Example of an Audit Engagement Letter

Audit Engagement Letter

To the Board of Directors
ABC Company Limited:
You have requested that we audit the F.S. of ABC Company Limited, which comprise the Balance Sheet as at March 31, 20XX, and the Statement of Profit & Loss, and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

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 on the financial statements.

We will conduct our audit in accordance with Standards on Auditing (SAs), issued by the ICAI. 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 misstatement. The procedures selected depend on the auditor's judgement, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error.

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

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even through the audit is properly planned and performed in accordance with SAs.

Our audit will be conducted on the basis that management and, where appropriate, TCWG acknowledge and understand that they have responsibility for:

(i) The preparation of F.S. in accordance with the applicable FRF.
(ii) Exercising necessary internal control to enable the preparation of F.S. that are free from material misstatement, whether due to fraud or error.
(iii) To provide the auditor with:
- Access to all relevant information such as records, documentation and other matters.
- Additional information that the auditor may request from management for the purpose of the audit.
- Unrestricted access to persons within the entity from whom the auditor determines it necessary to obtain audit evidence.

As part of our audit process, we will request from management and, where appropriate, TYCWG, written confermation concerning representations made to us in connection with the audit.

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 to be conducted by an independent reviewer. The reviewer may inspect, examine or take abstract of our working papers during the course of the peer review.

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

The form and content of our report may need to be amended in the light of our audit findings.

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

XYZ & Co.
Chartered Accountants

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Signature
(Name of the Member)
(Designation)

Date:
Place:
Acknowledged on behalf of ABC Company by

....
(Signature)
Name and Designation
Date