



COMPETENT AUTOMOBILES COMPANY LIMITED

**POLICY FRAMEWORK FOR TWO-WAY
COMMUNICATION**

BETWEEN STATUTORY AUDITORS

AND

THOSE CHARGED WITH GOVERNANCE (TCWG)

1. BACKGROUND

To foster a transparent, ongoing dialogue that enhances audit quality, ensures timely identification of risks, and satisfies the requirements of SA 260 (Revised) and SA 265, effective compliance requires a structured, continuous and documented exchange of information between the Statutory Auditors and Those Charged With Governance (TCWG).

Pursuant to the Circular No. NF-25013/3/2025–NFRA dated 7th January, 2026 issued by the National Financial Reporting Authority, emphasis has been laid on strengthening communication between Statutory Auditors and TCWG, including Audit Committees, in alignment with the provisions of the Companies Act, 2013 and the Standards on Auditing.

Further, the Board of Directors of Competent Automobiles Co. Ltd. in its 4th meeting of FY 2025-26 held on 30th May, 2026, directed formulation of a structured framework to institutionalise such communication.

Accordingly, this Policy framework is being issued to enable the Auditors and TCWG to develop a clear and contextual understanding of audit-related matters and to establish a constructive and effective working relationship, while maintaining the auditor's independence and objectivity.

2. OBJECTIVE AND PURPOSE

The objective of this Policy is to establish a structured, continuous and documented two-way communication mechanism between Auditors and TCWG to:

- Ensure effective two-way communication
- Strengthen audit quality and governance oversight
- Facilitate timely identification and resolution of risks and issues
- Ensure compliance with statutory and regulatory requirements
- Maintain a complete and auditable communication trail

3. IDENTIFICATION OF NODAL PERSONS

Paragraph 10(a) of SA 260 (Revised) defines *Those Charged with Governance (TCWG)* as the persons or entities entrusted with the responsibility of overseeing the strategic direction of the Company and fulfilling obligations relating to its accountability. In terms of the provisions of the Companies Act, 2013, the Board of Directors bears the overall responsibility for the governance of the Company and, accordingly, qualifies to be regarded as TCWG. However, considering that the Audit Committee is entrusted with oversight of the audit process, financial reporting framework, and related disclosures, the Audit Committee may, for the purposes of communication under SA 260 (Revised), be designated as TCWG.

To ensure transparent, timely, and meaningful exchange of information regarding audit strategy, significant risks, and audit findings, following nodal persons are designated:

Name and details of Members of the Board and Audit Engagement Team (AET)

A. TCWG Nodal Persons (Governance Level)

- Chairman & Managing Director, or
- Chairman, Audit Committee

B. Management Nodal Persons (Facilitation Role)

- Chief Financial Officer
 - Company Secretary
- (Management nodal persons shall facilitate coordination and documentation)*

C. Auditor Side (Audit Engagement Team - AET)

- Engagement Partner (Primary)
- Audit Manager / Senior Team Member (Secondary)

4. EXPECTATIONS OF THE AUDITORS FROM THE BOARD

TCWG will communicate to the Auditors on the matters that will be relevant to audit but not limited to –

- Strategic decisions that may significantly affect the nature, timing and extent of audit procedures,
- The suspicion or the detection of fraud, and concerns with the integrity or competence of senior management,
- Significant communications, if any, with Regulators,
- Its views, awareness and actions regarding Internal Controls including Internal Audit Function,
- Its awareness and actions in relation to developments in the financial reporting framework, corporate governance practices and other regulatory matters.

This shall be without prejudice to the professional scepticism required of the Auditors under applicable auditing standards.

5. SUMMARY OF KEY STANDARDS REQUIRING COMMUNICATION

The following Standards on Auditing prescribe communication requirements with TCWG. The list, hereunder, is not a substitute or limited to for considering the requirements and related application and other explanatory material in SAs.

- SQC 1- Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements – paragraph 42(a).
- SA 240- Auditor's responsibilities relating to fraud in an audit of Financial Statements – paragraphs 21, 38(c)(i) and 40-42.
- SA 250- Consideration of Laws and Regulations in an Audit of Financial Statements – paragraphs 14, 19 and 22–24.
- SA 265- Communicating deficiencies in Internal Control to Those Charged with Governance and Management – paragraph 9.
- SA 299 (Revised)- Joint Audit of Financial Statements paragraphs 10, 12, 21.
- SA 450- Evaluation of Misstatements identified during the Audit – paragraphs 12-13.
- SA 505- External Confirmations – paragraph 9.
- SA 510- Initial Audit Engagements—Opening Balances – paragraph 7.
- SA 550- Related Parties – paragraph 27.
- SA 560- Subsequent Events— paragraphs 7(b)-(c), 10(a), 13(b), 14(a) and 17.

