

## Auditor's Engagement Framework

India Grid Trust (IGT) and group entities have appointed statutory auditors as per provisions of Securities Exchange Board of India (Infrastructure Investment Trusts) Regulations, 2014 (the "InvIT Regulations") and the Companies Act, 2013 (the "Act"). At times the statutory auditors may be requested to support various engagements. It is important that the independent role of statutory auditor in reporting to stakeholders is not compromised, but it is equally important that IGT and group entities are not deprived of valuable expertise where it is needed.

The Audit Committee keeps under review the independence, performance, experience, qualification of the statutory auditor and the effectiveness of the audit process. On occasions, the nature of non-audit services may make it more timely and cost-effective to select statutory auditors, who already have a good understanding of IGT and group entities. Where non audit services are performed by statutory auditors, both IGT and statutory auditors ensure robust processes to prevent auditor objectivity and independence from being compromised. The statutory auditors are also subject to professional standards which safeguard the integrity of the auditing role performed on behalf of stakeholders.

The several conditions to be fulfilled pertaining to the independence of Statutory Auditors are laid down in the following:

- a) Section 141 of the Act pertaining to eligibility, qualifications and disqualifications of Auditors.
- b) Section 144 of the Act, which lists the non-audit services that an Auditor is prohibited from providing.
- c) Sub-section (2) of Section 2 of the Chartered Accountants Act, 1949 (the "CA Act"), which defines the kind of activities undertaken by a member of the Institute that will result in his being deemed to be in practice. Special note needs to be taken of clause (iv) of Sub-section (2) of Section 2 of the CA Act which empowers the Council of the Institute to specify what services (other than accountancy, auditing, etc.) can be rendered by a Chartered Accountant in practice.
- d) Regulation 190A of the Chartered Accountants Regulation, 1988 lays down that a Chartered Accountant in practice shall not engage in any business or occupation other than the profession of accountancy except with the permission granted in accordance with a resolution of the Council.
- e) Standard on Quality Control (SQC) 1 which provides that the SQC is to be read in conjunction with the requirements of the CA Act, the Code of Ethics, and other relevant pronouncements of the Institute of Chartered Accountants of India ("ICAI") (such as the Guidance Note on Independence of Auditors). It is to be noted that the SQC 1 forms part of the Standards on Auditing (SA) and hence has the force of law in terms of Section 143(10) of the Act. SA 200 (Overall Objectives of the Independent Auditor) also requires that the Auditor comply with relevant ethical requirements, including those pertaining to independence, relating to financial statement audit engagements. This requirement also encompasses the need to comply with the Code of Ethics of the ICAI, and SQC 1.