

**Date:** [Insert Date]

**To:** Board of Directors / Management of [Company Name]

**Subject:** Management Letter - Inaccurate Valuation of Related Party Transactions

During our audit of the financial statements for the period ended [Date], we identified significant deficiencies regarding the valuation of related party transactions.

**Observation:**

We noted that several transactions between [Company Name] and its affiliates were recorded at values that do not appear to reflect fair market value or "arm's length" terms. Specifically, [Insert Specific Transaction Details]. Documentation supporting the methodology used to determine these prices was either missing or insufficient.

**Risk:**

Inaccurate valuation of related party transactions can lead to material misstatements in the financial statements, potential tax liabilities, and non-compliance with accounting standards (such as IFRS or GAAP). This also increases the risk of asset misappropriation or earnings manipulation.

**Recommendation:**

We recommend that management implements the following:

- Establish a formal policy requiring independent appraisals or market benchmarks for all significant related party transactions.
- Maintain a centralized register of all related party agreements.
- Ensure that the Audit Committee reviews and approves the pricing methodology for these transactions annually.

**Management Response:**

[Insert Management's Response and Action Plan]

Sincerely,

[Your Name/Firm Name]

[Title]