Framework for Effective Communication Between Statutory Auditors and Those Charged with Governance (TCWG)

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1. Preamble

The National Financial Reporting Authority (NFRA), vide its Circular dated January 07, 2026, has emphasized the need to strengthen effective, timely, transparent, and meaningful communication between Statutory Auditors and Those Charged with Governance (TCWG), including the Audit Committee, in line with the Companies Act, 2013, Standards on Auditing (SAs), and applicable SEBI regulations.

In order to institutionalise and operationalise the principles set out in the said Circular, the Company has formulated this Framework for Effective Communication Between Statutory Auditors and TCWG ("Framework"). This Framework shall serve as a guiding document for the Board of Directors, Audit Committee, management, and Statutory Auditors of the Company.

2. Objectives of the Framework

The objectives of this Framework are to:

- To ensure continuous, documented, and proactive two-way communication between the company's Statutory Auditors, Management, and Those Charged with Governance (TCWG)/Audit Committee.
- To ensure structured, transparent, and continuous communication between Statutory Auditors and TCWG.
- To ensure TCWG to effectively discharge its oversight responsibilities relating to financial reporting, audit quality, internal controls, and auditor independence.
- To promote compliance with the Companies Act, 2013, Standards on Auditing, SEBI (LODR) Regulations, and NFRA expectations.
- To enhance audit quality, professional scepticism, and governance standards.
- To reduce information asymmetry between auditors, management, and TCWG.

3. Scope and Applicability

This Framework shall apply to:

- The Board of Directors of the Company;
- The Audit Committee of the Board;
- Statutory Auditors (including joint auditors, where applicable);
- Management personnel involved in financial reporting, internal control, and audit coordination.

The Framework shall cover communications relating to:

- Statutory audit of standalone and consolidated financial statements;
- Limited review of quarterly / half-yearly / yearly financial results;
- Matters arising under applicable Standards on Auditing;
- Matters of governance, internal control, risk management, fraud, and compliance.

4. Those Charged with Governance (TCWG)

Those Charged with Governance (TCWG) as per the paragraph 10 (a) of SA 260 of the said circular are the one who are with the responsibility for overseeing the strategic direction of the company and obligations relating to the accountability of the company.

4.1 Who can be identified as TCWG:

For the purpose of identification of TCWG, the first step towards having an effective two-way communication is to know whom to address the communication to. While auditors are known to the auditee, it is imperative for the purposes of having an effective dialogue to know who are the ones falling under TCWG. As per SA 260 revised, TCWG is defined to mean and contain the following elements:

- The person(s) with the responsibility;
- For overseeing the strategic direction of the entity and obligations related to the accountability of the entity;
- Overseeing of the financial reporting process;
- May include management personnel, for example, executive members of a governance board of a private or public sector entity, or an owner-manager.

4.2 Constitution of TCWG:

For the purposes of this Framework and in accordance with the Companies Act, 2013 and the applicable Standards on Auditing:

- Board of Directors: Pursuant to the provisions of the Companies Act, 2013; the Board of Directors of the Company, collectively, shall be recognised as TCWG since the Board of Directors is overall responsible for the governance of the Company;
- Audit Committee: The Audit Committee, constituted by the Board in terms of Section 177 of the Companies Act, 2013 ("the Act") and Regulation 18 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI LODR Regulations") acting as the Primary Committee of the Board responsible for discharging audit-related oversight functions and facilitating structured communication between the Statutory Auditors and the Board;
- Sub-group of the Board: TCWG could also be a sub-group of the Board, which could be the Audit Committee and some of the Board members as may be identified from time to time.
- In such a case (where a sub-group has been determined to be TCWG) the Standard requires that the Auditor determines if there is a further need for communicating with the full Board. In any case, it is necessary for the Auditor to determine TCWG at the start of the Audit.

4.3. Appropriate form of communication between auditors and TCWG:

The Company shall use the following form of communication for effective two-way communication:

1. Written communication between auditors and TCWG shall form part of audit work papers and part of the agenda and minutes of the Board or AC meeting held subsequently.
2. For oral communication to be documented it shall include date, time, details of persons involved.
3. Written communication between auditors and TCWG shall form part of audit work papers and part of the agenda and minutes of the Board or AC meeting held subsequently.
4. Presentations in bullet form alone, or communication by emails with a caveat of 'no comments from the other party is construed as acceptance', is unacceptable as it does not meet the objective of the SAs.
5. Communication shall also contain the views/suggestions of TCWG on the subject matter raised by the Auditors and vice versa.
6. Remarks or comments from TCWG or vice versa should be given on the subject matter raised.

4.4. Specific matters to be communicated under SA 265:

This Standard on Auditing ("SA") deals with the Auditor's communication about the deficiencies in internal controls identified during the audit, with both TCWG and Management. These need to be communicated in writing and in a timely manner. The Auditor has to determine whether the control deficiencies identified are significant, individually or in combination, and the communication of such deficiencies must explain their potential effects. Moreover, significant deficiencies in internal control need to be communicated in writing and in a timely manner.

