To the Board of Directors of ABC Company Limited:

**The objective and scope of the audit**

You have requested that I / we carry out an audit of the internal financial controls over financialreporting of ABC Company Limited (the ‘Company’) as at March 31, 20X1 [balance sheet date]in conjunction with our audit of the standalone and consolidated financial statements of theCompany for the year ended on that date.

I am / We are pleased to confirm my / our acceptance and my / our understanding of the audit engagement by means of this letter. My / Our audits will be conducted with the objective of expressing our opinion under Section 143(3)(i) of the Companies Act, 2013 (“2013 Act”) on the adequacy of the internal financial controls system over financial reporting and the operating effectiveness of such controls as at March 31, 20X1 based on the internal control *criteria* established by you.

**Audit of internal financial controls over financial reporting**

I / We will conduct our audit of the internal financial controls over financial reporting in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (“the Guidance Note”) and the Standards on Auditing 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, to the extent applicable to an audit of internal financial controls over financial reporting. These Guidance Note and Standards require that I / we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness as at the balance sheet date.

An audit of internal financial controls over financial reporting involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness.

The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

**Inherent limitations in an audit of internal financial controls over financial reporting**

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. 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.

**Management’s responsibility**

My / Our audit will be conducted on the basis that [management and, where appropriate, those charged with governance] acknowledge and understand that they have responsibility:

(a) For establishing and maintaining adequate and effective internal financial controls based on [state criteria ] [for example, “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, as required under the Act.

(b) To provide me / us with:

(i) Access, at all times, to all information, including the books, account, vouchers and other records and documentation, of the Company, whether kept at the head office of the company or elsewhere, of which [management] is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;

(ii) All information, such as records and documentation, and other matters that are relevant to my / our assessment of internal financial controls;

(iii) Management’s evaluation and assessment of the adequacy and effectiveness of the company's internal financial controls, based on the control criteria [mention the control criteria] and all deficiencies, significant deficiencies and material weaknesses in the design or operations of internal financial controls identified as part of management’s evaluation.

(iv) Additional information that I / we may request from [management] for the purpose of the audit.

(v) Unrestricted access to persons within the entity from whom I / we determine it necessary to obtain audit evidence. This includes my / our entitlement to require from the officers of the Company such information and explanations as I / we may think necessary for the performance of my / our duties as auditor.

(vi) Any communications from regulatory agencies concerning non-compliance with or deficiencies in financial reporting practices.

(vii) Management’s conclusion over the company's internal financial controls based on the control criteria set above as at the balance sheet date [insert date].

(viii) Informing me / us of significant changes in the design or operation of the Company’s internal financial controls that occurred during or subsequent to the date being reported on, including proposed changes being considered.

(ix) Providing me / us with the component auditors’ report under section 143(3)(i) in the case of components that are companies covered under the Companies Act for the purposes of our reporting in the case of the consolidated financial statements of the Company.

(c) As part of my / our audit process, I / we will request from [management and, where appropriate, those charged with governance], written confirmation concerning representations made to me / us in connection with the audit.

I / We also wish to invite your attention to the fact that my / our audit process is subject to 'peer review' / ‘quality review’ under the Chartered Accountants Act, 1949 to be conducted by an Independent reviewer. The reviewer may inspect, examine or take abstract of my / our working papers during the course of the peer review.

**Reporting**

My / Our audit report will be issued pursuant to the requirements of Section 143(3)(i) of the Act. The form and content of my / our report may need to be amended in the light of my / our audit findings.

Our opinion on the adequacy and operating effectiveness of internal financial controls over financial reporting in the case of the consolidated financial statements of the Company, in so far as it relates to subsidiary companies, jointly controlled companies and associate companies incorporated in India, will be based solely on the reports of the auditors of such companies.

[Insert any other information, such as fee arrangements, billings and other specific terms, as appropriate.]

[Any other relevant information]

This letter should be read in conjunction with my / our letter dated \_\_\_ for the audit of the standalone and consolidated financial statements of the Company under the Act.

I / We look forward to full cooperation from your staff during my / our audits.

Please sign and return the attached copy of this letter to indicate your acknowledgement of, and agreement with, the arrangements for my / our audit of the internal financial controls over financial reporting including our respective responsibilities.

(Signature)

XYZ & Co.

Chartered Accountants

Place:

Date:

Acknowledged on behalf of ABC Company Limited by

……………………..

(Signature)

Name and Designation

Date: