Format of Letter of Engagement for conducting Tax Audit

Date: ______

To

M/s ______________________
(Mention the name & address of the client)

Sir,

1. We have been appointed to audit the balance sheet of M/s __________________________________________ (mention the name of client) as at 31st March, ______ and profit and loss account for the year ended on that date. We are pleased to confirm our acceptance and our understanding of this engagement by means of this letter. 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 and also in accordance with the provisions of compulsory audit of accounts for the tax purposes under Section 44 AB of the Income-tax Act, 1961.

2. On the basis of our examination, we expect to report:

   a) Whether the balance sheet and profit and loss account are in agreement with the books of account of the firm; and
   b) Whether, in our opinion and to the best of our information and according to the explanations given to us, the financial statements are a true and fair view-
      i) in the case of balance sheet, of the state of affairs of the entity as at the last day of the accounting year; and
      ii) in the case of profit and loss account, of the profit or loss for the accounting year.

3. In forming our opinion on the financial statements, we will perform sufficient tests to obtain reasonable assurance as to whether the information contained in the accounting records and other source date is reliable and sufficient as the basis for preparation of the financial statements. We will also examine whether the information is properly presented in the financial statements.

4. We wish to clarify that the responsibility for the preparation of the financial statements including adequate disclosure is that of the management of the firm. This includes the maintenance of adequate accounting records and internal controls, the selection and application of accounting policies, and the safeguarding of the assets of the entity. As part of our audit process, we will expect to receive from management written confirmation of representation made to us in connection with audit.

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5. In forming our opinion, we shall carry out procedures designed to obtain evidence that will provide reasonable assurance that the financial information is properly stated in all material aspects. We have, therefore, a reasonable expectation of detecting material misstatements in the financial information resulting from fraud or error. However, since the audit evidence sought by us is persuasive rather than conclusive in nature, there is a possibility that some material misstatements of the financial information resulting from fraud and, to a lesser, extent, error, if either exist, may not be detected.

6. We look forward to full co-operation from your staff and we trust that they will make available to us the records, documentation and other information and explanations required in connection with our audit.

7. Our fees will be billed as follows”

The total audit fee of Rs. ______/- (excluding service-tax) (Rupees ______________ only) will be billed on submission of the audit report.

8. We wish to emphasis that our audit report will be exclusively for income-tax purposes. We shall not be liable for any way to any third party to whom you may make the audit report available.

9. We also wish to invite your attention to the fact that our audit process is subject to ‘peer review’ under the Chartered Accountants Act, 1949. The reviewer may examine our working papers during the course of the peer review.

Please sign and return the attached copy of this letter to indicate that it is in accordance with your understanding of the arrangement for our audit of the financial statements.

Thanking you,

Yours faithfully,
For P A R Y & Co.,
Chartered Accountants

(name & designation of authorised person)

//ACCEPTED//
(Signature on behalf of client with rubber stamp)