[Date]

[The Board of Directors/Other Authorised Person]

[Entity Name]

[Address Line1]

[Address Line 2]

[City, State]

Dear [Sir/Madam**]**,

**Sub: Statutory Audit of [Entity Name] for the financial years beginning [April 1, 20XX] and ending on [March 31, 20XX]**

I refer to your letter dated [letter dated] informing me about my [appointment / reappointment] as the auditor of [Entity Name] (‘Company’) in the Annual General Meeting / Extra Ordinary General Meeting held on [AGMDD/MM/YY] for a period of [five] years commencing from the conclusion of the [Meeting no.] Annual General Meeting of the Company to the conclusion of the [Meeting no.+5] Annual General Meeting covering the financial years beginning [April 1, 20XX] and ending on [March 31, 20XX]. This Engagement Letter (‘Agreement’ or ‘Engagement’) confirms the understanding of mutual responsibilities upon which [Member Name] - (Membership Number - [Membership Number]) has been engaged to perform the following services (‘Services’) for the Company.

# Scope of Work

The Company has requested that I perform the work outlined below in relation to the financial years ending up to [March 31, 20XX].

To conduct the Statutory Audit of the Financial Statements of the Company as defined under section 2(40) of the Companies Act, 2013 (‘2013 Act’), [which includes ][Standalone Financial Statements and Consolidated Financial Statements] for the financial years beginning [April 1, 20XX] and ending [March 31, 20XX].

# Auditor’s Responsibility

* 1. I will conduct the 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 I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the [Standalone Financial Statements and Consolidated Financial Statements] are free from material misstatements. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the [Standalone Financial Statements and Consolidated Financial Statements]. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the [Standalone Financial Statements and Consolidated Financial Statements], whether due to fraud or error.
  2. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management, as well as evaluating the overall presentation of the [Standalone Financial Statements and Consolidated Financial Statements].
  3. 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.
  4. In making risk assessment, I consider internal controls relevant to the Company’s preparation of the [Standalone Financial Statements and Consolidated Financial Statements] in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on whether the Company has in place internal financial control with reference to [Standalone Financial Statements and Consolidated Financial Statements] over financial reporting and operating effectiveness of such controls. However, I will communicate to the Company in writing concerning any significant deficiencies in internal control relevant to the audit of the [Standalone Financial Statements and Consolidated Financial Statements] that I identified during the audit.
  5. I will conclude on the appropriateness of Management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the [Company / Group]’s ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor’s report to the related disclosures in the [Standalone Financial Statements and Consolidated Financial Statements] or, if such disclosures are inadequate, to modify the audit opinion. My conclusions are based on the audit evidence obtained up to the date of the auditor’s report. However, future events or conditions may cause the [Company / Group] to cease to continue as a going concern.
  6. I will evaluate the overall presentation, structure and content of the [Standalone Financial Statements and Consolidated Financial Statements], including the disclosures, and whether the [Standalone Financial Statements and Consolidated Financial Statements] represent the underlying transactions and events in a manner that achieves fair presentation.
  7. The audit shall be carried out in accordance with auditing standards generally accepted in India, which includes an examination of evidence on a test check basis and having regard to the materiality of the items involved. Materiality is assessed based on both quantitative and qualitative factors.
  8. In specific circumstances, when necessary to obtain specialized knowledge or expertise beyond accounting or auditing, I may engage an expert to assist me in the audit process. In such cases I will be relying upon the work performed by the expert (as stated under SA 620 - “Using the work of an Auditor’s Expert”). The expert appointed by me will work under my direction and supervision and I will remain responsible for the audit opinion expressed.
  9. Pursuant to the ICAI requirements, I am required to update certain relevant details of the operations of the Entity on the Unique Document Identification Number (UDIN) Portal of the ICAI for generating the UDIN, which is required to be stated on the reports issued by me.
  10. As part of the statutory audit described in the Scope of Work of this Engagement, I will additionally report on Paragraphs 3 and 4 of the Companies (Auditor’s Report) Order, 2020 (‘CARO 2020’), if applicable, issued by the Central Government under section 143(11) of the 2013 Act. The reporting under CARO 2020 is supplemental to the audit of the [Standalone Financial Statements and Consolidated Financial Statements] of the Company. The procedures required to be performed by me would generally be within the framework of the principles enunciated in SAs prescribed under section 143(10) of the 2013 Act. However, reporting on various clauses of CARO 2020 may require specific audit procedures to be performed which could be in addition to audit procedures required to express an opinion on the [Standalone Financial Statements and Consolidated Financial Statements].

