ ICAI standards on auditing and applicable guidance.
- (g) Acknowledging and understanding that the Management has the responsibility for laying down internal financial controls to be followed by the Company and for ensuring that such internal financial controls are adequate and are operating effectively throughout the year including:

- (i) Establishing and maintaining adequate and effective internal financial controls based on the control criteria “the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India” for ensuring the orderly and efficient conduct of its business, including adherence to company’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information.
- (ii) To make available to us their evaluation and assessment of the adequacy and effectiveness of the company's internal financial controls, based on the control criteria as mentioned above.
- (iii) To inform us of any communications from regulatory agencies concerning non-compliance with or deficiencies in financial reporting practices.
- (iv) Providing management’s conclusion over the company's internal financial controls based on the control criteria set above as of the balance sheet date;
- (v) Providing the component auditors’ report under section 143(3)(i) in the case of components that are companies covered under the Companies Act, 2013 that form part of the consolidated financial statements of the parent company

As part of our audit process, we will request from the Management written confirmation concerning representations made to us in connection with our audit.

Our report prepared in accordance with relevant provisions of the 2013 Act would be addressed to the shareholders of the Company for adoption of the accounts at the Annual General Meeting. In respect of other services, our report would be addressed to the Board of Directors. The form and content of our report may need to be amended in the light of our audit findings or in accordance with the regulatory requirement.

In accordance with the requirements of Section 143(12) of the 2013 Act, if in the course of performance of our duties as auditor, we have reason to believe that an offence involving fraud is being or has been committed against the Company by officers or employees of the Company, we will be required to report to the Central Government, in accordance with the rules prescribed in this regard which, *inter alia*, requires us to forward our report to the Board or Audit Committee, as the case may be, seeking their reply or observations, to enable us to forward the same to the Central Government.

As stated above, given that we are required as per Section 143(12) of the Act to report on frauds, such reporting will be made in good faith and, therefore, cannot be considered as breach of maintenance of client confidentiality requirement or be subject to any suit, prosecution or other legal proceeding since it is done in pursuance of the 2013 Act or any rules or orders made thereunder.

We also wish to invite your attention to the fact that our audit process is subject to 'peer review' / 'quality review' under the Chartered Accountants Act, 1949. The reviewer(s) may inspect, examine or take abstract of our working papers during the course of the peer review/quality review.

We may involve specialists and staff from our affiliated network firms to perform certain specific audit procedures during the course of our audit.

In terms of Standard on Auditing 720 – “The Auditor’s Responsibility in Relation to Other Information in Documents Containing Audited Financial Statements” issued by the ICAI and deemed to be prescribed by the Central Government in accordance with Section 143(10) of the 2013 Act, we request you to provide to us a Draft of the Annual Report containing the audited financial statements so as to enable us to read the same and communicate material inconsistencies, if any, with the audited financial statements, before issuing the auditor’s report on the financial statements.

#### Fees and Billings

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.

Our fees are based on the level of staff and the time required to complete each assignment. These would be reviewed every year, after considering the impact of increase / decrease in staff costs based on changes in payment scales, inflation and changes in assignment scope in your business.

Except to the extent finally determined to have resulted from \_\_\_\_\_’s gross negligence or willful misconduct, \_\_\_\_\_’s maximum liability to the Company, 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 Company will indemnify and hold harmless \_\_\_\_\_ and its personnel from any claims, liabilities, costs and expenses relating to our services under this letter.

In the event we are requested or authorised by the Company 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 Company, the Company 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.

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.

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.

We look forward to full cooperation from your staff during our audit.

Please sign and return the attached copy of this letter to indicate your acknowledgement of, and agreement with, the arrangements for our audit of the financial statements including our respective responsibilities.

Yours faithfully,

For \_\_\_\_\_  
Chartered Accountants

(Name of the Proprietor / Partner)  
Proprietor / Partner

Date:

Place:

Acknowledged on behalf of \_\_\_\_\_ Limited

Signature \_\_\_\_\_

Name and Designation: \_\_\_\_\_

Date: \_\_\_\_\_