

[Date]

[Name of Management/Board of Directors]

[Company Name]

[Company Address]

Subject: Management Letter Observation - Absence of Formal Related Party Agreements

Dear [Name],

In connection with our recent audit/review of [Company Name] for the period ended [Date], we identified certain matters involving the internal control structure and operations that deserve your attention.

Observation:

During our procedures, we noted that the Company engages in recurring transactions with related parties, specifically [list entities or individuals]. However, there are currently no formal written agreements or contracts in place to document the terms, conditions, and pricing of these arrangements.

Risk/Impact:

The absence of formal agreements increases the risk of disputes regarding roles, responsibilities, and financial obligations. Furthermore, it complicates the assessment of whether transactions are conducted at arm's length, which may lead to regulatory non-compliance or financial misstatements.

Recommendation:

We recommend that management formalize all related party relationships through written contracts. These agreements should clearly outline:

- The nature of services or goods provided;
- Payment terms and pricing structures;
- Duration of the agreement and termination clauses;
- Governance oversight and approval processes.

Management Response:

[Insert Management's planned action and timeline here]

We are available to discuss this matter further at your convenience.

Sincerely,

[Your Name/Firm Name]

[Title]