# Management’s Responsibility

* 1. The audit will be conducted on the basis that Management and, where appropriate, those charged with governance (Audit Committee / Board of Directors) of the Company, (‘Management’), acknowledge and understand that they have responsibility:

1. To use such accounting software for maintaining its books of account which has a feature of recording audit trail (edit log) facility and the same should be operated throughout the year for all transactions recorded in that software and daily back up of such transactions as required under section 128 of the 2013 Act;
2. To implement such necessary controls to prevent or detect tampering with the audit trail feature and to ensure that it has not been tampered with and the audit trail and the daily back up has been preserved by the Company as per the statutory requirements for record retention;
3. For the preparation and fair presentation of the [Standalone Financial Statements and Consolidated Financial Statements] along with adequate disclosures in accordance with applicable financial reporting framework and generally accepted accounting principles. This includes:
   1. Compliance with the applicable provisions of the 2013 Act;
   2. Proper maintenance of accounts and other matters connected therewith;
   3. The preparation of the [Standalone Financial Statements and Consolidated Financial Statements] in accordance with, the applicable accounting standards and providing proper explanation relating to any material departures from those accounting standards;
   4. 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;
   5. Taking proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of 2013 Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
   6. Devising proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively; and
   7. Assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting for the preparation of the [Standalone Financial Statements and Consolidated Financial Statements].
4. For identifying and informing me of financial transactions or matters that may have any adverse effect on the functioning of the Company.
5. For identifying and informing me of:
6. All the pending litigations and confirming that the impact of the pending litigations on the [Company / Group]’s financial position has been disclosed in its [Standalone Financial Statements and Consolidated Financial Statements];
7. All material foreseeable losses, if any, on long-term agreements including derivative contracts and the accrual for such losses as required under any law or accounting standards;
8. Any delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company;
9. (i) Other than as disclosed in the notes to the accounts, funds have not been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Company to or in any other person(s) or entity(ies), including foreign entities (“Intermediaries”), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Company (“Ultimate Beneficiaries”) or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries; and

(ii) Other than as disclosed in the notes to the accounts, funds have not been received by the Company from any person(s) or entity(ies), including foreign entities (“Funding Parties”), with the understanding, whether recorded in writing or otherwise, that the Company shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party (“Ultimate Beneficiaries”) or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;

1. Any dividend declared or paid during the year by the Company in compliance with section 123 of the 2013 Act; and
2. Using such accounting software for maintaining its books of account which has a feature of recording audit trail (edit log) facility and the same has been operated throughout the year for all transactions recorded in the software and the audit trail feature has not been tampered with and the audit trail has been preserved by the Company as per the statutory requirements for record retention.
3. For informing me of facts that may affect the [Standalone Financial Statements and Consolidated Financial Statements], of which Management may become aware during the period from the date of the report to the date the [Standalone Financial Statements and Consolidated Financial Statements] are issued.
4. For identifying and informing me as to whether any director is disqualified 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 and taken on record by the Board of Directors.
5. To provide me, *inter alia*, with:
6. Access, at all times, to all information including the books, accounts, vouchers, other records including digital records and documentation of the Company, whether kept at head office or elsewhere, that Management is aware that is relevant to the preparation of the [Standalone Financial Statements and Consolidated Financial Statements] such as records, documentation and other matters including books of account maintained in electronic mode;
7. Additional information that I may request from Management for the purpose of the audit;
8. Unrestricted access to persons within the Company from whom I determine it necessary to obtain audit evidence. This includes my entitlement to require from the officers of the Company such information and explanations as I may think necessary for the performance of my duties as the auditor of the Company;
9. 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; and
10. All the internal audit reports covering the period up to the end of the financial year under audit prior to finalising the audit report.
11. 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 Company at the end of the financial year and of the profit and loss of the Company for the period.
    1. The Management’s failure to provide me with the information referred to above or access to persons within the Company may cause me to, modify the audit procedures, delay the report, issue a modified opinion or even terminate the audit engagement.
    2. The Management understands and acknowledges that the electronic transmission of information via the internet or otherwise, has inherent risks. Unless otherwise agreed, despite the inherent risks, the management authorises me to communicate electronically with all the concerned parties on all matters related to the engagement.
    3. I will make specific inquiries of Management about the representations contained in the [Standalone Financial Statements and Consolidated Financial Statements]. At the conclusion of the engagement, I will also obtain written representations from Management about these matters, and that Management:
12. has fulfilled its responsibility for the preparation and accurate presentation of the [Standalone Financial Statements and Consolidated Financial Statements] in accordance with the Companies (Accounting Standards) Rules, 2006 or the Companies (Indian Accounting Standards) Rules, 2015 or applicable financial reporting framework and that all transactions have been recorded and are reflected in the [Standalone Financial Statements and Consolidated Financial Statements];
13. has provided me with all relevant information and access as contemplated in this Agreement; and
14. understands the importance of the said written Management’s representations for an effective audit, and hence the Company agrees to release me and my personnel from any liability and costs relating to the Services attributable to any misrepresentations by Management.