- SA 570 (Revised)- Going Concern – paragraph 25.
- SA 580- Written Representations - Paragraphs 15 to 16 and A24.
- SA 610 (Revised)- Using the work of Internal Auditors – paragraphs 20 and 31.
- SA 701- Communicating Key Audit Matters in the Independent Auditor’s Report – paragraph 17.
- SA 705 (Revised)- Modifications to the opinion in the Independent Auditor’s Report paragraphs 12, 14, 23 and 30.
- SA 706 (Revised)- Emphasis of matter Paragraphs and Other Matter Paragraphs in the Independent Auditor’s Report – paragraph 12.
- SA 710- Comparative Information—Corresponding figures and comparative Financial Statements - paragraph 18.
- SA 720(Revised)- Auditor’s responsibilities relating to other information– paragraphs 17–19.

6. POLICY AND PROCESS FOR UPDATION AND ESCALATION

6.1 Regular Communication and Agenda Matters

While the Standards on Auditing and the provisions of the Companies Act, 2013 and Rules made thereunder prescribe a comprehensive list of matters to be communicated between the Auditors and TCWG, the following matters shall invariably form part of the agenda for interactions and periodic updates:

(a) Audit Strategy and Planning

- Overall audit strategy and audit plan, including quantification of materiality and its impact on the nature, timing and extent of audit procedures;
- Auditor’s assessment of Risk of Material Misstatement (ROMM);
- Evaluation of the internal control environment, particularly with respect to prevention and detection of fraud and non-compliance with critical laws and regulations;
- Areas involving significant accounting policies, judgments and management estimates;
- Areas requiring involvement of experts (by Management or Auditors);
- Any accounting or other matters requiring special audit focus.

(b) Status of Audit Work and Significant Findings

- Significant difficulties encountered during the audit, including non-availability or delay in information,
- Significant transactions/events where Management faced challenges in determining appropriate accounting treatment, along with the Auditor’s evaluation of such treatment,
- Identification of material weaknesses in internal financial controls, including implications on reporting on adequacy and operating effectiveness of such controls,
- Discussions with Management on critical accounting estimates, including those involving significant assumptions or forecasts, such as:
 - Valuation and impairment of assets
 - Going concern assessment
 - Expected credit loss (ECL) estimates

(c) Auditor Independence and Ethical Compliance

- Auditor's compliance with independence requirements and Code of Ethics
- Disclosure of relationships, including:
 - Business relationships
 - Non-audit services, if any
 - Relationships involving network firms or related entities
- Evaluation of potential threats to independence and safeguards applied to mitigate such threats

7. Policy and Process for Documenting and Communicating the Views / Instructions / Actions of TCWG

The following matters, as communicated by the Statutory Auditors, shall mandatorily be documented along with TCWG responses:

- Planned scope and timing of the audit,
- Auditor's assessment of Risk of Material Misstatement (ROMM) due to fraud or error,
- Auditor's evaluation of the Internal Financial Control (IFC) system,
- Significant audit findings and observations,
- Key audit matters and critical accounting judgments,
- Internal control deficiencies,
- Issues relating to fraud, suspected fraud or non-compliance with laws and regulations.
- All discussions between Auditors and TCWG shall be formally recorded in minutes of meetings.
- The minutes shall clearly capture matters presented by the Auditors, Queries and observations of TCWG members, Management explanations, where relevant and TCWG's views, conclusions and directions.
- All instructions and action points arising from TCWG deliberations shall be recorded in an Action Taken Report (ATR).

8. FREQUENCY AND AGENDA OF MEETINGS

Regular two-way communication between the Auditors and TCWG/its sub-groups/nodal persons throughout the audit period is key to achieving the objectives of SA 260 (Revised) and SA 265. Timely and regular communications will help both parties to initiate and implement appropriate actions, rather than being faced with a *fait accompli*.

Minimum Meetings in a year

- Pre-Audit Meeting (March / early April)
- Post-Audit Meeting (May, prior to approval of financial statements)

Pre-Audit Agenda

- The planned scope and timing of the audit (SA 260 (Revised), Paragraph 15); and
- The expectations of two-way communication, including typically expected agenda items.

Post-Audit Agenda

- Audit findings and observations,
- Unresolved issues,
- Management responses,
- Audit opinion and qualifications (if any)

Additional Meetings

There may be circumstances that necessitate discussions between the Auditors and the Those Charged with Governance (TCWG). Such circumstances may include, inter alia, situations where the Auditors encounter significant difficulties in obtaining sufficient appropriate audit evidence, have reason to suspect the existence of potential fraud, identify significant deficiencies or weaknesses in internal controls, or have material differences of opinion with Management regarding significant accounting estimates or other financial reporting matters.

In such cases, the Auditors may request a meeting with the TCWG in writing. Upon receipt of such request, the TCWG shall either agree to the meeting or communicate, in writing, the reasons for declining the request.s

9. FORM AND ACKNOWLEDGEMENT OF COMMUNICATION

- All significant communications shall be in writing and oral communications shall be formally documented,
- Communications shall be clear, specific and complete and formally acknowledged by both parties.

Modes include Minutes of meetings, written reports and/or letters or formal correspondence.

10. REVIEW AND AMENDMENT

This Policy shall be reviewed periodically by the Audit Committee and may be amended by the Board of Directors from time to time to align with changes in applicable laws, regulations, auditing standards, and governance practices.

[This Policy framework for Two-way communication between Statutory Auditors and TCWG is effective from 30th May, 2026]