5. Timely communication with TCWG/ACs:

5.1. Principles of Effective Communication

Communication between Statutory Auditors and TCWG shall be guided by the following principles:

- Timeliness – Information shall be communicated sufficiently in advance to enable informed deliberations.
- Clarity and Completeness – Communications shall be clear, unambiguous, and supported by relevant facts and analysis.
- Two-way Dialogue – TCWG shall actively engage with auditors through questions, discussions, and feedback.
- Independence and Objectivity – Auditors shall communicate freely and independently without undue management influence.
- Confidentiality – Sensitive matters shall be handled with due confidentiality.

5.2. Matters to be Communicated by Statutory Auditors

In accordance with applicable Standards on Auditing (including SA 260, SA 265, SA 240, SA 570, SA 700 series, etc.), the Statutory Auditors shall communicate, inter alia, the following matters to TCWG:

5.3. Meetings with Auditors:

1. Auditors and TCWG shall meet in person or virtually at least twice a year: -
    - once before the commencement of the audit; and
    - well in advance before the approval of financial statements by TCWG

2. Where Auditors request a meeting with TCWG:

    - TCWG shall precede or
    - Communicate the reasons in writing for declining the request in the cases:
        - especially in cases where they have reason to believe the existence of fraud or
        - where they have observed significant weaknesses in the internal controls or differences of views/opinions with those of the management in respect of significant accounting estimates, etc. if any.

    In such situations, Auditors shall request a meeting with TCWG in writing, and TCWG shall either accede to the request or, in writing, communicate the reasons for declining it. Further recommendations for improvement and management responses to be communicated effectively.

5.4. Modes of Communication

- Audit Committee meetings;
- Board meetings (where required);
- Separate meetings of Audit Committee with Statutory Auditors without management presence
- Written communications, presentations, and management letters.

5.5. Frequency

- Mandatorily prior to the commencement of each financial year, at the audit planning stage, to discuss the overall audit strategy, scope, and key risk areas;
- Mandatorily prior to the approval of the standalone and consolidated financial statements of the relevant financial year, as the concluding stage of the audit and before issuance of the statutory audit reports;
- Quarterly and/or half-yearly, in connection with limited review of financial results, where considered necessary;
- During the course of the audit, as and when significant matters, issues, or developments arise requiring discussion or escalation.

6. Agenda and matters to be communicated with TCWG:

While the SAs, and provisions of CA 2013 and Rules thereof have a comprehensive and detailed list of matters to be discussed with and communicated between the Auditors and TCWG, the following matters shall invariably form part of the agenda matters for interactions between Auditors and TCWG.

a) Overall audit strategy and audit planning including quantification of Materiality and its effect on nature and extent of audit work;
b) Auditors' assessment of risk of material misstatement (ROMM);
c) Internal Control Environment in particular to prevent frauds involving management, employees, or third parties and non-compliance with critical laws and regulations; areas of significant accounting policy judgment and management estimations;
d) Significant risks identified and planned audit responses;
e) Ares requiring involvement of experts, internal auditors, or component auditors either by the Management or the Auditors
f) Significant audit adjustments, whether recorded or unrecorded;
g) Disagreements with management, if any;
h) Significant difficulties encountered during the audit.
i) Materiality thresholds and changes thereto; and
j) Accounting or other areas of concerns requiring special attention by the Auditors.
k) Assessment of the Company's ability to continue as a going concern;
l) Emphasis of matter, key audit matters, or other matter paragraphs proposed to be included in the audit report.
m) Expectations regarding audit quality, timelines, and reporting;
n) Information on strategic decisions, restructuring, acquisitions, or other significant events;
o) Known or suspected frauds and whistle-blower complaints;
p) Changes in risk assessment, internal controls, or governance practices;
q) Feedback on auditor performance.

7. Auditor Independence and Ethics

Auditor's compliance with Independence and Code of Ethics regarding all the relationships and other matters such as business relationships, non-audit services, if any, between the Firm, Network Firms and the Auditee Company and other specified entities that may have an impact on Independence; and safeguards applied to eliminate or reduce threats to independence.

Written confirmation of compliance with independence requirements shall be provided wherever necessary.

The details of non-audit services rendered and related safeguards shall be communicated effectively by the Auditors to TCWQG.

8. Documentation and Reporting

- All significant communications between Statutory Auditors and TCWG shall be appropriately documented.
- Minutes of Audit Committee and Board meetings shall record key audit-related discussions and decisions.
- Written communications received from auditors shall be placed before the Audit Committee and, where required, before the Board.

9. Role of Management

Management shall:

- Facilitate open and transparent communication between auditors and TCWG;
- Provide timely access to information, records, and personnel;
- Respond to audit observations and recommendations in a timely manner;
- Implement corrective actions as approved by TCWG.

10. Review and Amendment

This Framework shall be:

- Placed before the Audit Committee for review and recommendation;
- Approved by the Board of Directors of the Company;
- Reviewed periodically and amended as required to align with changes in law, regulations, or NFRA guidance.

11. Effective Date

This Framework shall come into force with effect from January 07, 2026, being the date of issuance of the NFRA Circular, or such other date as may be approved by the Board of Directors.