The responses to those inquiries, the written representations, and the results of the audit procedures comprise evidence on which I will rely in forming an opinion on the [Standalone Financial Statements and Consolidated Financial Statements].

* 1. Adjusting the [Standalone Financial Statements and Consolidated Financial Statements] including disclosures, to correct material misstatements and for affirming to me in a representation letter that the effects of any uncorrected misstatements aggregated by me are immaterial, both individually and in aggregate, to the [Standalone Financial Statements and Consolidated Financial Statements] taken as a whole.
  2. The Management acknowledges its responsibility to communicate to and obtain approval from the Audit Committee or the Board of Directors, as may be applicable, for any additional non-audit Services proposed by me as required under section 144 of the 2013 Act before commencement of the said Services.
  3. Management is responsible for setting up mechanism to identify and address any non-compliance or suspected non-compliance with laws and regulations applicable to the Company and shall ensure that the relevant information and/or updates in regard to such non-compliance or suspected non-compliance is provided to me on timely basis.
  4. With respect to reporting on CARO 2020, if applicable, identifying and providing information which may be additionally required by me for the purposes of reporting therein. The Management understands that CARO 2020 is confined to certain specific matters, however, it does not imply that my duties in respect of other matters normally covered in the course of an audit of the [Standalone Financial Statements and Consolidated Financial Statements] are, in any way, limited by CARO 2020.
  5. In case where auditor has been provided with documents containing digital signatures embedded therein, Management states that they have adopted sufficient safeguards to prevent any unauthorised access or misuse of the digital signature, including implementing robust security measures, regular monitoring to prevent any misuse of the digital signature, placing relevant security controls, integrity checks and other necessary controls on, using documents embedded with digital signatures.
  6. The Company consents for use, maintenance and where necessary, transfer of the data and information provided or made available by the Company (including personal information) and represents that it has the lawful right to provide the same to me. The Company agrees that on request, it will promptly provide me with supporting documents to corroborate the foregoing.

In case where the auditor has been provided with documents and/ or information in digital format, whether obtained / prepared / extracted from Company’s Information Technology system or from any other sources in any mode including but not limited to Excel/Word/PDF/Zip files etc., the Management acknowledges its responsibility with respect to reliability and integrity of such information.

# Matters to be Communicated to Those Charged with Governance

In accordance with the Standards on Auditing, I will communicate certain matters related to the conduct and results of the audit to you. Such matters include, but may not be limited to, the following:

1. Significant findings from the audit including my views about the significant qualitative aspects of the accounting practices, including accounting policies, accounting estimates, [Standalone Financial Statements and Consolidated Financial Statements] disclosures and other matters that are in my professional judgment, significant and relevant to the Management regarding the oversight of the financial reporting process, including significant matters in connection with the Company’s related parties; and
2. Written representations requested from the Management and significant matters, if any, arising from the audit that were discussed, or the subject of correspondence, with the Management.

# Complete set of [Standalone Financial Statements and Consolidated Financial Statements]

To enable me to provide audit report on the complete set of [Standalone Financial Statements and Consolidated Financial Statements] on the same date as the date of the audited Financial Statements, the Company shall provide the complete set of [Standalone Financial Statements and Consolidated Financial Statements] including the notes, for me to perform audit procedures and report on them. The report will be issued only when I have completed all the audit procedures on the information being reported upon, including the engagement quality control review as required under the SAs.

# Working Papers

The working papers, files and other electronic documents prepared in connection with the audits are my property, constitute confidential information and will be retained by me in accordance with the policies and procedures. However, I hereby acknowledge that the details or data received from you for the preparation of these working papers are confidential information of the Company and will not be disclosed by me to any third party, except as set out in para below or when required by legislation, without the prior consent from the Company.

# Confidentiality of Information

I will conduct the audit in accordance with the confidentiality requirements prescribed under the Code of Ethics of the ICAI which requires that the Company’s information acquired by me under the course of the audit is subject to strict confidentiality. In connection with this engagement, I may access and acquire confidential and other sensitive information (‘confidential information’). I shall adhere to the confidentiality restrictions of the regulatory authorities that governs me, as well as any obligations imposed on me by any applicable laws. The information relating to you, my relationship with you, and to this engagement, including confidential information, may be accessed by other parties who facilitate the administration of my Services or support my infrastructure. I shall remain responsible for preserving confidentiality if confidential information is shared with or accessed by such other parties. I may remove, or arrange for the removal of, names and any other identifiers from confidential information and then use such anonymised information for lawful purposes chosen at my discretion (including UDIN). This clause shall not prohibit my disclosure of confidential information, in confidence, to my professional indemnity insurers or advisers or my disclosure otherwise permitted under this Engagement Letter. This clause shall not apply where confidential information properly enters the public domain or no longer remains confidential without my default.

I also wish to invite your attention to the fact that the audit process is subject to internal quality reviews / Peer Review / Quality Review / any other Regulatory Review under the Chartered Accountants Act, 1949 or any other law for the time being in force. The reviewer(s) may inspect, examine or take abstracts of my working papers during the course of such review. The reviewer(s) shall be bound by similar confidentiality obligation as stated above.

# Independence

In connection with the audit engagement, the Management will assume certain roles and responsibilities in an effort to assist me in maintaining independence, ensuring compliance with the applicable independence requirements and will ensure that the Company, together with its related entities, has policies and procedures in place for the purpose of ensuring that neither the Company nor any of its related entities will act to engage me or accept from me any Service that has not been subjected to the pre-approval process, where required, or that would impair my independence.

In connection with the foregoing, the Company agrees to furnish and keep me updated with:

* 1. a corporate tree that identifies the legal names of the Company’s related entities; and
  2. any equity or debt securities of its related entities that are available for public subscription together with related securities identification information (e.g., ISIN®, Trading symbol).

I will communicate to my employees that the Company is an audit client.

The Management will coordinate with me to ensure that my independence is not impaired by hiring professional employees who were part of the audit engagement team for certain positions. The Management of the Company will ensure that the Company, together with its related entities, also has policies and procedures in place for the purposes of ensuring that my independence will not be impaired by hiring a professional employee as a director or officer; or an employee in a position to exert significant influence over the preparation of the Company’s accounting records or the [Standalone Financial Statements and Consolidated Financial Statements] that would cause a violation of independence requirements. Any employment opportunities with the Company for professional employees who were part of the audit engagement team should be discussed with me before entering into substantive employment conversations with such professional employee.

The Management will coordinate with me to ensure that my independence is not impaired by appointing my relative as director or any similar position or hiring my relative as key managerial personnel as defined under section 2(51) of the 2013 Act. Any of the stated opportunities with the Company for my relative should be discussed with me before entering into substantive conversations with my relative.

# Limitation of Damages

Nothing in this Engagement Letter shall exclude or restrict or prevent a claim being brought in respect of: (i) any liability finally judicially determined to arise primarily from the fraud or bad faith by me as an auditor; or (ii) any other liabilities which cannot lawfully be limited or excluded, save to the extent permitted by law.

The Company agrees that the auditor shall not be liable to the Company for any losses for an aggregate amount in excess of the fees paid by the Company to the auditor under the Agreement.

I will not be liable for losses arising as a result of the provision of false, misleading or incomplete information or documentation or the withholding or concealment or misrepresentation of information or documentation by any person or the Company.

# Indemnification

The Company, by executing this Agreement, agrees to indemnify and hold me harmless from all third-party claims, damages, liabilities and costs, during or after the period of rendering the Services covered under this Agreement, other than those resulting from my wilful misconduct or negligence.

# Fees

* 1. The audit fees for the Services defined under Scope of Work of this Engagement will be INR [INR] exclusive of Goods and Services Tax (‘GST’).
  2. GST and other statutory liabilities, as applicable will be charged separately. The bills are payable promptly on presentation.
  3. Direct out-of-pocket expenses which are necessarily incurred while engaged on this assignment will be billed to you at cost and are to be reimbursed by the Company. Out-of-pocket expenses include conveyance, external disbursements, outstation travel, lodging and boarding, etc.

# Invoicing

* 1. Invoices for expenses shall be provided as soon as possible after they have been incurred. Invoices for professional services rendered will be sent after the completion of Services or on progressive basis. Payment of the invoiced amount may be made by direct transfer into my bank account, the details of which will be made available.
  2. Unless specifically waived, interest will be charged on all amounts outstanding, beyond 30 days from the invoice date. The Company acknowledges and accepts that I may suspend the provision of the Services until such time that all amounts due are paid in full.

# Governing Law, Jurisdiction & Dispute Resolution

# This Agreement, and any non-contractual obligations arising out of this Agreement or the Services, shall be governed by, and construed in accordance with, the laws of India.

# If a dispute arises, the parties will attempt to resolve it by discussion and negotiation before commencing legal proceedings.

# All disputes or differences, arising out of the Agreement shall be deemed to have arisen at a place where the office of the auditor is situated and only courts having jurisdiction over the place where the office of the auditor is situated shall determine the same.

# Anti-Money Laundering & Prevention of Corruption

Each party shall comply with applicable policies, laws and regulations relating to Anti-Money Laundering and Prevention of Corruption activities.

# Entire Agreement

This Agreement sets out the entire Agreement and understanding between the Parties in connection with the Engagement. Any modifications or variations to the Agreement must be in writing and signed by an authorised representative of each party.

# End-Use

The audit report and the opinion is solely for the purpose of the subject matter specified in Scope of Work clause of this Engagement Letter.

If you intend to publish or otherwise reproduce the opinion or otherwise make reference to me in a document that contains other information, you agree to provide me with a draft of the document to read and obtain my approval for inclusion of the report, before it is printed and distributed.

You are responsible for such documents and my responsibility is restricted only to the documents that have been issued under my name.

# Termination of Agreement

Either of the parties to this Agreement may terminate the Agreement by providing 30 days written notice to the other party in case of a material breach by the other party which does not remedy the breach within 5 business days upon receipt of a notice. In these circumstances, I shall be entitled to raise an invoice in respect of fees, on the basis of the time spent at agreed hourly rates, up to the amount of the fixed fee (if applicable), and out-of-pocket expenses incurred till such notice of termination is communicated. I shall be entitled to terminate this Agreement in the event of changes to laws, regulations, or the shareholding / group structure that would render such services illegal or in conflict with independence or professional rules.

If these arrangements are acceptable, please sign one copy of this letter and return it to me.

I very much appreciate the opportunity to serve you and would be pleased to furnish any additional information you may request concerning my responsibilities and functions.

I trust that our association will be a long and mutually beneficial one. I look forward to working with you.

Yours faithfully,

**[Member Name]**

**Chartered Accountant**

# Acknowledgement

# Acknowledged on behalf of [Entity Name] in terms of the approval dated by the Audit Committee / Board of Directors / Authorised Representative.

**Signature**

**Name and Designation:**

**Date:**

**Place:**